

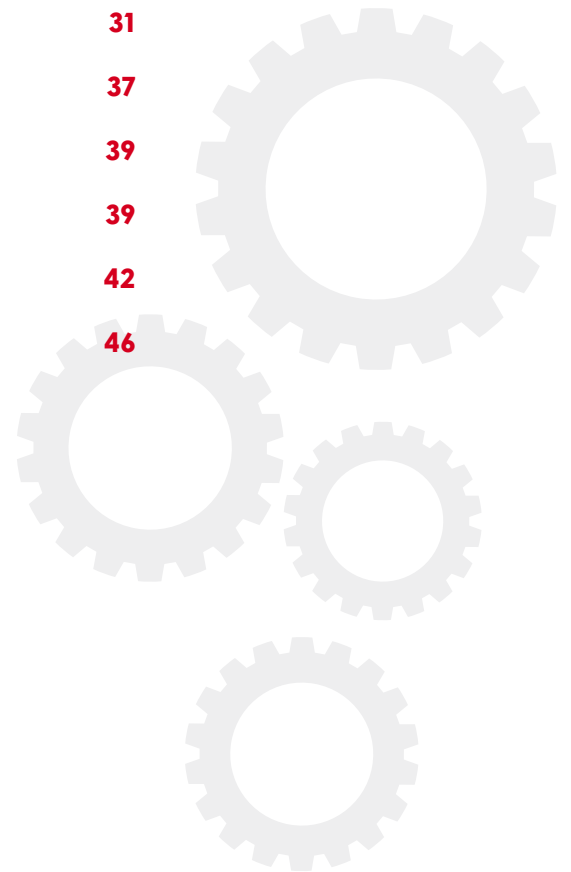


CORPORATE RESPONSIBILITY REPORT

2024

CONTENT

| | |
|--|-----------|
| SUSTAINABILITY AT HGEARS | 3 |
| GENERAL INFORMATION – ESRS 2 | 5 |
| CLIMATE CHANGE – ESRS E1 | 21 |
| ENVIRONMENTAL POLLUTION – ESRS E2 | 25 |
| WATER AND MARINE RESOURCES – ESRS E3 | 27 |
| BIODIVERSITY AND ECOSYSTEMS – ESRS E4 | 28 |
| RESOURCE UTILIZATION AND CIRCULAR ECONOMY – ESRS E5 | 30 |
| OWN STAFF – ESRS S1 | 31 |
| WORKFORCE IN THE VALUE CHAIN – ESRS S2 | 37 |
| COMMUNITIES CONCERNED – ESRS S3 | 39 |
| CONSUMERS AND END USERS – ESRS S4 | 39 |
| CORPORATE GOVERNANCE – ESRS G1 | 42 |
| EU TAXONOMY | 46 |



SUSTAINABILITY AT HGEARS

The combined non-financial Group statement of hGears for the 2024 financial year was prepared in accordance with the disclosures required by Sections 315b and 315c in conjunction with Sections 289b to e of the German Commercial Code (HGB) and Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (EU Taxonomy Regulation). The non-financial Group statement contains the information required under the CSR Directive Implementation Act on material environmental, employee and social matters, respect for human rights and combating corruption and bribery. Reporting on other material topics is based on their materiality for hGears.

In addition, this report has been prepared in close compliance with the European Union's Corporate Sustainability Reporting Directive (CSRD), even though this directive had not yet been transposed into German law at the time of reporting. hGears is thus anticipating a reporting obligation that will in all likelihood apply from the 2025 reporting year and which is based on the requirements of the European Sustainability Reporting Standards (ESRS) presented below in order to offer the highest possible level of transparency in connection with all material sustainability issues for the 2024 reporting year.

Due to the wide range of sustainability measures in the hGears Group, the corresponding results are not reported in full, but only selected. In accordance with Section 315b (1) sentence 3 HGB, reference is also made to non-financial information on individual aspects elsewhere in this report. The combined non-financial Group statement also reports material risks in accordance with Section 289c (3) Nos. 3 and 4 HGB, insofar as the disclosures are necessary for an understanding of the course of business, the business results, the position of the Group and the companies and the impact of their activities on the non-financial indicators.

This non-financial Group statement was reviewed by the Supervisory Board for legality, correctness and appropriateness in accordance with Section 171 (1) sentence 4 of the German Stock Corporation Act (AktG). In accordance with Section 317 (2) sentence 4 HGB, it was submitted to the auditor, but its content was not reviewed.

Performance and management indicators

In accordance with Section 289c (3) No. 5 HGB, there are no non-financial performance indicators that are of material importance for the business activities of the hGears Group. The hGears Group is currently managed primarily using financial key figures and performance indicators. There is no direct correlation between the amounts reported in the consolidated financial statements of Dermapharm SE pursuant to § 289c (3) no. 6 HGB and the five non-financial aspects pursuant to § 289c (2) nos. 1 to 5 HGB.

Recording area

The Corporate Responsibility Report does not cover the upstream and downstream value chain as a matter of principle, but selectively where sufficient data is available; this is indicated at the relevant points. The sources and quality of the data, particularly on the value chain, are noted at the relevant points, unless this is obvious. Temporary omissions are indicated at the points of thematic affiliation.

As part of the materiality analysis, no sustainability topics or aspects were identified as material that involved confidential information; therefore, no corresponding omissions had to be made in this sustainability report-Corporate Responsibility Report.

The scope of reporting covers all (3) companies of the hGears Group (Section 15 AktG), i. e. all companies listed in the "Consolidation" section of the notes to the consolidated financial statements.

hGears has not made any significant changes to the system compared to previous sustainability statements, meaning that comparability with previous publications remains comparable. Furthermore, no errors in previous reporting periods had to be corrected in the Corporate Responsibility Report 2024.

Berichtsstandard

hGears is committed to transparency towards its stakeholders and reports on all sustainability-relevant aspects of the business and the corporate environment. In doing so, hGears bases its reporting on the criteria

of the Global Reporting Initiative (GRI). However, in anticipation of the future European Corporate Sustainability Reporting Directive (CSRD), hGears has already incorporated elements of this directive into the non-financial Group statement for 2024. The hGears Corporate Responsibility Report describes all activities and developments in the 2024 financial year.

| Non-financial aspect | HGB | Key fields of action | Chapter |
|----------------------------------|------------------------|--|---------|
| Environmental concerns | Section 289c (2) no. 1 | Energy consumption | E1 |
| | | Greenhouse gas emissions | E1 |
| | | Water utilization | E3 |
| | | Waste | E1 |
| Employee interests | Section 289c (2) no. 2 | Working conditions | S1 |
| Social issues | Section 289c (2) no. 3 | Working conditions in the value chain | S2 |
| | | Information and security for customers and end users | S2 |
| Respect for human rights | Section 289c (2) no. 4 | Not formally a material area of activity for hGears within the meaning of the CSR Directive Implementation Act | |
| Combating corruption and bribery | Section 289c (2) no. 5 | Corporate culture | G1 |
| | | Whistleblower protection | G1 |
| | | Supplier management | G1 |
| | | Corruption and bribery / compliance | G1 |

Materiality

The combined non-financial Group statement is based on the principle of materiality when selecting and weighting the topics. To determine the material topics, hGears carried out a double materiality analysis for the first time in 2024. The established management systems for quality and the environment, their inherent fields of action and the measures derived from them are used as a basis.

Four perspectives are relevant for the assessment of topics in terms of their significance for the Company (materiality). The answers to these questions provide information on the significance and therefore materiality of the

- **Degree of impact:** How much impact does hGears' (business) activity have on the environment and stakeholders with regard to the respective topic?
- **Risk:** How great is the expected value (possible amount of damage, probability of occurrence) of an existing risk with regard to the respective topic?
- **Opportunity:** How great is the benefit (profit potential, probability of occurrence) of an existing business opportunity with regard to the respective topic?
- **Business relevance ("Financial"):** What is the current or future financial impact of the respective topic from the market and/or stakeholders on the business development of hGears?

In 2024, hGears identified and prioritized the material topics relevant to the Company by means of structured workshops and queries to the specialist departments. The results of the analysis were then translated into material topics and finally validated by the Company's Sustainability Committee. Internal contacts from various departments and external contacts from five stakeholder groups (suppliers, employees, customers, end users, investors) were selected for the materiality analysis.

Specific circumstances

Due to hGears' special product portfolio - high-precision gearboxes, transmission components and complex system solutions with a focus on e-mobility and e-drive applications - there are no specific circumstances that need to be taken into account when preparing the Corporate Responsibility Report.

Note: For reasons of better readability, we have largely avoided the simultaneous use of masculine and feminine forms of language in this report, but persons of both male and female genders are always meant.

GENERAL INFORMATION – ESRS 2

BP-1 General principles for the preparation of the sustainability declaration

The Corporate Responsibility Report of hGears describes all activities and developments in the respective financial year and includes the same Group companies (scope of consolidation) as the financial statements of the. *[BP-1 (5a)]*

The Corporate Responsibility Report does not cover the upstream and downstream value chain in general or comprehensively, but selectively if sufficient data is available; this is indicated at the relevant points. The sources and quality of the data on the value chain are noted at the relevant points. Any temporary omissions are indicated at the points of thematic affiliation. *[BP-1 (5c)]*

As part of the materiality analysis, no sustainability areas and aspects were identified as material with regard to which confidential information is relevant; in this respect, no corresponding omissions had to be made in this Corporate Responsibility Report. *[BP-1 (5d)]*

BP-2 Disclosures in connection with special circumstances

In the Corporate Responsibility Report, hGears has made the determination for periods in accordance with the definition of ESRS 1. *[BP-2 (9a)]* No disclosures are made in the Corporate Responsibility Report that are based on estimated data from indirect sources. *[BP-2 (10a)]*

hGears does not disclose quantitative information that is subject to a high degree of measurement uncertainty. *[BP-2 (11a)]* The Company does not disclose data and information with a high degree of measurement uncertainty. *[BP-2 (11b i)]*

With this Corporate Responsibility Report, hGears has not made any significant changes to the reporting system or content compared to previous sustainability statements that go beyond the CSRD-related requirements. As a result, comparability with previous publications is ensured. *[BP-2 (13a)]* No possible errors in previous reporting periods had to be corrected in the Corporate Responsibility Report 2024. *[BP-2 (14a)]*

hGears has reviewed all standards in terms of their materiality for the Company – regardless of optional exclusions due to the average number of employees of less than 750 in the reporting year. **Standards E4** (Biodiversity and Ecosystems) and **S3** (Affected Communities) were identified as "not material". *[BP-2 (17)]*

Material sustainability topics [BP-2 (17a)]

| Standard | Subject area | Meaning |
|---------------------------------|--|--------------|
| E1 Climate change | Customization | not material |
| | Prevention | essential |
| | Energy | essential |
| E2 Pollution | Floor | not material |
| | Air | not material |
| | Water | not material |
| | Pollution Organisms/Food | not material |
| | Release of hazardous substances | not material |
| | Release of particularly hazardous substances | not material |
| | Release of microplastics | not material |
| E3 Water/sea | Water utilization | essential |
| | Regional water withdrawal | essential |
| | Wastewater discharge | not material |
| | Discharge of wastewater into the sea | not material |
| | Pressure on marine biodiversity | not material |
| E4 Biodiversity on land | Flora/Fauna | not material |
| E5 Circular economy | Material requirements | essential |
| | Material delivery | essential |
| | Waste | essential |
| S1 Workforce | Working conditions | essential |
| | Equal treatment/equal opportunities | not material |
| | Other labour rights | not material |
| S2 External workforce | Working conditions | essential |
| | Equal treatment/equal opportunities | not material |
| | Other labour rights | essential |
| S3 Communities concerned | Socio-cultural rights | not material |
| | Civil rights/political rights | not material |
| | Rights of indigenous peoples | not material |
| S4 Customers/consumers | Information | essential |
| | Security | essential |
| | Social inclusion | not material |
| G1 Business conduct | Corporate culture | essential |
| | Whistleblower protection | essential |
| | Animal welfare | not material |
| | Political engagement/lobbying | not material |
| | Supplier management | essential |
| | Corruption and bribery | essential |

Double materiality

| Sustainability aspect <i>European Sustainability Reporting Standards (ESRS)</i> | Materiality* Impact | Materiality* Financial |
|--|------------------------|---------------------------|
| Environment | | |
| E1 Effects of climate change | moderate | low |
| E1 Energy (energy consumption, energy intensity) | Substantial | Substantial |
| E1 Greenhouse gases (emission, intensity) | Substantial | Substantial |
| E2 Pollution | low | low |
| E3 Water resources | Substantial | moderate |
| E3 Marine resources | low | low |
| E4 Biodiversity and ecosystems | low | low |
| E5 Resource utilization and circular economy | | |
| Material volume | Substantial | Substantial |
| Waste generation | Substantial | Substantial |
| Recycling rate | Very high | Substantial |
| Social issues/society | | |
| S1 Working conditions own workforce | Substantial | Substantial |
| S1 Equal treatment / equal opportunities own workforce | moderate | moderate |
| S1 Other labour rights own employees | moderate | moderate |
| S2 Working conditions of external workforces | Substantial | low |
| S2 Equal treatment / equal opportunities external workforce | moderate | low |
| S2 Other employment rights of external employees | Substantial | low |
| S3 Communities concerned | low | low |
| S4 Customers and end users: Information | Substantial | Substantial |
| S4 Customers and end users: Security | Substantial | Substantial |
| S4 Customers and end users: social inclusion | moderate | low |
| Corporate management | | |
| G1 Corporate culture | Very high | Very high |
| G1 Whistleblower protection | Substantial | Substantial |
| G1 Animal welfare | low | low |
| G1 Political engagement/lobbying | low | low |
| G1 Supplier management | Substantial | Substantial |
| G1 Corruption and bribery | Very high | Very high |
| Data protection/information technology (IT) security | moderate | moderate |

* "low" and "moderate" = not material, "substantial" and "very high" = material

As part of the materiality analysis, hGears has determined that neither the business model nor the business objectives nor the corporate strategy are the specific cause of ESG impacts and ESG risks. Impacts and risks are the result of fundamental entrepreneurial activity. Therefore, the model and strategy only need to be marginally adjusted to improve sustainability performance. [BP-2 (17a)]

Sustainability goals of hGears [BP-2 (17b)]

| ESRS area | Target values |
|-----------|--|
| ESRS 2 | <ul style="list-style-type: none"> • Bonus: hGears intends to make the granting of bonus payments from the 2025 financial year dependent on the achievement of company-wide targets for sustainability performance and to introduce a corresponding formal regulation (for the Management Board and some managers of the second management level). |
| | <ul style="list-style-type: none"> • Sustainable investments: hGears intends to formulate an investment guideline by the end of 2025 that incorporates sustainable criteria into the decision-making process for the purchase of assets and companies/company departments. |
| E1 | <ul style="list-style-type: none"> • Procurement of renewable energy: hGears intends to increase the proportion of electricity purchased from renewable sources (market- and location-based) to 100% of total electricity procurement for EU plants by the end of 2025 at the latest |
| | <ul style="list-style-type: none"> • Climate neutrality: hGears aims to be climate neutral in all business areas (from Scope 1 to Scope 3) by 2050. The majority of the reduction in greenhouse gas emissions is to be achieved through savings and the remainder through offsetting projects. |
| | <ul style="list-style-type: none"> • Energy efficiency: hGears intends to determine all production volumes and total energy consumption at the three sites by the end of 2025 in order to derive potential for improving energy efficiency. |
| | <ul style="list-style-type: none"> • Energy management: hGears intends to introduce efficient environmental and energy management systems at all locations by the end of 2025. |
| E5 | <ul style="list-style-type: none"> • Recycling: By 2040, hGears aims to have at least 98% of the materials generated as waste reprocessed/recycled by external parties. |
| | <ul style="list-style-type: none"> • Recyclable products: hGears intends to permanently offer products that are fully and comparatively easily recyclable in terms of material composition and composition. |
| S1 | <ul style="list-style-type: none"> • Training and development: hGears intends to provide all employees with at least a certain number of hours of training in work and personal skills every year. The schedule for the average training hours per full-time equivalent is as follows: 16 hours in 2025 and a similar number of hours in the following years. |
| | <ul style="list-style-type: none"> • Workplace safety: hGears intends to permanently reduce the accident rate and its severity in the company to zero. To achieve this, the planned roadmap for LTAR (Lost Time Accident Rate, the number of work accidents with at least one lost day in relation to one million working hours) and LWDR (Lost Workday Rate, lost days due to work accidents in relation to one million working hours) provides for (LTAR/LWDR): 3.5/50 in 2025, 3.1/40 in 2026, 2.8/35 in 2027 and 2.5/30 in 2028. |
| | <ul style="list-style-type: none"> • Employee health: hGears intends to reduce the working hours lost due to sick days to a maximum of regular scheduled working hours. The planned roadmap for TOT (total hours lost due to illness in relation to working hours) is as follows: 5.0% in 2025 and 4.5% in 2026. |
| S2 | <ul style="list-style-type: none"> • Safety certification: hGears intends to have the Suzhou and Schramberg sites certified in accordance with ISO 45.001 (occupational health and safety management) by the end of 2024 at the latest – as is already the case in Padua. |
| | <ul style="list-style-type: none"> • Employee turnover: hGears intends to significantly reduce employee turnover. The schedule for the number of voluntary redundancies (excluding temporary staff) in relation to the annual average number of full-time positions (excluding temporary staff) is: 8.5% in 2025 and 8.0% in 2026. |
| G1 | <ul style="list-style-type: none"> • Sustainable procurement: hGears intends to formulate a purchasing guideline for the sustainable procurement of products and materials in the course of 2025. |
| | <ul style="list-style-type: none"> • ESG rating: hGears intends to undergo an externally commissioned sustainability review by 2026. |

hGears has defined targets for a number of (primarily material) sustainability aspects and described the corresponding strategy and implementation measures. [BP-2 (17c)]

Depending on the sustainability aspect, hGears initiates different measures. For example, to mitigate climate change, **(1)** photovoltaic measures are planned at the sites and **(2)** more green steel is to be purchased step by step in consultation with or at the request of customers. To improve energy efficiency, **(1)** modern equipment/machinery will be purchased or replaced, **(2)** leaks/losses in the generation and use of compressed air will be avoided, **(3)** the internal temperature of buildings will be reduced and **(4)** energy meters will be installed to monitor the effectiveness of energy efficiency measures. To improve the circular economy, **(5)** oils used for cooling or to improve processing in production processes are separated, collected separately and sent for recycling via specialized service companies. Metal shavings are **(6)** recycled by melting them down. **(7)** Damaged wooden pallets are not disposed of and shredded, but sent for reprocessing. [BP-2 (17d)]

GOV-1 Role of the administrative, management and supervisory bodies

hGears is a stock corporation under German law and is subject to the provisions of the German Stock Corporation Act, on the basis of which the German Corporate Governance Code was developed. A fundamental principle of German stock corporation law is the dual management system with the Management Board and Supervisory Board as executive bodies. Under this system, the Management Board manages the Company, while the Supervisory Board advises and monitors the Management Board. Simultaneous membership of both bodies is not permitted.

