SGB-SMIT Group

SUSTAINABILITY REPORT 2025

FISCAL YEAR 2024

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ABOUT THIS REPORT

At SGB-SMIT Group, sustainability is a collective effort involving customers, employees, stakeholders, suppliers, and partners. This Sustainability Report outlines SGB-SMIT Group's sustainability strategy, achievements to date, and how sustainability shapes the Group's future.

The EU Omnibus Initiative and the "Stop-the-clock" Directive had significant impact on the implementation of Corporate Sustainability Reporting Directive (CSRD) and EU Taxonomy. Accordingly, SGB-SMIT will start reporting in line with such mandatory requirements for the year 2027. For the time being, SGB-SMIT Group will continue to release its yearly voluntary Sustainability Report.

The sustainability reporting boundaries cover all group companies globally, including wholly and majority-owned subsidiaries, as well as the initial investment in the SGB-Electroalfa SRL joint venture in Botoșani, Romania, which is scheduled to start manufacturing of distribution transformers in 2025. The recent acquisition of Southwest Electric Co., a United States based manufacturer of electrical components and transformers (closed early 2025), is not yet reflected in this report.

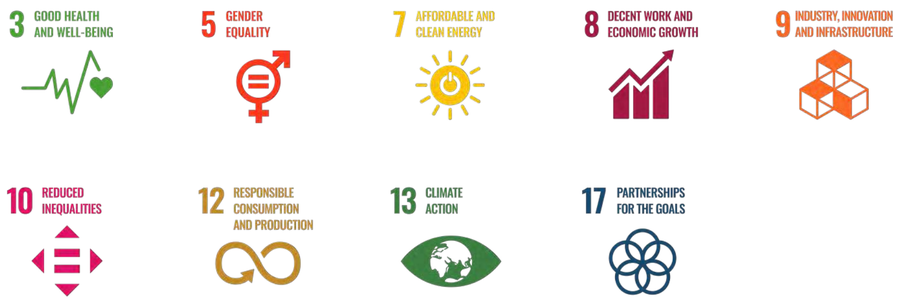
All data in this report pertains to the financial year 2024, from January 1 to December 31, and was collected through internal reporting systems from all locations. For all employee data that is based on a specific reference date, December 31, 2024 was taken. The data is reported at the SGB-SMIT Group level and compiled in reference to the standards of the Global Reporting Initiative (GRI), GRI 1: Foundation 2021.

Certain historical data presented in this report has been restated due to updates in the data collection methodology and boundary definitions. This recalculation specifically applies to data related to energy consumption and Scope 1 & 2 emissions for the years 2020 to 2023. This change ensures greater accuracy and alignment with current reporting standards. The restatement does not have any significant impact on the reported emissions figures.

Environment, Social, and Governance (ESG) are core areas at SGB-SMIT Group. All global locations demonstrate their commitment through various initiatives, including forward-looking actions and economic management, responsibility towards employees, job security, environmental protection, and compliance across the entire value chain, in line with the German Supply Chain Due Diligence Act.

CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

The United Nations Agenda 2030 includes 17 Sustainable Development Goals (SDGs) aimed at protecting the planet and ensuring a safe and decent life for all. SGB-SMIT Group recognizes its responsibility and has taken concrete steps to contribute to these goals. The Group has mapped all 17 SDGs to its areas of influence and identified nine SDGs where it can make a significant impact. Consequently, clear action plans and targets have been established to achieve these SDGs:



SGB-SMIT operates on the core principle of responsibility in all its actions. Consequently, the Group is committed to supporting the achievement of all the other SDGs.

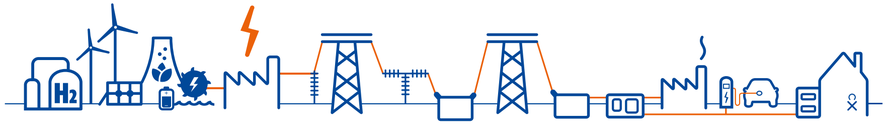
EDITORIAL - CEO & CFO's MESSAGE

The energy sector is undergoing a historic transformation. As the world moves toward decarbonization, electrification, and digitalization, the demand for resilient, efficient, and sustainable energy infrastructure is growing rapidly. At SGB-SMIT Group, we are proud to contribute to this transition, not only through our products, but, through our values, our people, our long-term vision, and our actions.

As a pure-play transformer specialist, we serve a critical role in enabling the integration of renewable energy, supporting grid modernization, and ensuring the reliability of power supply across industries and communities. Our customers rely on us to deliver solutions that meet today's challenges and anticipate tomorrow's needs.

Sustainability is central to our growth strategy. It is embedded in how we operate, how we innovate, and how we lead. Our GREEN Program, Governance, Responsibility, Equality, Employees, and Net Zero, provides a clear framework for action and accountability. It guides our decisions and ensures that we remain aligned with global standards, including the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy going forward.

In 2024, we significantly reduced our carbon footprint, completed a full Scope 3 emissions inventory, increased our use of renewable energy, and improved circularity in product design and waste management. These achievements reflect our commitment to measurable impact and continuous improvement.



TRANSFORMING TOGETHER THE FUTURE OF ENERGY

But sustainability is more than metrics. It is about people. People are the driving force of sustainability. With over 3,200 employees globally, we are building a culture of inclusion, integrity, and shared purpose. We are investing in talent development, employee well-being, and community engagement. Our employee satisfaction rate of 7.5 reflects a culture of trust, purpose, and belonging.

The energy transition is not a linear path, it is a dynamic journey that requires bold leadership, deep collaboration, and relentless innovation. At SGB-SMIT Group, we are committed to being a trusted partner in this journey. We thank our employees, customers, suppliers, and stakeholders for their continued trust and support. Together, we are powering a more sustainable and electrified future.

Sincerely,

Holger Ketterer
CEO SGB-SMIT Group

Heinrich Uekermann
CFO SGB-SMIT Group

EDITORIAL - SUSTAINABILITY CORE TEAM MESSAGE

This year's Sustainability Report reflects the progress we are making on our journey towards sustainability across every level of SGB-SMIT Group. As the Sustainability Core Team, we are proud to share the tangible progress we have made and the foundation we have built for future impact.

2024 was a year of action. We operationalized our GREEN Program across all entities, establishing local sustainability teams and cross-functional working groups to drive initiatives tailored to each site. This decentralized approach enabled us to implement targeted measures while maintaining strategic alignment at the Group level.

Our environmental achievements are substantial. We reduced our Scope 1 & 2 emissions by 53% compared to 2020, increased renewable energy usage to 38%, and recycled 87% of our waste. We completed a full Scope 3 emissions inventory, setting a baseline for future reductions and aligning with our commitment to the Science-Based Targets initiative (SBTi). These milestones are not endpoints - they are stepping stones toward our long-term goal of full carbon neutrality by 2050.

Our circularity efforts gained momentum through life cycle assessments, circular product design, and lifetime extension services. We piloted the use of recycled transformer oil and biodegradable fluids, and collaborated with suppliers on CO_2-reduced steel and alternative materials. These innovations are helping us reduce environmental impact while enhancing product performance and resilience.

Social sustainability remains a cornerstone of our approach. With a workforce representing over 30 nationalities, we foster an inclusive culture that values diversity, equity, and opportunity. We expanded our employee well-being programs, strengthened our diversity strategy, and continued to invest in talent development across all generations.

Looking ahead, we are preparing for the next phase of our sustainability journey. Regulatory frameworks such as CSRD, CSDDD, and the EU Taxonomy will reshape how companies operate and report. We are proactively aligning our systems, data, and governance structures to meet these requirements and to lead with transparency and integrity.

But beyond compliance, our focus is on transformation. We are investing in digitalization, smart energy systems, and next-generation transformer technologies that will support the energy transition. We are strengthening supplier partnerships, expanding our sustainability training programs, and embedding ESG into every decision we make. Our CDP B rating and EcoVadis Silver Medal validate our progress and motivate us to go further.

Sustainability is a dynamic process of learning, adapting, and improving. We are committed to staying curious, staying accountable, and staying connected to the needs of our customers, employees, and communities.

Julia Däumer
VP Strategy & Sustainability

Ana Rojas
Sustainability Manager

Sandra Marques
Sustainability Manager

1.1 WHY SGB-SMIT?

1.2 SGB-SMIT AT A GLANCE
- 1.2.1 VISION
- 1.2.2 SITES

1.3 PRODUCTS & MARKETS
- 1.3.1 END CUSTOMER MARKET
- 1.3.2 REVENUE BY PRODUCT 2024
- 1.3.3 REVENUE BY REGION 2024

1.4 CUSTOMER RELATIONS

1.0 ABOUT SGB-SMIT GROUP

1.1 WHY SGB-SMIT

SGB-SMIT Group manufactures transformers across all power classes for various applications. The coordination of its largely independent global sites is managed from the Group's headquarters in Regensburg, Germany. The ultimate shareholding company is Dutch OEP Trafo Coöperatief U.A., based in Amsterdam, the Netherlands. SGB-SMIT's production facilities, service, and sales sites are situated in Europe, North America, and Asia. In recent years, SGB-SMIT has increased its activities in growth markets and expanded its participation in the renewable energy sector.

Individual sites specialize according to their local market conditions and product categories; however there is among others a strong transfer of know-how within supplier management and mutual involvement in the development of products at Group level. The Group's sustainability strategy is centrally defined and implemented at the entity level.

With over a century of experience, SGB-SMIT Group focuses on transformer production and operates at 15 locations globally. The Group provides products and services using standardized processes internationally while adapting planning, production, transport, and customer service practices locally. SGB-SMIT aims to combine global expertise with local operational efficiency. Its research, development, and service cross functional teams are focused on fulfilling customer requirements, leveraging international presence in adopting practice-oriented and pragmatic problem-solving approach to fulfill customer demands.

The Group maintains an independent position in the market and upholds the highest standards regarding quality assurance. SGB-SMIT is committed to responsible and ethical business practices, translated into measures related to sustainability, environmental considerations, and human rights.

As a global leader, SGB-SMIT Group acknowledges the critical importance of energy supply, particularly clean energy from renewable sources. The energy transition presents significant challenges for power generation, transmission, and distribution networks.

1.2 SGB-SMIT AT A GLANCE

Status 2024

1913
111 YEARS OF EXPERIENCE

3,243
EMPLOYEES

1ST
TRANSFORMER MANUFACTURER IN EUROPE WITH WORLDWIDE LOCATIONS

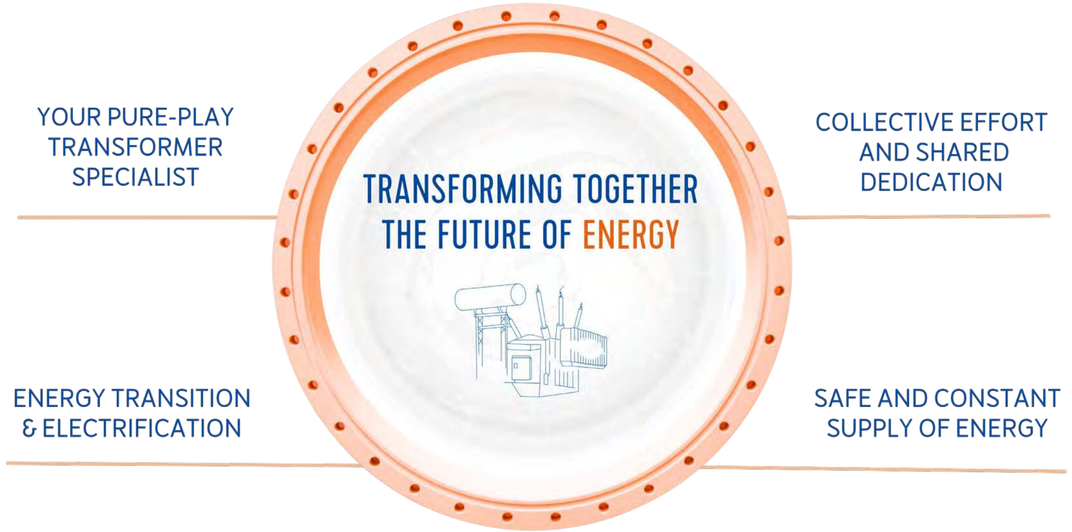
16,922
TRANSFORMERS

15
SITES

1.45
BILLION € REVENUE

1.2.1 Vision

As a pure-play transformer specialist, SGB-SMIT Group is committed to shaping the energy systems of tomorrow through responsible action, advanced technology, and strong partnerships. Our vision is built on four pillars that guide our contribution to a more sustainable and electrified world:



1. Our Why: Energy Transition & Electrification

The global shift from fossil fuels to renewable energy is one of the most urgent and transformative challenges of our time. At SGB-SMIT Group, we see ourselves as enablers of this transition. Our mission is to support customers and communities in accelerating the move toward clean energy sources while expanding electrification across all sectors of society.

By developing transformer solutions that are efficient, reliable, and future-ready, we help lay the groundwork for a decarbonized energy infrastructure. This commitment is not only about technology, it is about purpose. We believe in powering progress that benefits both people and the planet.

2. Our Sector: Safe & Constant Supply of Energy

A sustainable future depends on energy that is not only clean, but also safe, stable, and accessible. Our products are designed to ensure a constant and secure supply of energy for all. Whether in urban centers, industrial zones, or remote regions, our transformers play a critical role in maintaining the resilience and reliability of energy systems.

We align our innovation with global market trends and regulatory standards, ensuring that our solutions meet the evolving needs of utilities, grid operators, and end users.

3. Our Approach: Collective Effort & shared Dedication

Sustainability is a team effort. At SGB-SMIT Group, our people are the driving force behind our progress. We foster a culture of collaboration within our teams, with our suppliers, our customers, and across our global network of partners. Together, we build strong, long-lasting relationships that are rooted in trust, transparency, and shared goals.

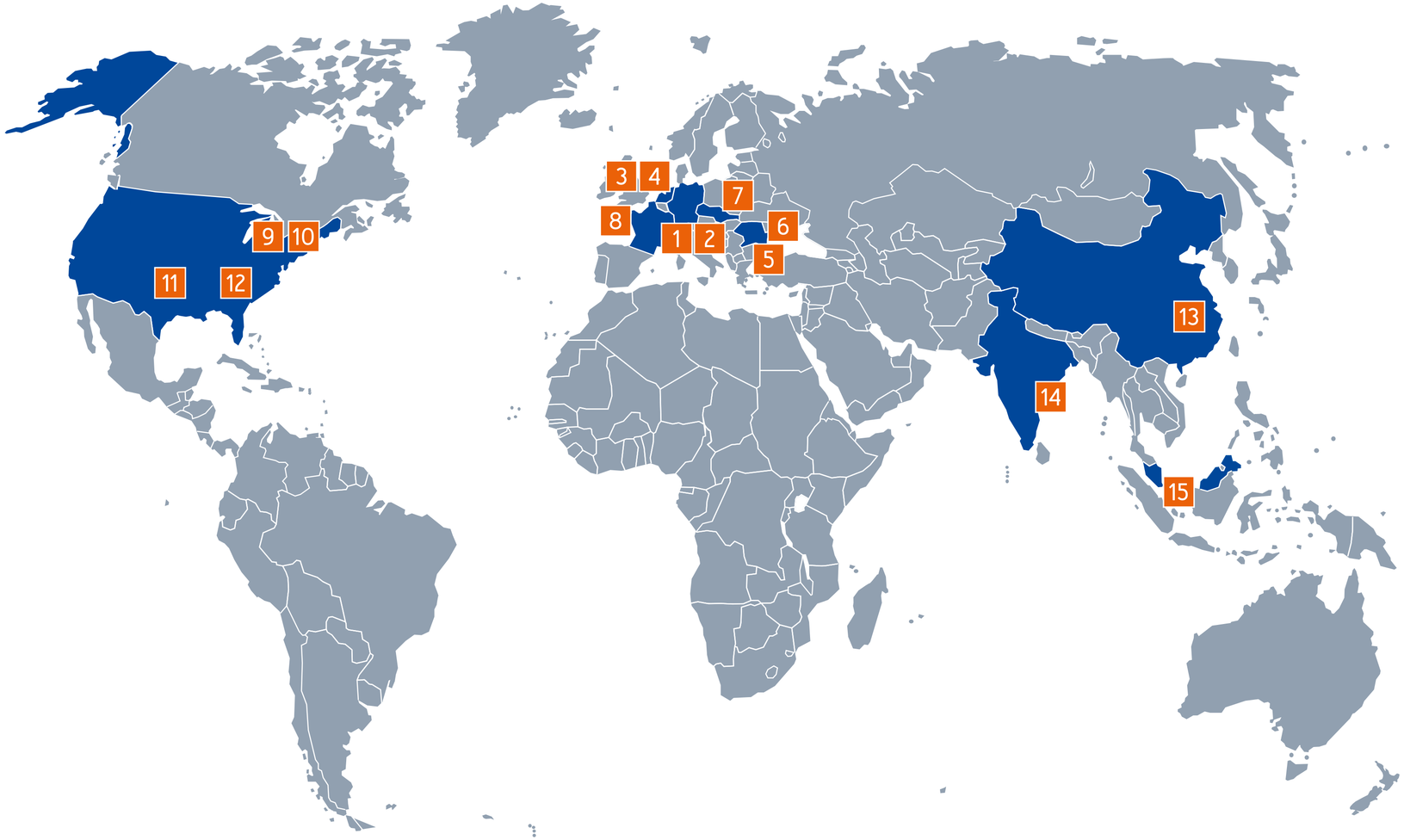
This collective mindset enables us to respond to challenges with agility and purpose. It also ensures that our sustainability journey is inclusive, impactful, and aligned with the values of those we serve.

4. Our Product: Next-Generation Transformer Technology

As a pure-play transformer specialist, we focus all our expertise on advancing transformer technology. Our next-generation products are engineered to meet the demands of modern energy systems, higher efficiency, lower losses, and greater adaptability to renewable integration and digital monitoring.

We continuously invest in R&D to push the boundaries of transformer optimization, from reducing environmental impact to enhancing grid flexibility. Every product we deliver is a step towards a smarter, more sustainable energy landscape.

