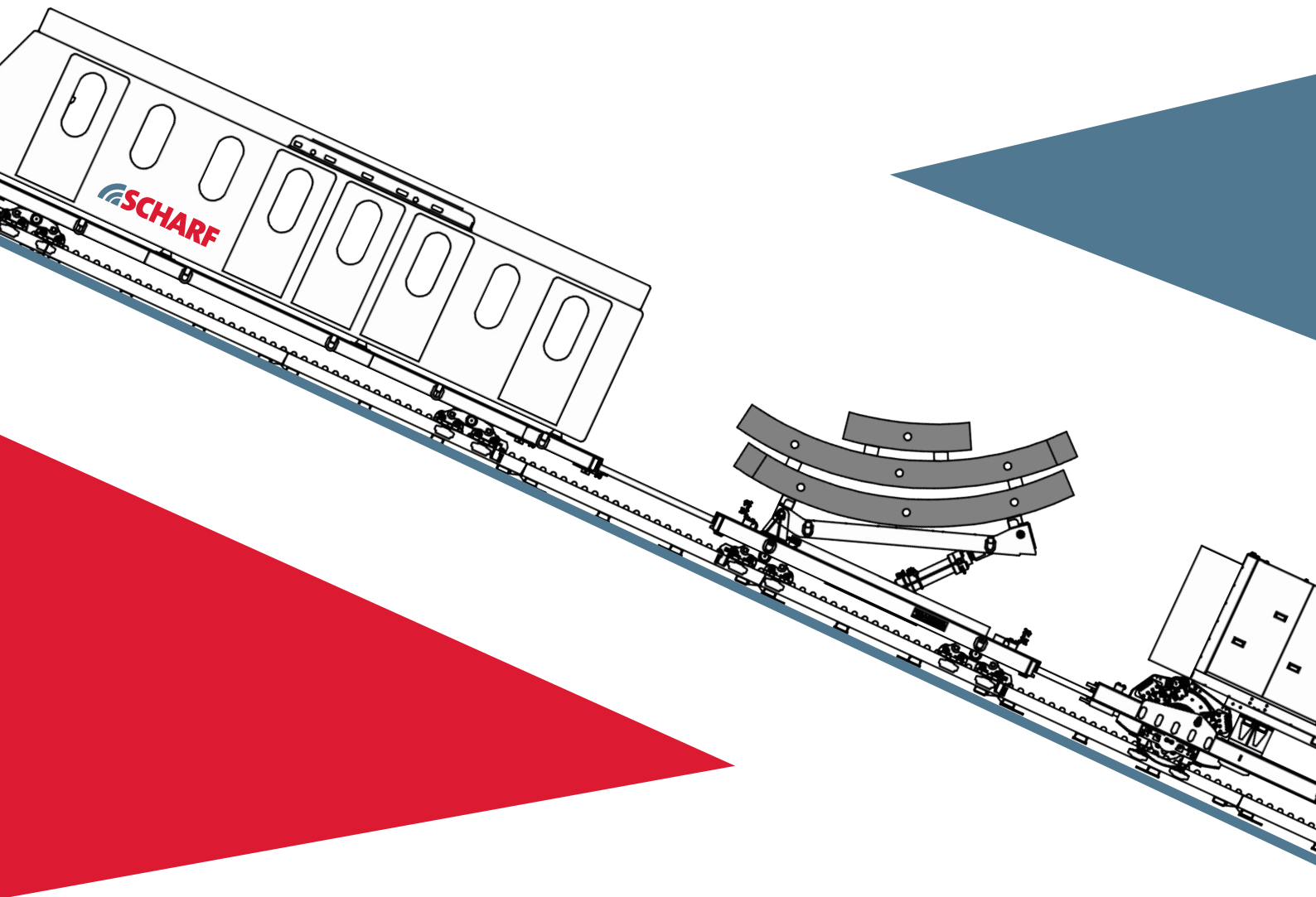




CSRD REPORT **2024**

Efficient. Safe. Sustainable.
Responsible Transport Solutions

In compliance with the European Sustainability Reporting Standards (ESRS)



Sustainability Statement SMT Scharf 2024

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Foreword by the Managing Board

Dear Stakeholders,

SMT Scharf AG is rigorously continuing along its path of sustainable corporate management. With this sustainability statement 2024, we are taking an important step in the further development of our reporting: For the first time, we have based our reporting on the requirements of the European Sustainability Reporting Standards (ESRS) to prepare ourselves for the new legal requirements of the Corporate Sustainability Reporting Directive (CSRD). It was intended as a pilot project for a reporting requirement and thus marks an important milestone in the further development of our reporting. As a continuation of our previous sustainability reports, it underscores our ongoing commitment to transparent, comprehensible and comparable communication. Even though it is still unclear whether our company will be formally subject to the reporting requirement under CSRD in the future and the national implementation of the directive is still pending, we have decided to act early and proactively. In addition, the EU Commission's Omnibus Initiative, which aims to simplify reporting requirements, was published while this report was being prepared.

In 2024, we continued to sharpen our strategic focus and successfully developed our business. Our move to the Prime Standard of the Frankfurt Stock Exchange in September underscores our commitment to the highest standards of transparency and governance. At the same time, we further reinforced our market position as a leading provider of transport solutions and logistics systems for tunneling and underground mining.

As we see it, sustainability is so much more than a legal obligation; it is an integral part of our business strategy. In this report, we describe in detail how we integrate environmental and social aspects into our business model and how our innovative products contribute to greater safety, efficiency and environmental compatibility in underground mining.

We thank our employees, customers, shareholders and partners for their continued support. Together, we're committed to a sustainable future and will continue to actively shape the transformation of our industry.