The Management Board manages the Company on its own responsibility and in the interests of the Company with the aim of creating sustainable value. This includes taking into account the interests of shareholders, employees and other groups associated with the Company (stakeholders). The members of the Management Board are jointly responsible for the management of the Company. The Management Board conducts business in accordance with the statutory provisions, the Articles of Association, the rules of procedure and the schedule of responsibilities.

At the end of the 2024 financial year, the Management Board consisted of two members with the following allocation of responsibilities (the Management Board members are jointly responsible for Business Development and Human Resources) [GOV-1 (21a/21c)]:

- **Sven Arend, Chief Executive Officer (CEO):** Sales, Production, Engineering (English: Sales, Operations, Engineering). Sven Arend was born in 1967. He graduated in Economics from the University of Wales College Cardiff in the United Kingdom. In 1991 he started his career at ThyssenKrupp as a trainee, reached various management positions in Germany and worldwide and finally was a member of the Executive Board in CSO positions (2003 to 2009). He then moved to Berco SpA, Italy, where he was CSO (2009 – 2013) and CEO (2014 – 2017). From 2018 to 2022, he was CEO of the Brink Group in the Netherlands. On 1 February 2023, Sven Arend joined hGears AG as Chief Executive Officer (CEO).
- **Daniel Basok, Chief Financial Officer (CFO):** Finance & Controlling, Human Resources, Purchasing, ICT, Investor Relations, Risk & Compliance. Daniel Basok was born in 1982. After studying economics and accounting at the University of Haifa, Israel, Mr. Basok obtained his professional qualification as a certified public accountant CPA at the Ministry of Justice in Jerusalem, Israel. Mr. Basok started his professional career in 2007 at Schwartz, Lerner, Duvshani & Co. in Israel, where he worked as a Senior Assurance Manager. From 2010 to 2012, Mr. Basok worked as Finance Director at Zohar Dalia Cooperative Agricultural Association Ltd. in Israel. In 2013, Mr. Basok moved to Germany, where he worked as a Corporate Accountant at NDT Global GmbH & Co. In September 2016, Mr. Basok joined hGears Holding GmbH, first as Head of Accounting and later as Group Finance Director. In June 2020, Mr. Basok became Chief Financial Officer of hGears.

The Management Board of hGears is made up of 100 % male members, the Supervisory Board is made up of 80 % male members and 20 % female members. [GOV-1 (21d)] The Supervisory Board consists exclusively of "independent" members. [GOV-1 (21e)]

hGears has a Group Head of Risk & Compliance who monitors and evaluates the potential impact of risks and opportunities and reports to the Management Board and, if necessary, to the Supervisory Board. [GOV-1 (22a/22b)] The Group Head of Risk & Compliance is also responsible for governance issues in the

Company's ESG Committee and reports to the Management Board in this function. The latter in turn manages and oversees governance issues. In addition, hGears has established a whistleblower tool that is accessible to all employees. [GOV-1 (22c)] Implementation measures and progress in achieving targets are monitored by the Management Board. [GOV-1 (22d)]

hGears has brought in qualified consultants for ESG issues to ensure the appropriate skills and necessary expertise for monitoring all relevant and material sustainability issues. In addition, the newly implemented Head of ESG generally has sustainability-related expertise. [GOV-1 (23)] The Management Board of hGears AG generally has sustainability-related expertise. In the case of a high level of detail or special sustainability topics, the Management Board uses external expertise. [GOV-1 (23a)]

Professional competencies [GOV-1 (23b)]

| | Sven Arend | Daniel Basok |
|---------------------------------------|------------|--------------|
| Corporate management and control | ✓ | |
| International experience | ✓ | ✓ |
| IT / Digitalization | | ✓ |
| Sustainability | ✓ | ✓ |
| Transformation | ✓ | ✓ |
| Purchasing / Production / Sales / R&D | ✓ | |
| Finance and capital market | | ✓ |
| Risk management | | ✓ |
| Legal / Compliance | ✓ | ✓ |
| Personnel | ✓ | ✓ |
| Business field/sector knowledge | ✓ | ✓ |

GOV-2 Information and sustainability aspects addressed by governance bodies

In November 2023, hGears established a high-level ESG Committee (Environmental, Social, Governance), which coordinates and decides on all key sustainability activities and measures within the Company. At the time of publication of this report, the committee comprised six members who advise and support the Chief Executive Officer (CEO) in the implementation of all activities relating to the achievement of sustainability targets, environmental protection, good corporate governance and social responsibility. The members of the ESG Committee at the time of publication of this report were [GOV-2 (26a)]:

- **Sven Arend**, Chief Executive Officer (CEO), Chairman
- **Daniel Basok**, Chief Financial Officer (CFO), Deputy Chairman
- **Christian Weiz**, Head of Investor Relations & ESG
- **Isabell Hipp**, Group Human Resources Director
- **Frank Elsebrock**, Group Risk & Compliance Manager
- **Alice de Conti**, EHS Manager Environment

The CEO and CFO are responsible for the successful implementation of hGears' sustainability strategy. The Supervisory Board assesses the Company's sustainability motives and monitors the implementation of the corresponding measures. The Management Board is informed promptly, regularly and comprehensively by the Head of ESG and the members of the ESG Committee about current developments in the Company's sustainability performance. The ESG Committee develops ESG-related strategies and sets corresponding targets. The ESG Committee provides information on a regular basis and, in important cases, on an ad hoc basis. This concerns both actual sustainability impacts on the environment and the Company as well as potential impacts (opportunities and risks). Major sustainability measures at hGears are supported by project

teams that report on progress to the Chairman of the ESG Committee and thus indirectly to the Management Board and Supervisory Board. The Management Board also reports to the Supervisory Board on ESG issues and projects at the regular Supervisory Board meetings. [GOV-2 (26b)]

GOV-3 Inclusion of sustainability-related performance in incentive systems

In 2024, hGears established a remuneration system that incorporates sustainability targets and had it confirmed by the Annual General Meeting. For example, 25% of the short-term variable remuneration (STI bonus) of the members of the Management Board depends on the achievement of ESG KPIs. The underlying KPIs relate to energy consumption, recycling rate, lost time accident rate (LTAR), sickness rate and training hours. Details of the remuneration reports can be found at the following link <https://ir.hgears.com/wp-content/uploads/hGears-Remuneration-Report-2024-EN-gepruft.pdf> [GOV-3 (29)]

GOV-4 Declaration on due diligence

As part of the materiality analysis, which is also carried out several times a year in selected areas, hGears identifies all actual and potential negative impacts on the environment that are significant ("material"). These negative impacts include both impacts associated with the Company's own business activities (production) and impacts triggered by the Company in the upstream and downstream value chain (purchase of goods and product use). In the event of such actual and potential impacts, hGears takes immediate action to mitigate, remedy or completely eliminate them. As part of these processes, hGears is guided by the United Nations Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. [GOV-4 (30/32)]

GOV-5 Risk management and internal controls over sustainability reporting

hGears maintains a company-wide risk management system (RMS) based on the eight elements of IDW PS 340 as amended. Overall responsibility for the RMS lies with the Management Board, which reviews it once a year for its appropriateness and effectiveness and reports to the responsible bodies. [GOV-5 (36a)]

The roles, responsibilities and tasks in the risk management framework (RFS) are described in detail and regulated uniformly throughout the Group. A clear separation between Group-wide management and operational implementation ensures that the RFS is effectively implemented in all areas of the Company.

hGears has defined the following roles in risk management:

- **Supervisory Board:** Monitoring the effectiveness of the RFS and monitoring risk reporting (Section 107 AktG).
- **Management Board/CFO:** Overall responsibility for the RFS, in particular with regard to appropriateness and effectiveness (Section 92 (3) AktG); strategic management and reporting to the Supervisory Board.
- **Group Head of Risk & Compliance:** Central management of the RFS, specification of methodology, training, risk aggregation and reporting.
- **Risk owner (Group & company level):** Identification, assessment and management of operational risks within the respective areas of responsibility.
- **Risk Manager (Group & company level):** Implementing the RFS, supporting risk owners, performing analysis and reporting.

hGears' risk management system is based on the company-wide risk policy, which is based on ten principles. These principles stipulate that risks and opportunities are understood as potential deviations from the budget – positive as an opportunity, negative as a risk. hGears has stipulated that risks are only recorded from a potential net total loss (residual total loss) of more than EUR 250,000 (non-recourse limit). Opportunity management is not part of the RMS.

The hGears risk management system distinguishes between four overarching risk areas:

- **Strategy**
- **Operations**
- **Finance**
- **Compliance**

Sustainability risks are primarily assigned to the area of compliance. However, the risk owners are also obliged to identify potential risks beyond these defined risk areas that arise from new challenges or changes in the business environment. This ensures a dynamic and adaptable risk assessment.

hGears uses a top-down and bottom-up approach to identify and manage risks [GOV-5 (36b)]:

- Central risk owners manage strategic and overarching risks at **Group level (top-down)**.
- At **company level (bottom-up)**, risk owners identify operational risks within their areas of responsibility.

Regular cross-departmental risk dialogues enable coordinated and uniform implementation of the RMS. Risk identification is integrated into the monthly risk review meetings, in which current and newly identified risks are assessed and discussed. In addition, risk aggregation is carried out at least three times a year to ensure a systematic analysis of the risk situation.

Identified risks are assessed on the basis of their probability of occurrence and their potential impact on the net assets, financial position and results of operations. In doing so, hGears uses a standardized methodology that includes both qualitative (expert estimates, risk dialogues) and quantitative methods (Monte Carlo simulations, scenario analyses). Each risk is assessed in terms of its gross loss (inherent risk) and net loss (residual risk).

Important risks and their mitigation measures [GOV-5 (36c)]

| Risks | Mitigation measures |
|--|--|
| Legislators adopt new regulations on greenhouse gas emissions, which could make energy use significantly more expensive. | Increased use of emission-free energy, in particular through our own generation plants. Improving energy efficiency. |
| The demand for fresh water is so high that there is a water shortage in the vicinity of the sites and/or the company does not have enough water available. | Modified manufacturing processes that use less water or use substitutes for water. |
| (Intermediate) suppliers of hGears have not labeled their products sufficiently, only later does the product prove to be critical. | A more comprehensive analysis of the upstream value chain leads to more knowledge about suppliers' production conditions and the material composition of the preliminary products. |
| Rising complaint rates affect the reputation of the hGears brand and lead to falling demand from customers and rising costs for reworking. | Optimizing processes and increasing employee motivation as well as more professional employee training reduce complaints. |

The risk owners' current assessment for the 2024 financial year shows that potential environmental and sustainability risks are below the non-recognition threshold of EUR 250,000. These risks are therefore not part of the risk inventory and are not subject to a separate reporting obligation.

SBM-1 Concept, business model and value chain

hGears divides its business into three business areas. The e-Bike business area focuses on the manufacture of high-precision, function-critical components (e. g. crankshafts and gears) for the production of electric drives for e-bikes and micromobility solutions. The business area offers both development services and development cooperations and uses its simulation capabilities, among other things, to support customers in reducing weight, noise and vibrations.

The [e]-Mobility business area supplies the automotive industry with high-precision and function-critical parts and systems for electric vehicles, hybrid vehicles and vehicles with combustion engines in the premium, sports and luxury segments as well as powersports vehicles. Engineers support the development and co-development process and help to optimize noise development, vibrations and the service life of the systems. hGears meets the highest quality standards and has all the necessary certifications, which is increasingly proving to be a competitive advantage. [SBM-1 (40a i)]

The e-Tools business area primarily manufactures components for driving power tools and garden equipment. This includes the production of high-precision components that are used in the part of the gearbox that provides the connection between the electric motor and the actual tool (e.g. cutting and trimming tools). The business area also manufactures gearboxes for various industrial applications, such as roller shutters and systems for heating, ventilation and air conditioning.

hGears develops (or cooperates in the development), manufactures and supplies high-precision components and subsystems as well as complex complete system solutions. The products include gears, shafts, sprockets, structural components, complete transmissions and other function-critical components that are used primarily in combustion-free electric or battery-powered applications (e-drives), for example in the areas of e-bikes, electric and hybrid vehicles (EHV) and electric and gardening equipment. The function-critical components are essential parts for the proper functioning of the end product and must meet high quality requirements. [SBM-1 (40a ii)]

Within the supply chain, hGears operates as either a Tier 1 or Tier 2 supplier. As a Tier 1 supplier, hGears manufactures and supplies its products directly to original equipment manufacturers ("OEMs"), primarily in the power tool and garden equipment industries. As a Tier 2 supplier, hGears produces components for manufacturers who in turn develop systems for integration into end products (e. g. for e-bikes and EHV). Many of hGears' customers are market leaders in their respective industries, and the Company benefits from these long-standing, stable and sustainable customer relationships. For example, hGears has been serving many of its key customers for over 15 years.

The turnover of hGears falls predominantly in ESRS sector "Manufacturing and processing: metal processing" with the code "MMP". [SBM-1 (40b)] hGears has an impact on the ESRS sectors "Manufacturing and processing: motor vehicles" with the code "MMV" and "Manufacturing and processing: machinery and equipment" with the code "MME" and "Manufacturing and processing: electronics and electrical equipment" with the code "MEL". [SBM-1 (40c)]

hGears intends to permanently offer products that are completely and comparatively easily recyclable in terms of material composition and properties. This goal has already almost been achieved. Improvements may be achieved with standardized alloys. hGears intends to have at least 98% of the materials generated as waste in production reprocessed/recycled by external parties by 2040. Currently, hGears achieves recycling rates of around 90%. [SBM-1 (40e)]

hGears has already achieved a high degree of target attainment with regard to the product/production-related targets – energy efficiency and emissions intensity along the value chain as well as the circular economy. Conditions and characteristics that contribute significantly to this are (1) the increasing purchase of emission-free energy, (2) a significant contribution to sustainable e-mobility, (3) the durability of the products, (4) the unrestricted suitability of the materials used for the circular economy through complete recyclability, (5) the reparability of machine components through the interchangeability of individual parts and (6) the close development cooperation with customers for the continuous, also sustainable improvement of the products. [SBM-1 (40f)]

hGears' sustainability strategy is an integral part of the corporate strategy. Against this background, several elements influence sustainability performance; these are continuously and sustainably expanded. [SBM-1 (40g)]

The Company history of hGears dates back to 1958. hGears therefore has more than 65 years of experience and unique knowledge in both machining metal processing and sintering technology – each at the cutting edge of technology. [SBM-1 (42)]

With its three production sites in Schramberg (Germany), Padua (Italy) and Suzhou (China), hGears is one of the few companies that can offer customers worldwide both metalworking processes (machining and sintering technology). hGears is expanding its position in the fast-growing global e-mobility business by offering its customers targeted and flexible development services, even in very specialized and complex design topics. Thanks to these services, customers can design more sustainable products, launch their products on the market faster or expand their product range. The business approach supports hGears' profitable organic growth.

hGears procures the necessary metals, primarily in the form of steel bars, blanks for the machining process and steel powder for the sintering process. The storage of steel bars to relax the material can be part of the value-added process. The metals are then processed in various highly technical machining or sintering processes and finally made available to customers. The production process is usually accompanied by engineering services, which represent a separate value added.

The primary products/raw materials required by hGears are mainly steel alloys and metal powder for the sintering process as well as oils/lubricants for the production process. hGears procures these goods from numerous manufacturers/suppliers, meaning that there is no significant procurement risk. In the past, hGears has not experienced any supply bottlenecks that affected production. [SBM-1 (42a)]

The primary products and raw materials used by hGears include high-quality metals and alloys that are specially tailored to the requirements of precision manufacturing. These materials ensure the durability, efficiency and performance of the manufactured components. [SBM-1 (42b)]

- **For customers:** Our products help to increase the performance, reliability and service life of our customers' end products, particularly in the fields of [e]-mobility, industrial applications and e-bikes.
- **For investors:** The strategic focus on innovative technologies and sustainable production processes positions hGears as a reliable partner in growing future markets, which promises stable long-term returns.
- **For other stakeholders:** hGears supports the global energy transition by manufacturing components for climate-friendly drives and systems, which has a positive impact on the environment and society.