1.2.3 Sites



1. **STARKSTROM-GERÄTEBAU GMBH**
   Regensburg • Germany
2. **SÄCHSISCH-BAYERISCHE STARKSTROM-GERÄTEBAU GMBH**
   Neumark • Germany
3. **ROYAL SMIT TRANSFORMERS B.V.**
   Nijmegen • The Netherlands
4. **SMIT TRANSFORMER SERVICE**
   Nijmegen • The Netherlands
5. **RETRASIB SRL**
   Sibiu • Romania
6. **SGB-ELECTROALFA SRL**
   Botoșani • Romania
7. **SGB CZECH TRAFO S.R.O.**
   Olomouc • Czech Republic
8. **BCV TECHNOLOGIES S.A.S.**
   Fontenay-le-Comte • France
9. **SGB-USA INC.**
   Louisville, OH • USA
10. **OTC SERVICES INC.**
    Louisville, OH. • USA
11. **SOUTHWEST ELECTRIC CO.**
    Oklahoma City, OK • USA
12. **SOUTHWEST ELECTRIC CO.**
    Nashville, TN • USA
13. **SGB CHINA**
    Changzhou • P.R. China
14. **SGB TRANSFORMERS INDIA PVT. LTD.**
    Chennai • India
15. **SGB MY SDN. BHD.**
    Nilai • Malaysia

1.3 PRODUCTS & MARKETS

SGB-SMIT Group offers a wide range of products and services for energy generation, transmission, and distribution, tailored to meet current and future market needs.

Power

Transformers from 25 MVA up to 1,200 MVA in the voltage range up to 765 kV.

- Large power transformers
- Medium power transformers
- Shunt reactors
- Series reactors
- Phase shifters
- Electrical arc furnace transformers

Distribution

Transformers from 30 kVA up to 25 MVA in the voltage range up to 66 kV.

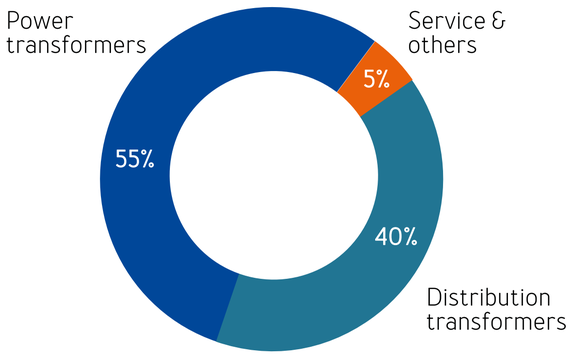
- Large liquid-immersed distribution transformers
- Liquid-immersed distribution transformers
- Dry type transformers
- Low voltage Transformers
- Lahmeyer-Compact-Substation

1.3.1 End Customer Market

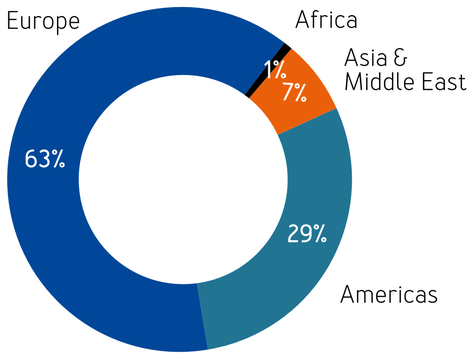
The customer market can be divided into the following four segments:

- Energy Generation (mainly driven by renewables)
- Energy Transmission (>=220kV)
- Energy Distribution (<=110kV)
- Energy Consumption (such as Industrials)

1.3.2 Revenue by Product 2024



1.3.3 Revenue by Region 2024



1.4 CUSTOMER RELATIONS

Ensuring Customer Satisfaction through Global Presence

Strong and enduring customer relationships are fundamental at SGB-SMIT Group. With a global presence, the Group stays closely connected to its customers, ensuring both proximity and responsiveness. SGB-SMIT has dedicated sales and distribution teams for Power and Distribution transformers that serve as the primary point of contact for customers, also in large, cross-departmental global projects.

Commitment to Dedicated Customer Support

To further enhance customer satisfaction, highly specialized service teams have been established. These teams offer installation, onsite diagnostics, preventive maintenance and transformer health assessments. SGB-SMIT provides a wide range of refurbishing options, such as rewinding services and replacing the windings and insulation parts of transformers wherever required. Additionally, SGB-SMIT supports customers with end-of-life recycling of transformers upon request.

2.0 SUSTAINABILITY STATEMENT

2.1 SUSTAINABILITY MANAGEMENT

2.2 COMMITMENT TO SCIENCE-BASED TARGETS

2.3 ESG RATINGS

2.4 STAKEHOLDER ENGAGEMENT

2.5 DOUBLE MATERIALITY ASSESSMENT

2.6 GREEN PROGRAM

- 2.6.1 AMBITION AND TARGETS
- 2.6.2 SUSTAINABILITY ORGANIZATION
- 2.6.3 ROADMAP

2.1 SUSTAINABILITY MANAGEMENT

For sustainability efforts to be truly impactful, they must be implemented thoroughly with enforceable standards and aligned processes. This is especially crucial for a global organization like SGB-SMIT Group. At SGB-SMIT, sustainability management encompasses the identification and strategic response to both current and emerging social and environmental challenges and trends. Sustainability is embedded at every level of SGB-SMIT's global operations, with overarching guidelines and policies developed centrally and validated at the executive level before being rolled out for the entire Group. These guidelines and policies are then implemented across individual sites and departments, with regular compliance audits ensuring adherence. This structured approach allows for both controlled implementation of requirements and quick decision-making when immediate action is needed.

2.2 COMMITMENT TO SCIENCE-BASED TARGETS

SGB-SMIT has committed to setting near-term group-wide emission reductions in line with the Science Based Targets initiative (SBTi), reinforcing the commitment to tackling the global climate crisis and building a more sustainable and resilient future. SBTi provides a robust framework for companies to set emissions reduction targets that are in line with the latest climate science and the goals of the Paris Agreement. By committing to setting science-based targets, the Group aims to take immediate, measurable action toward reducing its carbon footprint and contributing to global efforts to limit warming.

By aligning with SBTi, the Group pledges to reduce its greenhouse gas emissions by implementing best practices.

SGB-SMIT believes that setting science-based targets is a powerful way to boost its competitive advantage and contribute to a sustainable future. The commitment to SBTi reflects SGB-SMIT's dedication to environmental responsibility and its role in the global effort to combat climate change.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

2.3 ESG RATINGS

ESG Ratings reflect the extent to which sustainability factors are integrated into an organization's operational and management frameworks. SGB-SMIT Group engages in two distinct ESG ratings.

CDP

SGB-SMIT participates in the Carbon Disclosure Project (CDP) to demonstrate its commitment to transparency, accountability, and climate action. By disclosing data on greenhouse gas emissions, climate-related risks, and sustainability strategies, the Group aligns with international best practices and meets growing stakeholder expectations. Participation in CDP also enables SGB-SMIT to benchmark its performance, identify opportunities for improvement, and strengthen engagement with customers, investors, and supply chain partners on environmental responsibility. In 2024, SGB-SMIT enhanced its CDP rating to B, demonstrating a strong commitment to implementing effective measures aimed at achieving decarbonization across their entire value chain.

EcoVadis

SGB-SMIT is registered with EcoVadis, a provider of sustainability ratings that evaluates companies based on international standards and industry benchmarks. EcoVadis assesses performance across 21 criteria within the categories of environment, labor and human rights, ethics, and sustainable procurement. This reflects the Group's commitment to continuous improvement, transparency, and responsible business practices across its global operations. SGB-SMIT received a Silver Medal, indicating it ranks in the top 15% of manufacturing sector companies evaluated by EcoVadis.

2.4 STAKEHOLDER ENGAGEMENT

The activities of the Group are guided by the interests and expectations of a range of stakeholders. The objective is to deliver value to all stakeholders, extending beyond just shareholders. The following are the principal stakeholders engaged in the Group's sustainability initiatives:

Stakeholder	Engagement channels	Key topics of engagement
Shareholders Investors Financial institutions Banks	• Virtual & in-person meetings • Emails & calls • Digital media • Annual & Sustainability reports • Brochures & trade journals • ESG Ratings & self-assessments • Grievance mechanism	Focus on continuous growth and profitable development by proactively managing in line with market trends and ensuring compliance. Leverage sustainability as a competitive advantage. Secure long-term, fair agreements with financial partners and prioritize safe capital investments.
Customers Workers in the value chain	• Virtual & in-person meetings • Emails & calls • Digital media • Annual & Sustainability reports • Fairs & congresses • Brochures & trade journals • Product handbook & safety manual • ESG Ratings • Grievance mechanism	Maintain ongoing communication with customers to understand their expectations regarding quality and sustainability of products and services. Prepare for upcoming regulatory requirements and market trends. Focus on order-related development and integrated management systems for quality, environmental protection, and occupational safety for workers.
Employees Trade unions Workers council	• Emails & newsletters • Employee satisfaction survey • Internal job postings • Townhall meetings • Virtual & in-person meetings • Digital media • Training & learning activities • Health awareness sessions by experts • Grievance mechanism	A corporate culture that prioritizes dependability, respect, and fairness for all employees, with comprehensive health management, work-life balance, and opportunities for personal growth and social dialogue.

Stakeholder	Engagement channels	Key topics of engagement
Suppliers Workers in the value chain	• Emails & calls • Virtual & in-person meetings • Digital media • Brochures & trade journals • Fairs & congresses • Grievance mechanism	The quality of the end products reflects the contributions of all suppliers. SGB-SMIT is working continuously on a sustainable procurement strategy by ensuring secure framework conditions and supporting fair partnerships, including fair and decent working conditions at its suppliers.
Research institutes Universities	• Participation in joint working groups • Collaboration initiatives • Dual study programs • Bachelor & Master Thesis • Trade journals & scientific publications • Virtual & in-person meetings • Digital media	Collaborative engagement with universities and research institutions facilitates practical application, support, and funding for research initiatives. This approach enables the development of sustainable future concepts to be enhanced through real-world experience.
Politics Public authorities Associations NGOs Local communities	• Participation in joint initiatives • Collaboration initiatives • Emails • Virtual & in-person meetings • Print & digital media • Sponsoring & donations • Grievance mechanism	The Group does not engage in political activities but does participate in forums to help shape political and legal frameworks, encourage dialogue, and support sustainable regional growth. SGB-SMIT is active in community engagement to prevent negative impacts from its operations and is trusted by local authorities and associations for its integrity.
Media	• Interviews & press articles • Advertisements • Digital media	Open corporate culture focused on sharing SGB-SMIT's strategy, products, and market information.

2.5 DOUBLE MATERIALITY ASSESSMENT

In 2024, SGB-SMIT Group reviewed its double materiality assessment that was conducted in 2023 for the first time. The double materiality assessment goes beyond the company's internal operations and considers how its actions impact both people and the planet (impact materiality / inside-out perspective). Additionally, it assesses how sustainability matters may potentially affect its financial wellbeing (financial materiality / outside-in perspective).

The double materiality assessment was updated in accordance with the EU's Corporate Sustainability Reporting Directive (CSRD), which guides in identifying the relevant disclosure requirements under the European Sustainability Reporting Standards (ESRS).

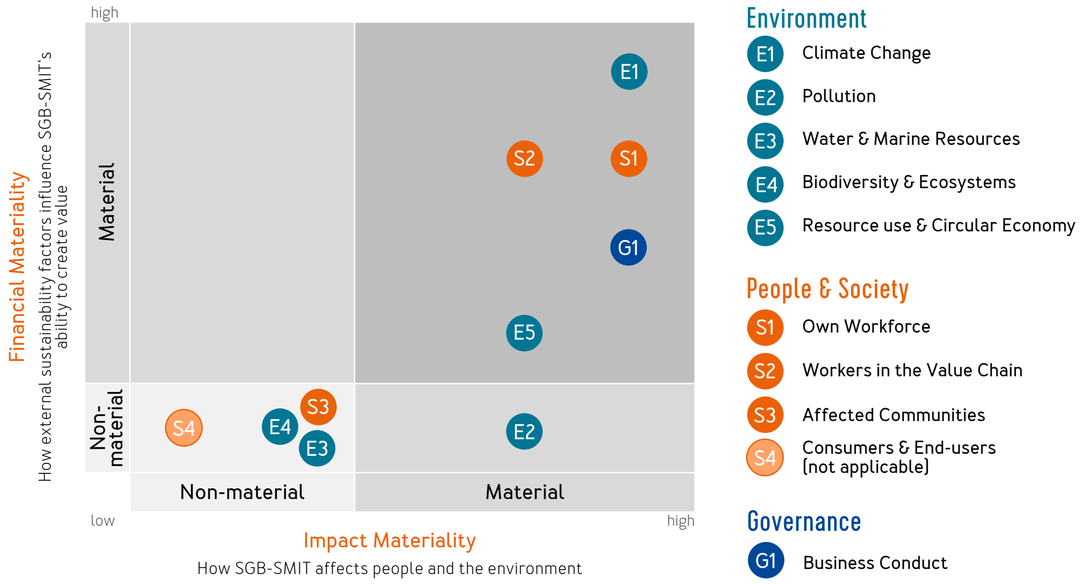
SGB-SMIT used the double materiality methodology to establish assessment boundaries and thresholds. Subsequently, sustainability matters from the ESRS lists that are relevant and material to SGB-SMIT were identified via stakeholder engagement groups and extensive research, considering industry dynamics, location of operations, and the entire value chain.

As the result of internal and external engagement workshops, SGB-SMIT identified and categorized six potential ESG material topics. Mapping of key impacts, risks, and opportunities (IROs) related to the proposed topics was used to identify the material topics. All six material topics have been mapped in the following matrix where financial materiality and impact materiality are indicated by two axes.

After review and approval by external and internal stakeholders through expert interviews, the following five sustainability matters were considered material from both perspectives, impact and financial, under ESRS:

- E1 Climate Change
- E5 Resource use and Circularity
- S1 Own Workforce
- S2 Workers in the Value Chain
- G1 Business Conduct

Double Materiality Matrix



The double materiality assessment was critical in identifying the sustainability topics with the highest impact for SGB-SMIT Group and will serve as the basis to define a comprehensive action plan to manage environmental and social impacts for each identified material topic. Furthermore, the topic of pollution that has not been deemed material from both perspectives will be closely monitored. Non-material topics like Water & Marine Resources, Biodiversity & Ecosystems, as well as Affected Communities are regularly reassessed for their potential materiality.

2.6 GREEN PROGRAM

The SGB-SMIT GREEN Program is structured around five strategic focus areas that reflect the Group's comprehensive approach to sustainability: **Governance, Responsibility, Equality, Employees, and Net Zero.**

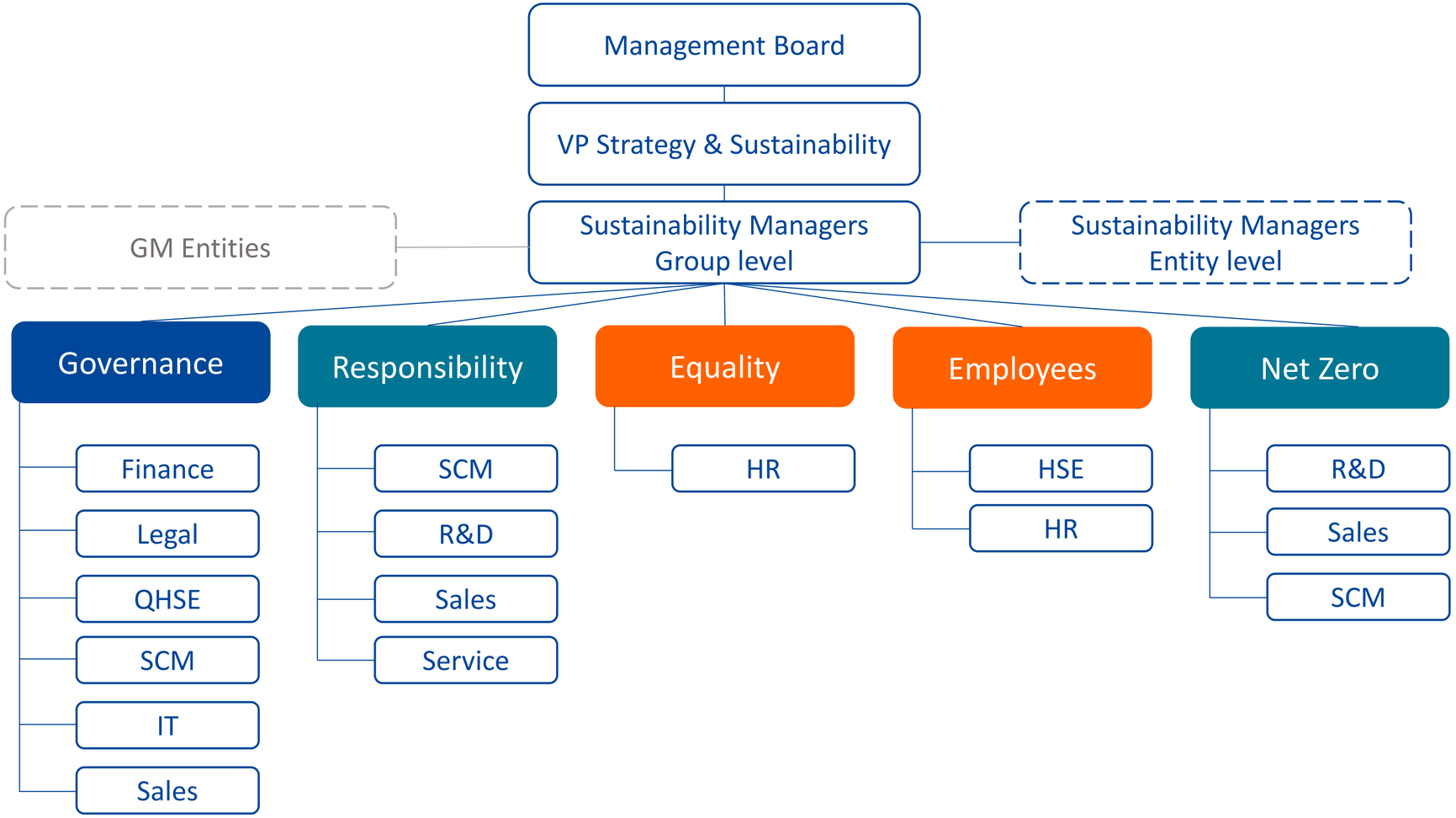
Governance ensures ethical business conduct, compliance with international legal frameworks, and robust data security and supply chain management. Under Responsibility, SGB-SMIT emphasizes circular economy principles, including life cycle assessments, circular product design, and waste reduction strategies. The Equality focus area promotes diversity, inclusion, and equal opportunities across all levels of the organization, ensuring fair treatment regardless of gender, nationality, age, or other characteristics. The Employees pillar supports workforce development through training, health and safety initiatives, and employee satisfaction programs. Lastly, the Net Zero pillar targets significant reductions in greenhouse gas emissions, with the goal of achieving carbon neutrality for Scope 1 and 2 emissions by 2035 and full neutrality including Scope 3 by 2050. Together, these five pillars form the foundation of SGB-SMIT's commitment to sustainable transformation in the energy sector.