With best regards,

LIU Jun (CEO)

Volker WEISS (CFO)

Reinhard REINARTZ (COO)

ESRS 2: General requirements

About this sustainability statement

BP-1: General basis for the preparation of the sustainability statement

In this sustainability statement, we report on our sustainability activities and document our progress in achieving our sustainability targets. For SMT Scharf AG, CSRD-compliant reporting will be required from 2026 for the 2025 fiscal year. This statement for the 2024 fiscal year is a voluntary pilot report in accordance with the CSRD and is not audited.

To prepare this statement, SMT Scharf AG conducted a double materiality analysis in accordance with the CSRD between November 2023 and June 2024 to define material sustainability topics and identify their impacts, risks and opportunities (IROs). The analysis also served to test responsibilities and processes for the first CSRD mandatory report in 2026 and to examine whether and to what extent SMT Scharf wants to further develop its sustainability strategy. In line with CSRD requirements, an annual plausibility check and an event-driven update of the analysis, in the case of relevant changes in the company's business activities or business environment, are planned for the future.

Unless otherwise stated, all information in this statement relates to the SMT Scharf Group. This includes the following companies:

- SMT Scharf GmbH, Hamm, Germany
- ser elektronik GmbH, Möhnesee, Germany
- SMT Scharf Polska, SP. z. o. o., Tychy, Poland
- SMT Scharf (Pty.) Ltd, Gauteng, South Africa
- SMT Scharf Sudamerica SpA, Santiago, Chile
- RDH Mining Equipment, Alban, Ontario, Canada
- OOO SMT Scharf, Novokuznetsk, Russian Federation
- OOO SMT Scharf Service, Novokuznetsk, Russian Federation
- Scharf Mining Machinery (Beijing) Co., Ltd. Beijing, China
- Scharf Mining Machinery (Xuzhou) Ltd., Xuzhou, China

This CSRD report is based on data provided by the companies and takes into account the upstream and downstream value chains to the extent possible.

The scope of reporting corresponds to the scope of consolidation in the financial statements. Locations that are purely sales subsidiaries with no production and only a small number of employees (SMT Scharf Sudamerica SpA in Chile and RDH Mining Equipment in Canada) were not directly included in the materiality analysis, as no potential for material IROs beyond the other companies was identified for the materiality analysis.

Monorails Xinsha, China will not be consolidated until November 2024 and therefore cannot yet be included in this sustainability statement.

Due to the current geopolitical situation, existing sanctions and regulatory restrictions, OOO SMT Scharf and OOO SMT Scharf Service in Novokuznetsk in the Russian Federation were not included in this sustainability statement.

SMT Scharf has made use of the option to omit certain disclosures relating to intellectual property, know-how or innovation results.

This statement is published in German and English and is available on our company website at [smtscharf.com](https://www.smtscharf.com) in the “Investor Relations” section. We want to continuously improve our sustainability activities. We therefore welcome comments, questions and suggestions from our readers and stakeholders. You can reach us by phone at +49 2381 960210 or by e-mail at ir@smtscharf.com.

BP-2: Disclosures in relation to specific circumstances

Data accuracy

We are committed to providing reliable, accurate and comparable data. However, it should be noted that we cannot fully verify the information provided by our suppliers and service providers.

This report also contains forward-looking statements that are based on the experience and forecasts of our management and on information available to management at the time the report was prepared. Because these statements are subject to uncertainties and developments over which we have no control, we cannot guarantee that they will prove to be correct. Uncertainties include, for example, regulatory developments, changes in market conditions or the behavior of other market participants.

Information on sources, estimates, measurement and result uncertainties, assumptions, estimates and judgments on which the measurement is based are provided alongside the respective key figures.

As this sustainability statement is a pilot report in the ESRS format, we do not report on changes or errors in the preparation or presentation of the sustainability information.

For SMT Scharf AG, the CSRD obligation results in the requirement to report financial data on taxonomy-capable and taxonomy-compliant economic activities in accordance with the EU Taxonomy Regulation. As part of the double materiality analysis, a non-exhaustive review was conducted to determine where there are significant interactions with other legislative initiatives from the European Green Deal or sector-specific standards that affect SMT Scharf or will affect it in the foreseeable future. No interactions with, or effects on, other regulations and standards were identified. A preparation of the information for the taxonomy was not part of this voluntary pilot report.

Governance

GOV-1 and GOV-2: The role of administrative, management and supervisory bodies with regard to sustainability

The Supervisory Board of SMT Scharf AG in Hamm consists of three non-executive (independent) members, while the Managing Board consists of three executive members. **Overall responsibility for sustainability aspects** and respective IROs lies with the Managing Board.

The committees are composed as follows:

Managing Board:

LIU Jun (CEO)

- Responsible for International Strategic Business Development, M&A and Integration
- More than 25 years of international management experience in the Yankuang Group

Volker WEISS (CFO)

- Responsible for Finance & Controlling, Human Resources, IT, Compliance and Investor Relations
- More than 25 years of professional experience in the mining sector, many years of international experience in change management

Reinhard REINARTZ (COO)

- Responsible for Product Development, Production, Sales, M&A and Investor Relations
- More 45 years of professional experience in the mining sector, many years of international experience in operational management, change management and research and development

Supervisory Board:

ZHANG Li (Chairman)

- 27 years of experience in mining as a technician, engineer and managing director

Dr. Louis VELTHUIS (Deputy Chairman)

- University professor, management consultant, expert witness

YU Qiang (Vice Chairman)

- 27 years of experience in finance as an accountant, CFO and managing director

The previous goal of appointing women to at least one-third of the management bodies in the interests of **gender diversity** and **equal opportunities** could not be maintained in the new appointments due to the change of majority shareholder.

Employee representation at SMT Scharf in Germany takes the form of a works council. In the national companies, this varies depending on the situation and size of the organization; where there are fewer than ten employees, such representation is not considered appropriate.