Suppliers (upstream value chain) are direct metal manufacturers or metal traders, who in turn purchase the material from metal manufacturers or other wholesalers. The central focus here is on ensuring material availability while at the same time optimizing costs. Manufacturers of cars, automotive suppliers, manufacturers of e-bike motors and manufacturers of electrical hand and DIY tools represent the main part of the downstream value chain. hGears acts as a tier 2 and in some cases tier 1 supplier and occupies a key position in the value chain. Thanks to its core competencies in the production of complex precision components and assemblies, hGears enables its customers to develop innovative, sustainable solutions. [SBM-1 (42c)]

SBM-2 Stakeholders' interests and positions

hGears maintains frequent, regular and event-driven communication with important stakeholder groups in order to provide them with all the information they need and to obtain criticism, requests and suggestions from them, which are taken into account in product development and business processes. [SBM-2 (45a)]

Key stakeholders [SBM-2 (45a i)]:

- Extensive employee dialog: Informing the workforce by means of regular "town hall meetings", staff and works meetings, internal information magazine (hG Connect) for all employees, management dialog between Management Board members and managers, lunches between Management Board members and employees, internal communication of news and updates, including via the intranet.
- Dialog with customers, employees, investors, suppliers, city (Schramberg), residents, insurance companies.
- Exchange of information between all departments of hGears: Active internal communication between all internal departments (management, department heads, employees) in regular official meetings as well as in situational and informal meetings.

- Regular exchange between the specially established Investor Relations Manager and private and institutional investors/analysts who hold or value shares or are interested in buying them (exchange between Investor Relations and the Management Board as part of webcasts on the quarterly report, roadshows, conferences, individual investor meetings).
- Exchange with other companies in corresponding associations.

Categories of stakeholders involved [SBM-2 (45a ii)]:

Comprehensive circle of hGears stakeholders

Suppliers (manufacturers and service providers) • Employees/works council • Customers • Investors (shareholders and lenders) • Representatives of cities and municipalities • Residents living near production sites • Trade unions • Legislators • Regulatory authorities • Federal Office of Economics and Export Control (Bafa) • Employers' liability insurance associations • Insurance companies

Relevant stakeholders of hGears and communication

Investors (shareholders and lenders): Exchange on investors' return and risk expectations Discussion of financing conditions. The exchange with investors takes place both regularly and continuously and often in individual video conferences or in webcasts and investor conferences. The content of the discussions is recorded in writing in a CRM system.

Cities and municipalities/residents around production sites: Exchange with municipal representatives on regulatory requirements (environmental protection measures) as a result of the direct impact of business activities. Municipal requirements are implemented appropriately as required. There is no direct and regular exchange with the immediate neighbors, especially as these are mostly other industrial companies. However, hGears has installed an automated external defibrillator at the Schramberg site for the immediate treatment of heart diseases/infarctions in the outdoor area of the plant, accessible to all neighbors. Discussion rounds are held as part of the cooperation with business associations such as Confindustria Veneto-Est (association representing manufacturing and service companies) or with the Schwarzwald-Baar-Heuberg Chamber of Industry and Commerce.

Customers: The hGears sales team is in regular contact with the employees of customer companies. Employees from the development department meet with customers at trade fairs and industry events to discuss current needs and wishes for future product generations, among other things. The Management Board of hGears meets with the management (executives) of customer companies several times a year: A comprehensive formalized customer satisfaction survey has not yet been conducted.

Employees/works council: At regular company meetings ("town hall meetings"), the hGears Management Board informs the workforce about current developments in the Company and in the respective markets, and employees can ask questions or make comments. Members of the hGears Management Board regularly meet with employees at the sites to exchange views over lunch. The management of hGears (executives) regularly conducts personal employee appraisals with so-called 360° reviews. The management of hGears holds regular discussions with works council representatives. To date, hGears has only conducted formal and comprehensive employee surveys at the Suzhou site.

Suppliers: hGears' purchasing department is in regular contact with the suppliers' employees. Occasion-related discussions also take place with logistics companies, for example if certain transport routes/routes are to be excluded.

Insurance: hGears is in contact with insurance companies to compare risk assessments and discuss changes in insurance premiums.

hGears maintains a regular dialog with the interest groups in order to find out their wishes and expectations with regard to the company hGears and its products. At the same time, hGears can inform the stakeholders about current company developments and product innovations. [SBM-2 (45a iv)]

hGears products are developed with a strong customer focus, which is why an intensive exchange with customers is important. With regard to other stakeholders, hGears tries to achieve a balance of interests. [SBM-2 (45a v)]

Customers expect innovative, precise and sustainable solutions that meet their requirements in terms of efficiency, quality and performance. In the [e]-mobility sector in particular, they are looking for long-term partnerships that offer flexibility and technological expertise. hGears' strategy of focusing on growth markets such as [e]-mobility and e-bikes, as well as its ability to co-develop new products, reflect these needs. [SBM-2 (45b)]

Investors value the Company's long-term prospects, sustainability and competitiveness. They expect a clear growth strategy that focuses on future markets and a sustainable business orientation. hGears' commitment to sustainable processes and technologies and its leading position in growth sectors such as [e]-mobility underline its strategic potential.

Employees attach great importance to an innovative, future-proof working environment that promotes personal development, safety and sustainability. With initiatives for further training, attractive working conditions and a focus on diversity and inclusion, hGears takes these aspects into account.

Suppliers expect a reliable and cooperative partnership based on transparency, fairness and long-term planning. hGears' strategy of maintaining close relationships with high-quality suppliers supports the stability of the value chain.

The public and NGOs are increasingly demanding responsibility from companies in terms of environmental and social standards. Through hGears' focus on sustainable production and support for the energy transition – for example by providing components for environmentally friendly mobility solutions – the Company is directly addressing these expectations.

hGears' business model and strategy are based on actively integrating the needs of all stakeholders into decision-making processes in order to create long-term, mutual benefits.

To determine the key topics, hGears regularly analyzes the experiences and findings of employees in day-to-day business, the results of exchanges with other stakeholders (interest groups) and current market developments, particularly in the metalworking industry, the automotive industry and electrical appliance manufacturing. In addition, analyses of competitors and other comparable companies ("**best practice**") are also taken into account. [SBM-2 (45d)]

With this in mind, hGears engages with various stakeholder groups in order to identify specific trends and developments in society and in the Company's business areas/segments and to take these into account when shaping our corporate responsibility.

As a rule, employees, managers or members of the Management Board are the discussion partners in these stakeholder dialogs on the part of hGears. In addition, the hGears ESG Committee informs the Management Board of important developments and events. Content that leads or could lead to significant changes in business practices and processes is also presented to the Supervisory Board for information.

SBM-3 Impact, risks, opportunities and interaction with concept/business model

hGears has identified a number of material aspects with regard to the ESRS topics and the associated sustainability aspects. The majority of the impacts were identified in the context of our own business activities. Energy and climate aspects, possible adverse effects on water quality and working conditions are relevant in the upstream value chain. hGears will carry out detailed investigations these areas over the course of 2025. In the downstream value chain, pollution of wastewater by consumers who introduce active substances into the wastewater via natural excretions that cannot yet be fully extracted by wastewater treatment plants is currently relevant.

Material effects resulting from the materiality test [SBM-3 (48a)]:

- **Energy requirements (E1-5):** The energy requirements of hGears also mean the consumption of substantial quantities of fossil raw materials. Depending on market price developments, substantial amounts of money must be spent in this context. As CO₂ levies increase, so do the costs for this levy.

- **Climate change (E1-6):** The manufacture of hGears' products causes significant amounts of GHG emissions. These GHG emissions are mainly caused by the generation of heat (hardening), the generation of electricity and the operation of the vehicle fleet.
- **Circular economy (E5):** hGears products are fundamentally fully recyclable. Over 90% of production waste can be recycled. Continuously improving the products in this respect (simple removal of hGears products from aggregates, secondary recycling and/or reprocessing) are therefore key sustainability aspects for hGears.
- **Own employees (S1):** The drop in customer demand in 2023 and 2024 also had an impact on hGears' workforce, which decreased accordingly in the period mentioned. When the economy picks up again, hGears does not expect any difficulties in recruiting qualified staff due to the significant change in the labour market.
- **Customers and end users (S4):** Demand for hGears products is dependent on macroeconomic developments on the one hand, and on the development of end user preferences and the development of consumer end markets on the other.
- **Corporate governance (G1):** An identity-creating, meaningful and appreciative sustainability policy is a high priority for hGears. A corporate culture that explicitly includes sustainability aspects generally leads to greater motivation among employees and a high degree of resilience thanks to comprehensive compliance management and an effective risk management system.

The current impacts, risks and opportunities at hGears do not conflict with the business model, corporate objectives and business strategy. In this scenario, impacts, risks and opportunities sometimes lead to changes in measures in order to harmonize business activities and stakeholder interests. [SBM-3 (48b)]

- **Energy requirements (E1-5):** Energy prices, especially for fossil fuels, can fluctuate significantly and, in the worst case, have a negative impact on hGears' financial result. However, the Company is at least partially hedged by pass-through clauses.
- **Climate change (E1-6):** Government levies on the emission of greenhouse gases may continue to rise (sharply) and, in the worst case, have a negative impact on hGears' business results. Opportunities exist above all in the purchase and own production of renewable energies without emitting greenhouse gases.
- **Circular economy (E5):** The willingness and efforts of end users or the contribution of customers to improving the circular economy may diminish, so that products from hGears cannot play out their qualities in this regard.
- **Own employees (S1):** hGears has had to respond to the recent decline in demand from customers by adjusting capacity accordingly. Intensive employee support has always been a priority and changes in employment relationships have always been accompanied by measures to support employees. Employees are a key stakeholder group at hGears. Motivation and performance are key factors for the successful business development of hGears. Organizational precautions have therefore been taken to take suggestions, requests and criticism from employees into account when making company decisions. At the same time, hGears strives to continuously improve the working conditions of its employees.
- **Customers and end users (S4):** The current trend in demand does not yet indicate a need to make any noticeable changes to the business model. hGears is working on intensifying and optimizing co-development processes in order to further increase customer benefits.
- **Corporate governance (G1):** hGears works continuously to improve its corporate/sustainability culture in order to set itself apart from the competition (positive working environment, employee satisfaction and retention). Recruitment of qualified employees is made easier and productivity increases. A strong culture that emphasizes values such as collaboration and innovation leads to better team spirit and more creative solutions. It also strengthens the employer brand, which positions the Company as an attractive employer and ultimately increases business success.

The effects identified by hGears are not typical of the Company's business model or a consequence of its strategy, but are in the vast majority the result of general entrepreneurial activity and developments on the sales markets. [SBM-3 (48c ii)] (Negative) impacts at hGears occur in the short or medium term and can be remedied with economically justifiable effort. [SBM-3 (48c iii)]

Sustainability risks and sustainability impacts have not yet had any effect on hGears' corporate finances. Nor have any adjustments had to be made to assets due to corresponding environmental or social developments. This is also not expected in the course of the next reporting period. [SBM-3 (48d)]

hGears has not yet identified any impact or risks that cannot be managed by the Company. No impact, no risk has been identified as a threat to the Company's existence, opportunities can be exploited at any time. SBM-3 (48f) hGears has not identified any impacts or risks and opportunities that are not covered by the ESRS and the mandatory disclosures. [SBM-3 (48h)]

IRO-1 Procedure for the identification/assessment of impacts, risks and opportunities

hGears has used the "double materiality assessment" (environment and corporate finance) to determine the key sustainability aspects in terms of impacts, risks and opportunities. In this context, hGears first looked for actual and potential positive and negative impacts on the environment and on the Company that are triggered by its own business operations. [IRO-1 (53a)]

hGears then looked for such impacts on the upstream and downstream value chain that are triggered by the activities of suppliers and customers. In doing so, hGears comprehensively discussed all topics and subtopics listed in ESRS 1 AR 16 as well as possible additional society-specific sustainability topics. The latter also include those topics that arise from the intensive dialog with stakeholders.

With this in mind, hGears subjected all direct and indirect business processes to a double materiality analysis over the course of 2024. The results of this analysis are used not least to evaluate and align the Company's own company-wide sustainability management.

The **"impact perspective"** (impact directed from the inside outwards) defines an aspect of sustainability as classifiable if:

- The aspect is associated with actual or potential impacts on the environment that are qualitatively and/or quantitatively identifiable.
- The aspect can be determined in terms of time, such as short, medium or long term.
- The aspect has either direct or indirect effects.

The **"financial perspective"** (effect directed from the outside inwards) defines a sustainability aspect as classifiable if:

- The aspect is associated with actual or potential effects on the Company that have an effect on assets, cash flows or financing conditions or the Company's creditworthiness and position on the financial and capital markets.
- The aspect can be determined in terms of time, such as short, medium or long term.
- The aspect is not already included in the financial reporting for the respective reporting periods and is part of business risk management.

hGears assesses actual impacts and potential impacts (opportunities and risks) according to their strength, extent and irreversibility (ESRS 1 Appendix A, AR 10a-c). This results in the severity of an impact, both positive and negative. With regard to opportunities and risks, probabilities of occurrence are determined on the one hand, and possible profit/loss amounts (risks) or profit potential (opportunities) on the other. Both indicators determine the expected value.

Examples of such opportunities and risks include energy costs, the availability of certain (renewable) resources, the availability of labour, access to markets, reputation as a result of a critical/non-critical value chain or the level of compliance.

According to this system – in accordance with ESRS 1 Appendix A, AR 9a-c – hGears has examined numerous sustainability aspects (according to ESRS, specifically identified by the stakeholders) for impacts, which are then categorized into "impact" and "financial" as well as upstream value chain, own business operations and

downstream value chain (step 1). hGears then examined the nature of the actual and potential impacts and their determinability/measurability (step 2). Subsequently, hGears determined the severity of the impact of aspects – strength, extent, irreversibility – or the expected value of possible impacts of aspects – probability of occurrence, profit/loss amounts (step 3).

Criteria for determining material topics result from:

- Current and previous materiality analyses.
- Sector and industry reference values (manufacturing industry or metalworking industry)
- Reference values of competitors ("peer group").
- Industry initiatives.
- Capital market requirements (ESG ratings, credit ratings).
- Other reporting standards (GRI, SASB, etc.).
- Stakeholder involvement.

hGears has defined tasks and responsibilities for the materiality analysis and sustainability reporting process. In addition to the Management Board, the Sustainability/ESG, Compliance/Risk Management, Energy Management, Health & Safety (EHS), Purchasing/Supply Chain Management, Human Resources and Finance departments are also involved.

Instruments and sources for identifying (potential) impacts, risks and opportunities IRO by the specialist departments and on the basis of analyses already carried out:

- Current and previously conducted materiality analyses.
- Analysis of environmental aspects (ISO 14.001).
- Risk analysis of the supply chain (Lieferkettensorgfaltspflichtengesetz, LkSG).
- Risk/compliance management from hGears.

Those events and developments that have a potential impact on hGears' business model were further evaluated and described in detail. The identification and assessment process was carried out through collaboration with topic managers at hGears, consideration of the interests of relevant stakeholders, industry-specific information and external studies. [IRO-1 (53b)]

Throughout the process, negative impacts were prioritized over positive impacts. This comprehensive analysis was used to identify relevant impacts, risks and opportunities (IROs) along the value chain. Identified IROs were then assessed using the ESRS 1 scales under the aspects of double materiality.

For financial materiality, risks and opportunities were identified that result from dependencies on natural and social resources along the entire value chain and could potentially or actually trigger financial effects. The process was carried out by taking into account risks from existing risk management, among other things. The short, medium and long-term time horizons defined in ESRS 1 6.4 were used for reporting purposes.

hGears has not identified any activities, business relationships or regions that are associated with an increased risk in the sense that they require special measures and procedures that go beyond the Company's normal management. [IRO-1 (53b i)]

In the course of a materiality analysis involving the Sustainability/ESG, Compliance/Risk Management, Environment/Energy/EHS, Purchasing, Human Resources and Finance divisions, hGears identified significant positive and negative impacts, risks and opportunities and linked the latter to calculated probabilities and expected values. [IRO-1 (53b iv)]

Probabilities of occurrence were derived from the frequency of comparable events in the Company and at

competitors/companies with a comparable structure. [IRO-1 (53c ii)] Prioritization was based first on the expected value and then on the probability of occurrence. [IRO-1 (53c iii)] hGears has so far identified general business risks and sustainability risks separately. The two methods are to be combined from the 2026 financial year at the latest. [IRO-1 (53e)]

The topics identified as material, i. e. the result of the process described above, form the basis for reporting in accordance with double materiality. The aggregated results were agreed with the CFO and CEO in order to ensure comprehensive and integrated reporting for the Group. The topics that are considered material are the focus areas of this report. [IRO-1 (53f)]

IRO-2 Coverage of ESRS disclosures in the sustainability statement

hGears has examined all theoretically relevant sustainability aspects with regard to its own business activities as well as in the upstream and downstream value chain. Aspects were identified as not material if no significant impacts, risks or opportunities could be identified. This primarily concerned the following sustainability areas [IRO-2 (55)]:

- **E2** Pollution
- **E4** Biodiversity and ecosystems
- **S3** Affected communities

hGears has recognized climate change as material for the economy as a whole. [IRO-2 (57)]
hGears mainly uses quantitative, but also qualitative thresholds. [IRO-2 (59)]

MDR-P Konzepte für den Umgang mit wesentlichen Nachhaltigkeitsaspekten

hGears collects all data and information required for sustainability reporting using the same methods and the same system, regardless of location, operating site, production or administrative area. In order to achieve a high quality standard in this respect, hGears has formulated the corresponding requirements. [MDR-P (65a)]

Conducting an objective analysis and evaluation is of central importance for the sustainability policy. This must contain relevant and truthful information on all impacts, risks and opportunities in the areas of the environment, social affairs and corporate governance. This includes aspects and information that are significant in terms of their impact outside hGears and/or in terms of their financial significance for hGears.