GOVERNANCE	Business Ethics - Compliance and Code of Conduct - Data management and Information security
RESPONSIBILITY	Responsible decisions on resources & raw materials consumption to achieve a Circular Economy
EQUALITY	Equal opportunities - Diversity and Inclusion within our teams
EMPLOYEES	Health and Safety - Good working conditions, Trainings - Relationships build on trust and integrity
NET ZERO	Commitment to the global target of maximum 1.5°C

2.6.1 Ambition & Targets

PROGRAM	AMBITION	KPI	TARGET	BASELINE	2024 STATUS	2024 PROGRESS %
GOVERNANCE	Ensure full Compliance with the Compliance Management System	% trained employees for all compliance trainings	2024: 100% Trained	-	80%	80%
RESPONSIBILITY	Circular Waste Management	% reduction of hazardous waste	2030: Reduce hazardous waste by 30%	2020: 519.5 t	2024: 507 t	8%
		% reduction of non-recyclable waste	2030: Reduce non-recyclable waste by 30%	2020: 1,222 t	2024: 1,371 t	-41%
EQUALITY	Diversify workforce and promote inclusion	% female in top management positions	2028: 25% female in top management positions	2020: 17%	19%	25%
		% female employees	2028: 20% female share overall	2020: 12%	13%	13%
EMPLOYEES	Maintain a safe work environment for all employees	LTIFR	2025: LTIFR 1.0	2020: 3.38	2.4	41%
	Train employees in key areas	Training hours per employee (TH/E)	2028: 35 TH/E	2022: 9 TH/E	18 TH/E	35%
	Increase employee satisfaction	Employee Net Promotor Score (eNPS)	2026: eNPS for all entities	-	100%	100%
NET ZERO	Decarbonization by becoming carbon neutral in own operations	% of CO_2 Emissions savings compared to base year	2030: 90% carbon neutral (Scope 1 & 2)	2020: 26,967 t CO_2e	2024: 12,747 t CO_2e	54%
	Decarbonization by becoming carbon neutral through the value chain	% of CO_2 Emissions savings compared to base year	2050: 100% carbon neutral (Scope 1,2 & 3)	2024: 17,927,794 t CO_2e	2024: 17,927,794 t CO_2e	0%

2.6.2 Sustainability Organization



2.6.3 Roadmap

2024
SBTi Commitment
Supply Chain Due Dilligence Act
100% trained employees in compliance
2025
Offering alternative materials
LTIFR 1.0
2026
Employee Net Promotor Score (eNPS) for all entities
SBTi Targets validation
EPDs for main product categories
2028
Dismantling guideline for transformer
25% female in top management
20% female share overall
35 TH/E
CSRD & EU Taxonomy reporting (financial year 2027)
CBAM & CSDDD
2030
30% reduction of non-recyclable and hazardous waste
LCA for each product design
10% Lifetime extension projects for Service
90% Carbon neutral Scope 1 & 2
2035
100 % Carbon neutral Scope 1 & 2
2050
Carbon neutral Scope 1, 2 & 3

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

17 PARTNERSHIPS FOR THE GOALS

3.1 ENVIRONMENTAL MANAGEMENT

3.2 RESPONSIBILITY

- 3.2.1 LIFE CYCLE ASSESSMENT
- 3.2.2 CIRCULAR PRODUCT DESIGN
- 3.2.3 CIRCULAR BUSINESS MODELS FOR LIFETIME EXTENSION
- 3.2.4 CIRCULAR WASTE MANAGEMENT

3.3 SUPPLIER RELATIONSHIP MANAGEMENT

3.4 NET ZERO & CLIMATE CHANGE MITIGATION

- 3.4.1 GHG EMISSIONS
- 3.4.2 SCOPE 1 & 2
- 3.4.3 SCOPE 3

3.5 ENERGY EFFICIENCY

3.6 POLLUTION PREVENTION

- 3.5.1 WATER MANAGEMENT
- 3.5.2 WASTE MANAGEMENT

3.0 ENVIRONMENT

3.1 ENVIRONMENTAL MANAGEMENT

SGB-SMIT Group's commitment to sustainability is deeply embedded in its operational and strategic priorities. The Group is actively advancing its climate transition strategy, with a clear commitment to achieving carbon neutrality for Scope 1 and 2 emissions by 2035 and a 90% reduction by 2030. While a formal climate transition plan aligned with a 1.5°C pathway is still under development, the Group has already embedded climate-related risks and opportunities into its strategic planning.

Ongoing efforts include a decarbonization roadmap and development of an environmental risk matrix. With continuous investments in energy-efficient technologies across its manufacturing sites, including the integration of smart energy management systems and the modernization of production lines to reduce energy consumption. The Group's facilities are increasingly powered by renewable energy sources, and it actively pursues energy audits to identify further efficiency gains.

In parallel, SGB-SMIT is aligning its product development with climate goals by designing transformers that minimize energy losses and support the transition to low-carbon energy systems. These efforts are part of SGB-SMIT's broader climate change mitigation strategy, which includes setting science-based targets, reducing greenhouse gas (GHG) emissions across the value chain, and supporting its customers in achieving their own sustainability objectives. Several initiatives are being implemented to protect the environment, such as the transition to renewable energy. Currently, 39% of total energy consumption and 76% of electricity generation are sourced from renewable energy. SGB-SMIT is committed to reduce the environmental impact of its products, complying with environmental standards under the Commission's Ecodesign Regulation Tier 2 and preparing for the upcoming requirements such as, Corporate Sustainability Reporting Directive (CSRD), Net Zero Industry Act (NZIA), Critical Raw Materials Act (CRMA), Ecodesign for Sustainable Products Regulation (ESPR) and EU Taxonomy reporting.

In alignment with future requirements, SGB-SMIT Group had all its global manufacturing sites assessed by an independent environmental expert consultancy. The assessment focused on the evaluation of the physical climate risks; most sites have been found to have a low to moderate risk. While no immediate high-risk red flags were identified, ongoing monitoring and site-specific resilience planning are being updated regularly.

Strategically, the report recommends scenario analysis and climate resilience planning that is currently under development. Furthermore, strengthening data collection on climate-related risks and opportunities also helps the Group to improve "Do no significant harm" (DNSH) alignment and comply with regulatory requirements.

The environmental management system at most of the sites is third-party certified according to the international standard ISO 14001, only SGB-USA is not certified. Furthermore, Energy Management System according to ISO 50001, is currently being recertified across the German locations. No fines were issued in 2024 for environmental violations.

GREEN Program

RESPONSIBILITY — Responsible decisions on resources & raw materials consumption to achieve a Circular Economy

NET ZERO — Commitment to the global target of maximum 1.5°C

The environmental pillar of the SGB-SMIT Group's GREEN Program is organized into two focus areas. The Responsibility area includes initiatives related to the development of a circular economy throughout the value chain. Net Zero encompasses efforts aimed at decarbonizing both internal operations and activities across the entire value chain.

3.2 RESPONSIBILITY

SGB-SMIT Group is committed to responsible resource use and advancing circular economy across its operations. Within the Responsibility pillar all initiatives contributing to the development of a circular economy across the value chain are covered. The Group emphasizes material efficiency by optimizing transformer design to reduce raw material input without compromising performance.

Through its circularity strategy, SGB-SMIT prioritizes waste prevention, reuse, and recycling, with a strong focus on extending product lifecycle and minimizing landfill contributions. Collaborations with suppliers enable the use of sustainable materials, such as CO_2-reduced steel and biodegradable transformer fluids. Additionally, the Group implements closed-loop systems for packaging and component recovery and conducts life cycle assessments to guide sustainable product development. These efforts not only reduce environmental impact but also support long-term resource resilience and cost efficiency.

The Group conducts its operations with a high level of responsibility, taking into account the effects its products and services may have on climate change. Within the Responsibility pillar, SGB-SMIT aims to achieve minimal environmental impact throughout its production processes and the wider value chain.

To this end, the organization is dedicated to the ongoing evaluation and optimization of product design and manufacturing methods, as well as the assessment of alternative, environmentally friendly materials in collaboration with reputable suppliers. In addition, the Group provides preventive maintenance services that help customers extend the lifespan of their products, alongside refurbishment and recycling solutions for transformers at the end of their operational life.

At the Group level, this is implemented through four distinct programs.

- Life Cycle Assessment (LCA)
- Circular Product Design
- Circular Business Models for Lifetime Extension
- Circular Waste Management

3.2.1 Life Cycle Assessment

Life Cycle Assessments (LCAs) are conducted based on customer requests. The additional transparency that is created through LCAs allows the Group to provide its customers with insights into the complete life cycle of its products from raw material sourcing to end-of-life disposal. Furthermore, the R&D and product design team is equipped with detailed insights, enabling them to make the most optimal decision when designing new products and exploring alternative eco-friendly materials.

Recognizing the importance of industry collaboration and standardization, SGB-SMIT is part of different Joint Industry Projects (JIP) that aim to foster greater consistency within the power transformer industry, enabling comparison of the environmental impact of materials and power transformers especially in tendering processes creating greater transparency for all stakeholders. Likewise, SGB-SMIT actively participates in the CIGRE working group focusing on “Life Cycle Assessment (LCA) of Transformers”.

3.2.2 Circular Product Design

The innovation efforts at SGB-SMIT prominently focus on the development of sustainable products. The Group has continuously improved the design of its transformers in recent years and can exert considerable influence on the transformers' own energy consumption (or energy loss) through changes in design and production alone. Balancing environmental and economic requirements, SGB-SMIT follows the Ecodesign approach, which considers environmental requirements and regulations at all stages of the product development process to reach the lowest possible environmental impact. While preparing for upcoming requirements, such as the Net Zero Industry Act (NZIA), Critical Raw Materials Act (CRMA), Ecodesign for Sustainable Products Regulation (ESPR), and EU Taxonomy reporting.

SGB-SMIT Group works closely with its customers and constantly strives to provide transformers that operate with reduced losses and therefore have greater efficiency. In this manner, the Group collaborates with its customers to design and select the optimal transformer for their specific needs, based on the environmental impact of the product and the price. It is imperative to understand the economic and environmental benefits of each transformer. These are the main objectives, and initiatives put into place at SGB-SMIT regarding Circular Product Design.

Improve Transformer Efficiency

- SGB-SMIT takes part in several joined working groups with leading suppliers of grain-oriented electrical steel, amorphous metal cores, and insulating materials to develop new technology which will allow for further increase of the overall efficiency of transformers and reduce energy losses.
- Association with multiple electrical steel suppliers across Europe and Asia to develop advanced low-loss and low-noise core steel materials, leveraging shared expertise to enhance efficiency and sustainability in transformers.
- The Enhanced Laser Magnetic Domain Refinement (LMDR) research project, partially funded by Federal Ministry of Economic Affairs and Energy of Germany focuses on material and Process Optimization to Increase the Efficiency of Laser-treated Grain-oriented Electrical Steel Sheets. Fraunhofer IWS leads the project from the academic side, working alongside industrial partners, including SGB-SMIT, to drive innovation and achieve project objectives.
- A strategic partnership led to the development of advanced simulation models for vibrational analysis, enabling prediction of transformer core noise levels. The solution could result in quieter and more efficient transformers with improved core design, that may reduce no-load losses.
- Collaborating with amorphous steel suppliers, efforts are underway to develop amorphous core distribution transformer (AMDT) prototypes, aiming to introduce a highly efficient product to the European market and expand the product portfolio.
- Development of innovative technologies like eCore, utilizing laser cutting and laser welding in transformer and reactor core production, diminishing the amount of electrical steel scrap generated in manufacturing while also making notable strides in reducing power losses.

Digitalize Distribution Transformers

- SGB-SMIT Group joined the research consortium project (BEAVER) to develop the Intelligent Substation Modernization Platform (iSMP) with digital twin transformer prototype, a project partially funded by the Federal Ministry for Economic Affairs and Energy of Germany. The initiative includes both edge and cloud iSMP solutions, utilizing low-cost sensors like edge Phasor Measurement Units and a comprehensive software framework for advanced monitoring and flexibility management, aiming to enhance substation operations with efficient, scalable, and intelligent solutions.
- Provide fast and precise voltage regulation by using the very fast electronic on-load tap changer FASTAP technology into wind turbine transformers to increase the wind turbine operability while reducing wind's levelized cost of energy. The main benefits include a reduction of future running costs (5.5% LCoE reduction) and an increment of productivity (+5% Annual Energy Production).

Enhance Material Efficiency

- SGB-SMIT Group, in collaboration with a German utility, successfully conducted the STARKE StaSo pilot project, testing the use of recycled oil in power transformers. This initiative supports sustainability by promoting circular economy practices and reducing the environmental impact of transformer maintenance.
- Explore the reuse of materials as a part of sustainable goals to reduce resource consumption and promote circular economy practices.
- Evaluate the performance of copper versus aluminum windings in distribution transformers, ensuring optimal efficiency and environmental impact.
- Harmonization of SGB-SMIT design tools and guidelines for products helped to streamline and accelerate product development work, leading to optimized material use and reduced costs.

Promote alternative Materials

- Introducing alternative fluids, these superior biodegradable insulating fluids exceed the IEC 60296 specifications, are 100% recyclable and demonstrate outstanding thermal performance making it possible to achieve the most uniform temperature profile possible.
- Develop advanced solutions by providing a high efficiency and reliable integrated and compact design solution, combining power transformers and a low-voltage switchgear for the demand of the wind power market.

Collaboration with Universities

- **RWTH Aachen University:** Consortium partner in BEAVER project to develop substation modernization and digital twin solutions.
- **Delft University of Technology:** Test and validation of alternative insulation fluids.
- **Eindhoven University of Technology:**
  - Development of medium-frequency liquid-immersed transformer prototypes.
  - Development and prototyping voltage regulation products for distribution grids and modeling of magnetic fields in large power transformers and the characterization of grain-oriented electrical steels.
- **Dresden University of Technology:** To develop a verification procedure aligned with IEC 61238 for testing and evaluating the electrical and mechanical properties of the WPS bi-metallic connection technology, developed in Neumark, with a specific focus on wind power applications.
- **Manchester University:** Research on condition assessment, asset management, thermal modelling, discharge, and breakdown mechanisms.
- **Lodz University of Technology:** Inception and breakdown voltage of the oil-wedge-type electrode model insulated with bio-based hydrocarbon and mineral oil.

3.2.3 Circular Business Models for Lifetime Extension

SGB-SMIT's service offerings play a pivotal role in reducing environmental impact across the transformer lifecycle. SGB-SMIT provides service packages to its customers that include preventive maintenance as well as transformer health assessments that can be performed by its service team at the customer site to extend the lifetime of a transformer.

By providing its customers with options for maintenance, refurbishment, and retrofitting, SGB-SMIT can contribute to significantly reducing the demand for raw materials and the carbon footprint associated with manufacturing new equipment.

SGB-SMIT services are designed to extend the operational life of transformers, thereby decreasing waste generation and conserving valuable resources by employing environmentally responsible practices such as oil regeneration, alternative insulation materials, and energy-efficient upgrades that lower emissions during operation.

These efforts align with the Group's commitment to circular economy principles and contribute to reducing greenhouse gas emissions across the energy sector. Through proactive condition monitoring and predictive maintenance, SGB-SMIT can help its customers to avoid unplanned outages and optimize energy use, further supporting global climate goals and environmental stewardship.

Additionally, the Group provides customers with options to refurbish existing transformers and reuse components from products that have reached the end of their life cycle. The SGB-SMIT transformer service team offers a comprehensive range of services for both oil and cast-resin transformers.

Service Offerings Overview

- **Maintenance and Repair:** Regular maintenance and prompt repair services to ensure transformers operate efficiently and reliably.
- **Testing and Diagnostics:** Advanced testing and diagnostic services to identify potential issues and optimize performance.
- **Upgrades and Retrofits:** Upgrading existing transformers to enhance their capabilities and extend their lifespan. This includes rewinding services, replacing the windings and insulating parts of the transformer when needed.
- **Installation and Commissioning:** Professional installation and commissioning services to ensure transformers are set up correctly and safely.
- **Consulting and Training:** Expert consulting and training services to help clients understand and manage their transformer assets effectively. Including electrical and mechanical design analysis to improve and optimize the performance of the existing transformer.
- **Dismantling and Recycling:** Support customers with the dismantling and recycling of transformers in the most sustainable way. To achieve this, the Group works together with partners who recycle the components, ensuring that they remain in the supply chain.

3.2.4 Circular Waste Management

The Group's circular waste management approach focuses on minimizing waste and maximizing resource efficiency throughout the lifecycle of its transformers. Valuable materials are used in the manufacturing of transformers, and SGB-SMIT strives as much as possible to avoid waste production, for both environmental and economic reasons. SGB-SMIT Group closely monitors and records waste for every site. Many local initiatives have been initiated to reduce the waste to landfill and increase the recycling rate, currently 87% of waste is being recycled.

The largest portion of the waste comes from packaging; the aim is to use reusable packaging as much as possible and to recycle any other waste. Whether within the production process, supplied parts or packaging: there are significant opportunities to avoid excessive raw materials and waste. At SGB-SMIT Group, waste prevention and reuse take priority over recycling and waste processing, which is usually avoided.

The Group collaborated with its entire value chain to reduce packaging material to a minimum and use biodegradable packaging options where feasible, and eliminate packaging altogether when possible. The close collaboration with stakeholders in the value chain has led to an increased proportion of reused packaging materials over the years across the Group. Further initiatives include optimizing administrative processes to reduce the use of paper and printing.