Communication and the flow of information around sustainability issues and sustainability-related IROs are based on the bottom-up principle: There are employee meetings of varying frequency, weekly meetings between the Technology, Sales, Purchasing and Finance departments and the Managing Board, and an information exchange every two weeks between the Management Circle and the Managing Board. Beyond the corporate level, the Managing Board discusses the IROs and the relevant topics of the respective subsidiaries in separate meetings, decides whether certain issues need to be presented to the Supervisory Board and clarifies to which extent Group resources can be involved in finding a solution.

In the case of specific local issues, the heads of department or division bring the relevant aspects to the attention of the management of SMT Scharf GmbH (Mr. WEISS and Mr.

REINARTZ). Depending on the scope, the CEO (Mr. LIU) and, if necessary, the Supervisory Board are also involved.

In general, we expect our employees to bring the necessary expertise to the task and to become trained in sustainability issues. Those responsible for sustainability issues are given their respective requirements from auditing firms or as part of their committee activities. In the case of more extensive requirements, additional sub-representatives are appointed. The management also supports SMT Scharf GmbH's participation in an external, cross-company project as part of the ÖKOPROFIT campaign of the Ministry of the Environment of North Rhine-Westphalia with local companies as well as energy and CSRD experts. Topics could include, for example, the installation of a photovoltaic system or the environmental aspects of employee commuting.

GOV-3: Sustainability-related incentive systems

The Managing and Supervisory Boards at SMT Scharf are responsible for sustainability-related incentive systems and their evaluation. Performance-related bonuses that are customary in the industry are agreed upon in the Managing Board contracts and in non-tariff contracts. These can be based on the SMT Scharf Group's results, but also specifically on the business success of individual segments. The transformation from the Coal to the Tunnel Logistics segment, for example, is regarded as a sustainability success.

GOV-4: Due diligence

The following table shows where the core elements of due diligence can be found in the report.

Core elements of due diligence	Page references	Relation to people and/or the environment
a) Integration of due diligence into governance, strategy and business model	ESRS 2 GOV-2: p. 6	People and the environment
	ESRS 2 GOV-3: p. 7	People and the environment
	ESRS 2 SBM-3: p.17	People and the environment
b) Involvement of affected stakeholders	ESRS 2 GOV-2: p. 6	People and the environment
	ESRS 2 SBM-2: p. 10	People and the environment
	ESRS 2 IRO-1: p. 12	People and the environment
	ESRS 2 MDR-P: p. 4	People and the environment
	Thematic ESRS: Consideration of the various stages and	People and the environment

	purposes of stakeholder engagement throughout the due diligence process	
c) Identification and assessment of negative impacts on humans and the environment	ESRS 2 IRO-1: p. 12 (including application requirements in relation to specific sustainability aspects in the relevant ESRS)	People and the environment
	ESRS 2 SBM-3: p. 17	People and the environment
d) Measures to deal with negative impacts on people and the environment	ESRS 2 MDR-A: p. 4	People and the environment
	Thematic ESRS: consideration of the range of measures, including transition plans, to address the impacts	People and the environment
e) Tracking the effectiveness of these efforts	ESRS 2 MDR-M: p. 4	People and the environment
	ESRS 2 MDR-T: p. 4	People and the environment
	Topic-related ESRS: in relation to key figures and targets	

GOV-5: Risk management and internal controls over sustainability reporting

The sustainability reporting process is inherently subject to the risk of inaccuracy. This can be caused by human error or inaccurate or missing data. These risks have increased due to the change in the organizational structure during the reporting period. Processes have been put in place to mitigate these sources of error: Experts from various departments have been consulted both during data collection and when compiling the list of potential and actual IROs. The assessments went through several rounds of validation and the final data was approved by senior management.

Strategy

SMB-1: Strategy, business model and value chain

Business model and strategy

SMT Scharf is a German mechanical engineering company that provides transportation solutions and integrated systems for underground mining. SMT Scharf’s products include locomotives, lifting and transport equipment, rails and switches, which are tailored to the

specific requirements of our customers. Our core products are rail-bound haulage systems used in underground mining. Our product portfolio also includes mining chairlifts and the design and installation of rail-bound ventilation and cable routing systems.

Detailed information on our business model and strategy, our business areas and markets as well as our business performance can be found in our annual report.

Sustainability goals for product groups and trends

One driver for the mining of economically strategic commodities such as lithium and cobalt is the increasing demand for renewable energy and electric vehicles. The use of electric vehicles in mining and tunneling is also becoming increasingly important. We are currently investigating whether the battery technology already in use in China is suitable for the European market and whether the battery technology available in China can also be used for light electric vehicles (LEVs) in South Africa, Canada and Poland.

Our electrical expertise also enables us to meet the market demand for electrically powered rail systems and rubber-tired vehicles. SMT Scharf's electrically powered machines enable mine operators to reduce underground emissions and improve working conditions for their employees. In order to extend our range of solutions to other areas of demand, we are pressing ahead with the development of a modular battery system for various vehicle classes.

In Tunnel Logistics, SMT Scharf AG has already successfully implemented challenging projects and demonstrated that its transport solutions also meet the highest standards in this segment. Tunnel projects such as Snowy 2.0 in Australia show how the expansion of sustainable infrastructure contributes to the energy transition—through underground hydroelectric power plants that store and distribute renewable energy efficiently. Modern transport tunnels also reduce emissions by optimizing traffic flow and reducing congestion in densely populated areas.

Our goal is to expand our Tunnel Logistics business, further develop our technological innovations and open up new markets. By investing in modern, environmentally friendly transportation solutions, we aim to strengthen our position as a reliable partner in tunnel construction and contribute to the sustainable development of the industry in the long term.

Our solutions also help to ensure that construction processes are safe and sustainable in rail and road construction, as well as in infrastructure projects for energy supply.