This collection and evaluation includes objectives, strategies, measures and metrics, including supplementary and explanatory aspects. Stakeholder engagement is important for this step of the materiality assessment, as key stakeholders can assess, validate and ensure the completeness of the final list of material impacts, in particular for determining the magnitude and irreversible nature and assessing the likelihood of materiality of impacts.

The scope of the sustainability concept, which the hGears Management Board is responsible for implementing, is identical to the Company's financial scope of consolidation. [MDR-P (65b)]

Stakeholder engagement is important for this step of the materiality assessment, as key stakeholders can assess, validate and ensure the completeness of the final list of material impacts, in particular for determining the magnitude and irreversible nature and assessing the likelihood of materiality of impacts. The sustainability concept is made available to all interested stakeholder groups. [MDR-P (65e-f)]

hGears has integrated sustainable action into its business model and initiated numerous measures to improve its sustainability performance. Since 2023 these activities have not only been geared towards specific goals, but have also been harmonized and jointly implemented as part of a designated strategy. [MDR-P (62)]

MDR-A Measures and resources in relation to material sustainability aspects

hGears is planning a series of measures to achieve the sustainability targets. Important measures include [MDR-A (68a)]:

- Construction of a photovoltaic system at the Schramberg and Padua sites (photovoltaic systems on the roof, roofing of parking lots with PV carports in Schramberg) by 2030.
- Annual increase in the procurement of so-called green steel, requesting Scope 3 values from both suppliers and customers in order to identify greater greenhouse gas savings potential by 2030.
- Development of an individual energy and environmental management system, definition of an energy and environmental policy with specific targets and processes for achieving and certifying the system by an independent body by 2025.
- Focus on metal components; continuous use of recyclable materials, reduction or recycling packaging materials by 2040.
- Measures for targeted personnel development that take into account all aspects relevant to the Company and its employees. Opportunity for all employees to fill any suitable position in the Company by 2025.
- Development of a safety management system, definition of a guideline with specific targets and processes for achieving and certifying the system by an independent body by 2025.

The financial resources of the sustainable package of measures are redefined annually – depending on progress (with any necessary readjustments) and the respective price development. [MDR-A (69b)]

MDR-T Tracking the effectiveness of concepts and measures through targets

Die Setzung von Nachhaltigkeitszielen erfolgte erstmals im Jahr 2023 und die Umsetzung korrespondierender Maßnahmen erstmals im Jahr 2024. Belastbare Aussagen zur Wirksamkeit sind daher erst im Jahresverlauf 2025/2026 möglich. [MDR-T (80a-g)] Interessengruppen wurden bei der Zielformulierung einbezogen, ebenso bei der Konzeption wichtiger Maßnahmen. [MDR-T (80h)]

CLIMATE CHANGE – ESRS E1

GOV-3 Inclusion of sustainability-related performance in incentive systems

Exclusively climate-related considerations are not yet taken into account in hGears' incentive systems, i. e. the company's climate-related performance is not yet included in the remuneration systems of the administrative, management and supervisory bodies. [E1 GOV-3 (13)]

E1-1 Concepts: Transition plan for climate protection

hGears is continuously striving to reduce its energy consumption and greenhouse gas emissions. Until 2023, the Company had not drawn up a dedicated climate protection plan. In 2023, hGears drew up a plan, which was comprehensively supplemented with greenhouse gas emissions figures in 2024. The time horizon of this transition plan is 2040, with an important interim target set for 2032. The plan is to be developed in accordance with the requirements of the Science Based Target Initiative (SBTi). [E1-1 (14)]

This plan is based on both the 1.5 degree Celsius target and the 2.6 degree Celsius target. [E1-1 (16a)]

Key levers for decarbonization and the most important measures are increasing our own greenhouse gas-free energy generation, reducing Scope 2 emissions and reducing Scope 3 values in the upstream and downstream value chain. Schramberg has been using 100% green electricity since 2023, and this will be the case in Padua from 2025. [E1-1 (16b)]

hGears has no significant greenhouse gas (GHG) emissions "locked up" in its assets and products that would impair or significantly increase the cost of a medium and long-term transition plan for climate protection. [E1-1 (16d)]

With regard to hGears' objectives or plans (capital expenditure, capital expenditure plans, operating expenditure) for directing economic activities (revenue, capital expenditure, operating expenditure), there is broad consistency with the criteria set out in Commission Delegated Regulation 2021/2139. [E1-1 (16e)]

Based on the results of the energy and emissions analysis carried out in 2024, hGears has drawn up a transition plan to mitigate climate change that meets regulatory requirements on the one hand and is in line with the Company's product and portfolio planning and financial resources on the other. [E1-1]

hGears' "**Climate Protection Plan 2040**" was approved by the Management Board and Supervisory Board in 2023. It will be implemented from 2025/2026 once the details have been defined [E1-1 (16i)].

SBM-3 Impact, risks, opportunities and interaction with concepts/business model

To date, hGears has not been able to identify any climate-related events or developments (effects) that have significantly impaired business operations and/or assets and cash flows (damage potential). Similarly, no scenarios (risks) have been identified to date that could have led to such significant effects. This statement expressly applies equally to physical (acute and chronic), non-physical and transitory risks. Nevertheless, climate change could have a significant impact on hGears in the future in terms of policy responses. [E1.SBM-3 (18)]

Physical risks: hGears has not yet registered any effects due to extreme weather events. Corresponding risks are classified as moderate.

Non-physical risks: hGears has not yet identified any non-physical risks such as increased insurance premiums.

Transitory risks: Valuation discounts on balance sheet assets due to sustainability deficits have not yet had to be applied. The risk of such write-downs is limited in the case of hGears.

In view of the lack of significant climate-related impacts and risks, it has not yet been necessary to carry out an analysis of the Company's resilience or a focused risk assessment – outside of the established risk management system. This assessment applies in the medium term, i.e. based on the current state of knowledge and understanding, there will be no need to carry out a "resilience" of the Company to climate-related changes until 2029. [E1.SBM-3 (19a)]

Until 2024, climate change had no measurable or recognizable impact on hGears' business model. Neither the procurement nor the sales situation has changed noticeably due to climatic changes. The same applies to production conditions. It is also foreseeable that climatic conditions will have no impact on the structure of the product portfolio and therefore the business model, at least in the medium term. [E1.SBM-3 (AR 8b)]

IRO-1 Procedure for the identification/assessment of climate-related impacts, risks and opportunities

It is not possible to identify an impact on climate change that is directly attributable to hGears. The Company has examined the effects of climate change on hGears in detail. Physical (e. g. extreme weather events), non-physical (e. g. insurance premiums) and transitory (e. g. new valuation approaches for assets) aspects were examined.

With regard to physical aspects, acute and chronic impacts were examined in the dimensions of temperature, wind, water and solids. No current impacts were identified in any of the categories. The same applies to non-physical and transitory impacts. However, with regard to individual aspects (e.g. energy management in the downstream value chain), significant risks were identified in the short to medium term, primarily resulting from possible changes to energy policy legislation. [E1.IRO-1 (20a/AR 9)]

hGears examined both acute physical and chronic physical risks. These included (acute) heat and cold waves, forest and wildfires (temperature), storms and snowstorms (wind), sea level rise, water scarcity, heavy rainfall and flooding (water), and landslides and subsidence (solids). This also included (chronic) heat stress, temperature changes in the air and in water bodies (temperature), changes in wind conditions (wind), water scarcity, changes in precipitation patterns and precipitation types – rain, hail, snow/ice – (water), coastal erosion, soil degradation, soil erosion (solids).

hGears uses the regularly published "Climate Change Synthesis Report" of the Intergovernmental Panel on Climate Change (IPCC) to check whether important analysis parameters have changed and a re-evaluation is required. [E1.IRO-1 (20b)]

To date, hGears has simulated a climate-related scenario analysis to identify and assess physical risks and transition risks and opportunities as part of the risk management system. The probability of a negative risk occurring was very low. In addition, the respective possible extent of damage reached rather low values. As a result, the expected values determined for short, medium and long-term transition risks were at a level that

hGears classified as low and therefore not material. [E1.IRO-1 (21)] (AR 15) No risks were identified that are above the non-recourse threshold defined in the risk management system. There is therefore no reporting obligation. [E1.IRO-1]

E1-2 Concepts related to climate change mitigation and adaptation

hGears has not yet identified any impact of climate change on its business model and operations. This includes the Company's procurement, production and sales situation. Assets were also not affected to any significant extent. Against this background, no adjustments to climate change had to be made. [E1-2 (24)]

The strength and extent of the impact of hGears' business activities on the climate cannot be reliably quantified. Nevertheless, hGears is endeavoring to continuously reduce greenhouse gas (GHG) emissions by reducing energy consumption and increasing the use of renewable energies. No specific (quantitative) targets or dates have been set for this to date.

Due to the low impact of climate change on hGears' business model, operations and assets, no comprehensive concept has yet been developed to manage the corresponding material impacts, risks and opportunities. Self-generated greenhouse gas emissions are a priority for mitigation measures; emissions associated with the manufacture of primary products are in second place, and emissions from the use of hGears products will be added in 2025. [E1-2 (MDR-P 07-08/62)]

Independently of this, hGears continuously examines the possibilities for improving climate protection. In this context, the energy intensity in the Group and for individual machines (energy consumption, production output, number of employees) and the emissions intensity (quantity of greenhouse gases, use of renewable energies) are relevant.

E1-3 Measures and resources in connection with the climate concepts

Due to the low impact of climate change on hGears' business model, business operations and assets, no specific, "earmarked" measures with corresponding budgeting have been initiated to date. The limited emissions intensity with regard to the greenhouse gas (GHG) emissions caused by hGears has so far justified not taking any immediate measures or measures with large-volume effects. [E1-3 (MDR-A 01-12/28)]

Nevertheless, hGears is trying to reduce the release of gases that affect the climate, even beyond the targets that have been set. This is achieved both by increasing the use of non-fossil energy sources and by replacing plant and machinery with more energy-efficient versions. This replacement and energy procurement are reflected in the Company's general financial planning, meaning that no sustainability-related budget items had to be opened for this purpose.

hGears is constantly looking for measures and investments – such as photovoltaics, heat pumps, sustainable cooling systems) via the Sustainability Committee or as part of the investment decisions of the individual departments in order to take appropriate account of the environment and climate in ongoing business operations.

These measures included the successive introduction of the ISO 14.001 environmental management system and the ISO 50.001 energy management system in the Group companies, so far in Schramberg; corresponding energy audits were also carried out at this location.

E1-4 Data and targets related to climate protection/adaptation to climate change

hGears intends to continuously reduce its energy requirements and greenhouse gas emissions. To this end, the Company will set appropriate (quantified) targets based on the requirements of the Science-based Target Initiative (SBTi). [E1-4 (MDR-T + 32/33)]

E1-5 Data and targets on energy consumption and energy mix**Total energy consumption related to own activities [E1-5 (37)]**

| Quantities in gigajoules | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|----------------|----------------|----------------|----------------|----------------|
| Purchase of primary energy | 51,195 | 54,888 | 47,615 | 39,114 | 32,283 |
| thereof diesel | 2,520 | 2,757 | 3,320 | 2,864 | 2,049 |
| of which natural gas | 48,675 | 52,131 | 44,295 | 35,639 | 29,898 |
| Purchase of primary energy (electricity) | 117,126 | 123,518 | 115,617 | 90,298 | 72,960 |
| Total energy consumption | 168,321 | 178,406 | 163,232 | 129,412 | 105,243 |

E1-6 Data and targets on GHG emissions in the Scope 1 and 2 and 3 categories**Direct and indirect greenhouse gas emissions (GHG) [E1-4 (34a/34b)]**

| in metric tons (t) of carbon dioxide equivalents (CO ₂ eq) | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---------------|---------------|---------------|---------------|---------------|
| Scope 1 | 2,911 | 3,111 | 2,718 | 2,228 | 1,829 |
| Scope 2 | 8,336 | 6,794 | 13,952 | 7,915 | 6,018 |
| Scope 3* | 9,198 | 9,743 | 9,579 | 11,080 | 8,986 |
| Total GHG (Scope 1 to 3) | 20,445 | 19,648 | 26,249 | 21,223 | 16,833 |

E1-7 Data and targets for reducing greenhouse gas emissions

Due to the insufficient supply to date, hGears has not yet financed any projects that are intended to trigger positive effects in terms of greenhouse gas (GHG) emissions. As a result, the Company has not purchased any corresponding certificates for the hypothetical reduction of GHG emissions. [E1-7 (56a)]

E1-8 Data and targets for CO₂ pricing

hGears does not use an internal CO₂ pricing system. [E1-8 (63a)]

E1-9 Data and targets on the financial impact of significant risks and opportunities

hGears has not yet identified any significant physical risks in the short to medium term with regard to the Company's assets. [E1-9 (66a)] The Company does not operate any business activities that are exposed to significant physical risk. [E1-9 (66d)] hGears has not yet identified any significant transition risks – at least in the short to medium term – with regard to the Company's assets. [E1-9 (67a)]

hGears has not yet had to disclose any liabilities from significant transition risks in its financial report. There are no indications of future disclosure. [E1-9 (67d)] The Company does not engage in any business activities that are exposed to significant transition risk. [E1-9 (67e)]

hGears has not yet been able to identify any indications that the Company's assets are exposed to a significant physical risk. As a result, hGears has not selected a specialized process that simulates climate scenarios and simulates potential threats to Company assets. [E1-9 (AR69b)] Due to significant transition risks that have not yet been identified, hGears has not been able to identify any corresponding stranded assets. [E1-9 (AR 73a)]

ENVIRONMENTAL POLLUTION – ESRs E2

IRO-1 Identification and assessment of impacts, risks and opportunities

As part of the materiality analysis, hGears has examined all relevant activities, products and services of the Company that have or could have an actual and/or potential impact on the environment. This includes emissions to air, water and soil, the impact on (living) organisms, the handling of substances of concern and substances of very high concern, and the handling and use of microplastics. hGears has assessed the severity of impacts using qualitative or quantitative approaches. [E2.IRO-1 (11a)]

With regard to the risk assessment, hGears has comprehensively estimated expected values for possible damage. To this end, different scenarios of conceivable effects were simulated, the probability of occurrence estimated and the respective extent of damage calculated.

As part of the impact analysis, hGears also looked for opportunities in the area of environmental pollution that a change in business policy, altered production processes or changes along the value chain could have a positive effect on the environment and company finances. The scope of the analysis covered all parts of the value chain known to hGears.

Against this backdrop, hGears has investigated possible water and air pollution in the upstream value chain in particular. For example, there is a risk of emissions into water and soil at the supplying steel manufacturers. The data situation here is still vague in the reporting year, especially as hGears also purchases steel from (wholesale) distributors. hGears intends to analyze this part of the value chain in more detail over the course of 2025. At present, the corresponding risks are classified as "moderate" and therefore not material. [E2.IRO-1 (AR 9)] hGears has also not been able to identify any "affected communities" in the sustainability field of environmental pollution. [E2.IRO-1 (11b)]

hGears has thoroughly analyzed all of its own business processes with theoretically possible effects on the environment - including the associated risks and opportunities. Furthermore, all developments in the environment with an impact on the Company's finances were examined, including the associated risks and opportunities.

hGears checks for potential risks of the release of harmful substances as part of production design and for actual risks of the release of harmful substances as part of production monitoring. To date, no significant risks have been identified in hGears' area of responsibility. The installation of filter systems and containment systems in conjunction with ongoing monitoring has not led to any detectable pollution of the environment (air, water, soil) to date.

hGears monitors the discharge of waste water from its own production into the public sewage system at all locations. The condition of wastewater in terms of substances and contamination is strictly regulated in Europe. Against this background, hGears does not discharge any biologically highly incompatible substances into the sewage system with the wastewater. Oils in the waste water are separated from the water by means of a grease separator before leaving the plants and disposed of separately in a professional manner.

E2-1 Concepts related to environmental pollution

hGears complies with strict government environmental regulations at all sites, sometimes even exceeding them, thereby avoiding negative impacts on the environment and effectively limiting the corresponding risks. In view of these high standards, opportunities for further improvements are limited. In the context of the overall situation, hGears has refrained from developing further "concepts for managing significant impacts related to environmental pollution" in addition to the various (protective) regulations already in place. [E2-1 (MDR-P 01-06/14)]

In the upstream value chain, hGears does not yet have all the relevant data and information, which means that certain risks exist here. In the downstream value chain, which hGears can only trace in detail over its entire length in rare cases, gears and gear parts only have a significant negative impact in a very specific context.