Recycling & Environmental Compatibility

The Group cooperates closely with partner companies to forge new paths in the areas of reclamation, raw material minimization, and material conservation. Several cooperative measures focusing on reducing environmental impact have been implemented:

- Minimizing the use of packaging materials in anticipation of the Packaging and Packaging Waste Regulation (PPWR), reuse packaging, biodegradable packaging material and proper segregation of unavoidable waste for recycling or reuse.
- Logistics and purchasing departments are working closely with selected suppliers and transport companies on innovative and sustainable packaging solutions, such as return systems for load carriers and other closed packaging loops.
- Increasing transparency by documented, product carbon footprints (PCF), LCAs and product passports for different materials and components.
- Promoting greater integration of recycled material.
- Evaluating new products and alternative materials, like recycled oils and development of biodegradable fluids and bio-based oil.

3.3 SUPPLIER RELATIONSHIP MANAGEMENT

The production of transformers requires certain materials that are generally in short supply and which partially may come from suppliers in high-risk countries. To minimize the use of such materials and to reduce the consumption of resources overall, the topics of raw material procurement and recycling take a leading role in the SGB-SMIT Supplier Code of Conduct. Suppliers undertake to comply with the Supplier Code of Conduct as well as the Critical Raw Materials Act (CRMA) and the current German Supply Chain Due Diligence Act. SGB-SMIT is preparing for the directive on Corporate Sustainability Due Diligence Directive (CSDDD) requirements that are planned to come into place in 2028.

Shared goals with suppliers:

- Resource-optimized development and production
- Large proportion of recycled materials
- Establishment of a material loop
- Issue material passports

These requirements relate to products themselves as well as their packaging and shipping materials.

3.4 NET ZERO & CLIMATE CHANGE MITIGATION

The Net Zero pillar within the GREEN Program covers all initiatives contributing to the decarbonization of internal operations and among the complete value chain. SGB-SMIT has set a clear and ambitious path toward achieving net zero emissions, reflecting its deep commitment to environmental responsibility and climate action. The Group aims to reach 90% carbon neutrality in its own operations (Scope 1 & 2) by 2030 based on the baseline of the year 2020 and achieve full carbon neutrality by 2035. This target is supported by a comprehensive decarbonization strategy that includes transitioning to renewable energy sources, enhancing energy efficiency across production sites, and investing in low-emission technologies. In addition, SGB-SMIT is actively addressing Scope 3 emissions by engaging suppliers and customers in collaborative efforts to reduce emissions throughout the value chain. These efforts are aligned with the global 1.5°C climate target and are integrated into the organization's broader ESG strategy, reinforcing its role as a responsible leader in the energy sector. SGB-SMIT Group's carbon footprint has been determined in cooperation with a partner in line with the GHG Protocol and ISO 14064. To further strengthen its commitment the Group has planned to have its decarbonization targets validated by Science Based Targets initiative (SBTi) until 2026.

The SBTi provides a framework for companies to set emissions reduction targets that align with the latest climate science and the goals of the Paris Agreement. By committing to setting science-based targets, companies like SGB-SMIT aim to reduce their carbon footprint and contribute to global efforts to limit warming to 1.5°C above pre-industrial levels. The SBTi guides companies through a step-by-step process, ensuring targets are effective and science-based, promoting collaboration, innovation, and the adoption of best practices in emissions reduction.

3.4.1 GHG Emissions

As a global group of companies operating within the energy sector, SGB-SMIT is addressing energy transition on multiple levels and is acting among others to reduce its CO_2 emissions in production and administration as well as throughout the entire product life cycle. Carbon footprint reduction is one of the key parameters of sustainable manufacturing.

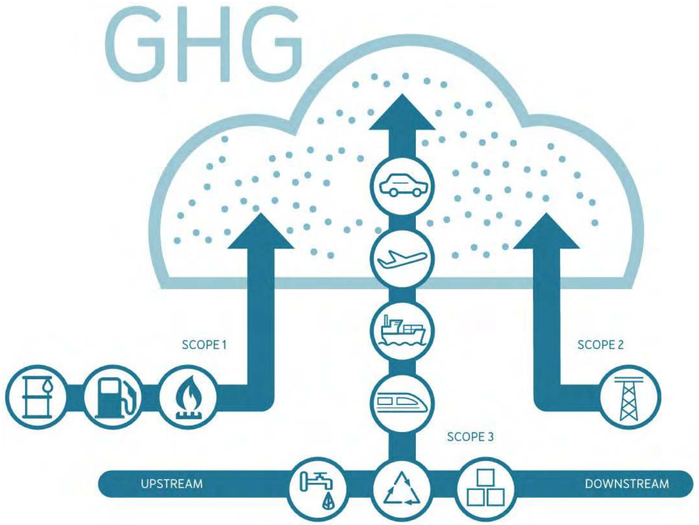
Boundaries & Calculation Methodology

SGB-SMIT Group is accounting and reporting Scope 1, Scope 2 and Scope 3 according to the GHG Protocol. Emissions include all indirect emissions that occur in the value chain of reporting, both upstream and downstream. Biogenic emissions do not apply to SGB-SMIT's operations and are therefore excluded from this assessment.

The GHG emissions inventory for SGB-SMIT Group was developed in accordance with the GHG Protocol Corporate Standard, applying the operational control approach. All relevant greenhouse gases (e.g., CO_2, CH_4, N_2O) in alignment with the GHG Protocol and Science Based Targets initiative (SBTi) standards. are reported in CO_2-equivalents (CO_2e).

GHG emissions are classified into Scope 1, 2 and 3 in accordance with the GHG Protocol.

- **Scope 1:** Direct emissions from owned and controlled sources by the reporting company.
- **Scope 2:** Indirect emissions from generation of purchased energy consumed by the reporting company.
- **Scope 3:** All other indirect emissions arising from upstream and downstream value chain activities not directly controlled by the reporting company, including those from purchased goods and services, capital goods, transport, operational waste, business travel, employee commuting, and product use and disposal.



3.4.2 Scope 1 & 2

SGB-SMIT is placing increased emphasis on reducing Scope 1 and 2 emissions. These categories represent the emissions that are directly within the Group's control - Scope 1 includes direct emissions from own operations, such as fuel combustion in manufacturing processes, while Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating, and cooling. By prioritizing these areas, SGB-SMIT can make immediate and measurable progress toward its decarbonization goals. This focus not only aligns with regulatory expectations and stakeholder demands but also enhances operational efficiency and resilience. Addressing Scope 1 and 2 emissions is a critical first step in the Group's broader climate strategy, laying the groundwork for future engagement with Scope 3 emissions across the value chain. Scope 1 and 2 market-based CO_2 emissions have decreased by 53% compared to the base year 2020. Scope 1 & 2 emissions do not consider any variations in production output and changes in operations. To enhance transparency and comparability, SGB-SMIT measures its CO_2 emissions in relation to the Mega Volt Ampere (MVA) produced, being the rating of the transformers produced during the year. The amount of CO_2 emissions for Scope 1 & 2 in 2024 was 0.16 tons of CO_2 e MVA.

Scope 2 emissions calculations for electricity consumption are done based on the CO_2 emission factors of local sites according to the market-based approach including location-based data (sourced from ecoinvent 3.7.1) where market-based is not available.

	Base year 2020	2023	2024
Total Gross Scope 1 GHG emissions (t CO_2e)	7,842	7,260	8,352
Total Gross Scope 2 Market-based GHG emissions (t CO_2e)	19,125	6,670	4,395
Total Gross Scope 2 Location-based GHG emissions (t CO_2e)	29,596	20,040	21,418
Total Gross Scope 1 & 2 Market-based GHG emissions (t CO_2e)	26,967	13,930	12,747
Total Gross Scope 1 & 2 Location-based GHG emissions (t CO_2e)	37,438	27,300	29,770
CO_2 Emissions by transformer rating - Scope 1 & 2 Market-based (t CO_2e / MVA produced)	0.36	0.19	0.16

GHG removals & GHG Mitigation Projects financed through Carbon Credits

As part of SGB-SMIT's commitment to environmental stewardship and sustainable innovation in the transformer industry, the Group is actively exploring greenhouse gas (GHG) removal strategies to complement its decarbonization efforts. By investing in verified carbon removal projects, such as reforestation and other climate protection projects. SGB-SMIT aims to offset residual emissions that cannot yet be eliminated through operational efficiencies or renewable energy integration. These initiatives are aligned with global climate goals and are supported by the acquisition of high-quality carbon credits, ensuring transparency and accountability. Through this approach, SGB-SMIT not only reduces its carbon footprint but also contributes to the broader transition toward a low-carbon economy.

Carbon credits cancelled in the reporting year	2024
Total (t CO_2e) removed	506.73
Share from removal projects (%)	100%
Share from reduction projects (%)	-
Gold Standard and VCS certificates (%)	8%
Share from projects within the EU (%)	8%
Share of carbon credits that qualifies as adjustments (%)	100%

3.4.3 Scope 3

In 2024, SGB-SMIT Group undertook a comprehensive Scope 3 baseline initiative to enhance transparency and accountability across its value chain emissions. This effort, supported by external partners, involved a structured approach to data collection, stakeholder engagement, and emissions quantification.

The resulting Scope 3 inventory provides a robust foundation for future emission reduction strategies and aligns with the Group's commitment to the Science Based Targets initiative (SBTi) and upcoming reporting requirements. In the absence of Scope 3 data for the base year 2020, 2024 will be the base year for Scope 3.

List relevant Scope 3 Activities

Upstream emissions categories:

Category 1 - Purchased goods and services
Category 2 - Capital goods
Category 3 - Fuel- and energy-related activities (not included in Scope 1 or 2)
Category 4 - Upstream transportation and distribution
Category 5 - Waste generated in operations
Category 6 - Business travel
Category 7 - Employee commuting

Downstream emissions categories:

Category 9 - Downstream transportation and distribution
Category 11 - Use of sold products
Category 12 - End-of-life treatment of sold products

List & Justification for excluding from Scope 3 Activities

Upstream emissions categories:

Category 8 - Upstream leased assets: This category has been excluded from the emissions inventory as it is not applicable to the Group.

Downstream emissions categories:

Category 10 - Processing of Sold Products: This category has been excluded from the emissions inventory as it is not applicable due to the Group's business model.
Category 13 - Downstream leased assets This category has been excluded from the emissions inventory as it is not applicable to the Group.
Category 14 - Franchises: This category has been excluded from the emissions inventory as it is not applicable to the group's business model. The Group does not operate under franchise arrangements, nor does it manage emissions arising from franchised activities.
Category 15 - Investments: This category has been excluded from the emissions inventory as it is not applicable to the Group.

Scope 3 Calculation Methodology

Emissions were calculated using a standard methodology that combines quantitative activity data with appropriate emission factors to estimate the resulting greenhouse gas emissions, as represented by the following formula:

Estimated Emissions = Activity Data × Emission Factor

Where available, mass data (in kilograms) served as the activity data. In instances where neither mass nor other relevant activity data was accessible, emissions were estimated using the spend-based approach, relying on the economic value expressed in EUR.

The calculation includes all upstream (cradle-to-gate) emissions of purchased capital goods, such as equipment, machinery, buildings, facilities, and vehicles, that have an extended life and are used by SGB-SMIT to manufacture, provide services, or sell merchandise, as defined by financial accounting procedures.

The calculation was conducted using a combination of spend- and mass-based data, industry averages, and standardized emission factors to estimate these emissions, acknowledging the inherent challenges and uncertainties in Scope 3 reporting. Scope 3 emissions calculations currently rely on secondary data and spend-based methods, calculation quality may improve through the collection of primary and supplier-specific data when available. By focusing on more granular, supplier-specific data, SGB-SMIT can continue to improve the inventory and the accuracy of the related calculated emissions. Additionally, emissions estimation related to waste in own operations should be refined by identifying the current waste treatment methods used and opting to avoid landfilling.

Furthermore, for calculation of the emissions category 11 "Use of sold products" no data was available regarding the grid type and load applied to each transformer. Consequently, location-based data was used. To enhance the accuracy of these calculations in the future, SGB-SMIT plans to systematically record the grid type and load factors applied to each transformer sold.

	Category	2024 - t CO_2e
Upstream	C 1 - Purchased goods and services	558,156
	C 2 - Capital goods	8,258
	C 3 - Fuel-and-energy-related activities	4,373
	C 4 - Transportation and distribution	14,532
	C 5 - Waste generated in operations	216
	C 6 - Business travel	2,658
	C 7 - Employee commuting	3,013
	C 8 - Upstream leased assets	Not applicable
Downstream	C 9 - Downstream transportation and distribution	478
	C 10 - Processing of Sold Products	Not applicable
	C 11 - Use of sold products	17,282,042
	C 12 - End of life treatment of sold products	41,321
	C 13 - Downstream leased assets	Not applicable
	C 14 - Franchises	Not applicable
	C 15 - Investments	Not applicable
	Total	17,915,047

This inventory demonstrates SGB-SMIT's efforts towards identifying and addressing significant sources of GHG emissions. The results provide an understanding of the Group's total GHG impact, offering a foundation for setting reduction targets and implementing mitigation strategies. Moving forward, this data could inform its sustainability initiatives, enabling tracking of progress towards emissions reduction performance and meeting the SBTi targets.

Finally, regular updates to the GHG inventory are necessary to ensure continued alignment with evolving best practices and to improve the data quality of the assessment, thereby enhancing accuracy and reinforcing the Group's commitment to transparency and emissions reductions.

	Base year 2020	2023	2024	% Change 2023 / 2024
Total Gross Scope 1 GHG emissions (t CO_2e)	7,842	7,260	8,352	15%
Total Gross Scope 2 Market-based GHG emissions (t CO_2e)	19,124	6,670	4,395	-34%
Total Gross Scope 2 Location-based GHG emissions (t CO_2e)	29,596	20,040	21,418	7%
Total Gross Scope 3 GHG emissions (t CO_2e)	n/a	n/a	17,915,047	n/a
Total Gross Scope 1, 2 & 3 Market-based GHG emissions (t CO_2e)	**n/a**	**n/a**	**17,927,794**	**n/a**
Total Gross Scope 1, 2 & 3 Location-based GHG emissions (t CO_2e)	**n/a**	**n/a**	**17,944,817**	**n/a**
Total GHG emissions (Market-based) per net revenue (tCO_2e/€)	-	-	0.01241	-
Total GHG emissions (Location-based) per net revenue (tCO_2e/€)	-	-	0.01243	

3.5 ENERGY EFFICIENCY

Energy is at the core of what SGB-SMIT does, and the Group is firmly committed to using energy efficiently. The process of manufacturing and testing of transformers is energy-intensive, and continued efforts are being put in place to reduce the use of energy, encompassing all departments and sites. Besides the centrally managed energy efficiency initiatives, a large number of activities are being driven and implemented by local teams. All activities have led to a 5% reduction of energy consumed in 2024 across the entire Group.

SGB-SMIT Group strives towards a sustainable and economic energy mix when it comes to its energy supply and is slowly transitioning to renewable energy sources. Currently 38% of the energy used is from renewable sources. The two installed on-site rooftop solar photovoltaic (PV) systems produced 461 MWh in 2024.

At SGB-SMIT energy management is part of the Health, Safety, and Environment (HSE) Management system following HSE ISO standards: ISO 9001 - Quality Management and ISO 14001 - Environmental Management, ISO 45001 Occupational Health and Safety Management (OH&S). In 2024, the total energy consumption of SGB-SMIT Group reduced its energy consumption per MVA, by 7% from 2020 to 2024. This outcome is attributable to the implementation of various energy efficiency measures at each of the Group's production and office sites, particularly in light of the Group's expansion across multiple locations. Notably, more than 70% of lighting throughout all group facilities has been upgraded to LED technology.

Besides its own operations, SGB-SMIT also focuses on energy efficiency in its product portfolio. SGB-SMIT strives to provide its customers with the most energy-efficient transformers.

Energy Consumption & Mix

Energy type (in MWh)	Base year 2020	2023	2024
Heating Oil	5,565	3,277	3,480
Natural Gas	30,633	31,087	33,155
Coal	37	0	0
Biomass	0	1,929	1,481
Liquefied Petroleum Gas (LPG)	93	0	38
Gasoline	0	0	34
Diesel	840	641	2,360
Electricity	44,818	14,407	6,876
Electricity from Renewable source	0	19,292	28,130
Own generated electricity	0	2,546	2,662
Total energy consumption	**81,986**	**73,179**	**78,216**

Total energy consumption (in MWh)	Base year 2020	2023	2024
Total energy consumption from fossil sources	**81,986**	**51,588**	**48,144**
Energy consumption from natural gas	30,633	31,087	33,155
Energy consumption from crude oil and petroleum products	6,498	3,918	5,911
Energy consumption from coal and coal products	37	0	0
Energy consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources	44,818	14,407	6,876
Energy consumption of self-generated from natural gas	0	2,176	2,201
Total energy consumption from renewable sources	**0**	**21,591**	**30,072**
Energy consumption for renewable sources including biomass	0	1,929	1,481
Energy consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	0	19,292	28,130
Energy consumption of self-generated non-fuel renewable energy	0	370	461
Total energy consumption	**81,986**	**73,179**	**78,216**
Share of fossil sources in total energy consumption %	100%	70%	62%
Share of renewables in total energy consumption %	0%	30%	38%
Specific KPI energy intensity (MWh/MVA produced)	1.10	0.99	1.02
Energy intensity per net revenue (MWh/€)			**0.00005**

3.6 POLLUTION PREVENTION

SGB-SMIT Group actively pursues pollution prevention through a comprehensive environmental strategy focused on circularity, clean materials, and emissions reduction. The Group minimizes waste by prioritizing reuse and circular business models, while also sourcing eco-friendly materials such as biodegradable transformer fluids and low-carbon steel. Certified environmental management systems across all sites ensure compliance and continuous improvement. Targeted efforts in water and air quality management further support pollution control.

SGB-SMIT Group follows ISO 14001 for environmental management, keeping air, soil, and water emissions within legal limits. This prevents pollution from business activities, especially those using transformer oil, industrial chemicals, and manufacturing gases. Furthermore, the Group follows the Stockholm Convention (2001) that targets Persistent Organic Pollutants (POPs) and the Basel Convention (1989) that controls exports of hazardous waste. SGB-SMIT has established strict procedures for handling hazardous materials, including steps for purchasing, storage, workplace use, and hazardous waste management. Each site must follow these procedures, ensuring safety and compliance with international and national regulations.