Value chain

SMT Scharf's value chain is divided into the areas of rails, welded constructions and customer-specific electronic systems (ser elektronik GmbH). It should be noted that the value chain includes both upstream and downstream mining activities. (A diagram of the value chain can be found at the end of the report for illustrative purposes.)

Downstream value chain: Customers

SMT Scharf supplies customers around the world. Our largest and most important market with numerous customers is China, particularly in the coal mining sector. SMT Scharf AG generates almost half of its worldwide revenue there. Poland and Russia also play an important role in coal mining. SMT Scharf's trade with Russia is subject to the applicable German and European foreign trade restrictions and sanctions and is currently limited accordingly. In the area of non-coal mining, we mainly supply customers in South Africa.

Upstream value chain: Suppliers

SMT Scharf has a comprehensive network of suppliers from various countries. Germany accounts for almost three quarters of the total value, or 74.5% of revenue with service suppliers. China follows in second place with a share of 5.9%. The remaining suppliers are mainly from Western and Eastern European countries. SMT Scharf's supplier network also includes a small number of suppliers from South Africa, the United Arab Emirates and Australia. The ESG risks in the suppliers' countries of origin, for example with regard to water scarcity, are low overall. In the future, ESG criteria will continue to gain in importance and will be taken into account to a greater extent in supply contracts.

SMB-2: Interests and views of stakeholders

We have set ourselves the goal of involving our stakeholders even more closely in our work and of gathering their expectations and needs more systematically and comprehensively than before. We have therefore updated the existing stakeholder analysis from 2022 and summarized the results in the table below:

Stakeholder group	Internal company contact	Type of commitment
Customers	Distribution	Tenders and Supplier Code of Conduct
Suppliers	Strategic purchasing	Screenings and audits
Employees	Works councils and Management; HR department	Works meetings, newsletters, regular discussions in various constellations
Potential employees	Local personnel departments	Company website, participation in local events to strengthen local presence
Local communities	Site management	Selectively on site
Authorities	Plant management, sustainability reporting, Managing Board, Management	Sustainability statement
Competitors	Sales, Managing Board, Management	Internal research
Media	Sustainability reporting, Managing Board, Management	Sustainability statement
Users of financial reporting:	Internal company contact	Type of commitment
Auditor, tax office, parent company YKE, minority shareholders	CFO, Finance department	Risk management, international investor events
Investors	CFO, Finance department	ESG ratings

There is a lively exchange with all these stakeholder groups. This takes place primarily through the Sales, Purchasing, Finance, Human Resources and Sustainability Reporting departments, as well as through the Managing Board and local site managers. Information from these stakeholder groups is reported to the Supervisory Board and cascaded down to the specialist departments via management meetings.

The results of the stakeholder dialogue have been incorporated into the identification of IROs and the assessment of the materiality analysis.

Stakeholder dialogue

We carefully consider all relevant stakeholder groups in the further development of our sustainability strategy.

In the year under review, our stakeholder dialogue focused primarily on employees, shareholders and capital market participants. Of particular importance is the dialogue with our new majority shareholder Yankuang. Yankuang has appointed a new CEO and has a majority on the Supervisory Board. Beyond this, we are not aware of any shareholders with a stake of more than 5%. The Managing Board of SMT Scharf AG maintains a dialogue with shareholders and capital market participants through discussions and participation in investor conferences. In terms of content, this includes financial and non-financial assessments and expectations of our company, which are ultimately reflected in the share price.

In addition, we keep abreast of local requirements at our sites and take the respective environment into account. The stakeholder group of banks must be viewed in light of the fact that they are generally listed on the capital market as public limited companies. Accordingly, they pursue strategies that they also publish. In particular, our principal banks are supporting us in our transformation away from coal to non-coal mining and tunnel logistics. The first-time consolidation of the Shandong Xinsha Monorail JV in November 2024 led to growth in our Coal Mining segment. This sharp increase prompted two of the company's principal banks to terminate their business relationships with SMT Scharf AG. At the same time, SMT Scharf AG was able to acquire a new bank based in Germany and to conclude a credit line with a financial leasing company belonging to the Yankuang Group.

Market trends and stakeholder risks

Customers, investors, banks, employees as well as governmental and non-governmental organizations are attaching increasing importance to sustainability aspects and compliance with sustainability standards. As a company that is largely active in the coal industry, SMT Scharf faces unique challenges in its commitment to sustainability.

Investment funds that invest in companies with good ESG ratings are becoming increasingly popular. Institutional investors are publicly emphasizing the importance of ESG factors in their investment decisions. This may lead to increased sales of shares in companies active in the mining sector.

Many banks are also basing their decisions on financing or renewing contracts on the client's business model and are calling for a shift toward more sustainable business practices. New laws and regulations for the financial sector may reinforce these trends in the future. These issues are discussed constructively in regular meetings between SMT Scharf AG's Managing Board and its principal banks. SMT Scharf's successes to date, in particular the growing revenues in Tunnel Logistics, are helpful in this context.

Our customers are also very interested in ESG issues. This can be seen, for example, in the fact that demand for diesel-powered products is falling while demand for battery technology is rising.

This is why we have made sustainability targets an important and integral part of our strategy. For 2025, we plan to calculate a carbon footprint for the company and for individual products.

IRO-1: The process of the materiality analysis

Description of the process to identify and assess material impacts, risks and opportunities (IROs)

In preparation for the first CSRD sustainability report for the fiscal year 2025, the company conducted its first double materiality analysis in accordance with the CSRD in 2024. This included the assessment of sustainability topics based on their impacts, risks and opportunities (IROs) and considered both the material impact of business activities on people and the environment (non-financial materiality) and the impact of sustainability aspects on business success (financial materiality). The analysis followed the process steps of **contextualization, stakeholder engagement strategy development, IRO identification and materiality assessment**.