With regard to the downstream value chain, it can primarily be said that a vanishingly small proportion of the products supplied could hardly cause any measurable contamination due to their alloys. At the same time,

all parts can be fed into the circular economy and the metals are practically fully recyclable.

hGears' business operations do not lead to any significant pollution of the environment (air, water, soil). The same applies to the downstream value chain; no particular pollution of the environment is known here either. With regard to the upstream value chain, there may be a moderate risk of environmental pollution, but no significant risk. The goods purchased are steel (alloys) and metal powder for the sintering process. In this respect, environmental pollution could occur during the production of these goods. However, hGears has no information or indications in this regard. Due to the very low hazard potential, hGears recognizes no need to develop a dedicated concept for the prevention of environmental pollution risks. [E2-1 (MDR-P 07-08/62)]

E2-2 Measures and resources related to environmental pollution

hGears provides all necessary resources (human and financial) to meet both the legal standards/requirements and the Company's internal requirements with regard to environmental pollution. All necessary measures are taken for this purpose and there is no limitation of the corresponding resources.

[E2-2 (MDR-A 01-12/18)]

In principle, hGears considers the entire value chain when analyzing environmental pollution. However, there are transparency deficits on upstream links in the chain or the respective individual disclosures contradict the usual practices in the respective countries of origin. hGears cannot say with certainty whether environmental pollution does not occur on the upstream value chain. hGears is working on gaining more knowledge about environmental pollution on the upstream value chain in order to be able to take improvement measures together with the suppliers. [E2-2 (AR 13)]

hGears has already taken all possible and reasonable measures to prevent environmental pollution in its own business operations; the Company will insist on the implementation of additional measures in the value chain if environmental pollution becomes known there. [E2-2 (MDR-A 13-14/6s)]

E2-3 Data and targets related to environmental pollution

In view of the low pollution load from its own business operations, hGears has not yet formulated any specific targets. The lack of incidents and the positive results of regular measurements and investigations confirm that there is no need to prioritize regulations that go beyond the efforts and guidelines/guidelines to date. Nevertheless, hGears is examining new findings that arise, in particular on the basis of additional data as a result of the introduction of CSRD reporting or the introduction of EMAS. [E2-3 (MDR-T 01-13/22)]

hGears does not emit significant air pollutants or substances of concern, nor does it cause significant direct water pollution or soil contamination. [E2-3 (23a-d)]

E2-4 Data and targets on air, water and soil pollution

In the reporting year, hGears did not release any pollutants outside the legal limits that would have led to unacceptable pollution of the air, water resources or soil. Pollutants were released, if at all, below the level of detectability. Microplastics were neither produced nor used. [E2-4 (26)]

hGears has been operating at a high level in terms of pollution prevention for many years. In view of this, further improvements have only ever been marginal and no significant changes have taken place. [E2-4 (30a)]

hGears carries out annual measurements of the relevant pollutants, in some cases also during the year; sometimes external service providers are also commissioned with the measurements. This involves air emissions (chimney/plant emissions, noise sources), emissions into the ground (groundwater pollution). [E2-4 (30b)]

E2-5 Data and targets on substances of concern

hGears did not directly use any substances of concern in the production process during the reporting year. Exception: lead in small quantities as a component of steel alloys, which hGears purchases in this composition from manufacturers and distributors. Otherwise, substances of concern are neither distributed nor marketed nor exported or imported by hGears. [E2-5 (32)]

E2-6 Data and targets on financial implications due to impacts, risks, opportunities

hGears has no knowledge of any significant environmental pollution in the Company's area of responsibility.

For this reason, no operating or capital expenditure was incurred in the reporting year in connection with incidents and deposits (costs for the elimination/remediation of the respective pollution of air, water and soil, including environmental protection). Similarly, no compensation costs were incurred, including the payment of fines and penalties imposed by regulatory or governmental authorities. [E2-6 (39a)]

hGears does not manufacture any products that contain substances of concern. Exception: Lead in small quantities as a component of steel alloys, which hGears purchases in this composition from manufacturers and distributors. [E2-6 (40a)]

WATER AND MARINE RESOURCES – ESRS E3

IRO-1 Identification and assessment of impacts, risks and opportunities

The impact of hGears' business activities on water resources and water quality can be identified along the entire value chain and is also significant. Water plays a role as a production factor and as an auxiliary material for cooling and better processing. Although the amount of water used by hGears is substantial, it does not lead to a critical use of regional water resources at the respective locations – even after communication with the respective authorities. [E3.IRO-1 (8a)]

In the upstream value chain – production of steel/metal and lubricants – HGEARS has not been able to identify any particular water use to date. In the downstream value chain, the use of hGears' products leads to a low level of (fresh) water use at best. Cooling water is cleaned and recycled by disposal companies in Schramberg and Suzhou and professionally disposed of in Italy.

hGears has examined the entire value chain for water-relevant (sustainability) aspects. Water consumption in its own production was the only relevant criterion. However, the water requirement is not above average for an industrial company, and hGears does not operate in areas with high water stress – with the exception of Suzhou in China. However, in none of the cases investigated could affected communities be identified as parties involved. [E3.IRO-1 (8b)]

E3-1 Concepts related to water and marine resources

hGears' production management already takes into account the careful use of water resources for economic reasons. However, special control mechanisms that go beyond this are not planned, partly because there is no alternative to water as a production factor. [E3-1 (MDR-P 01-06/11)]

According to the World Research Institute's Water Risk Atlas from 2024, Schramberg has only low "overall water risks" such as water stress, availability, purity, seasonal variability, falling groundwater levels, flood risk in rivers (0–1 on a scale of 0 to 5), Padua has medium to high overall water risks (2–3) and Suzhou has high overall water risks (3–4). [E3-1 (13)]

Due to the below-average importance of its own water requirements for regional resources, hGears has not developed and established a dedicated water policy, although strict water management is implemented for business reasons alone. Should this assessment need to be revised and a guideline for prioritizing water requirements become necessary, hGears would also be guided primarily by the International Water Stewardship Standard of the Alliance for Water Stewardship from 2019. [E3-1 (MDR-P 07-08/62)]

E3-2 Actions and resources related to water and marine resources

Measures and resources relating to water and marine resources: hGears has pursued a responsible water policy to date. First and foremost, this includes using only as much water as is absolutely necessary using efficiency concepts. hGears has not initiated any further special measures with regard to water resources. In any case, there are no identifiable impacts of business activities on marine resources, nor are there any risks in this regard. There is a limited impact on freshwater resources in principle, but the quantities required are not significant in terms of available resources. The usual business management measures proved to be sufficient in this respect. [E3-2 (MDR-A 01-12/62)]

E3-3 Data and targets related to water and marine resources

hGears has not set any specific targets for water use and the consumption of fresh water.

[E3-3 (MDR-T 01-13/22)] At the same time, there are no targets for water use due to legal requirements and product-specific requirements. [E3-3 (23c)] hGears fully complies with the legal requirements for water use. [E3-3 (25)]

hGears has not set any explicit targets for water consumption, partly because it is not possible to reduce the amount of (fresh) water purchased in the medium term for technical production reasons. Fluctuations in water consumption are related to the production volume. [E3-3 (MDR-T 14-19/81)]

E3-4 Data and targets for water use

hGears draws the fresh water required to provide its services exclusively from the public water supply network. These withdrawals take place at locations in regions where there is no particular water shortage.

hGears only has a sketchy picture of water management in the upstream value chain. Despite efforts to obtain more data and information on the use of water in hGears' upstream products, no satisfactory results have yet been achieved. A possible collaboration with companies of similar interest could shed light on this in the coming years. However, plausibility considerations indicate that water is not a significant sustainability aspect in the upstream value chain either. [E3-4]

Water supply/wastewater [E3-4 (28a)]

| in cubic meters (m ³) | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|--------|--------|--------|--------|--------|
| Withdrawal from the public grid* | 51,501 | 49,556 | 42,456 | 36,438 | 37,734 |
| Discharge into the public sewer system | 36,599 | 45,937 | 35,288 | 29,775 | 29,234 |
| Liquid waste | 1,379 | 824 | 763 | 693 | 528 |

* Increase in 2024 due to a temporary leak in the pipework of Padua location. ** Im Jahr 2024 nicht erhoben.

Water procurement at the Chinese site in Suzhou* [E3-4 (28b/c)]

| in cubic meters (m ³) | 2022 | 2023 | 2024 |
|--|--------|--------|-------|
| Withdrawal from the public grid | 10,434 | 10,464 | 8,522 |
| Discharge into the public sewer system | 8,678 | 7,544 | 6,875 |

* Location in area with high overall water risk according to the World Research Institute's Water Risk Atlas from 2024

E3-5 Data and targets on financial implications due to impacts, risks, opportunities

hGears considers all impacts on water resources associated with its operations, regardless of their minor significance, and all consequences for the Company's finances associated with the availability of water. hGears examines which production-related measures and additional expenditure would be necessary to eliminate or at least mitigate any negative developments before they occur. [E3-5 (33b)]

BIODIVERSITY AND ECOSYSTEMS – ESRS E4

E4-1 Concept and transition plan for biodiversity and ecosystems

hGears has assessed the Company's impact on biodiversity and ecosystems in terms of significant positive and negative actual and potential impacts, including the extent to which it contributes to the causes of biodiversity and ecosystem loss and degradation.

In cases of initial suspicion, the nature, type and extent of the Company's material risks, dependencies and opportunities in connection with biodiversity and ecosystems were investigated. The financial effects of the material risks and opportunities that could arise in the short, medium and long term from the Company's impacts and dependencies in relation to biodiversity and ecosystems were also examined.

In this study, hGears was guided by the so-called **planetary boundaries**, which are also reflected in the European Reporting Standards (ESRS):

- Climate change (E1)
- Overloading with novel substances (E2)
- Depletion of the ozone layer in the stratosphere (E2)
- Aerosol pollution of the atmosphere (E2)
- Acidification of the oceans (E3)
- Disruption of biogeochemical cycles (E4)
- Changes in freshwater systems (E3)
- Change in land use (E4)
- Change in the integrity of the biosphere (E4).

No effects of hGears' business activities on these sustainability fields ("planetary boundaries") could be identified, even after a detailed analysis with a time horizon of ten years. The analysis was not carried out by means of measurements, but instead recorded the theoretically possible effects (risks) such as deliberate or unintentional releases of substances unfavorable to the sustainability fields described in the production process or along the value chain.

The analysis also included product components, waste or waste components, pollution from transportation or production sites and water pollution. No impacts or significant risks were identified in any of the fields. In this overall scenario, hGears considers the topic of biodiversity and ecosystems in connection with its own economic activities and economic activities along the value chain to be "not material".

hGears currently sees no indications that possible changes in biodiversity or a possible reduction in the performance of relevant ecosystems will have an impact on the Company's framework conditions or its processes. In this respect, there is a very high degree of resilience in this case. [E4-1 (13a)] During the stakeholder dialog, hGear did not receive any information or suggestions in connection with biodiversity and ecosystems. [E4-1 (13f)]

IRO-1 Identification and assessment of impacts, risks and opportunities

As part of the materiality analysis, hGears has examined all relevant activities, products and services of the Company that have or could have an actual and/or potential impact on the environment. This includes emissions to air, water and soil, the impact on (living) organisms, the handling of substances of concern and substances of very high concern, and the handling and use of microplastics. hGears has assessed the severity of impacts using qualitative or quantitative approaches. [E4.IRO-1 (17a)]

With regard to the risk assessment, hGears has comprehensively estimated expected values for possible damage. To this end, different scenarios of conceivable effects were simulated, the probability of occurrence estimated and the respective extent of damage calculated.

As part of the impact analysis, hGears also looked for opportunities in the sustainability area of biodiversity that a changed business policy, altered production processes or changes along the value chain could mean in terms of positive effects for the environment and company finances. The scope of the analysis covered the entire value chain.

E4-2 Concepts related to biodiversity and ecosystems

In view of the lack of materiality and the lack of business/corporate relevance, hGears has not developed a dedicated policy with regard to the protection of biodiversity and ecosystems. Should the annual review reveal that material impacts, risks, dependencies and opportunities related to biodiversity and ecosystems have arisen/could arise at hGears, hGears will immediately develop concepts to systematically address the identification, assessment, management and/or improvement of its material impacts, dependencies, risks and opportunities related to biodiversity and ecosystems. [E4-2 (MDR-P 07 et al.)]

RESOURCE UTILIZATION AND CIRCULAR ECONOMY – ESRS E5

IRO-1 Identification and assessment of impacts, risks and opportunities

hGears has reviewed its entire business operations and upstream and downstream value chain with stakeholders to determine the environmental and financial impact of the Company's current resource/material sourcing and waste recycling practices. hGears manufactures gear parts and other parts for machine drive units as well as complete gearboxes. The production of these parts mainly requires metals and steel alloys according to customer specifications. [E5.IRO-1 (11a)]

The impact on resources along the upstream value chain is substantial due to the quantities involved: iron ore and (fossil) energy sources for the production of metal/steel. The quantities of waste produced by hGears in its own business operations are also high, but the majority can be recycled. The recycling rate for metals and steel alloys is over 90 %.

Further significant quantities of material are required in the downstream value chain to manufacture the end products. The components of hGears can be fully recycled at the end of the life of the end products, as can significant other parts of the end products. Overall, the individual links in the value chain are comparatively easy to understand in terms of resource utilization and the circular economy.

E5-1 Concepts related to resource use and the circular economy

Due to the purity of the materials used by hGears, the products can be reused without restriction and are therefore an ideal component of the circular economy. hGears has developed appropriate waste guidelines to ensure that the residual/waste materials generated during the manufacturing process are almost completely reused. [E5-1 (MDR-P 01)]

hGears uses both newly produced and recycled materials. [E5-1 (15a)] The hGears guideline deals with the handling of residual/waste materials. Primary and secondary materials are sourced equally, depending on availability. With regard to energy procurement, preference is always given to renewable energies. Other auxiliary and operating materials are selected on the basis of technical production requirements, where the supply of renewable resources is very low. [E5-1 (15b)]

E5-2 Measures and resources related to resource utilization/circular economy

hGears has not designed any specific measures with regard to the circular economy due to the main use of metal/steel in the manufacture of its products. The main materials can be reused without restriction and are an integral part of the circular economy, but must meet customer requirements (quality, price). Other primary products (energy, auxiliary and operating materials) are sourced from a sustainability perspective wherever possible and recycled where possible. [E5-2 (MDRA-A 01)]

E5-3 Data and targets on resource use and the circular economy

In terms of weight, hGears products are always designed with only as much material as is necessary for function and durability. For gear wheels and axles, for example, this means using no more metal than is absolutely necessary. This requirement is an implicit goal. The basic choice of materials also results in complete recyclability. For example, hGears has only formulated the explicit goal of completely reusing 100 % of all waste materials by 2040. [E5-3 (MDR-T 01)]

hGears has chosen a period of 15 years to reach the recycling target in order to achieve this goal with an economically justifiable cost-benefit ratio. The recycling rate is high at over 90 %. [E5-3 (24)]

In principle, hGears aims to recycle as much material as possible and to continuously increase the proportion of materials used for multiple purposes. The multiple use of parts of hGears is a given, but the implementation in the circular economy is the responsibility of the customers, i.e. the manufacturers of the consumer or end products. [E5-3 (24d)]

The hGears guideline on waste management, which regulates in particular the type and quantity of packaging materials and the recycling routes for packaging materials, also sets corresponding targets. [E5-3 (24e)]

hGears already fully complies with the legal requirements. Guidelines from hGears on waste management deal primarily with voluntary regulations that go beyond this. [E5-3 (27)]

E5-4 Data and targets on resource inflows

hGears mainly purchases metals/steel alloys in accordance with the specifications of the product design or customer specifications, as well as auxiliary and operating materials and energy. [E5-4 (30)] The most important groups of purchased materials are metals and auxiliary and operating materials. [E5-4 (31a)]

E5-5 Data and targets on resource outflows

hGears produces gears, transmission components and parts for power units made of metal or steel alloys for moving machines. [E5-5 (35)] hGears' products are usually functionally critical and therefore generally have a long service life and also have an above-average service life compared to competitor products. [E5-5 (36a)]

hGears products cannot be repaired in the event of damage, but can only be replaced. However, defective/damaged parts can be recycled (melted down) without any problems. The extent to which individual parts have to be replaced instead of entire units depends on the design of these units. hGears has no influence on this; the decision on this generally lies with the customers as manufacturers of the end products/end product-related goods or with the end users. [E5-5 (36b)]

In principle, hGears parts are fully recyclable. The extent to which this is achieved depends on the product design in the downstream value chain and the end consumer. [E5-5 (36c)] The recyclability of hGears' product packaging is over 95%. [E5-5 (36c)]

Waste generation [E5-5 (37a-d)]

| in tons | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------------------|-------|-------|-------|-------|-------|
| Total amount of waste | 5,526 | 5,966 | 5,488 | 3,694 | 2,954 |
| of which non-hazardous waste | 4,372 | 4,613 | 4,357 | 2,681 | 2,325 |
| of which hazardous waste | 1,154 | 1,353 | 1,131 | 1,013 | 628 |
| Reprocessed quantity | 4,642 | 4,944 | 4,597 | 2,979 | 2,520 |
| of which non-hazardous waste | 4,357 | 5,488 | 4,326 | 2,642 | 2,285 |
| of which hazardous waste | 256 | 393 | 271 | 279 | 235 |
| Amount of waste disposed of | 884 | 1,022 | 891 | 715 | 434 |

OWN STAFF – ESRS S1

SBM-2 Stakeholders' interests and positions

hGears conducts regular employee surveys. The focus of hGears' HR work in the reporting year was on objectives and measures to increase employee satisfaction with their working environment and to strengthen the **Company's attractiveness as an employer:**

- Performance-related remuneration in line with the market.
- Guarantee of numerous additional monetary and non-monetary benefits.
- Unchanged high level of transparency in personnel policy.
- Improved exchange of information between employees and managers.
- Expansion of internal training opportunities.
- Continued attractive range of training opportunities.
- Further strengthening of diversity within the Company.