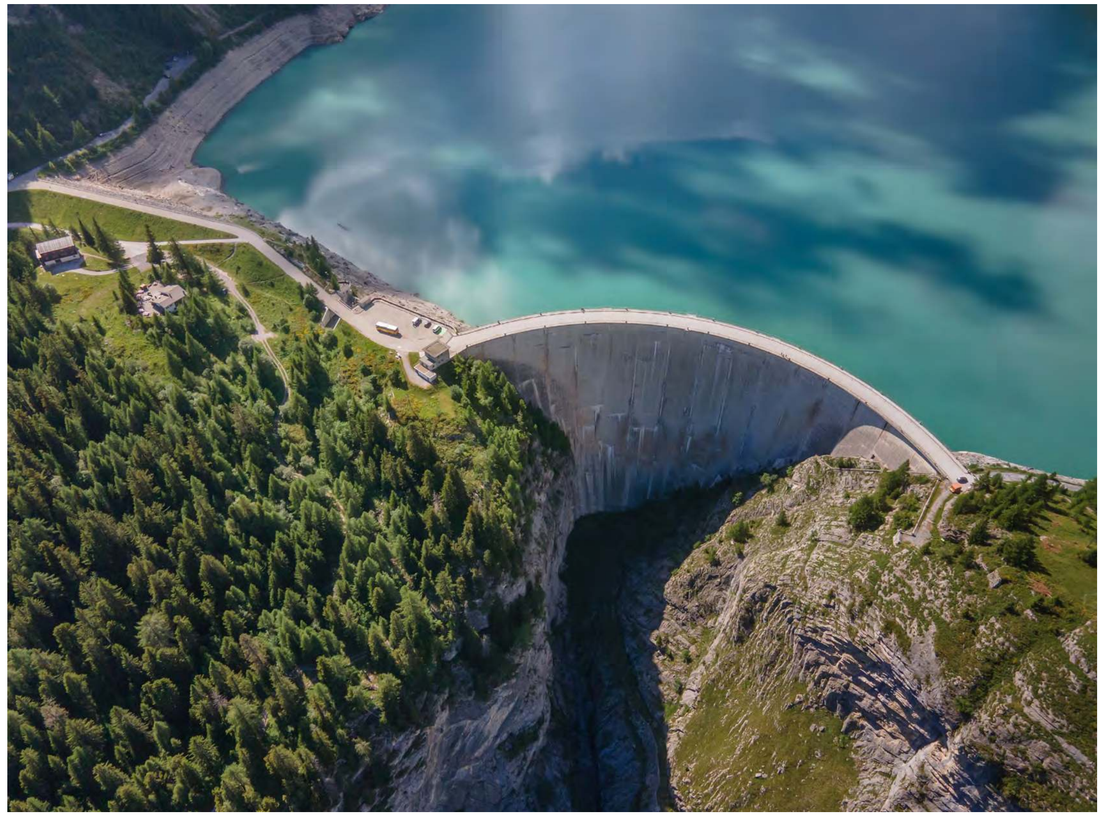
3.6.1 Water Management

The manufacturing process at SGB-SMIT is very low on water intensity, the Group still recognized that water is important, thus putting water preservation and the reduction of water withdrawal as a focal topic. Only a very minimal percentage of water is attributed to production activities (heat-run tests). The biggest portion is used for the facilities, drinking water and other general operations like cleaning and irrigation. All sites source their water from public utilities; no surface or ground water is being used.

Water withdrawal has gone down in 2024 compared to the previous year, many initiatives to reduce water consumption have been implemented across all locations. The significant decrease in water withdrawal is linked to different water preservation activities across all plants. The Group is confident that water usage will be further reduced in the coming years. The Group is not monitoring the discharge and is not able to disclose the details of the water consumption.

	Base year 2020	2023	2024
Total water withdrawal (m3)	85,832	85,999*	79,866
Water withdrawal intensity (m3 / MVA produced)	1.15	1.15	1.04
Water withdrawal intensity per employee (m3/ employee)	28	28	25

* Value adjusted due to water withdrawal following a fire at one of the plants.



3.6.2 Waste Management

SGB-SMIT Group prioritizes circular waste management; waste prevention and reuse take priority over recycling and waste processing. The Group is always striving to optimize operations to minimize waste. The Group segregates and disposes of all waste according to local regulations and adheres to ISO 14001 standards.

SGB-SMIT strives to replace all hazardous materials used in its operations with non-hazardous alternatives, which led to a reduction of hazardous waste of 25% compared to the previous year. As of 2024, less than 5% of the waste generated by the Group was still classified as hazardous, a percentage which is expected to decline further in the future. Waste management policies and processes have been implemented and are being closely monitored. Regular audits are conducted at all sites. The Group pays special attention to the amount of waste materials that can be reused, repurposed or recycled and works in close collaboration with recyclers to make sure that as much as possible materials are not being downcycled.

Recycling transformers is a crucial aspect of sustainable waste management. SGB-SMIT prioritizes the recovery and reuse of valuable materials such as copper, aluminium, steel, and transformer oils from decommissioned transformers. By implementing advanced recycling techniques, up to 90% of a transformer can be recycled, minimizing environmental impact and reducing the need for raw material extraction. This process not only conserves natural resources but also supports the Group's commitment to a circular economy, ensuring that end-of-life transformers are responsibly managed and repurposed.

SGB-SMIT Group is committed to complying with all applicable regulations in the areas where it operates and has implemented policies and practices controlling the use of hazardous substances, which meet or exceed these regulations and are properly disposed of. The total waste generated has increased, this is related to two factors, the first one is the growth of the Group from 3,083 to 3,243 employees in 2024. And second being related to better tracking and recording of all types of waste including waste diverted from disposal (e.g. recycling, selling, return to supplier etc.) which in the past was not all being accounted for under the waste management category.

Waste treatment and diversion breakdown by disposal method and waste type	2024		
	Hazardous Waste (t)	Non-hazardous Waste (t)	Total Waste (t)
Waste diverted from disposal			
Reuse	0	0	0
Recycling	433	8,950	9,383
Other recovery operations	0	0	0
Total diverted from disposal	433	8,950	9,383
Waste directed to disposal			
Energy Recovery	25	764	789
Incineration	17	220	237
Landfill	32	313	345
Total directed to disposal	74	1,297	1,371
Total waste (t)	**507**	**10,247**	**10,754**
% Diverted from disposal	85%	87%	87%
% Directed to disposal	15%	13%	13%

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
7 AFFORDABLE AND CLEAN ENERGY
10 REDUCED INEQUALITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

4.1 SOCIAL MANAGEMENT
- 4.1.1 EMPLOYEE VALUE PROPOSITION
- 4.1.2 SOCIAL GOVERNANCE FRAMEWORK
- 4.1.3 LEADERSHIP VALUES

4.2 TOGETHER WE THRIVE
- 4.2.1 DRIVING PROGRESS THROUGH DIVERSITY
- 4.2.2 EQUAL OPPORTUNITIES
- 4.2.3 GENDER DIVERSITY AWARENESS

4.3 PEOPLE FIRST
- 4.3.1 FAIR WORKING CONDITIONS & SOCIAL DIALOGUE
- 4.3.2 EMPLOYEE SATISFACTION
- 4.3.3 HEALTH & SAFETY
- 4.3.4 WORKERS IN THE VALUE CHAIN

4.4 ALL-GEN TALENT
- 4.4.1 CAREER DEVELOPMENT
- 4.4.2 APPRENTICES, STUDENTS & COLLABORATIVE PROGRAMS

4.5 TRANSFORMING COMMUNITIES
- 4.5.1 HEALTHY LIFESTYLE & MENTAL WELL-BEING
- 4.5.2 DONATIONS & FINANCIAL SUPPORT
- 4.5.3 HUMANITARIAN & NATURAL DISASTER RESPONSE

4.0 SOCIAL

4.1 SOCIAL MANAGEMENT

At SGB-SMIT, employees are the key to success and represent the most valuable asset. Therefore, they are at the core of the Group's strategy and vision. The approach is grounded in promoting equality across the organization, supporting employee well-being, investing in professional development, and generating positive impact within communities.

This reflects a strong commitment to building a diverse, inclusive, and empowering work environment. SGB-SMIT aims to cultivate next-generation leaders by providing opportunities for growth and development. By empowering talent, the organization enables individuals to reach their full potential and contribute to collective success. Furthermore, SGB-SMIT is committed to driving community transformation through initiatives that create meaningful impact both internally and externally.

3,243

DEDICATED EMPLOYEES

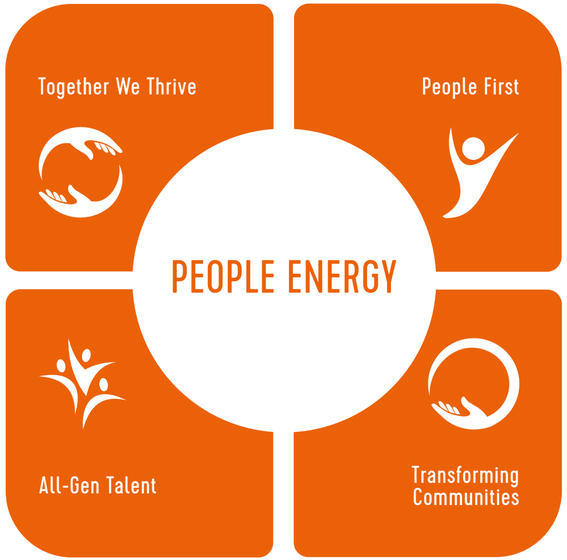
509

NEW EMPLOYEES

4.1.1 Employee Value Proposition

The Employee Value Proposition (EVP) of the SGB-SMIT Group, titled People Energy, defines how the Group engages, supports, and empowers its workforce across all generations. Built around four core pillars: Together we Thrive, People First, All-Gen Talent, and Transforming Communities, this framework reflects a commitment to creating a fair, inclusive, and growth-oriented workplace. These principles are translated into concrete actions that enhance employee satisfaction and contribute to broader sustainability objectives.

- **Together We Thrive:**
  Diversity, Equity & Inclusion - Equal Opportunities
- **People First:**
  Fair working conditions - Well-being - Flexible Work - Health & Safety - Workers in the value chain
- **All-Gen Talent:**
  Training & Development - Career Opportunities - Apprenticeship - Internship Dual Program- Working Students
- **Transforming Communities:**
  Education & Sports - Arts & Culture - Health - Disaster relief - Charity programs



4.1.2 Social Governance Framework

At SGB-SMIT Group, the commitment to social responsibility is guided by a clear and comprehensive set of internal policies that ensure fairness, inclusion, and well-being across the organization and value chain. These policies form the foundation of the social governance framework and reflect a dedication to ethical conduct, respect for human rights, and modern working practices. In addition to internal standards, the approach aligns with internationally recognized frameworks and conventions, such as those established by the International Labour Organization (ILO) and the United Nations Guiding Principles on Business and Human Rights. These global standards reinforce efforts to uphold dignity, quality, and accountability in all aspects of operations.

The key documents guiding SGB-SMIT's social strategy are the following:

- **Declaration of Principles**: Outlines core values and long-term commitment to responsible business practices.
- **Code of Conduct**: Defines the standards of behavior expected from all employees, promoting integrity, respect, and accountability.
- **Supplier Code of Conduct:** Extends social and ethical expectations to all partners and suppliers, ensuring alignment across the value chain.
- **Ombudsman Procedure:** Provides a confidential and independent channel for employees and stakeholders to raise concerns or report potential violations of ethical standards, ensuring transparency, trust, and accountability.

Human Rights

SGB-SMIT Group is committed to socially responsible corporate management, which includes the respect and promotion of human rights. This commitment applies both to employees within the organization and to workers throughout the value chain. The organization is dedicated to preventing human rights violations and providing effective remedies to those affected. As of 2024, SGB-SMIT Group is fully compliant the measures outlined in the German Supply Chain Due Diligence Act (LkSG).

To support and monitor human rights due diligence obligations, management has established an interdisciplinary Human Rights Committee, comprising representatives from Purchasing, Sustainability, Compliance, and Legal departments.

4.1.3 Leadership Values

The Group is guided by strong leadership values that unite all its members. SGB-SMIT Group firmly stands by its globally defined leadership values: appreciation and respect, fairness and transparency, initiative and commitment, reliability, result orientation, responsibility, and accountability. The aim is to make these values a solid cultural foundation at all locations and an integral part of daily professional life.

"Our leadership values explain how we work together. They give our leaders clear guidance on how to lead with purpose, by building trust, providing direction, motivating teams, and creating a positive work environment. They help turn our shared principles into real actions, shaping a culture where people can thrive."

Kerstin Hommel
Group VP Human Resources

APPRECIATION & RESPECT
We treat everyone with respect, recognize solution-oriented contributions, and provide inclusive, constructive feedback.

FAIRNESS & TRANSPARENCY
We communicate openly, act without bias, and ensure equal access to information and opportunities.

RESPONSIBILITY & ACCOUNTABILITY
We make thoughtful decisions, take ownership, and support autonomy while viewing mistakes as learning opportunities.

INITIATIVE & ENGAGEMENT
We promote proactive, creative thinking and a mindset focused on growth and improvement across all levels.

RESULT ORIENTATION
We define clear, ambitious goals, monitor progress, and celebrate achievements based on measurable impact.

RELIABILITY
We honor our commitments through consistent, transparent actions that build trust and accountability.

4.2 TOGETHER WE THRIVE

At SGB-SMIT Group, our focus on Diversity, Equity & Inclusion and equal opportunities is the reason we thrive together. We believe that embracing different perspectives fuels innovation, strengthens collaboration, and drives sustainable success.

EQUALITY

Equal opportunities - Diversity and Inclusion within our teams

4.2.1 Driving Progress through Diversity

SGB-SMIT recognizes the immense value of diversity in driving innovation and productivity within the workplace. Through a dedication to promoting inclusion, the Group aims to establish an environment where every individual can grow and maximize their capabilities.

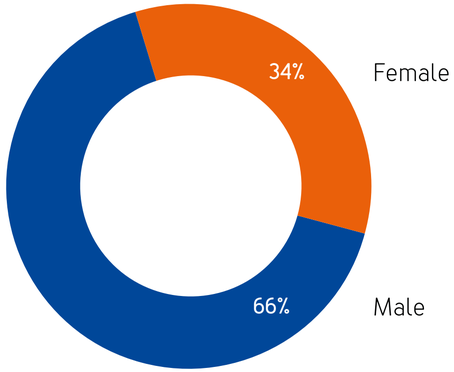
Employee Headcount by Gender 2024

Gender	Employees	% 2024
Male	2,820	87%
Female	423	13%
Total	3,243	100%

Employee Headcount by Employment Type 2024

Employment type	Employees	% 2024
Part-time	284	9%
Full-time	2,959	91%
Total	3,243	100%

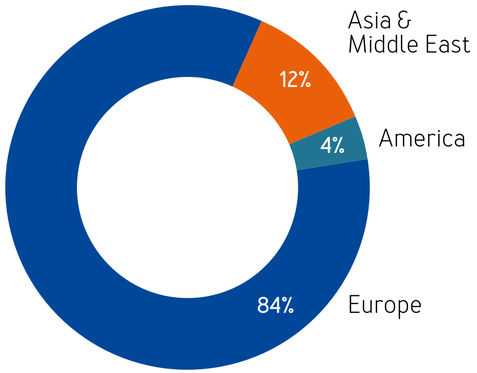
Part-time Headcount by Gender



Employee Headcount by Country 2024

Country	Employees	% 2024
Germany	1,458	45%
Netherlands	720	22%
Romania	347	11%
Malaysia	197	6%
U.S.	144	4%
India	102	3%
France	92	3%
Czech Republic	92	3%
China	91	3%
Total	**3,243**	**100%**

Employee Headcount by Region 2024



Equality as a Core Principle

Employees form the foundation of global success at SGB-SMIT Group. Today, the Group stands as a global leader in transformer manufacturing, a position built not only on technical expertise, but also on the strength of its diversity.

At the heart of this growth lies a powerful truth: diversity is not just part of the organization's story, it is the driving force behind its innovation, resilience, and success. By bringing together a wide range of experts, cultures, technologies, and market insights, SGB-SMIT has transformed into a multinational organization that reflects the dynamic energy sector it serves.

Diversity and inclusion are not just values; they are strategic assets. The Group's commitment to equality is embedded at every level of the organization. SGB-SMIT envisions a workplace where individuals of all ages, genders, ethnicities, sexual orientations, and backgrounds are accepted, respected, empowered, and given equal opportunity to thrive. This principle is actively upheld in recruitment, career development, promotion, and compensation practices. At SGB-SMIT, equality is a core principle. By embracing and celebrating differences, SGB-SMIT does not just build transformers; it builds a stronger, more sustainable future for its people and the world it powers.

Celebrating Diversity

SGB-SMIT Group recognizes and celebrates the unique perspectives and experiences that everyone brings to the table. The Group proudly encompasses a diverse workforce representing more than thirty different nationalities. To support cultural awareness and understanding, as well as celebrating the uniqueness of the Group's global teams, SGB-SMIT hosts events, communications, and more to celebrate special days such as International Women's Day, Girls' Day and Pride Month. Different employee initiatives are being implemented across locations.

Some examples are:

- Family day, activities for children
- Sports events
- Special holiday celebration
- Women's day
- Girls' day

A Look back at Girls' Day at SGB-SMIT

Students participated in Girls' Day at a few locations. Girls' Day is an annual event where girls explore careers in fields such as STEM (Science, Technology, Engineering, and Mathematics). It aims to break down gender stereotypes and broaden vocational choices for young women. These initiatives promote equal opportunities and encourage a more inclusive workforce.

It is a good opportunity to provide insights into career fields where women have been underrepresented. The day is always filled with exciting insights into professions such as: Electronics Technician for Machinery and Drive Technology, Specialist for Warehouse Logistics, Technical Product Designer for Machinery and Plant Construction, IT Specialist for System Integration and many more.

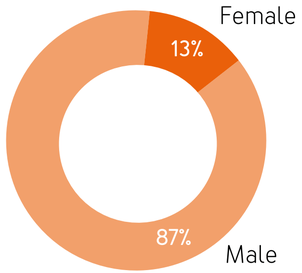
"Girls' Day is our way of saying: technical careers are for everyone. We're here to inspire, support, and empower the next generation of female innovators."