The goal was to implement the regulatory requirements of the CSRD in a verifiable, efficient and pragmatic manner. The key factors here were the appropriateness and feasibility for the company's situation and the greatest possible usability of the process and the relevant results not only for the implementation of the CSRD, but also, for example, for the further development of the sustainability strategy and the respective management processes.

Contextualization

The first step was to analyze the company's **business and business model**, including the relevant business relationships in the value chain, in particular with regard to the most important customer groups, key suppliers, investors and other capital providers, the market environment with regard to the most important competitors and the stakeholders that influence or can be influenced by the company.

In addition, the **geographic profile of the company's operations** was examined to determine whether certain regions are more likely to be subject to IROs, particularly in relation to the value chain.

Stakeholder involvement

A strategy for involving stakeholders in the materiality analysis was defined. Both "affected stakeholders" and "users of sustainability reports" were included in the stakeholder consultations. This was done by systematically reviewing all stakeholder dialogue formats and integrating the relevant findings into the materiality analysis by the departments involved in the stakeholder dialogue and by experts on the respective stakeholder topics:

- For the identification and assessment of the materiality of the material IROs, the perspective of external stakeholders was indirectly integrated via internal company departments that are in dialogue with the relevant stakeholders or that can be used as proxy stakeholders thanks to their specialist expertise, e.g., Purchasing for suppliers, Sales for customers, employee representatives for employees and workers in the value chain.

- The requirements of investors or capital market players and/or other capital providers such as banks and insurance companies were included in the identification of potential IROs by analyzing relevant topic catalogs (e.g., SASB criteria).
- A direct survey of external stakeholders has not yet been conducted due to the existing level of maturity of the organization and the users of sustainability reports were not directly involved in the assessment; however, they were taken into account in the definition of the IROs and the assignment of assessment responsibility.

Identification of sustainability-related IROs

The identification of IROs of material sustainability topics was carried out in two steps:

1. First of all, abstract sustainability topics were compiled based on the context analysis and regulatory requirements. These were general, sector specific and, where possible, company specific.
2. Together with experts from the company, all IROs relevant to the specific company were then derived from this compilation and assigned to the sustainability aspects. The IROs were also assigned to the respective position in the value chain (own business activity, upstream, downstream) and the time horizon (short, medium, long-term).

The results of existing **risk management systems** and due diligence processes were taken into account when identifying the IROs. The risk and opportunity report in the management report proved to be an important source for identifying sustainability related IROs.

In addition, occupational safety-related risks in the form of internal risk assessments in the area of occupational safety and hazardous substances were used to identify IROs, particularly with regard to the company's own employees.

The existing risk management systems are not yet closely integrated with the IRO identification process described here. However, such integration is being developed as part of CSRD reporting.

During the IRO identification process, it was determined that the following standards or subtopics were **not material** for SMT Scharf AG, as no IROs could be identified in these areas:

- Consumers and end users (ESRS S4): no B2B relevance
- Pollution (ESRS E2): Subtopic "Microplastics" not relevant
- Water and marine resources (ESRS E3): Subtopic "Marine resources" not relevant
- Biodiversity and ecosystems (ESRS E4): Subtopic "Impacts and dependencies of ecosystem services" not relevant
- Corporate governance (ESRS G1): Sub-topic "Animal welfare" not relevant

Assessment of materiality

The materiality of the IROs was assessed according to the principle of double materiality, which assesses both the material impact of business activities on people and the environment (non-financial) and the impact of sustainability issues on business performance (financial). The non-financial impacts were differentiated according to their nature and time horizon and assessed according to the parameters of magnitude, scope and irreversibility. For financial materiality, opportunities and risks were differentiated by impact type and time horizon and assessed by magnitude and likelihood, using appropriate EBIT thresholds. Both dimensions were rated on a scale of 0 to 5 for better comparability. To assess the impact, the severity was determined and multiplied by the probability of

occurrence (100% for actual impacts). In the case of human rights impacts, severity was given priority to the extent that the probability of occurrence was not multiplied in accordance with the principle of prudence.

The materiality of the impacts was assessed by internal stakeholders in groups of two to four people who are in dialogue with the respective stakeholders, e.g., Purchasing for suppliers, Human Resources and Works Council for the company’s own employees and Production for environmental issues. Financial materiality was assessed for all risks and opportunities by two internal stakeholders from Finance and Controlling.

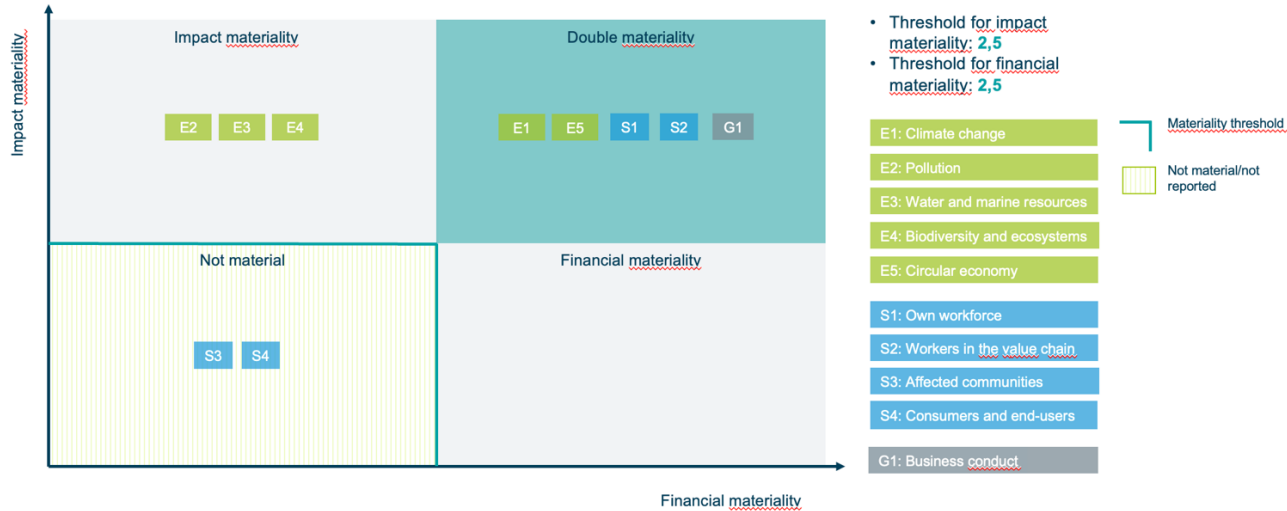
Scope of the sustainability statement with regard to the ESRS