In its Code of Conduct, hGears defines its view that a positive, healthy and safe working environment is an inalienable value to which the Company is committed. hGears is committed to managing its employees with respect and according to the criteria of impartiality, transparency, non-discrimination, autonomy and independence of judgment. No form of harassment (physical, psychological or sexual), bullying, discrimination and intimidation based on ethnicity, race, religion, gender, age, origin, citizenship, sexual orientation or physical disability will be tolerated.

SBM-3 Impacts, risks, opportunities and their interaction with the business model

hGears' Corporate Responsibility Report covers all employees of the Group without exception. [S1.SBM-3 (14)]
hGears has not identified any material impacts of its human resources policy, business model or business strategy on employees or other persons employed by hGears. [S1.SBM-3 (14a)]

To date, hGears has only been notified of significant effects of its business activities on employees with regard to the reduction in the workforce due to the decline in demand from major customers or has otherwise become known. [S1.SBM-3 (14b)]

Legal and reputational risks associated with health and safety incidents in the workforce can lead to high costs due to compensation claims and legal disputes. In addition, a damaged reputation can lead to a loss of customers and business partners as well as increased recruitment and training costs, resulting in financial losses. Reputational risks could also arise from the current restructuring of hGears. [S1.SBM-3 (14d)]

A high gender pay gap can lead to lower employee motivation and loyalty, as unfairness and discrimination are perceived. It affects the working atmosphere, reduces productivity and can have a negative impact on the Company's attractiveness as an employer. In the long term, it can also entail legal and reputational risks.

If employees leave the Company due to a lack of or limited development opportunities, considerable financial risks arise: High costs for recruiting and training new employees as well as productivity losses due to the departure of experienced employees. In addition, dissatisfaction among the remaining employees can increase, which affects morale and performance and encourages further fluctuation. Employees at hGears currently have sufficient development opportunities within the Company (e.g. promotion from trainee to team leader, support for master craftsman training, support for master's degrees such as "Risk Manager", etc.).

A lack of diversity and variety in a Company entails financial risks such as a reduced ability to innovate, limited problem-solving approaches and difficulties in recruiting and retaining talent. It can also lead to reputational damage, legal risks and missed market opportunities as diverse target groups are not adequately considered. All of this impairs competitiveness and can lead to significant financial losses.

hGears has not adopted a transition plan to reduce the negative impact on the environment and to achieve greener and climate-neutral operations, so there could be no corresponding material impact on the workforce. [S1.SBM-3 (14e)] Hazard assessments are available for all workplaces, which examine the workplaces with regard to hazards and minimize risks. [S1.SBM-3 (15)]

Risks and opportunities arise equally for all hGears employees. There are no known significant negative or positive effects depending on certain employee characteristics (age, gender, other personal characteristics, location of the Company). In general, hGears is committed to managing its employees with respect and according to the criteria of impartiality, transparency, non-discrimination, autonomy and independence of judgment. [S1.SBM-3 (16)]

S1-1 Concepts related to own workforce

hGears has developed the hGears Code of Conduct and the hGears Employee Handbook as concepts for managing material impacts on its own workforce and the associated material risks and opportunities, which also takes into account all requirements of the German Anti-Discrimination Act (AGG). [S1-1 (19)]

The concepts for the management of significant effects on the Company's own workforce and the associated significant risks and opportunities apply uniformly to all employees throughout the Group and are not limited to specific employee groups or include different regulations depending on the respective employee group. [S1-1 (19)]

hGears complies with all United Nations Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises without exception with regard to human rights and workers' rights. [S1-1 (20)] To date, no impacts on human rights have been identified with regard to the Company's own workforce. All of HGEARS' human resources policies with respect to its own workforce are consistent with relevant internationally recognized instruments, including the United Nations Guiding Principles on Business and Human Rights. [S1-1 (21)] In its Code of Conduct, hGears explicitly excludes human trafficking, forced labour and child labour. [S1-1 (22)]

hGears has drawn up a series of individual safety instructions depending on the respective workplace. In addition, numerous legal requirements for occupational safety and the prevention of accidents at work apply. hGears has an occupational safety management system in accordance with ISO 45.001, and special occupational safety guidelines are used in production. [S1-1 (23)]

The Management Board of hGears promotes a culture within the Company organization in accordance with the standards described in the Code of Conduct. The management of each company is responsible for the implementation and dissemination of the Code at local level (► https://hgears.com/site/wp-content/uploads/Code-of-Conduct-2022-DE_web.pdf)

At hGears, no form of harassment (physical, psychological or sexual), bullying, discrimination or intimidation based on ethnicity, race, religion, gender, age, nationality, citizenship, sexual orientation or physical disability will be tolerated. [S1-1 (24b)]

hGears will handle any report of harassment, discrimination or threats promptly, vigorously and with confidentiality and non-retaliation protection. hGears expects its suppliers and partners to comply with the same requirements. [S1-1 (24c/d)]

S1-3 Procedures for addressing adverse impacts and reporting channels

Employees of hGears conduct regular appraisal interviews with managers. Furthermore, hGears has established an anonymous whistleblower system run by an external service provider, which can be accessed via the hGears website (► https://hgears.com/site/wp-content/uploads/Whistleblowing_Policy_DE.pdf). The whistleblower system offers the opportunity to report potential violations of the law as well as human rights or environmental violations - anonymously if desired. The HR department is also available as a point of contact for employees. The same applies to hGears' Compliance Officer. [S1-3 (30)]

The reporting system at hGears comprises all processes and structures for recording, processing and documenting relevant information. This includes internal and external reports on compliance violations, security-related incidents (including data protection and data security incidents) and other matters. These reports require a content review in order to assess whether an official report is required or whether internal company follow-up is sufficient. The reporting system serves to create transparency, identify risks at an early stage and ensure compliance with legal and internal company regulations. Procedural or work instructions exist for selected processes at the locations. [S1-3 (32a)]

The complaints mechanism ("Integrity Line") enables employees, business partners or external stakeholders to submit complaints about working conditions, discrimination, ethical concerns or other grievances. There is a dedicated guideline for this at hGears. A procedure is in place for the European sites to ensure that complaints relating to employee concerns are recorded, processed and documented. Anonymity is guaranteed via the Integrity Line.

For the whistleblower system, hGears uses the corresponding compliance service or the provider EQS Group AG (Munich, Germany) (► <https://www.eqs.com/compliance-solutions/integrity-line/>). [S1-3 (32b)]

S1-4 Taking measures in relation to significant impacts

hGears has initiated action plans and allocated resources to promote positive impacts on the workforce and opportunities and to minimize negative impacts and risks. [S1-4 (MDR-A 01)]

The "**Personnel Action Plan**" includes:

- **Ensuring labour standards:**
 - introduction and monitoring of best practices for occupational health and safety and compensation.
- **Further training and qualification:**
 - Expansion of training programs for digital manufacturing and innovative technologies.
 - Partnerships with educational institutions to promote new talent.
- **Health and well-being:**
 - Introduction of health programs (e.g. sports activities, psychological counseling).
 - Flexibilization of working time models for a better work-life balance.
- **Diversity and equality:**
 - Quotas or initiatives to increase the proportion of women and minorities in technical professions.

The provision of **human resources** serves:

- The establishment of an interdisciplinary sustainability team responsible for implementing and monitoring social measures.
- Employee training in the areas of occupational health and safety, compliance and sustainability.

The provision of **financial resources** serves:

- Training and further education.
- Supplier audits and social projects.
- Health and diversity programs.

The provision of **technological resources** serves:

- The implementation of a digital compliance and sustainability management system to monitor progress in real time.
- The introduction of software for supply chain analysis.

Employees

| at the end of each year | 2020 | 2021 | 2022 | 2023 | 2024 |
|--------------------------|------|------|------|------|------|
| Total number by head* | 871 | 919 | 847 | 741 | 686 |
| Total number by FTE** | 861 | 912 | 835 | 724 | 547 |
| Full-time employees | 735 | 693 | 700 | 663 | 644 |
| Part-time employees | 36 | 32 | 33 | 31 | 48 |
| Women | 200 | 204 | 192 | 162 | 161 |
| Quota | 23 % | 22 % | 23 % | 22 % | 23 % |
| Men | 671 | 715 | 655 | 579 | 525 |
| Quota | 77 % | 78 % | 77 % | 78 % | 77 % |
| Fluctuation rate in %*** | 6,2 | 10,8 | 10,0 | 7,6 | 14,9 |

* Plus four employees of the holding company

** FTE = Full Time Equivalent (excluding members of the Management Board)

*** calculated according to the so called Schlüter formula

S1-5 Data and objectives for managing negative impacts, risks and opportunities

hGears has formulated the following objectives for managing negative impacts and risks on the workforce [S1-5 (MDR-T 01-13 + 46)]:

- The workforce is to be trained in work-related and personal skills. To this end, at least 24 hours of training per employee will be offered by 2026.
- The accident rate and its severity in the Company is to be limited to zero. On the way to achieving this, the Lost Time Accident Rate (LTAR) is to be reduced to 2.5 by 2028.
- Absences due to illness are to be reduced to 4.5% of regular working hours by 2026.
- By the end of 2025, hGears plans to have the Suzhou and Schramberg sites certified in accordance with ISO 45.001 (occupational health and safety management) – as is already the case in Padua.
- hGears intends to make the granting of bonus payments from the 2026 financial year dependent on the achievement of personal/company-wide sustainability performance targets and to introduce a corresponding formal regulation for the Management Board level and, if necessary, for the second management level.

The employee representatives (works council) are involved via the economic committees and individual topics. [S1-5 (47a)] The key performance indicators are presented openly as part of the economic committee. [S1-5 (47b)]

S1-9 Data and targets for diversity parameters

hGears defines the Management Board and the Supervisory Board as top management. The proportion of women on the two-member Management Board is zero % (year 2024), while the proportion of women on the five-member Supervisory Board is 20 % (year 2024). [S1-9 (66a/AR 71)]

Distribution of employees (headcount) by age [S1-9 (66b)]

| at the end of each year | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------------------|------|------|------|------|------|
| < 30 years | 119 | 155 | 121 | 82 | 75 |
| ≥ 30 and ≤ 50 years | 401 | 507 | 452 | 390 | 358 |
| > 50 years | 351 | 257 | 274 | 269 | 253 |
| Σ | 871 | 919 | 847 | 741 | 686 |

Length of service (headcount)

| Number of employees per time period | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------------------------------|------|------|------|------|------|
| < 5 years | 297 | 413 | 356 | 265 | 241 |
| 5-9 years | 168 | 119 | 104 | 106 | 97 |
| 10–19 years | 197 | 180 | 181 | 162 | 268 |
| 20–29 years | 163 | 158 | 155 | 158 | 51 |
| 30–39 years | 42 | 45 | 47 | 48 | 27 |
| ≥ 40 years | 4 | 4 | 4 | 2 | 2 |
| Σ | 871 | 919 | 847 | 741 | 686 |

S1-13 Data and targets on parameters for training and skills development

hGears conducts training in all areas of the Company and knowledge categories with external and internal courses. These include specialist workplace-related courses, compliance training, ESG training, language courses, training on occupational and IT safety, product safety and management development. In addition, hGears provides support for part-time study courses and dual study programs. As part of these training courses, a virtual "e-learning tool" is increasingly being used in addition to face-to-face teaching. [S1-13 (81)]

Further training

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---------------------------------|--------|--------|--------|--------|--------|
| Number of training participants | 797 | 823 | 885 | 795 | 697 |
| Training hours | 13,181 | 20,797 | 18,982 | 13,076 | 11,571 |
| Training hours per participant | 16.5 | 25.3 | 21.4 | 16.4 | 16.6 |

S1-13 (83b) Average number of training hours per employee.

S1-14 Data and targets for health and safety parameters

At the Italian site in Padua, all employees are covered by an occupational health and safety management system based on statutory regulations and/or recognized standards or guidelines. At the Chinese site in Suzhou, 93% of employees are covered. At the German site in Schramberg, all employees will be covered by the 45.001 management system by the end of 2025. By then, over 98% of the Group will be covered by corresponding management systems.

Occupational safety [S1-14 (88b)]

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
| Number of accidents at work* | 19 | 10 | 6 | 11 | 5 |
| Number of hours worked | 1,508,789 | 1,729,901 | 1,479,638 | 1,363,699 | 1,222,181 |
| LTAR** | 12.6 | 5.8 | 3.6 | 8.1 | 4.1 |
| LWDR*** | 144 | 36 | 45 | 115 | 55 |
| Occupational diseases | – | – | – | – | – |
| Deaths during working hours | – | – | – | – | – |

* Accidents with downtimes of more than one day.

** LTAR = Lost Time Accident Rate: Number of accidents at work (with lost time of at least one working day) in relation to 1,000,000 working hours.

*** LWDR = Lost Workday Rate: Lost working days due to accidents at work in relation to 1,000,000 working hours.

S1-17 Data and targets on incidents, complaints and serious impacts

hGears again recorded no incidents of discrimination in the reporting year. [S1-17 (103a)] In the reporting year, the Company again received no complaints or concerns via channels submitted on behalf of employees. The same applies to OECD national contact points for multinational enterprises. [S1-17 (103b)]

hGears did not have to pay any fines, penalties or compensation in the reporting year for damages resulting from discrimination incidents, including harassment and complaints filed. The same applies to violations in connection with discrimination and harassment in the workplace. [S1-17 (103c)]

The relevant data was collected and analyzed by the Group Head of Human Resources and the Group Head of Risk & Compliance at hGears. [S1-17 (103d)]

In the reporting year, hGears again recorded no serious human rights problems and incidents in connection with its own workforce that constitute cases of non-compliance with the UN Guiding Principles and the OECD Guidelines for Multinational Enterprises. [S1-17 (104a)] hGears did not pay any fines, penalties or compensation for serious human rights issues and incidents involving its own workforce in the reporting year. [S1-17 (104b)]

WORKFORCE IN THE VALUE CHAIN – ESRS S2

SBM-2 Stakeholders' interests and positions

hGears determines the legitimate interests, viewpoints and the handling of the rights of workers in the value chain within the scope of the possibilities and with reasonable effort with regard to the possible gain of information. This is done actively, i. e. by evaluating accessible information and through discussions/information exchange with the companies in the value chain, and passively, i. e. by providing workers in the value chain with suitable channels ("whistleblower system") to express their interests, points of view and criticism to hGears. [S2.SBM-2 (43)]

In the event of justified indications of impairment/violation of the aforementioned interests or rights, hGears shall follow up on these indications and, if necessary, endeavor to remedy the situation. In accordance with the provisions of its own Code of Conduct, violations and/or impairments could even lead to the termination of business relationships with companies in the value chain. However, hGears' corporate strategy or business model would not be affected in such cases.

SBM-3 Impact, risks, opportunities and interaction with concept/business model

hGears attaches great importance to a sustainable supply chain. hGears pays attention to the procurement of renewable energies and recycled raw materials, to the purchase of "non-critical" materials, to humane working conditions at the upstream production stages and to environmentally friendly logistics.

In exceptional cases, hGears outsources individual production steps to third parties. This is necessary, for example, if special technologies or capacities are not available in-house. In these cases, equally strict attention is paid to compliance with the required quality standards in the value chain.

Possible actual and potential negative effects on workers in the value chain are the result of the individual, self-determined behavior of the respective companies – these effects are not the (inevitable) consequence of the characteristics of hGears' business model or business strategy. In other words, hGears' purchasing and sales conditions are in no way designed to have negative effects on workers in the value chain or to accept these effects. [S2.SBM-3 (10)]

In the year under review, hGears was unable to identify any types of employee groups along the entire value chain that were exposed or highly likely to be exposed to significant negative effects as part of hGears' business activities, albeit with limited transparency on numerous links in the chain.

hGears did not become aware of any significant negative impacts on workers along the value chain in the reporting year – albeit with limited transparency on numerous links in the chain. [S2.SBM-3 (11a)] The same applies to regions or raw materials where there is a significant risk of child labour or forced or compulsory labour among workers in the Company's value chain. [S2.SBM-3 (11a ii + 11b)] hGears was also not aware of any significant negative impacts on employees in the value chain in the reporting year. [S2.SBM-3 (11c)]

hGears has so far only been able to identify risks and opportunities along the value chain that would have applied equally to all employees. Specific groups with increased risks could not be identified in this context. No specific effects have been identified to date. [S2.SBM-3 (13)]

S2-1 Concepts related to labour in the value chain

hGears pursues a comprehensive approach to respecting human rights that takes into account all workers in the value chain. This approach includes the identification and assessment of potential risks for human rights violations, the implementation of preventive measures and the promotion of fair working conditions. hGears is committed to compliance with international standards (e. g. ILO, UNGC) and conducts training and audits to ensure that workers' rights are respected. In addition, a transparent complaints system is provided to give workers the opportunity to report and remedy grievances (including anonymously). [S2-1 (17a)]

hGears' approach is based on the principles of fairness, respect and reciprocity to ensure that working conditions along the entire value chain meet the highest standards. Further details can be found in the Code of Conduct. (► https://hgears.com/site/wp-content/uploads/Code-of-Conduct-2022-DE_web.pdf) [S2-1 (17b)]

hGears would immediately consider potential human rights violations in the value chain. With its whistleblower system, the Company has established mechanisms that enable all affected parties to anonymously and securely report potential violations or negative impacts due to human rights violations. Feedback would flow directly into adjustments and measures to minimize risks and ensure fair conditions.