Anita Köbel
Human Resources Director SBG Neumark

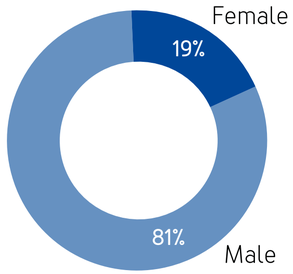
4.2.2 Equal Opportunities

Offering equal opportunities leads to a culture of fairness and motivation among employees, resulting in enhanced engagement, productivity, and job satisfaction. SGB-SMIT Group recognizes the crucial role of equal opportunities in achieving success. The Group has established a target to achieve a 25% representation of females in top management positions and 20% representation of females overall by 2028. Currently, 13% of the workforce is composed of women and 19% of the top management team is female. This commitment reflects a strong dedication to promoting diversity and inclusion at all levels of the organization.

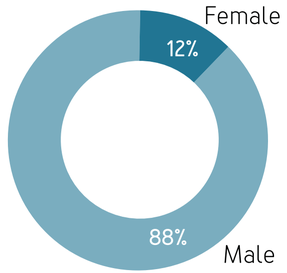
Gender 2024



Top Management 2024



Leading Positions 2024



The commitment to creating an inclusive and diverse workplace includes the inclusion of differently abled employees. The term "differently abled" is used intentionally throughout this report in alignment with SGB-SMIT Group's inclusive language commitment. While "people with disabilities" is the standard terminology in many international frameworks, "differently abled" is chosen to emphasize ability, dignity, and potential of all employees avoiding language that may carry negative connotations.

Sixty employees, representing 2% of the global workforce, identify as differently abled. This figure is based on the legal definitions of disability applicable, ensuring compliance with local legislation and respect for regional standards. Efforts continue to focus on creating an environment where all employees, regardless of ability, have equal opportunities.

4.2.3 Gender Diversity Awareness

In 2024, SGB-SMIT conducted a comprehensive gender diversity training workshop for its Human Resources (HR) managers. The training focused on key aspects of gender diversity, including conceptual approaches to gender, and strategies for promoting women in the workplace.

The workshop also addressed critical issues such as gender bias, discrimination, and the importance of creating an inclusive work environment. By equipping HR managers with the knowledge and tools to recognize and overcome unconscious biases, this training underscores SGB-SMIT's commitment. This initiative also laid the foundation for the broader diversity strategy, which is being developed and continuously enhanced to ensure long-term impact and inclusion across all levels of the organization.

4.3 PEOPLE FIRST

EMPLOYEES

Health and Safety - Good working conditions,
Trainings - Relationships build on trust and integrity

In 2024, SGB-SMIT recorded a turnover rate of 10%. To continuously improve the employee experience and organizational culture, the Group conducts structured exit dialogues with individuals who voluntarily leave the organization. These conversations offer valuable insights into leadership, work environment, development opportunities, and overall satisfaction, guiding efforts to enhance retention and well-being. The term "employees" in this context refers inclusively to permanent, temporary, and non-guaranteed hours employees. The turnover rate is calculated using the aggregate number of employees who leave voluntarily or due to dismissal, retirement, or death in service as the numerator, and the total employee headcount as of December 31, 2024, as the denominator.

SGB-SMIT entities have implemented initiatives addressing physical and mental health, fair working conditions, work-life balance, career development, and training. These programs are designed to support both direct employees, whose efforts are applied to product creation and service delivery, and indirect employees, whose work cannot be directly attributed to a specific product or service unit.

34
RETIREMENTS

181
VOLUNTARY LEAVES

Employee Headcount	2024
Direct	1,870
Indirect	1,373
Total	**3,243**

Non-Employees Headcount	2024
Engaged in employment activities	187

4.3.1 Fair Working Conditions & Social Dialogue

The Group actively promotes open communication and feedback to continuously enhance employee well-being, ensuring that all individuals feel valued and supported. Employee responsibility is recognized as a key principle within the Group. A robust people management framework has been established to uphold fair working conditions.

Collective Bargaining Agreements

At SGB-SMIT Group, 2,379 employees, representing 73% of the workforce, are currently covered by a collective bargaining agreement (CBA). Supporting collective bargaining aligns with the Group's commitment to fair labor practices and long-term organizational stability. CBAs enhance transparency in employment conditions; help reduce pay disparities and encourage employee involvement in shaping workplace policies. By establishing a consistent and reliable framework for labor relations, collective bargaining contributes to employee satisfaction and supports sustainable business development.

Employees covered by Collective Bargaining Agreement	2024
European Economic Area (EEA) Countries	2,314
Outside EEA Countries	65
Total	**2,379**

4.3.2 Employee Satisfaction

At SGB-SMIT Group, supporting talent across all generations means recognizing and acknowledging that each life stage brings unique needs and opportunities. From early career to retirement, flexible structures are essential to ensuring that every employee can succeed, professionally and personally.

Flexible Work

Flexible working options contribute to increased employee satisfaction, which in turn promotes higher productivity and cost efficiency. To support this initiative, the organization has implemented flexible working time arrangements and a mobile work policy for roles that are suitable for remote work. These measures provide clear guidelines that enable greater flexibility in how and where work is conducted across the organization. This commitment is reflected in the fact that 100% of employees are eligible for family-related leave. These figures underscore the Group's dedication to promoting employee well-being and supporting a healthy work-life balance.

Well-being

At SGB-SMIT, employee well-being is prioritized through access to welfare programs, health resources, and the maintenance of a safe work environment. All locations implement various initiatives tailored to the current needs of employees, these include:

Employee well-being initiatives:

- Special discounts for sport activities
- Nutrition and metabolism programs
- Ophthalmology screening
- Blood test screening
- Ergonomics programs
- Medical office at site
- Health check-ups

Employee commuting:

- Job Ticket (for public transportation)
- Bike Leasing Program

Additionally, where feasible, SGB-SMIT operates canteens at its sites, further contributing to the welfare by offering a wide range of healthy and balanced meals to all employees.

Well-being is a fundamental aspect of the workplace environment, with employee satisfaction serving as a key measure of its impact and effectiveness.

Employee Feedback Channels

In 2024, the employee satisfaction rate was at 7.5, with a strong engagement rate reflected in a 69% participation level across the Group. Employee satisfaction is evaluated across all entities using a comprehensive satisfaction survey, which is conducted every two years. The feedback gathered through this survey serves as a basis for identifying improvement initiatives across the organization. Additionally, all employees are encouraged to consistently provide feedback, including participation in periodic surveys and the use of a 360-degree feedback system involving managers. A whistleblowing system is also available to report potential irregularities, enabling early intervention and remediation.

4.3.3 Health & Safety

	Base year 2020	2023	2024
Lost Time Incident Frequency Rate (LTIFR 200.000 h)	3.38	2.02	2.65
Number of fatalities in own workforce as result of work-related injuries and work-related ill health	0	0	0
Number of recordable work-related accidents for own workforce	87	56	74

Workplace safety is a fundamental aspect of responsible business operations at SGB-SMIT Group. Emphasis is placed on prevention to reduce workplace accidents and ensure a safe working environment. Occupational health and safety serve as core principles, reflecting a commitment to maintaining high operational standards.

Health & Safety Management System

Currently, 100% of the workforce is covered by a Health and Safety Management System that adheres to legal requirements and recognized standards or guidelines. This comprehensive coverage underscores the dedication of the Group to protecting its employees and building a culture of safety throughout the organization. Under the direction of the CEO, the Health & Safety Manager at SGB-SMIT Group oversees the safety of all employees. At each site a Health & Safety Officer and a Committee are established and actively engaged by senior management. The CEO personally reviews accident reports and industrial safety indicators and closely monitors the implementation of corrective actions where needed.

To reinforce safety awareness and enhance performance, senior management conducts monthly safety walks across all SGB-SMIT sites worldwide. Internal and external audits ensure compliance with safety guidelines, with global workshops facilitating knowledge exchange on health, safety, and accident prevention. Digitalization efforts within the Group enable real-time access to accident data via dashboards, facilitating proactive risk management. Moreover, local programs are implemented at individual sites to promote occupational health and safety.

Health & Safety Guideline

SGB-SMIT Group also maintains comprehensive Health & Safety Guidelines, outlining group-wide rules and campaigns. These initiatives encompass various aspects of employee health and safety, creating a culture of well-being and protection across the organization. These initiatives can be classified into preventive and corrective measures.

Preventive measures:

- 14 rules to come home healthy and safe
- Regular risk assessments
- Guidelines for periodic training on health and safety topics
- Safety rules for visitors and contractual partners
- Health and safety checks at customer sites and suppliers

Corrective measures:

- Provisions relating to reporting accidents and near-misses
- Documented procedures in the event of accidents and emergencies

Additionally, it is the duty of everyone to remain vigilant, promptly report any hazardous situations, and halt work if necessary. Each employee is responsible for:

- **Staying Informed:** Understanding and adhering to all safety protocols and procedures relevant to their role.
- **Active Participation:** Engaging in safety training sessions and contributing to safety discussions and initiatives.
- **Reporting Hazards:** Immediately reporting any unsafe conditions or potential hazards to the appropriate personnel.
- **Acting:** Stopping work if they identify a situation that poses an immediate risk to health or safety.
- **Supporting Colleagues:** Encouraging and assisting fellow employees in maintaining a safe work environment.

By embracing these responsibilities, a safer workplace is created and a clear commitment to the well-being of all workers is demonstrated.

Health and safety, along with their associated impacts, risks, and opportunities, are actively managed through various measures. Hazardous situations are addressed promptly upon identification. Regularly published indicators document the current safety status and progress in meeting the organizational targets and regulatory requirements. To ensure objective evaluation of the Groups Health & Safety rules' effectiveness, all sites undergo external certification to ISO 45001:2018, SGB-USA is not certified according to this standard but compelled to implement the H&S Guideline.

Zero Accidents Program

The Zero Accidents Program (ZAP) mandates senior executives, site management, and individual employees to minimize and maintain accidents at the lowest possible level. ZAP incorporates components such as regular "GEMBA Walks," management training, comprehensive analysis, and ongoing skill development. Additionally, ZAP requires prompt recording and digital forwarding of both accidents and near-misses to the central QHSE Manager.

SGB-SMIT Group has undertaken significant measures to enhance safety and reduce the number of accidents and incidents. The Group continuously strives to achieve a Lost-Time Incident Frequency Rate (LTIFR) of 1.0, as part of its dedication to ensuring a safe and secure working environment.

Safety Culture Strategy

SGB-SMIT Group has introduced a group-wide initiative to promote workplace safety culture, in collaboration with external specialists and tailored to specific local needs.

The initiative is intended to support efforts to maintain a sustainable and safe working environment and aims to:

1. Focus on enhancing the competence and awareness of employees regarding safety practices.
2. Improving organizational structures and communication channels to create a safer work environment.
3. Providing necessary tools and resources to support safe work habits and practices.

4.3.4 Workers in the Value Chain

SGB-SMIT Group takes a comprehensive approach to health and safety that spans across the entire lifecycle of its products, from raw material sourcing and supplier operations to product use and maintenance in the field. This responsibility extends to everyone who interacts with SGB-SMIT's transformers, ensuring safe and fair working conditions throughout the value chain.

The Group conducts regular audits and assessments of suppliers and partners to ensure compliance with the SGB-SMIT Supplier Code of Conduct, labor rights, occupational health and safety standards, and environmental practices. Where gaps are identified, the Group works collaboratively to implement corrective actions and drive continuous improvement.

The same high standards practiced at the own sites are expected to be applied to all workers in the value chain. This includes access to personal protective equipment, adherence to safety protocols, and training programs aimed at preventing accidents and promoting well-being. These measures help build a resilient and ethical supply chain that reflects SGB-SMIT's values.

The Group's commitment continues beyond production. It takes proactive steps to protect the health and safety of those who install, operate, and maintain SGB-SMIT transformers. Every product is delivered with a detailed operating manual that outlines strict safety protocols for installation, commissioning, operation, maintenance, and emergency response.
These include mandatory inspections, proper earthing, restricted access zones, and clear procedures for handling high-voltage equipment and flammable materials. Risks related to electromagnetic fields, oil handling, and environmental conditions such as moisture or ice are also addressed.

Furthermore, only qualified personnel are permitted to work on the equipment, using tested equipment for the dismantling, and reassembly, ensuring that all safety devices are restored and fully functional after maintenance. These measures enable safe and responsible use of the products and reinforce SGB-SMIT's commitment to a secure and sustainable energy infrastructure.

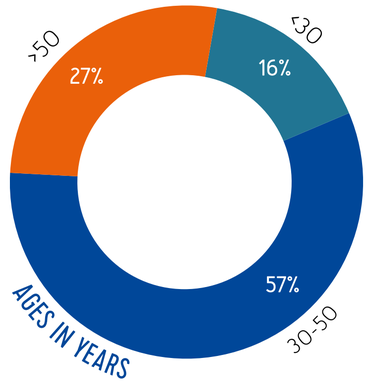
4.4 ALL-GEN TALENT

At SGB-SMIT Group, every generation matters. The Group believes that all voices, regardless of age, bring unique strengths, perspectives, and value to the organization. By building a culture of mutual respect and continuous learning, it creates space for everyone to contribute meaningfully.

The future is seen as being shaped by both current and future generations. A strong commitment to supporting the development of future talent and investing in knowledge lies at the heart of SGB-SMIT's sustainability efforts. This approach not only focuses on nurturing young minds but also values the experience and wisdom of long-standing employees.

By combining the innovation and energy of youth with the expertise of experienced team members, more effective outcomes can be achieved. This collaborative environment builds intergenerational knowledge sharing, contributing to a dynamic and inclusive workplace.

AGE STRUCTURE (2024)



4.4.1 Career Development

Career development is a key focus, with a strong emphasis on responsible practices that ensure equal treatment and fair assessment of individual qualifications. Both hard and soft skills are evaluated, and opportunities for personal development and further training are provided. This approach aims to enhance employee satisfaction, nurture mutual appreciation, and strengthen workforce loyalty.

In 2024, 82% of employees participated in regular performance and career development reviews, demonstrating a strong level of engagement and commitment to professional advancement. In certain locations, these reviews are scheduled on a biennial basis.

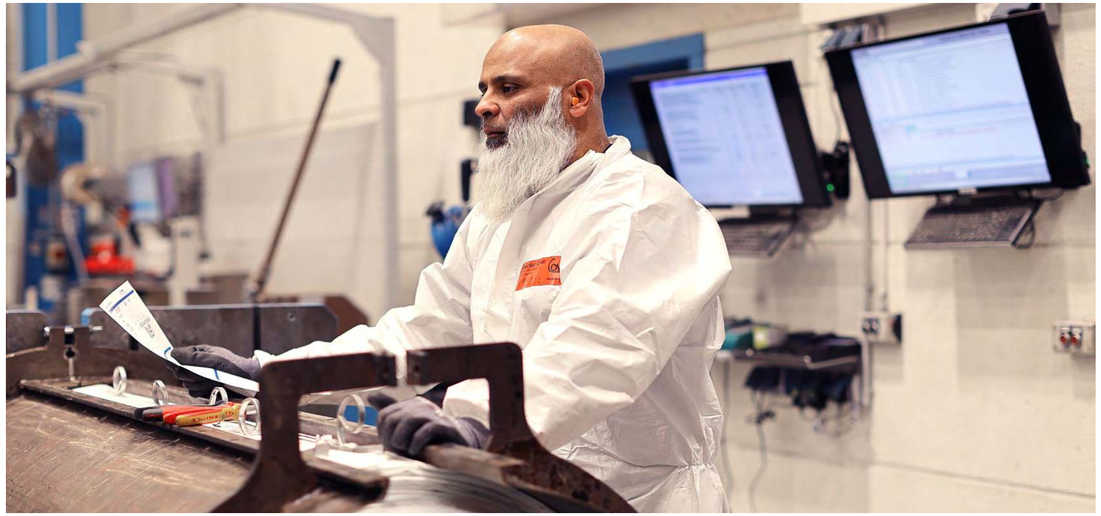
A broad range of employee oriented initiatives are being implemented across locations.
Some examples are:

- Professional coaching
- Internal and external training such as technical skills, and Lean management
- Leadership programs
- Communication training
- Mentorship program
- Sponsoring or subsidy of postgraduate training is possible

MORE THAN
57,000
TRAINING HOURS

Training & Development Programs

Employee development and training are fundamental to cultivating a skilled, adaptable, and motivated workforce. By investing in educational opportunities, the Group ensures that employees are equipped with the knowledge and capabilities needed to excel in their current roles and to meet the evolving demands of a dynamic business environment. This forward-looking approach supports long-term organizational resilience and individual career growth. The training content is conveyed in accordance with the training regulations and the corresponding corporate training plan. These can vary in form, scope, and approach depending on the vocational profession.



Employee Development

The goal of the employee development measures is to qualify employees so that they can contribute optimally to the organization's success while remaining motivated through their development.

Training and personnel development programs are regularly reviewed and continuously enhanced. Demand-driven evaluations help ensure the relevance and quality of these initiatives. One example of this approach is the implementation of the "Ready4Future" program and the SGB-SMIT Academy.

"Ready4Future" is offered to junior executives and potential candidates. It is a modular training series that typically takes place annually. Since 2021, SGB-SMIT Academy has been in place as a comprehensive training initiative. To identify training needs, a skills management system has been implemented, with requirements monitored through an HR tool.

4.4.2 Apprentices, Students & Collaborative Programs

Apprenticeship Programs

Various apprenticeships in the commercial, technical, and business sectors are offered. This offer is mainly aimed at interested school graduates of all types. The aim of this apprenticeship is to internally train future skilled workers, thus securing qualified junior staff who already possess specific organization- and industry-specific expertise upon hiring.

Partnerships & Collaborations

Acknowledging the significance of education, SGB-SMIT Group actively collaborates with universities. This includes expanding local partnerships to offer insights into the Group, to potential future employees at an early stage. Collaborating with universities allows SGB-SMIT to leverage the latest research and innovations. Furthermore, through dual programs, working student positions, apprenticeships, and internships, students gain practical, hands-on experience in the industry. Entities are in regular contact with various educational institutions, particularly universities, for example, by participating in relevant career fairs for students. A sponsoring program for a German scholarship recipient at the OTH Regensburg has been in place for many years. Plans include intensifying these collaborations, potentially through direct involvement of the professional areas.

Student Programs

SGB-SMIT offers a range of student engagement opportunities, including internships, working student roles, and thesis projects, that provide practical experience and help students build relevant skills through academic and industry collaboration.