As far as possible, this sustainability statement provides information on all ESRS topic-related standards that are material for SMT Scharf. The topics E1 (Climate change), E2 (Pollution), E3 (Water and marine resources), E4 (Biodiversity and ecosystems), E5 (Recycling), S1 (Own workforce), S2 (Workforce in the value chain) and G1 (Corporate governance) were identified as material in the double materiality analysis.

The topic standards S3 (Affected communities) and S4 (Consumers and end users) were assessed as not material. In addition, the subtopics Marine resources (E3) and Animal welfare (G1) were assessed as not material. These topics and subtopics are therefore not included in our reporting.

We are in the process of establishing appropriate management systems for the material topics E2 (Pollution), E4 (Biodiversity and ecosystems) and S2 (Workforce in the Value Chain) and plan to report on these in more detail in our next sustainability statement for 2025.

Material topics at SMT Scharf



The materiality threshold is 2.5 (center of the axis).

Process management of the materiality analysis

The project was managed and controlled by Beatrice Ermisch (Senior Marketing & Communication Specialist, Project Management Sustainability Reporting).

The identification and assessment of the IROs was quality-assured and documented with external support, and the results were discussed and verified in a final loop with the Managing Board of SMT Scharf AG (see ESRS 2 GOV-2). The Managing Board thus

assumes final control and responsibility for the materiality analysis and the respective reporting to the supervisory bodies of SMT Scharf AG.

In future, the materiality analysis will be reviewed annually using a suitable procedure. Any changes to the previous procedure will then be disclosed accordingly.

Environment (E)

E1: Climate change

As a globally active company in mining and tunnel construction, including the extraction of the fossil fuel coal, SMT Scharf wants to live up to its responsibility to contribute to limiting climate change. For this reason, we have made the reduction of greenhouse gas emissions an important and integral part of our corporate strategy.

ESRS 2 SBM-3: IROs related to climate change

Significant impacts, risks and opportunities (IROs)		Human rights affected by negative impacts	Concentration in the value chain			Time horizon		
			Upstream	Own	Downstream	Short term	Medium term	Long term
Climate protection								
GHG intensity in raw material production, processing and extraction	Negative impact	x	x			x	x	x
GHG intensity in semiconductor production, primarily due to PFCs, and in raw material extraction	Negative impact	x	x			x	x	x
GHG emissions from coal mining and combustion	Negative impact	x			x	x	x	x
Sustainable mobility solutions and infrastructure projects	Positive impact				x	x	x	x
High demand for coal	Opportunity				x	x	x	

Declining demand for coal	Risk (transition risk)				x		x	x
Demand for energy/exhaust-efficient machines	Opportunity	x			x	x	x	x
Energy consumption								
Energy consumption production	Negative impact	x		x		x	x	x
Regulatory requirements/emission standards for engines (especially China)	Risk (transition risk)				x		x	x
Energy consumption steel production/raw material extraction	Negative impact		x			x	x	x
Diesel and carbon consumption of commercial vehicles	Negative impact	x			x	x	x	x
Projects for renewable energy generation (Tunnel Logistics)	Positive impact				x	x	x	x
Price sensitivity of customers with regard to e-cars	Risk (transition risk)				x	x	x	x

E1-1: Transition plan for climate change mitigation

With the consolidation of our joint venture with Xinsha Monorails in China, the SMT Group will achieve an annual sales volume of well over €100 million in the future. Since Xinsha Monorails is currently only active in Coal Mining, the percentage share of sales will temporarily shift in favor of the Coal Mining segment. This will not change our strategy of expanding our business outside of Coal Mining. We remain committed to our goal of significantly increasing sales in Non-Coal Mining and Tunnel Logistics. The share of Coal Mining is to be reduced to two thirds by 2035. The remaining third will be generated by Non-Coal Mining and Tunnel Logistics.

In addition, we want to improve SMT Scharf's environmental management by implementing the ÖKOPROFIT environmental program, thereby reducing operational emissions, conserving natural resources, increasing eco-efficiency and raising awareness of environmental and sustainability issues.

Our subsidiaries also manufacture externally. We ensure that our manufacturers track and implement our greenhouse gas reduction targets. We are also exploring the possibility of meeting our electricity needs with self-generated renewable energy.

ESRS 2 GOV-3: Sustainability-related incentive systems

The success of Tunnel Logistics is part of the variable remuneration and contributes to the decarbonization of SMT Scharf's business.