Otherwise, compliance with hGears' Code of Conduct is a prerequisite for the business/professional/collaborative relationship; therefore, a breach of the provisions of the Code may constitute a breach of contractual obligations with all legal consequences, including with regard to the termination of the contract and/or order, and may result in compensation for the damage incurred by hGears. [S2-1 (17c)]

hGears adheres to international standards such as the UN Guiding Principles on Business and Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. These standards form an integral part of the Company's human rights policy. [S2-1 (19)]

S2-2 Processes for involving workers in the value chain

hGears has not yet developed a standardized procedure for recording the opinions and concerns of employees in the value chain. In this respect, the opinions and concerns of employees are only included in the management of actual and potential impacts if employees report this as part of the whistleblower system. [S2-2 (22)]

In this respect, hGears takes into account the views of workers in the value chain when making decisions and taking action to address actual and potential impacts on their working conditions. This is done by incorporating their feedback via the whistleblower system or other channels.

For example, improvements in suppliers' work processes could be implemented based on feedback from workers there to ensure better working conditions and greater safety. This feedback would flow directly into the adaptation of measures to minimize risks and ensure fair conditions.

hGears does not yet have a standardized procedure for involving employees in the value chain. However, those affected could use the whistleblower system and other channels to anonymously report actual and potential impacts on their working conditions, labour rights and human rights. [S2-2 (22a)]

hGears does not yet have a standardized procedure for involving employees in the value chain. However, those affected could use the whistleblower system and other channels to anonymously report actual and potential impacts on their working conditions, labour rights and human rights. [S2-2 (22b)]

hGears does not yet have a standardized procedure for involving employees in the value chain. However, those affected can use the whistleblower system and other channels to report actual and potential impacts on their working conditions, labour law and human rights anonymously. Such reports are submitted to the Group HR Director and/or the Group Head of Risk & Compliance. [S2-2 (22c)]

In its Code of Conduct, hGears undertakes to comply with international standards (e. g. ILO, UNGC); the standards apply to the human rights of employees throughout the entire value chain. [S2-2 (22d)]

S2-3 Procedures to address negative impacts and reporting channels

hGears has established a whistleblower system that is also accessible to workers in the value chain. In addition, a special "hotline" and a company ombudsman are planned as points of contact for reporting material impacts. hGears has a clear approach to remediation for material negative impacts on workers in the value chain caused or contributed to by the Company. [S2-3 (27a)]

hGears has implemented a whistleblowing system through which all workers in the value chain can express their concerns or needs directly and have them reviewed. The channel is designed to provide workers with an easy and accessible way to raise their concerns about negative impacts on their working conditions with the Company. [S2-3 (27b)]

The whistleblower system is accessible via the hGears website and the reporting of concerns, needs and concerns as well as specific violations of labour law and/or human rights can also be done anonymously. [S2-3 (27c)]

hGears ensures the tracking and monitoring of issues through a transparent and effective grievance/ whistleblower system. [S2-3 (27d)] hGears' whistleblower system protects individuals who use channels from retaliation. It is ensured that whistleblowers can report anonymously. See also G1-1. [S2-3 (28)]

S2-4 Taking measures with regard to impacts, risks and opportunities

hGears has not yet identified any significant impacts, risks or opportunities in connection with employees in the value chain. For this reason, hGears has not developed any action plans and sees no reason to provide significant additional resources. [S2-4 (MDR-A 01)]

No actions or plans. hGears takes measures to prevent or mitigate significant negative impacts on workers in the value chain. [S2-4 (32a)] hGears has not identified or received any evidence that the Company's practices or any business activities have caused or contributed to a significant negative impact on workers in the value chain. [S2-4 (35)]

hGears is not aware of any serious human rights problems or human rights incidents in connection with the upstream and downstream value chain. [S2-4 (36)] hGears has not yet had to take any measures in response to specific actual or potential material adverse impacts on workers in the value chain due to a lack of corresponding incidents. This situation is regularly reviewed to determine whether a formalized precautionary approach is required. If positive, the introduction of appropriate measures is considered. [S2-4 (MDR-A 13)]

S2-5 Data and objectives for managing significant negative impacts, risks and opportunities

hGears has not yet set any quantitative or qualitative targets (in connection with a specific time horizon) for managing significant impacts, risks and opportunities relating to employees in the value chain. [S2-5 (MDR-T 01)]

hGears has not yet developed and adopted any targets for managing significant impacts, risks and opportunities in connection with employees in the value chain due to a lack of knowledge and reasons. There is no fixed date for this. [S2-5 (81)]

COMMUNITIES CONCERNED – ESRS S3

SBM-2 Stakeholders' interests and positions

hGears was again unable to identify any community directly or indirectly affected by hGears' activities in the reporting year. For this reason, no corresponding viewpoints, interests and rights have been incorporated into hGears' objectives, corporate strategy and therefore its business model. Against this background, hGears has identified the sustainability field "Affected communities" in the ESRS sustainability aspects as not material. [S3.SCM-2 (7) / S3.SBM-2 (43)]

CONSUMERS AND END USERS – ESRS S4

SBM-2 Interessen und Standpunkte der Interessenträger

hGears recognizes its customers as important stakeholders and regularly and systematically exchanges information with them in order to be able to take suggestions and criticism into account in product design, product changes, working conditions, respect for human rights and business policy. [S4.SBM-2 (8)]

SBM-3 Impact, risks, opportunities and interaction with strategy/business model

hGears' direct customers include companies (manufacturers of cars, bicycles and household appliances). Indirect customers are end users (private households). [S4.SBM-3 (10)] hGears' consumers and end users are primarily companies and manufacturers that purchase components for their products, particularly in the areas of:

- **e-Bike:** Manufacturer of e-Bike motors
- **[e]-Mobility:** automotive OEMs and Tier 1 suppliers
- **e-Tools:** Manufacturers of electric tools for crafts- and handymen, gardening tools and other machines with electronic drive technologies

End users in the classic sense are those people who ultimately use the finished products, such as riders of e-bikes or electric vehicles, as well as users of tools and machines equipped with hGears components. The end users (end consumers) of hGears use the products with components from hGears and are therefore all equally affected as consumers. [S4.SBM-3 (10a)]

hGears does not manufacture products that are harmful to consumers/end users and/or increase the risk of chronic disease when used properly. Negative effects on financially vulnerable consumers/end-user groups (excessive use) are not expected. [S4.SBM-3 (10a i-iv)]

hGears products have a fundamentally positive impact on consumers and end users when used properly. The extent of the impact depends on the individual starting situation and personal factors. [S4.SBM-3 (10c)]

In principle, the parts manufactured by hGears promote the transition from the combustion engine to the electric motor and thus contribute to the reduction of GHG emissions, thereby helping to achieve climate and environmental goals.

Short-term risks and opportunities for hGears comprise several aspects [S4.SBM-3 (10d)]:

- **Risks due to a lack of information:** A lack of or insufficient information can reduce demand for products such as medicines or dietary supplements.
- **Health and safety:** Non-compliance with safety standards or health protection can lead to a decline in demand and reputational damage.
- **Child protection and social inclusion:** Neglecting these aspects can also have a negative impact on brand image and product demand.
- **Responsible marketing practices:** Misleading marketing practices jeopardize consumer trust and can result in regulatory risks.
- **Opportunities through safety and inclusion:** High levels of safety, social inclusion and ethical marketing increase customer satisfaction, strengthen brand perception and offer competitive advantages.

hGears was also unable to identify any consumers and end users with certain characteristics who work in certain contexts or carry out certain activities that could be exposed to a higher risk of harm in the reporting year. [S4.SBM-3 (11)]

Possible impacts affect all consumers and end users equally. Specific groups that could be primarily or exclusively affected by impacts could not be identified either in practice or in theory. [S4.SBM-3 (12)]

S4-1 Concepts related to consumers and end users

Product quality is a top priority for hGears. On the one hand, the manufactured function-critical components are essential parts for the flawless functioning of the end product and must meet high quality requirements. Gears must be designed and manufactured in such a way that they can withstand the mechanical loads that occur during operation. With regard to hGears, this includes factors such as the choice of material, tooth shape and surface finish. [S4-1 (15)]

To ensure safety, various calculations and load tests are carried out to determine the load-bearing capacity and service life of the gears. These include calculating the tooth flank load capacity, analysing fatigue phenomena and taking safety factors into account. Careful planning and design of the gears and gear wheels can help to prevent failures and increase operational safety.

S4-2 Procedure for involving consumers and end users in relation to impacts

hGears regularly and systematically exchanges information with key stakeholders, in particular customers, in order to take suggestions and criticism into account in product design, product changes and business policy. This exchange can also include findings from studies and reports on the end markets. [S4-2 (20)]

Important end users of hGears' products are riders of e-bikes. Their transmissions (gears) play a crucial role in the performance, efficiency and user-friendliness (noise) of the vehicle. [S4-2 (20a)]

Efficiency: e-bike transmissions should have high energy efficiency in order to minimize energy consumption and maximize the range of the battery.

Weight: As e-bikes are often intended to be lighter and more agile, the weight of the gears is an important factor. Lightweight materials and compact designs are therefore an advantage.

Reliability: Gearboxes must be robust and durable in order to withstand the different conditions and stresses of everyday use. A high level of reliability is crucial in order to extend maintenance intervals.

Ease of maintenance: e-bike transmissions should be easy to maintain and repair in order to reduce operating costs and increase service life.

Noise development: A quiet gearbox contributes significantly to driving comfort. Therefore, low noise development during operation is not only desirable, but a prerequisite for the success of the product.

Integration with the drive system: The transmission should work seamlessly with the e-bike's electric drive system to ensure harmonious performance and a good riding experience.

Safety: The transmissions must be safe and must not pose any danger to the driver, especially in the event of sudden load changes or malfunctions.

End users are not systematically involved on a regular basis, but rather on an ad hoc and random basis. Feedback from end users is often indirect, for example via (specialist) press articles and studies, and is not structured. [S4-2 (20b)] hGears generally has no direct contact with end users and has no personal data on these end users. [S4-2 (22)]

S4-3 Processes for ameliorating negative impacts and channels through which consumers and end users can raise concerns

End users can contact hGears directly at any time or provide information via the (anonymous) whistleblower system. [S4-3 (25a)] The hGears website is public and provides access or the link to the (anonymous) whistleblower system. In addition, hGears can be contacted via all standard communication channels (telephone, fax, e-mail). [S4-3 (26)] hGears offers consumers/end users and other persons various (also anonymous) channels. See also S4-2 (20b) and S4-3 (25a). [S4-3 (26)]

S4-4 Take actions regarding significant impacts on consumers and end users and approaches to manage significant risks and take advantage of significant opportunities related to consumers and end users and the effectiveness of these actions and approaches

hGears was not aware of any significant (negative) effects on consumers or end users in the reporting year. Against this background, no corresponding measures were taken. [S4-4 (MDR-A 01)] hGears considers and reviews all reactions from consumers or end users and other persons that are reported to the Company. Should hGears become aware of any impacts or risks in this context, measures would be taken immediately and processes changed in order to eliminate these impacts or minimize the corresponding risks. [S4-4 (31a)]

S4-5 Objectives related to managing significant negative impacts, enhancing positive impacts and managing significant risks and opportunities

hGears uses the analysis of key company figures, feedback from audits and management reviews to identify potential for improvement. Findings from these are incorporated directly into the management process and strategic considerations. [S4-5 (41c)]

CORPORATE GOVERNANCE – ESRS G1

As part of the materiality analysis, hGears examined all relevant structures, processes and circumstances of the Company that have or could have an actual and/or potential impact on the environment and the Company itself. This includes all important governance categories. hGears has assessed the severity of (potential) impacts using qualitative or quantitative approaches. [ESRS 2 IRO-1]

This procedure was carried out in accordance with the requirements of the Corporate Sustainability Reporting Directive (CSRD) of the European Union (EU): Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) 537/2014 and Directives 2004/109/EC, 2006/43/EC and 2013/34/EU with regard to corporate sustainability reporting.

The materiality analysis is used to determine the material aspects and material information about all impacts, risks and opportunities of hGears' business activities in the areas of environment, social affairs and corporate governance that are to be reported on in the sustainability statement in accordance with legal requirements. The analysis is not limited to HGEARS' own activities, but also includes the upstream and downstream value chain.

The materiality analysis process ensures that all material impacts, risks and opportunities are identified and consequently those that are not material are excluded. With regard to the risk assessment, hGears has comprehensively estimated expected values for possible damages. To this end, various scenarios of conceivable effects were simulated, the probability of occurrence estimated and the respective extent of damage calculated.

As part of the impact analysis, hGears also looked for opportunities in the sustainability area of corporate management that a change in business policy, altered production processes or changes along the value chain could have a positive effect on the environment and corporate finances.

- Description of the business model and delineation of the corresponding operational and administrative processes, including the value chain.
- Identification of the relevant interest groups ("stakeholders") and description of the way in which they are involved.
- Determination of the criteria for assessing materiality.
- Outline of the collection of the required data and information as well as evaluation and documentation of this data and information.
- Discussion of the ESG aspects "Environment": climate change with energy consumption and greenhouse gas emissions, land, water and air pollution, (marine) water resources, biodiversity, resource use and circular economy.

- Discussion of the ESG aspects "social/society": own workforce, workforces in the value chain, affected communities, customers and end users.
- Discussion of the ESG aspects of corporate governance: Corporate culture, compliance, whistleblower system, data protection, IT security.

G1-1 Concepts for corporate governance and corporate culture

hGears attaches great importance to a solid corporate culture because this culture offers numerous opportunities such as reputation opportunities and increased employee productivity. In addition, a sustainable corporate culture offers the opportunity to stand out from the competition. These aspects are crucial to ensure sustainable business practices and long-term business success. Companies with a strong ethics and compliance culture are less susceptible to legal problems and penalties. This reduces potential financial costs from litigation and fines. A solid culture helps companies better respond to and weather crises, promoting long-term financial stability. [G1-1 (MDR-P 01)]

hGears develops the **corporate culture through several instruments/measures** [G1-1 (9)]:

- Targeted employee development and further training/development of employees for greater efficiency and innovative strength.
- Organization of flexible working hours.
- Design of open communication structures.
- Promoting teamwork with individual team-building activities.
- Flat hierarchies with short information paths and a high level of transparency.
- Promoting diversity and inclusion.
- Involvement in social and ecological projects to strengthen the sense of community and thus improve employee satisfaction and strengthen the sense of community.
- Clear definition of values (Code of Conduct) and the role model function practiced by management.

By implementing these measures, hGears intends to develop a solid corporate culture that not only improves the working environment, but also creates financial benefits. This means higher productivity and efficiency through a more committed workforce that embraces the corporate culture and identifies with the Company. The result is lower staff turnover, fewer errors and better quality. It also makes it easier to recruit qualified employees and talent in the HR department.

As part of an effective compliance management system, hGears has introduced several mechanisms to identify, report and investigate illegal behavior or violations of the Code of Conduct. [G1-1 (10a)]

- **A reporting system (whistleblowing tool) for internal and external stakeholders:** hGears offers both employees and external stakeholders the opportunity to report concerns and violations anonymously. These processes are carried out via a whistleblowing tool, which ensures that all reports are treated confidentially and investigated promptly.
- **Investigation and report:** Reports that indicate potential misconduct or violations are forwarded to clearly defined persons of trust (Group HR Director, Group Head of Risk & Compliance) and investigated immediately. This involves checking whether the behavior violates the Code of Conduct or statutory regulations. The results of these investigations are documented and, if necessary, measures are taken to rectify the situation.
- **Consideration of stakeholders:** hGears includes reports from employees as well as external partners, suppliers and other stakeholders in these processes. This approach is part of a transparent and responsible corporate culture in which compliance and ethical behavior are given high priority.

With these mechanisms, hGears has established a successful compliance management system that has reacted promptly to potential misconduct in significant cases and taken appropriate corrective measures. hGears' anti-corruption and anti-bribery concept harmonizes with the United Nations (UN) Convention against Corruption of 2004 and is regulated in the Code of Conduct. [G1-1 (10b)]

Reports that indicate potential misconduct or violations are forwarded to clearly defined persons of trust, namely the Group Director Human Resources and the Group Head of Risk and Compliance. [G1-1 (10c)] Any breaches of business conduct are promptly, independently and objectively investigated and assessed by the Group Director Human Resources and the Group Head of Risk and Compliance. If necessary, internal and/or external experts are consulted while maintaining confidentiality. [G1-1 (10e)] The necessary knowledge of guidelines and the Code of Conduct is ensured by means of an annual online test. [G1-1 (10g)]

In the areas of purchasing and sales, there is an industry-typical risk of corruption and bribery. These risks can occur because the purchasing and procurement of goods and services as well as sales are generally associated with intensive business relationships and negotiations. [G1-1 (10h)]

- **Purchasing:** In purchasing, hGears is in negotiations with suppliers and service providers, which can lead to corruption risks if, for example, purchasing managers or purchasing officers accept benefits such as bribes in order to award contracts to certain suppliers. Such practices can undermine the selection criteria for suppliers based on price and quality and expose the Company to significant financial and reputational risk. In many countries, especially those with weak legal systems or high levels of corruption, the risk of such unethical business practices is particularly high.
- **Distribution:** In sales, there is a risk that sales employees or external partners such as distributors or sales representatives may be involved in bribery payments to secure business or receive preferential treatment from customers or authorities. These practices distort competition and can lead to legal consequences.

In both areas, strict internal control mechanisms and clear guidelines on compliance and ethical conduct are crucial to minimizing such risks. With its Code of Conduct, hGears defines corruption-free and fair business relationships for both its own employees and external business partners.