The primary goal of these programs is to address the need for support in specific professional areas or to explore topics that can be effectively tackled with the help of students. These programs represent a win-win situation for both parties: students gain their first work experience, build a network within the organization, and the Group gets to know potential future employees, contributing to long-term collaboration.

The programs are generally open to all students in fields that are relevant to the Group's various departments, particularly electrical engineering, industrial engineering, mechanical engineering, business administration, computer science, etc.

Key tasks vary significantly across departments. Typically, students have a specific supervisor from a professional area who is always available for consultation. Often, the supervisor is also the direct manager, and task assignments are done through direct interaction.

Within the Group, there are numerous success stories where employees began as student assistants or interns during their studies, potentially completed a thesis in cooperation with the Group and were then hired directly. Many former trainees now hold responsible positions such as foremen, managers, and department heads. Additionally, many are now active as trainers and support young people on the path they once took.

4.5 TRANSFORMING COMMUNITIES

In addition to investing in future generations, SGB-SMIT maintains a strong commitment to broader social responsibility. Engagement with local communities, associations, and non-profit organizations is actively pursued to create a lasting and positive impact on people, the planet, and society. The vision extends beyond transforming the future of energy to also supporting the transformation of communities, contributing to a more sustainable future for all. The Group actively encourages voluntary social and societal contributions through monetary or in-kind donations and promotes employee volunteering throughout all its locations via different local community engagement projects. Next to these efforts, the following examples illustrate how some initiatives are implemented across different sites.

4.5.1 Healthy Lifestyle & mental Well-being

Nurturing a healthy and balanced lifestyle through team sports and raising awareness of rare diseases.

Promoting Health & Solidarity through Local Sports Initiatives

In 2024, SGB Regensburg reaffirmed its commitment to community health and social responsibility by sponsoring the 26th Leukämielauf in Regensburg. This initiative supported the fight against leukemia and encouraged employee engagement through active participation in various race formats. The involvement reflects an ongoing dedication to meaningful, local impact and the promotion of health-related causes. By supporting events like this, the goal is to nurture a balanced and active lifestyle while contributing to meaningful causes that align with SGB-SMIT's values of social responsibility and community engagement.

Supporting Sports & Community

As part of an ongoing commitment to strengthening local communities, the initiative "SBG Supports Your Club" was launched to recognize and reward creative and impactful contributions from regional sports and cultural organizations. The program aims to highlight volunteer work, promote creativity and team spirit, support youth engagement, and provide financial assistance for club projects. By offering visibility and incentives, clubs are empowered to grow, connect, and inspire others.

In 2024, one of the standout winners was the Fraureuth Handball Club e.V., whose imaginative entry earned them a well-deserved prize. Their submission not only showcased humor and creativity but also reflected the strong sense of community and dedication that defines their club. Applause goes to their ongoing commitment and the joy they bring to their members.

4.5.2 Donations & financial Support

Providing financial support via local associations, charities, and NGOs that support people with disabilities.

Empowering Causes through Employee-Nominated giving

At Czech Trafo, each year, financial resources are donated to non-profit organizations selected through employee nominations, often reflecting personal connections or passions. Four organizations are chosen from the nominations, with the donation equally distributed among them. One recent recipient, Expedice přes bar ("Expedition Beyond Barriers"), enables individuals with specific needs to experience outdoor adventures like biking, kayaking, and mountaineering. The nomination came from an employee who had actively contributed to the initiative during their university years, highlighting the deep personal ties that shape this program.

Promoting Social Inclusion: Ongoing Support for Bananenflanke

As part of its long-standing commitment to social responsibility, SGB regularly supports the charity initiatives for Bananenflanke. The event brings together to raise funds for Team Bananenflanke e.V. Regensburg, an organization dedicated to children and adolescents with intellectual disabilities. Guided by the motto "Football knows no boundaries," the association uses experiential education to foster emotional growth, strengthen social skills, and build positive self-esteem. Through financial contributions, SGB helps enable inclusive experiences that promote community, participation, and personal development.

4.5.3 Humanitarian & natural Disaster Response

Supporting affected communities via donations to local NGOs and/or aid organizations.

Supporting Recovery after the Jeseník Floods

In September 2024, the Jeseník region of the Czech Republic faced one of its most devastating natural disasters in recent decades, as Storm Boris triggered catastrophic flooding. With over 440 mm of rainfall in some areas, rivers overflowed, isolating towns and damaging critical infrastructure. In response, 24 employees traveled to the affected area to support recovery efforts, clearing debris, cleaning homes, and assisting residents. Additionally, a financial donation was raised to help a severely impacted family begin rebuilding.

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

5.1 GOVERNANCE MANAGEMENT

5.2 INTERNATIONAL LEGAL FRAMEWORKS & CONVENTIONS

5.3 BUSINESS ETHICS & COMPLIANCE

- 5.3.1 POLICIES
- 5.3.2 RESPONSIBILITIES
- 5.3.3 WHISTLEBLOWER SYSTEM

5.4 DATA MANAGEMENT & INFORMATION SECURITY

5.5 PRODUCT QUALITY & CERTIFICATIONS

5.6 GOVERNANCE TRAININGS

5.7 SUPPLY CHAIN MANAGEMENT

- 5.7.1 QUALITY ASSURANCE AGREEMENT
- 5.7.2 SUPPLIER DUE DILIGENCE & AUDITS

SGB-SMIT Group

5.0 GOVERNANCE

5.1 GOVERNANCE MANAGEMENT

SGB-SMIT Group upholds a strong commitment to ethical and responsible business practices through its comprehensive governance management system. This commitment is reflected in the Group's corporate culture, foundational policies, standards of business conduct, and its methodical approach to managing supplier relations and the supply chain.

Governance Framework

Employees and suppliers must comply with all applicable laws, regulations, and contractual obligations. The Group's Code of Conduct and Supplier Code of Conduct define the basis for this behavior.

The following key elements are covered:

1. **Environmental Guidelines:** Environmental protection and management of resources
2. **Social Guidelines:** Ensuring optimal working conditions and safeguarding employee rights
3. **Corporate Governance Guidelines:** Applicable legal and business ethical standards

5.2 INTERNATIONAL LEGAL FRAMEWORKS & CONVENTIONS

SGB-SMIT Group adheres to several international frameworks and conventions which serve as the main guidelines and standards for its business practices across borders. These frameworks are part of SGB-SMIT Group's Governance program and compliance management policy.

These frameworks include:

- **United Nations' Guiding Principles on Business and Human Rights** (UNGPs) and the **United Nations Convention Against Corruption** (UNCAC)
- **Organization for Economic Cooperation and Development** (OECD) Guidelines for Multinational Enterprises on Responsible Business Conduct as well as the OECD's Anti-Bribery Convention
- **International Labor Organization** (ILO) Core Conventions on Labor Standards, including ILO Convention No. 138 on minimum age for admission to employment and ILO Convention No. 182 on the worst forms of child labor, and ILO-IOE Child Labor Guidance Tool for Business

SGB-SMIT follows several international conventions:

- **Stockholm Convention:** Protecting human health and the environment from persistent organic chemicals
- **Basel Convention:** Regulation on the permissibility and control of hazardous waste exports
- **UN Civil Pact:** Regulation of protection and freedom rights, including the prohibition of torture and slavery, the right to protection of private life, the right to freedom of expression, the right to freedom of religion and freedom of assembly as well as the right to stand and vote
- **UN Social Covenant:** Regulation of economic, social, and cultural rights

Supply Chain Act

The German Supply Chain Due Diligence Act ("Lieferkettensorgfaltspflichtengesetz (LkSG)") requires companies to systematically monitor, and address risks related to human rights and environmental law within their supply chains and internal operations. All SGB-SMIT Group entities are fully compliant with the German Supply Chain Due Diligence Act. The Corporate Sustainability Due Diligence Directive (CSDDD), an EU-wide regulation, establishes broader obligations in terms of both scope and enforcement. Leveraging its existing compliance with the LkSG, SGB-SMIT Group is well-positioned and actively implementing further measures to meet the requirements of the CSDDD.

Critical Raw Materials Act

The Critical Raw Materials Act (CRMA) is a key legislative initiative by the European Union aimed at securing a sustainable and resilient supply of critical raw materials (CRMs) essential for the EU's green and digital transitions, as well as for strategic sectors like defense, aerospace, and renewable energy. SGB-SMIT Group sources aluminum and copper, both considered critical for their economic value and supply risk.

Carbon Border Adjustment Mechanism

The EU's Carbon Border Adjustment Mechanism (CBAM), in conjunction with the EU Emissions Trading System (EU ETS), represents a significant shift in climate policy, aiming to level the playing field between EU-based manufacturers and foreign competitors by pricing carbon emissions embedded in imported goods. The phasing out of free ETS allowances and the requirement to purchase CBAM certificates will raise the cost of high-emission inputs, making supply chain transparency and emissions data accuracy critical. SGB-SMIT Group is already reporting in line with the CBAM requirements; to remain competitive and compliant, SGB-SMIT proactively engages with suppliers, optimizes sourcing strategies, and invests in low-carbon technologies.

Corporate Sustainability Reporting Directive & EU Taxonomy

SGB-SMIT Group recognizes the importance of meeting Corporate Sustainability Reporting Directive (CSRD) and EU Taxonomy requirements. The Group provides transparent disclosures in line with these standards to ensure accountability for stakeholders. With the EU Omnibus Regulation, introduced by the European Commission in February 2025, SGB-SMIT Group will start mandatory reporting for fiscal year 2027 and will continue voluntary GRI reporting until then.

5.3 BUSINESS ETHICS & COMPLIANCE

SGB-SMIT is guided by ethical behavior across all decision-making processes. Robust policies, procedures and systems have been established to ensure that everyone within the Group acts with responsibility and integrity. By prioritizing business ethics, the Group has built strong relationships with all its stakeholders, including customers, employees, shareholders, financing parties, and the wider community. To uphold ongoing business ethics and compliance, SGB-SMIT expects all employees and external stakeholders to act if they suspect any ethical or legal violation by reporting non-compliance through the whistleblower system. In 2024, five suspected cases of non-compliance were reported through the established channels. Of these, two were determined to be unfounded. Among the remaining three cases, one involved health and safety and environmental protection, another concerned data protection, and the third related to the protection of trade secrets. Corrective measures were implemented for all three substantiated cases. The data protection case was reported to the relevant authorities, who acknowledged SGB-SMIT's handling and did not impose any sanctions. For the two cases carried over from 2023, investigations have been completed, and corrective actions were taken. Ongoing efforts are in place to identify and address future cases and potential risks through specific procedures and policies. All responsibilities and compliance procedures are outlined in the Group's Compliance Management Manual.

5.3.1. Policies

The company's policies regarding Business Ethics and Compliance, Code of Conduct, Supplier Code of Conduct, and Data Management and Information Security reflect its commitment to ethical practices. These policies are designed to address bribery and corruption prevention as well as the safeguarding of human rights and business integrity.

Code of Conduct

SGB-SMIT Group's Code of Conduct sets out clear requirements for the behavior of employees irrespective of location or country. Group Management has the overall responsibility for complying with the regulations. All employees must follow the Group regulations and applicable laws and must report any relevant facts or violations to the responsible bodies.

Supplier Code of Conduct

The SGB-SMIT Supplier Code of Conduct establishes comprehensive standards for environmental, social, and corporate governance, which all suppliers are required to uphold. References to the Supplier Code of Conduct are consistently included in purchase orders, individual contracts, and framework agreements with key suppliers, who account for approximately 70% of SGB-SMIT's direct material expenditure. The Group is committed to partnering exclusively with suppliers who adhere to these requirements. Any revisions or additions to the Supplier Code of Conduct are promptly communicated in writing to all suppliers, who are then required to implement the changes.

Anti-Corruption Policy

SGB-SMIT upholds a strict zero-tolerance policy toward bribery, fraud, and corruption. This principle is embedded in its global Anti-Corruption Policy, which applies to all employees, subsidiaries, and third-party representatives. The policy requires strict adherence to anti-bribery and anti-corruption regulations in every jurisdiction in which the Group conducts business. It outlines clear prohibitions against offering, accepting, or facilitating bribes, and emphasizes the importance of always acting with integrity and professionalism.

All employees are regularly trained to recognize and report unethical behavior, and a whistleblower system is in place to ensure transparency and accountability.

Data Protection Policy

SGB-SMIT operates under a comprehensive framework designed to ensure the lawful and sustainable protection of personal data throughout all entities within the SGB-SMIT Group. The Data Protection Policy is applicable to every employee and facilitates adherence to the EU General Data Protection Regulation (GDPR) and other national data protection laws, even in countries where regulatory standards may be less stringent.

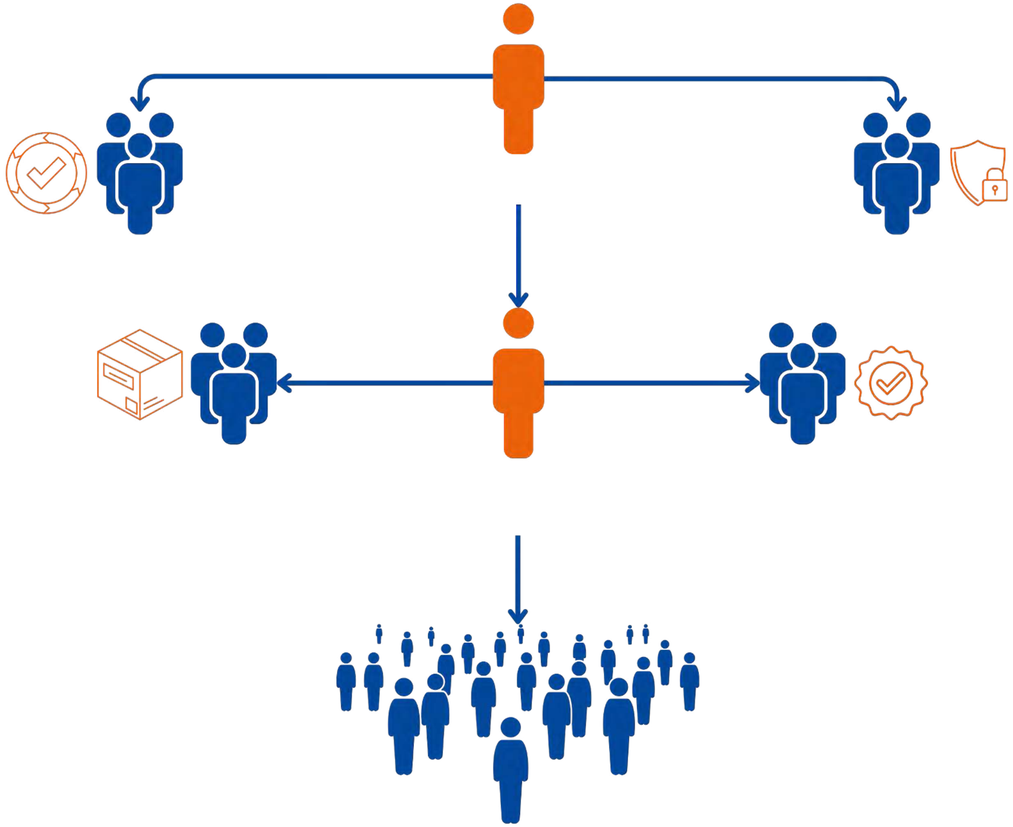
5.3.2. Responsibilities

Group Management is accountable for regulatory compliance and for upholding a governance framework aligned with all applicable laws and standards. All employees, including those in the value chain are expected to adhere strictly to company policies relevant to their roles and are required to promptly report any relevant facts or violations to the responsible bodies group-wide.
To ensure that all employees and suppliers comply with the regulations and customers' expectations the following responsibilities are defined:

- **Compliance Committee** is responsible for ensuring adherence to laws, regulations, and internal policies within SGB-SMIT Group's respective areas. The Group has established a robust compliance management system, with a quarterly Compliance Committee meeting to identify and monitor potential risks, implement preventive measures, and regularly review and update policies. Dedicated compliance officers at each location ensure that employees comply with the Code of Conduct and participate in ongoing training on compliance, data protection, and information security. In addition to these preventive initiatives, compliance officers investigate suspected cases and provide advisory support to both employees and executives regarding compliance issues. Annual compliance audits are conducted for each operational unit by an external party to assess and enhance the effectiveness of the compliance management system.

- **Human Rights Committee** has been established to promote and uphold respect for human rights across all SGB-SMIT's business operations. The Committee is responsible for identifying, preventing, and addressing potential human rights risks and impacts arising from the Group's activities. Furthermore, it ensures that SGB-SMIT complies with its obligations under the Supply Chain Due Diligence Act and provides affected individuals with access to effective grievance procedures.

- **Quality Management Team** is responsible for identifying health & safety and environmental risks within the Group's area of responsibility. The team also monitors suppliers to ensure compliance with human rights, environmental law, and business conduct through regular audits. Strategic suppliers are audited every three years, while other suppliers undergo audits as needed. If a supplier is assessed as critical based on the risk analysis, an on-site audit will be scheduled promptly to evaluate the current situation. In cases of non-compliance, the Human Rights and/or Compliance Committee and Management are notified, and appropriate corrective actions are defined and monitored.



Risk Identification

Risks are identified through multiple channels, including audits, document reviews, and the whistleblower system. All risks are recorded and evaluated as part of routine internal compliance audits conducted by the compliance team and the QHSE (Quality, Health, Safety, Environment) team.

Environmental, Human Rights and Compliance risk assessment is carried out by the respective Committee and auditors, who prioritize risks based on the potential impact, whether economic or reputational and the likelihood of occurrence.

Documented risks are grouped according to severity, which informs ongoing monitoring, improvement actions, and due diligence processes. Measures to address each risk are specified and put into practice. The progress of these measures is reviewed quarterly with the relevant entity and the Compliance and Human Rights Committee.

5.3.3 Whistleblower System

SGB-SMIT's expectation towards its employees and external stakeholders is to act if there is a suspected ethical or legal violation by reporting any non-compliance via the whistleblower system.

The ombudsman for SGB-SMIT Group serves as an independent point of contact for employees, suppliers, contractors, and other third parties who wish to report suspected infringements, offenses, or violations of internal regulations or codes of conduct associated with SGB-SMIT Group.
A designated email, ombudsmann-sgb@sws-p.de, and phone number, +49 991 379175 292, are managed by an external law firm to maintain compliance with applicable laws and local regulations. Information can be submitted anonymously if preferred.