E1-2, E1-3 and E1-4: Climate change mitigation and adaptation to climate change: policies, actions and targets

Electrification of the product range

To meet the growing demands of climate protection, we are continuously driving the electrification of our product portfolio. Thanks to our extensive battery and electrical expertise, there are many opportunities to reduce emissions:

- For all areas of underground mining, we develop individual, intelligent drive systems that communicate with their environment, improve the air quality underground and significantly minimize the carbon emissions caused by our products.
- In the area of battery management systems, our investment in ser elektronik GmbH opens up additional opportunities to reduce greenhouse gas emissions. Thanks to ser elektronik's expertise, SMT Scharf is able to complement the electronic control systems for electric vehicles with customer-specific battery management systems. This enables us to offer operators optimized batteries for the mining industry and advise them on energy-saving operating concepts for the machines.
- At the same time, our liquid-cooled batteries are among the safest solutions that can be used for underground battery electric vehicles (LEV).
- ser elektronik also offers electronic control systems for non-mining industries, such as the food industry.
- Sustainability standards are becoming increasingly strict in the global mining markets in which SMT Scharf operates. We welcome this development, are prepared for it and are striving to set the standards here. For example, we were able to meet the China III standards, which stipulate strict exhaust emission standards for mining machines. With the DZK3500, we have created a completely new generation of machines for the Chinese market, featuring an optimized engine with

an intelligent management system and 15% more drive power. We are also continuously developing our diesel engines and their exhaust aftertreatment. We are already working on concepts to respond to further tightening of the legal situation.

- Battery-powered light trucks, LHDs and medium-duty trucks are particularly energy-efficient. This is because emission-free transportation solutions and lower heat radiation result in significantly lower cooling and fresh air requirements. Depending on the mine and geological conditions, ventilation can account for up to 30% of the total energy requirement. Reducing the need for ventilation is therefore an effective way of reducing energy consumption and associated costs.
- Another example of the shift to electric power is our EMTS (Electric Monorail Transport System). The EMTS has been used in ore mining in South Africa for many years.

We recognize that market acceptance of our electrified mining solutions is still well below that of conventional diesel products. In addition, regulatory and certification requirements can limit the use of electrified products. Nevertheless, we believe that the demand for electrified machines will increase significantly in the future and we will continue to develop our products accordingly.

For safety reasons, we do not believe that downsizing internal combustion engines is a suitable means of reducing the fuel consumption of our vehicles, as downsized engines run hotter and do not meet the explosion protection requirements for underground transportation systems. For this reason, we offer engines of different power ratings so that our customers can purchase the right rating for their application.

Promoting sustainable mobility solutions and infrastructure projects with Tunnel Logistics products

In Tunnel Logistics, we regularly take on plant construction projects in the field of special mechanical engineering, so-called DTO projects (designed to order). These include the dismantling of the Isar I nuclear power plant in Bavaria with a special crane system, a rail-bound passenger and emergency transport system during tunnel driving as part of the Snowy 2.0 state energy project in Australia, a new cable tunnel for the 380 kV cable diagonal in Berlin and other infrastructure projects such as the construction of subway lines. In this way, we are contributing to the political goals of the energy transition in Germany and the UN Sustainable Development Goals (SDGs) worldwide.

Expanding mining

To drive the energy transition forward, minerals such as lithium, copper and rare earths must be increasingly mined and made available. Overall, the growing importance of renewable energy is having a positive impact on the demand for metal ores, providing additional impetus for mining.

Improving operational energy efficiency

To further minimize our environmental footprint, we aim to use energy as efficiently as possible in our own operations. Given our total energy consumption, we have significant leverage and therefore a great deal of responsibility.

We conduct energy management audits according to DIN EN 16247 every four years, most recently in 2021. As part of these audits, we systematically collect information about our existing energy consumption profile and examine what opportunities exist for economic energy savings and how we can quantify them. The most recent audit resulted in

recommendations to save energy by switching from conventional fluorescent lighting to LEDs. In the year under review, around 65% of the light sources used throughout the company were already of this type. At the Hamm site, we were able to increase this figure to 80%.

Other recommendations, such as replacing oil-fired heating systems with heat pumps or energy management, e.g., through sub-metering in individual buildings, are also being examined.

We cannot significantly reduce our consumption in our office buildings in Hamm because the majority of the office space is rented. Our options are therefore limited to optimizing lighting and air conditioning.

Our gas consumption at the Hamm site was significantly reduced in the year under review, from 186,039 kWh in 2022 to 163,468 kWh in 2024. One factory hall was not heated in 2023, so the significantly lower gas consumption of 298 kWh in that year is not comparable. Buildings such as warehouses, assembly halls and office buildings are heated exclusively with fuel oil. In 2024, heating oil consumption was 32,537 liters compared to 27,448 liters in 2023.

In Hamm, we further reduced our electricity consumption from 362,937 kWh in 2022 and 342,411 kWh in 2023 to 333,788 kWh in 2024. Going forward, we will continue to seek and implement further optimization measures within our means to continue this trend.

Since January 1, 2023, SMT Scharf has purchased all of its electricity at its Hamm location from renewable sources. The RenewablePLUS certificate, which is audited annually by TÜV Rheinland, guarantees that 100% of the electricity we purchase comes from renewable sources. In addition, we are constantly evaluating the possibility of purchasing electricity from renewable sources at other sites.

At our Hamm site, we began reviewing our fleet of company cars several years ago. Our list of criteria covers the entire environmental footprint of the vehicles, from zero emissions to production, service life and battery disposal. Our fleet currently consists of twelve vehicles. Of these, two are gasoline- or diesel-powered, five are hybrid and five are all-electric. This means that the number of pure electric vehicles in our fleet has increased from zero to five. We currently have three charging stations with two charging points each for our corporate fleet. We are pleased that we have continued to successfully convert our company fleet and have more than significantly improved the carbon footprint of our vehicles. We also provide our employees with e-scooters for “last-mile” mobility.

Wherever possible, we optimize our heating systems in Hamm with intelligent thermostats. Welding fumes generated during production are filtered or extracted where possible to reduce emissions. We are also planning to install a photovoltaic system on the roofs of up to three halls at the Hamm site. In addition, we are implementing measures to sensitize and motivate employees and trainees to save electricity, e.g., by switching off power strips and identifying “power guzzlers.” As part of the ÖKOPROFIT program, we are investigating the possibility of installing motion detectors for lighting and checking the temperature settings of air conditioning and compressed air systems.