G1-2 Management of relationships with suppliers

Relationships with suppliers are of great importance to hGears, as they have a direct influence on the quality, costs and availability of products and services.

Quality assurance: Close cooperation with suppliers enables companies to monitor the quality of the materials and products supplied and ensure that they meet the required standards.

Cost efficiency: Long-term relationships with reliable suppliers can lead to better prices and conditions, which can reduce overall costs.

Innovation: Suppliers can offer valuable insights and expertise that can contribute to the development of new products or the improvement of existing processes. A good relationship promotes the exchange of ideas and innovation.

Flexibility and responsiveness: Strong relationships enable companies to respond more quickly to changes in demand or unexpected challenges. Suppliers that are well integrated can respond more flexibly to the needs of their customers.

Risk management: A diversified and trustworthy supplier base can help to minimize risks associated with supply bottlenecks, price fluctuations or other disruptions.

Sustainability: Companies that maintain close relationships with their suppliers can work together on sustainable practices to improve environmental and social standards.

Competitive advantage: A strong supplier relationship can create a competitive advantage by facilitating access to high-quality materials, technologies or services.

Long-term partnerships: Investing in good relationships with suppliers can lead to long-term partnerships that are mutually beneficial and provide stability in the supply chain.

Transparency and trust: Open communication and transparency in the relationship promote trust, which leads to better cooperation and problem-solving.

Market adaptation: Suppliers can provide valuable information on market trends and changes that help companies to better adapt and make strategic decisions.

hGears has established uniform, standardized processes in financial accounting that are based on the same rules for all partners. [G1-2 (14)] In its Code of Conduct, hGears has regulated important topics such as combating child labour, discrimination and harassment, corruption and bribery, as well as strengthening fair competition, dealing with conflicts of interest and treating the environment with respect. This Code of Conduct applies equally to employees, suppliers, customers and other business partners. [G1-2 (15a)]

G1-3 Preventing and detecting corruption and bribery

The Code of Conduct, a comprehensive compliance program and regular audits help to effectively combat corruption and bribery and promote an ethical corporate culture. The whistleblower system for reporting unlawful conduct also promotes the early detection and rectification of problems and strengthens employees' trust in hGears. All components together improve compliance and reduce the risk of legal and financial consequences; they also contribute to an open and transparent corporate culture. [G1-3 (18a)] All knowledge gained about (potential) cases of bribery and corruption is reported directly to the Management Board as part of the compliance reporting processes. [G1-3 (18c)]

G1-4 Incidents of corruption or bribery

hGears did not register any confirmed cases of corruption or bribery in the 2024 reporting year. hGears did not pay any fines for violations of anti-corruption and anti-bribery laws in the 2024 reporting year. [G1-4 (24a)]

G1-5 Political influence and lobbying activities

hGears does not pursue any activities in the area of political influence or lobbying. Therefore, no representatives can be appointed to administrative, management or supervisory bodies that would be responsible for monitoring such activities [G1-5 (29a)]

hGears does not make any financial contributions or contributions in kind for political purposes. [G1-5 (29b)] hGears does not pursue any activities in the area of political influence or lobbying. [G1-5 (29c)] In the last two years, no members of hGears have been appointed to administrative, management or supervisory bodies who previously held a comparable position in public administration. [G1-5 (30)] hGears is a member of the Schwarzwald-Baar-Heuberg Chamber of Industry and Commerce. [G1-5 (AR 13)]

G1-6 Payment practices

hGears has identified the "payment practices" in the ESRS sustainability aspects as not material, which is why there is no disclosure requirement.

EU TAXONOMY

The EU Taxonomy is a classification system developed by the European Union (EU) that defines economic activities as environmentally sustainable based on certain predefined criteria. The aim of the EU Taxonomy is to promote investment in companies that carry out environmentally sustainable activities. In this way, the EU Taxonomy is intended to help implement the European Green Deal, in particular to achieve climate neutrality in the EU by 2050.

In accordance with Article 8 of Regulation (EU) 2020/852 of June 18, 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation EU 2019/2088, hGears provides information on how and to what extent the economic activities are considered environmentally sustainable in accordance with Articles 3 and 9 of this Regulation.

Following an in-depth review of economic activity based on Delegated Regulation (EU) 2021/2139, hGears has identified the following activities that are covered by the EU Taxonomy to achieve the two objectives of climate change mitigation and adaptation:

3.3: Production of low-CO₂ transportation technologies (including low-CO₂ vehicles)

3.6: Production of other low-CO₂ technologies

For the 2023 financial year, the shares of economic activity that are both taxonomy-compliant and taxonomy-compliant must be disclosed. The economic activity is expressed in terms of turnover as well as investment and operating expenses. In addition, there is supplementary qualitative information on the harmlessness of any negative impact of economic activity on other objectives and areas worthy of protection.

Taxonomy-compliant economic activities

An economic activity can be classified as (ecologically) sustainable or taxonomy-compliant if it fulfills both the requirements of the formal description and all technical assessment criteria. These assessment criteria are made up of the criteria for a significant contribution and the DNSH criteria ("do no significant harm"). In addition, the minimum protection criteria set out in the EU Taxonomy Regulation must be met.

In this context, hGears has identified the environmental goals **(1) climate protection** and **(4) transition to a circular economy**. In the reporting year, hGears was unable to make any identifiable contribution to the environmental objectives **(2) adaptation to climate change**, **(3) sustainable use and protection of water resources**, **(5) prevention of pollution** and **(6) protection of ecosystems and biodiversity**. The further analyses presented below were therefore limited to Annex I of the EU Taxonomy Regulation.

Significant contribution

Products from hGears, in particular gears, axles and similar components, make a significant contribution to both supporting greater electric mobility ("3.3: Production of low-carbon transportation technologies", including low-carbon vehicles) and replacing combustion engines with electric motors ("3.6: Production of other low-carbon technologies"); hGears does the latter, for example, by producing important components for small vehicles and tools for outdoor use.

Compliance with the minimum protection requirements

Compliance with the minimum protection requirements (Article 18 of the Taxonomy Regulation) is a further prerequisite for an economic activity to be taxonomy-compliant. In this context, companies must introduce appropriate processes and procedures to avoid negative impacts on four areas in particular: Human rights (including labour and consumer rights), taxation, corruption and bribery, and unimpaired competition. The audit at Group level did not reveal any indications of a violation or non-compliance.

hGears has implemented mechanisms within the Group that ensure compliance with the relevant requirements by means of an appropriate risk assessment and specific countermeasures. In addition to internal guidelines and systems and an appropriate supplier selection process, this also includes the commitment of suppliers and relevant partners to recognized standards and regular inspections.

Determination of taxonomy key figures

The determination of the taxonomy key figures and the reporting of taxonomy-eligible and taxonomy-compliant economic activities of hGears is carried out in accordance with the delegated act on disclosure requirements. The key figures are the shares of taxonomy-eligible and taxonomy-compliant revenue, investment and operating expenses.

Turnover

The share of turnover referred to in Article 8(2)(a) of Regulation (EU) 2020/852 shall be calculated as the part of the net turnover of goods or services, including intangibles, associated with taxonomy-eligible and taxonomy-compliant economic activities (numerator) divided by the net turnover (denominator) as defined in Article 2(5) of Directive 2013/34/EU.

Capital expenditure

Capital expenditure (CapEx) as defined by the EU Taxonomy comprises additions to property, plant and equipment and intangible assets during the financial year under review before depreciation and amortization and revaluations, including those resulting from revaluations and impairments for the financial year in question and excluding changes in fair value. This also includes additions to property, plant and equipment and intangible assets resulting from business combinations. Capital expenditure includes costs recognized on the basis of IFRS standards IAS 16 Property, Plant and Equipment, paragraph 73, letter (e), subparagraph (i) and subparagraph (iii), IAS 38 Intangible Assets, paragraph 118, letter (e), subparagraph (i), IAS 40 Investment Property, paragraph 79(d), subparagraphs (i) and (ii) (for the cost model), IAS 41 Agriculture, paragraph 50, subparagraphs (b) and (e) and IFRS 16 Leases, paragraph 53, subparagraph (h). Taxonomy-eligible and taxonomy-compliant capital expenditures relate to assets that are associated with taxonomy-eligible and taxonomy-compliant economic activities or are part of a plan to expand taxonomy-eligible and taxonomy-compliant economic activities or to convert taxonomy-eligible economic activities into taxonomy-compliant economic activities.

Operating expenditure

Operating Expenditure (OpEx) as defined by the EU Taxonomy includes direct, non-capitalized costs relating to research and development, building refurbishment, short-term leasing, maintenance and repair and any other direct expenditure associated with the day-to-day maintenance of tangible fixed assets necessary to ensure their functionality. Taxonomy-eligible and taxonomy-compliant operating expenses may relate to assets or processes that are associated with taxonomy-eligible and taxonomy-compliant economic activities or are part of a plan to expand taxonomy-eligible and taxonomy-compliant economic activities or to convert taxonomy-eligible economic activities into taxonomy-compliant economic activities.

To determine the taxonomy-eligible and taxonomy-compliant operating expenses of hGears, the first step was to analyze the expenses in the reporting year to determine what proportion of them related to assets or processes associated with the taxonomy-eligible and taxonomy-compliant economic activities 3.3 and 3.6 (numerator). The taxonomy-eligible and taxonomy-compliant operating expenses determined in this way were set in relation to the total operating expenses covered by the taxonomy (denominator). A direct allocation to operating expenses in the consolidated financial statements is not provided for by the Taxonomy Regulation.

Economic activity of hGears within the meaning of the EU Taxonomy Regulation: Turnover

| Year | Turnover | | Significant contribution to EU environmental targets** | Impairment of other EU environmental targets*** | Minimum protection**** |
|--------------|--------------------------|-------------------------|--|--|--|
| | in total | Share taxonomy-capable | | | |
| 2021 | EUR 134.9 million | EUR 42.9 million | – | | |
| e-Mobility | | 32.2 % | – | | |
| e-Tools | | 0.0 % | – | | |
| Conventional | | 0.0 % | – | | |
| ∑ | | 32.2 % | – | | |
| 2022 | EUR 135.3 million | EUR 92.9 million | EUR 76.1 million | | |
| e-Mobility | | 38.4 % | 38.4 % | | |
| e-Tools | | 30.9 % | 18.4 % | | |
| Conventional | | 0.0 % | 0.0 % | | |
| ∑ | | 69.3 % | 56.8 % | | |
| 2023 | EUR 111.7 million | EUR 68.5 million | EUR 55.8 million | The audit of economic activities did not identify any violation of EU objectives | Minimum protection is guaranteed for all economic activities |
| e-Mobility | | 37.6 % | 37.6 % | | |
| e-Tools | | 23.8 % | 12.4 % | | |
| Conventional | | 0.0 % | 0.0 % | | |
| ∑ | | 61.4 % | 50.0 % | | |
| 2024 | EUR 95.2 million | EUR 63.1 million | EUR 49.0 million | | |
| e-Bike | | 19.4 % | 19.4 % | | |
| e-Tools | | 28.5 % | 13.7 % | | |
| [e]-Mobility | | 18.4 % | 18.4 % | | |
| ∑ | | 66.3 % | 51.5 % | | |

* Climate protection, adaptation to climate change.

** Not part of mandatory reporting in 2021.

*** Sustainable use and protection of water and marine resources, transition to a circular economy, prevention and reduction of pollution, protection and restoration of biodiversity and ecosystems.

**** Guarantee of minimum protection criteria with regard to occupational safety as well as labour and human rights. To ensure long-term comparability, the 2024 values for the old business areas are shown.

Economic activity of hGears within the meaning of the EU Taxonomy Regulation: Investments

| Year | Capital expenditure ("CapEx") | | Significant contribution to EU environmental targets** | Impairment of other EU environmental targets*** | Minimum protection**** |
|---------------|-------------------------------|-------------------------|--|--|--|
| Business area | in total | Share taxonomy-capable | Share taxonomy-compliant** | | |
| 2021 | EUR 14.7 million | EUR 5.2 million | – | | |
| e-Mobility | | 35.4 % | – | | |
| e-Tools | | 0.0 % | – | | |
| Conventional | | 0.0 % | – | | |
| ∑ | | 35.4 % | – | | |
| 2022 | EUR 16.6 million | EUR 12.1 million | EUR 10.6 million | | |
| e-Mobility | | 62.7 % | 62.7 % | | |
| e-Tools | | 9.9 % | 1.0 % | | |
| Conventional | | 0.0 % | 0.0 % | | |
| ∑ | | 72.6 % | 63.7 % | | |
| 2023 | EUR 9.1 million | EUR 6.8 million | EUR 6.3 million | The audit of economic activities did not identify any violation of EU objectives | Minimum protection is guaranteed for all economic activities |
| e-Mobility | | 68.0 % | 68.0 % | | |
| e-Tools | | 6.3 % | 1.1 % | | |
| Conventional | | 0.0 % | 0.0 % | | |
| ∑ | | 74.3 % | 69.1 % | | |
| 2024 | EUR 2.6 million | EUR 1.6 million | EUR 1.3 million | | |
| e-Bike | | 17.0 % | 17.0 % | | |
| e-Tools | | 20.0 % | 5.4 % | | |
| [e]-Mobility | | 25.3 % | 25.3 % | | |
| ∑ | | 62.3 % | 47.7 % | | |

* Climate protection, adaptation to climate change.

** Not part of mandatory reporting in 2021.

*** Sustainable use and protection of water and marine resources, transition to a circular economy, prevention and reduction of pollution, protection and restoration of biodiversity and ecosystems.

**** Guarantee of minimum protection criteria with regard to occupational safety as well as labour and human rights. To ensure long-term comparability, the 2024 values for the old business areas are shown.

Economic activity of hGears within the meaning of the EU Taxonomy Regulation: Operating expenses

| Year | Operating expenses ("OpEx") | | Significant contribution to EU environmental targets** | Impairment of other EU environmental targets*** | Minimum protection**** |
|---------------|-----------------------------|------------------------|--|--|--|
| Business area | in total | Share taxonomy-capable | Share taxonomy-compliant** | | |
| 2021 | EUR 8.0 million | EUR 1.6 million | – | | |
| e-Mobility | | 19.5 % | – | | |
| e-Tools | | 0.0 % | – | | |
| Conventional | | 0.0 % | – | | |
| ∑ | | 19.5 % | – | | |
| 2022 | EUR 7.0 million | EUR 5.2 million | EUR 4.5 million | | |
| e-Mobility | | 53.8 % | 53.8 % | | |
| e-Tools | | 19.7 % | 9.9 % | | |
| Conventional | | 0.0 % | 0.0 % | | |
| ∑ | | 73.5 % | 63.7 % | | |
| 2023 | EUR 6.0 million | EUR 3.3 million | EUR 3.3 million | The audit of economic activities did not identify any violation of EU objectives | Minimum protection is guaranteed for all economic activities |
| e-Mobility | | 55.1 % | 55.1 % | | |
| e-Tools | | 16.7 % | 7.6 % | | |
| Conventional | | 0.0 % | 0.0 % | | |
| ∑ | | 71.8 % | 52.7 % | | |
| 2024 | EUR 5.1 million | EUR 3.9 million | EUR 3.3 million | | |
| e-Bike | | 36.4 % | 36.4 % | | |
| e-Tools | | 18.1 % | 5.8 % | | |
| [e]-Mobility | | 21.4 % | 21.4 % | | |
| ∑ | | 75.8 % | 63.5 % | | |

* Climate protection, adaptation to climate change.

** Not part of mandatory reporting in 2021.

*** Sustainable use and protection of water and marine resources, transition to a circular economy, prevention and reduction of pollution, protection and restoration of biodiversity and ecosystems.

**** Guarantee of minimum protection criteria with regard to occupational safety as well as labour and human rights. To ensure long-term comparability, the 2024 values for the old business areas are shown.

IMPRINT

Publisher

hGears AG

Brambach 38
78713 Schramberg
Germany

Phone: +49 (0) 7422 566 222
Fax: +49 (0) 7422 566 805

E-Mail: ir@hgears.com
Web: hgears.com

Design and typesetting

Hirschfeld Design
Grafik.Design & Werbung

Ridlerstr. 30
80339 Munich
Germany

Phone: +49 (0) 89 505045

E-Mail: petra@hirschfeld-design.de
Web: hirschfeld-design.de

Concept and text

GFD – Gesellschaft
für Finanzkommunikation mbH

Fellnerstr. 7–9
60322 Frankfurt am Main
Germany

Phone: +49 (0) 69 9712470

E-Mail: grunow@gfd-finanzkommunikation.de
Web: gfd-finanzkommunikation.de

*Photo credits: Title motif, using a photo
by Rebike/Markus Greber*

Disclaimer

This report contains forward-looking statements. These statements are based on current experience, estimates and projections of the Management Board and the information available at the time this financial report was prepared. They are not guarantees of future performance and results and are subject to risks and uncertainties that are beyond hGears' ability to control or predict, such as future market conditions, regulatory changes or the behaviour of other market participants, for instance. These and other factors can cause the actual results, performance and financial position to deviate significantly from the estimates stated herein. hGears does not assume any obligation to update the forward-looking statements contained in this report. Certain numerical data, financial information and market data, including percentages, in this document have been rounded according to established commercial standards. Furthermore, in tables and charts, these rounded figures may not add up exactly to the totals contained in the respective tables and charts. The annual report of hGears AG is published in German and English. In the event of any deviations, the German version takes precedence. When persons are mentioned in this publication, this always refers to female, male and diverse (for example transsexual and intersexual) persons. For reasons of better readability and/or formal or technical reasons such as limited space or the better findability of web texts, not all variants are always mentioned.