The ombudsman reviews the information to assess its factual accuracy and legal relevance. Following the review, recommended actions are provided to the Compliance Committee, or, in significant cases, directly to management.

5.4 DATA MANAGEMENT & INFORMATION SECURITY

Effective data management and stringent information security protocols are essential elements of SGB-SMIT's operational strategy. Effective data management ensures access and use of data in a way that supports operations and decision-making processes. At the same time, information security is necessary to protect confidentiality, integrity, and availability of information assets. Information security is equally important to protect SGB-SMIT Group's information from unauthorized access, theft, or misuse.

By implementing effective information security measures, SGB-SMIT Group protects its valuable information assets from these threats and maintains the trust of its customers and stakeholders. Ultimately, effective data management and information security are crucial to operate in a secure and sustainable manner. The strategy for the data management and information security is aligned to the data protection regulations, the ISO 27001 standard, as well as to the recommendations of the German Federal Office for Information Security (BSI).

5.5 PRODUCT QUALITY & CERTIFICATIONS

SGB-SMIT Group has a strong commitment to quality; every single product is tested electrically and mechanically before leaving one of SGB-SMIT Group's factories. These are inspected in accordance with applicable standards, regulations, and customer requirements. No product from SGB-SMIT Group leaves its production site without having successfully passed all required tests in full compliance with applicable standards and regulations.

Besides strong governance processes in quality, environmental protection, safety and energy management, the Group has actively pursued certification in all relevant domains. These certifications are implemented consistently across the organization.

List of certificates:
- ISO 9001:2015 Quality management
- ISO 14001:2015 Environmental management
- ISO 45001:2018 Health and safety management
- Certification according to the Water Management Act (WHG)
- German Federal Water Act (German sites only)
- Safety Certification for Contractors (SCC)

5.6 GOVERNANCE TRAININGS

SGB-SMIT Group has embedded governance trainings as a core component of its compliance and ethical business conduct strategy. The Group has implemented a structured program of online, on-demand training modules that are mandatory for all management roles and employees in sensitive functions such as sales and procurement.

These trainings are tailored to SGB-SMIT's operational context, ensuring relevance to the Group's Code of Conduct, Supplier Code of Conduct, and broader governance framework, they are accompanied by assessments, reinforcing comprehension and accountability.

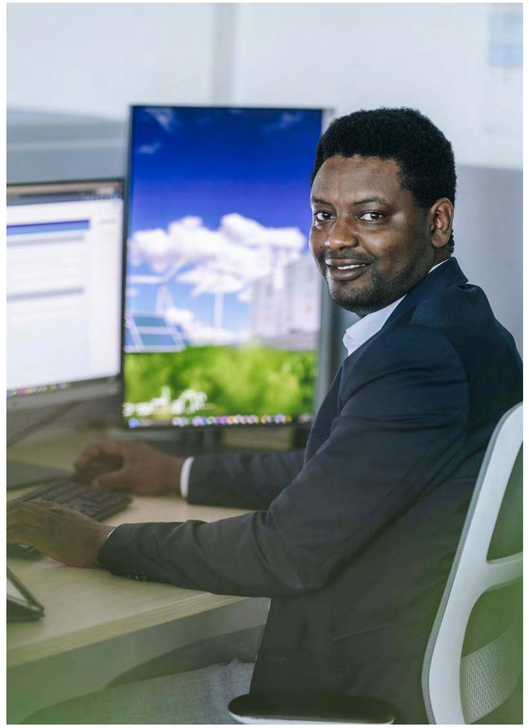
Training content is regularly updated, with refreshed content to reflect evolving legal requirements and internal policy changes.

These training courses are part of a broader governance management system that also includes:
- Business Ethics and Compliance Policies
- Data Protection and Information Security Protocols
- Product Safety and Compliance
- Whistleblower Mechanisms for Reporting Non-Compliance

The governance training program is aligned with international standards such as the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the ILO Core Conventions.

All the course content has been designed to address the specific requirements of SGB-SMIT. The training sessions are organized for relevant functions and individuals; consequently, not every course is applicable to all employees. Due to scheduling constraints and varying availability, some employees may be unable to complete all required trainings within the calendar year.

Participation rate	2024
Basic Compliance & Business Ethics	77%
Code of Conduct	74%
Anti-Corruption	78%
Cartel Law	87%
Product Safety	87%
Cyber Security	80%
Supply Chain Due Diligence	76%
Environmental Impacts	~90%
Health and Safety	~90%
Handling of Hazardous Materials	100%



5.7 SUPPLY CHAIN MANAGEMENT

SGB-SMIT Group, operating globally and within a complex environment, requires suppliers to adhere to standards in quality, sustainability, ethics, and compliance. In 2024, SGB-SMIT Group generated a total supplier-related turnover of approximately €750 million. Beyond economic considerations, the Group evaluates the environmental and social impacts throughout the product lifecycle.

As part of its commitment to responsible business practices, the Group places strategic focus on the following areas:

- **Environmentally friendly processes,** aiming to minimize environmental impact throughout the supply chain.
- **Adherence to legal regulations,** ensuring that all activities comply with relevant national and international standards.
- **Social responsibility in the supply chain,** promoting fair labor practices, ethical sourcing, and active community engagement.

With its key suppliers the Group agrees contractually to cover the three areas mentioned above. It aims to minimize negative effects on the environment and society while maximizing long-term value for the Group and its suppliers. From an environmental perspective particular attention is given to reducing carbon emissions and waste. Preference is given to products from suppliers with recognized eco-labels and certifications such as the Forest Stewardship Council (FSC). That enables SGB-SMIT to offer its customers carbon reduced solutions for any type of transformer, which are made with sustainable material components.

To strengthen SGB-SMIT's sustainability performance across the value chain, it implemented targeted training programs for lead buyers, 100% lead buyers in the supply chain function are trained on sustainability. These sessions focus on creating awareness on environmental and social impact in the value chain, understanding Scope 3 emissions, and applying lifecycle thinking when evaluating suppliers and materials. The training also covers regulatory frameworks, equipping buyers with the knowledge to engage suppliers in decarbonization and circularity initiatives. By empowering its procurement team, the Group aims to drive measurable impact on its sustainability goals and foster more resilient, responsible sourcing practices.

SGB-SMIT Group follows a strategic procurement approach that goes beyond immediate cost considerations. By evaluating the total cost of ownership, the Group ensures that long-term value, maintenance, and lifecycle impacts are factored into purchasing decisions. In addition, SGB-SMIT is committed to supporting local economies and small businesses, recognizing their vital role in fostering economic resilience and community development. The Group also actively encourages innovation and cultivates long-term relationships with suppliers, creating a foundation for continuous improvement, trust, and shared success.

SGB-SMIT Group consistently places an emphasis on local sourcing whenever feasible. In 2024, around one third of all procurement activities were carried out locally or domestically. This strategy not only contributes to regional economic development and the creation of sustainable supply chains but also promotes inclusion by cultivating partnerships with a diverse range of local suppliers and communities.

At SGB-SMIT Group, supply chain management flows into a permanent risk management process. This approach aims to identify risks within the supply chain, assess their potential impacts, and implement appropriate reactive or proactive measures to secure, enhance, and continually improve sourcing activities. To support the Group's commitment to ensure that human rights and environmental laws are respected throughout its value chain, SGB-SMIT Group has adopted IntegrityNext, a digital platform designed to facilitate ESG risk management and advance supply chain sustainability.

Furthermore, prospective suppliers undergo screening for compliance with environmental management practices, occupational health and safety standards, and adherence to human rights principles prior to the awarding of initial contracts. Companies that fail to meet these requirements or do not comply with the Supplier Code of Conduct are ineligible to become suppliers of SGB-SMIT Group.

5.7.1 Quality Assurance Agreement

The Quality Assurance Agreement was introduced at SGB-SMIT Group as an additional measure of supplier appraisal in the context of sustainability and quality. This agreement has been signed and fulfilled by key suppliers of the Group. In the agreement, partner companies declare that they support SGB-SMIT Group's QHSE Management System by compliance with or certification to the following standards, initiatives, and norms:

- ISO 14001
- ISO 9001
- ISO 45001
- RoHS (Restriction of Hazardous Substances)
- REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals)
- CFSI (Conflict-Free Sourcing Initiative for minerals)

Environmental Impact Assessment

At SGB-SMIT Group, environmental risk assessment is done following a structured process aimed at identifying, evaluating, and mitigating environmental risks associated with an organization's activities, products, or services. The Group has a framework that is built on the ISO 14001 requirements for systematically assessing specific types of environmental risks. Each aspect is evaluated for its potential impact on the environment, such as pollution, depletion of resources, or harm to ecosystems.

Environmental aspects and impacts assessed are:
- Air emissions (e.g., greenhouse gases, volatile organic compounds)
- Water discharges (e.g., wastewater, stormwater runoff)
- Soil contamination (e.g., chemical spills, leaks)
- Resource consumption (e.g., energy, water, raw materials)
- Waste generation (e.g., hazardous and non-hazardous waste)
- Noise and vibration
- Biodiversity and habitat disruption

Regulatory Compliance with RoHS & REACH

SGB-SMIT's main product portfolio is not within the scope of RoHS, and SGB-SMIT acts as a downstream user under REACH. All materials are accompanied by safety data sheets, which are reviewed by safety officers to ensure compliance. These obligations are embedded in the Group's Quality Assurance Agreements (QAA).

5.7.2 Supplier Due Diligence & Audits

Compliance check items are already a major component of the supplier due diligence process and yearly evaluation. SGB-SMIT Group has 500+ active key suppliers. Not all of them can be audited, therefore a yearly risk mapping will be performed, to cluster and prioritize suppliers to be audited. Generally, suppliers who are not complying with applicable laws and regulations (for example Supply Chain Act) and universal declaration of human rights (SDGs and ILO) are not accepted.

SGB-SMIT Group focuses on:
- Suppliers of production materials and services
- Suppliers with a higher human rights risk situation, based on scoring lists and other sources of information
- Suppliers using/producing critical, e.g. environmentally hazardous substances
- Supplier with critical raw materials in their product and supply chain

ESG Supply Chain Risk Management

Suppliers	Yearly due diligence process
100%	Abstract risk analysis based on country risk, industry risk and critical news.
5-20%	Concrete risk analysis and validation based on assessments, validation, and probability of occurrence.
3%	Impact analysis based on severity, influence, spend-to sales ratio, and prioritization.
0,5%	Preventive and corrective actions based on standard measures and supplier communication.

All critical suppliers need to perform a self-assessment. New and existing suppliers who are not prioritized by the criteria above and are not categorized as uncritical within the risk analysis need to repeat the self-assessment every three years.

In 2024, 59 suppliers have been audited on-site. These suppliers have been seen as critical by the Quality Management Team's risk analysis in terms of human rights and environmental matters.

These on-site audits focus on the following seven areas:
- Compliance with laws and local regulations
- Respect for the employee's fundamental rights
- Ban on child labor
- Minimum wage and maximum permissible working hours
- Employee health and safety
- Working conditions and social facilities
- Prohibition of bribery and corruption

Among the 59 suppliers audited, nonconformities were identified at one third. These nonconformities fall into three primary categories:
- 80% pertain to quality issues
- 13% relate to environment, health, and safety
- 7% concern governance and compliance

All nonconformities were addressed with the respective suppliers, with 7% remaining open by the end of the reporting year and subject to ongoing monitoring.

Furthermore, during the audit special emphasis is placed on ensuring that the SGB-SMIT Group Supplier Code of Conduct is understood, and that clear commitment is secured from the supplier's side.

In case any non-compliances arise during the audit, corrective / remediation measures are aligned with supplier. If severe breaches are discovered any further collaboration with the supplier will be terminated.

Procedure in Case of Identified Risks

Observations and findings ascertained within the scope of the audits are transferred to a verifiable evaluation system to decide whether the cooperation with the respective supplier company can be continued unchanged, improvement measures need to be taken, or further cooperation is not possible.

In case of identifying any negative impacts on the above-mentioned areas during audit, based on self-assessment or via the whistleblower system, these impact risks are assessed and documented. Together with the supplier, counter measures are defined; implementation status will be regularly checked. Should there be no progress visible after time, business relations will be stopped.

6.0 GRI INDEX

Statement of use: SGB-SMIT Group has reported the information cited in this GRI content index for the period from 01.01.2024 to 31.12.2024 with reference to the GRI Standards.
GRI 1 used: GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-1 Organizational details	Page 7
	2-2 Entities included in the organization's sustainability reporting	Page 3
	2-3 Reporting period, frequency and contact point	Page 3 - contact: sustainability@sgb-smit.group
	2-4 Restatements of information	Change in measurement methodologies or definitions
	2-5 External assurance	Not implemented
	2-6 Activities, value chain and other business relationships	Pages 10, 13
	2-7 Employees	Page 36
	2-8 Workers who are not employees	Page 39
	2-9 Governance structure and composition	Page 17
	2-11 Chair of the highest governance body	Page 17
	2-12 Role of the highest governance body in overseeing the management of impacts	Pages 12, 14
	2-13 Delegation of responsibility for managing impacts	Page 17
	2-14 Role of the highest governance body in sustainability reporting	Pages 12, 17
	2-15 Conflicts of interest	Confidentiality constraints
	2-16 Communication of critical concerns	Pages 40, 48
	2-19 Remuneration policies	Confidentiality constraints
	2-20 Process to determine remuneration	Confidentiality constraints
	2-21 Annual total compensation ratio	Confidentiality constraints
	2-22 Statement on sustainable development strategy	Pages 3-5
	2-23 Policy commitments	Pages 12, 20, 24-25, 29, 31, 35, 48-51
	2-24 Embedding policy commitments	Pages 15-18
	2-25 Processes to remediate negative impacts	Pages 49-51, 53-55
	2-26 Mechanisms for seeking advice and raising concerns	Pages 50-51, 55
	2-27 Compliance with laws and regulations	Pages 48-51
	2-28 Membership associations	CIGRE, IEEE, T&D Europe, Representation on National and IEC Committees, Bayme vbm, IHK Regensburg
	2-29 Approach to stakeholder engagement	Page 13
	2-30 Collective bargaining agreements	Page 39

GRI STANDARD	DISCLOSURE	LOCATION
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Page 14
	3-2 List of material topics	Page 14
	3-3 Management of material topics	Pages 14-17
GRI 102: Climate Change 2025	102-1 Transition plan for climate change mitigation	Information unavailable / incomplete
	102-2 Climate change adaptation plan	Information unavailable / incomplete
	102-3 Just transition	Information unavailable / incomplete
	102-4 GHG emissions reduction targets and progress	Pages 16, 18
	102-5 Scope 1 GHG emissions	Page 26
	102-6 Scope 2 GHG emissions	Page 26
	102-7 Scope 3 GHG emissions	Page 28
	102-8 GHG emissions intensity	Pages 26, 29
	102-9 GHG removals in the value chain	Page 27
	102-10 Carbon credits	Page 27
GRI 103: Energy 2025	103-1 Energy policies and commitments	Pages 16, 18, 29
	103-2 Energy consumption and self-generation within the organization	Page 30
	103-3 Upstream and downstream energy consumption	Information unavailable / incomplete
	103-4 Energy intensity	Page 30
	103-5 Reduction in energy consumption	Page 30
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Information unavailable / Confidentiality constraints
	201-2 Financial implications and other risks and opportunities due to climate change	Information unavailable / Confidentiality constraints
	201-3 Defined benefit plan obligations and other retirement plans	Confidentiality constraints
	201-4 Financial assistance received from government	Not applicable
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Confidentiality constraints
	202-2 Proportion of senior management hired from the local community	Confidentiality constraints
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Not applicable
	203-2 Significant indirect economic impacts	Not applicable
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Page 53
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Page 55
	205-2 Communication and training about anti-corruption policies and procedures	Page 52
	205-3 Confirmed incidents of corruption and actions taken	Page 49

GRI STANDARD	DISCLOSURE	LOCATION
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No known legal action
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Information unavailable / incomplete
	301-2 Recycled input materials used	Information unavailable / incomplete
	301-3 Reclaimed products and their packaging materials	Information unavailable / incomplete
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Information unavailable / incomplete
	303-2 Management of water discharge-related impacts	Discharge is not monitored
	303-3 Water withdrawal	Page 31
	303-4 Water discharge	Discharge is not monitored on a regular basis
	303-5 Water consumption	Consumption is not monitored
GRI 306: Effluents and Waste 2016	306-3 Significant spills	No significant spills
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Pages 20, 22-24, 31-32, 54
	306-2 Management of significant waste-related impacts	Page 32
	306-3 Waste generated	Page 32
	306-4 Waste diverted from disposal	Page 32
	306-5 Waste directed to disposal	Page 32
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Pages 53-55
	308-2 Negative environmental impacts in the supply chain and actions taken	Page 55
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Pages 34, 38
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	None
	401-3 Parental leave	50 employees took parental leave
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Pages 40-41
	403-2 Hazard identification, risk assessment, and incident investigation	Pages 40-41
	403-3 Occupational health services	Pages 40-41
	403-4 Worker participation, consultation, and communication on occupational health and safety	Pages 40-41
	403-5 Worker training on occupational health and safety	Page 52
	403-6 Promotion of worker health	Pages 40-41
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pages 40-41
	403-8 Workers covered by an occupational health and safety management system	Pages 40-41
	403-9 Work-related injuries	Page 40
	403-10 Work-related ill health	Page 40

GRI STANDARD	DISCLOSURE	LOCATION
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Page 16
	404-2 Programs for upgrading employee skills and transition assistance programs	Pages 42-44
	404-3 Percentage of employees receiving regular performance and career development reviews	Page 42
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Page 37
	405-2 Ratio of basic salary and remuneration of women to men	Information unavailable / incomplete
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	No incidents reported
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Pages 48-50, 55
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Pages 48-50, 55
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Declaration of principles
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	No incidents reported
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Pages 13-14, 45-46
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Pages 53-55
	414-2 Negative social impacts in the supply chain and actions taken	Pages 53-55
GRI 415: Public Policy 2016	415-1 Political contributions	No political contributions made
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Information unavailable / incomplete
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	No known incidents of non-compliance
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	No known incidents of non-compliance
	417-3 Incidents of non-compliance concerning marketing communications	No known incidents of non-compliance
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No known complaints

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