We are increasingly shifting from global to local sourcing to lower logistics costs and reduce greenhouse gas emissions. For longer distances, we prefer shipping by sea and rail to air and road, using local carriers where appropriate to reduce distances.

In September 2024, the Managing Board of SMT Scharf AG approved an investment of around EUR 200,000 in a photovoltaic system for the national subsidiary SMT Africa. Construction of the plant is progressing and is scheduled for completion in June 2025.

E2: Pollution

Pollution has been identified as a key issue for SMT Scharf, as environmental IROs exist both in the company's own value chain as well as in the upstream and downstream value chains. We manage this through a variety of measures. A comprehensive management system and the recording of key figures are still being developed. We are working to be able to report on this more comprehensively in the future.

ESRS 2 SBM-3: Pollution-related IROs

Significant impacts, risks and opportunities (IROs)		Human rights affected by negative impacts	Concentration in the value chain			Time horizon		
			Upstream	Own	Downstream	Short term	Medium term	Longterm
Environmental pollution								
Air emissions, wastewater discharge, soil pollution in steel/metal processing and raw material extraction	Negative impact		x			x	x	x
Air pollution								
Particulate matter pollution during coal mining, transportation and combustion	Negative impact				x	x	x	x
Soil contamination								
Acid rain due to coal combustion	Negative impact					x	x	x
Pollution of living organisms and food resources								
Acid rain due to coal combustion	Negative impact				x	x	x	x
Substances of concern								
Use of hazardous substances in semiconductor production/raw material extraction	Negative impact		x		x	x	x	x

E3: Water and marine resources

Water is an important resource for any manufacturing company. For an industrial company, however, SMT Scharf's own water consumption is comparatively low. Water is used almost exclusively for cleaning machines and for the personal consumption of employees, e.g., in the sanitary facilities and for making coffee. The same applies to our upstream and downstream supply chains, which means that we have little potential to save water. Nevertheless, water consumption in our production, raw material extraction and services comes with IROs.

The topic of "marine resources" is not relevant to SMT Scharf's business activities and supply chains.

ESRS 2 SBM-3: IROs with reference to water consumption

Significant impacts, risks and opportunities (IROs)		Human rights affected by negative impacts	Concentration in the value chain			Time horizon		
			Upstream	Own	Downstream	Short term	Medium term	Long term
Water consumption and withdrawal								
Metal production, metal processing, raw material extraction	Negative impact	x	x			x	x	x
Semiconductor production, raw material extraction	Negative impact	x	x			x	x	x
Production processes and services	Negative impact	x		x		x	x	x

E3-1, E3-3 and E3-4: Water consumption policies and targets

The system for measuring water consumption at our sites is still under development. For this reason, we cannot provide current figures for all sites.

- At the **Hamm site**, our water consumption increased slightly from 682 m³ in 2022 to 726 m³ in 2023. In 2024, consumption was 934 m³. It should be noted that the new water meter was only installed in 2024 and that the consumption figures for 2022 and 2023 are based on estimates. We remain committed to sustainable and efficient water use to conserve resources and minimize our environmental footprint.
- At **ser elektronik** in Möhnensee, water consumption was 117 m³.
- The **Polish site** consumed 550 m³ of water in the year under review.
- **China** reported a water consumption of 310 m³ in the year under review. All wastewater was returned to the water cycle after use. No water was withdrawn. The consumption figures are measured by the water supplier, who also recycles the water used and charges for this service.
- **RDH Mining Equipment (Canada)** is supplied exclusively with well water, which it extracts and filters before and after use.
- The **South Africa site** is the only site using water from water hazard areas. In 2024, 535 m³ was used and returned to the water cycle.

E4: Biodiversity and ecosystems

Biodiversity and ecosystems have been identified as a key topic for SMT Scharf, as IROs arise both in the company's own value chain and in the upstream and downstream value chains, particularly when it comes to biodiversity.

These IROs are managed using a variety of measures. A holistic management system and the collection of key figures are still under development. We plan to report more extensively on this topic in the future.

ESRS 2 SBM-3: IROs related to biodiversity and ecosystems

Significant impacts, risks and opportunities (IROs)		Human rights affected by negative impacts	Concentration in the value chain			Time horizon		
			Upstream	Own	Downstream	Short term	Medium term	Long term
Biodiversity and ecosystems								
Metal production, raw material extraction	Negative impact	x	x			x	x	x
Semiconductor production, raw material extraction	Negative impact	x	x			x	x	x
Interventions in the local water balance or sealing at production sites	Negative impact	x		x		x	x	x

E5: Resource use and the circular economy

The circular economy is a key element of SMT Scharf AG's commitment to sustainability. We use innovative, resource-conserving processes to optimize material cycles and launch durable, modularly repairable products on the market. This strengthens our environmental responsibility and secures our long-term competitiveness.

ESRS 2 SBM-3: IROs related to resource use and the circular economy

Significant impacts, risks and opportunities (IROs)		Human rights affected by negative impacts	Concentration in the value chain			Time horizon		
			Upstream	Own	Downstream	Short term	Medium term	Long term
Resource consumption								
Metal production, metal processing, raw material extraction	Negative impact		x			x	x	x
Semiconductor production, raw material extraction	Negative impact		x	x		x	x	x
Mining/tunnel intermediate products	Negative impact			x		x	x	x
Intermediate products ser electronics	Negative impact			x		x	x	x
Low maintenance costs for electric vehicles	Opportunity			x		x	x	x
Increased demand, shortages, price increases for scarce raw materials	Risk			x		x	x	x
Resource outflows in connection with products and services								
Maintenance service for product longevity	Positive impact	x			x	x	x	x
Expansion of remanufacturing, design and services	Opportunity	x		x		x	x	x
Waste								
Use of recycled materials in production	Positive impact			x		x	x	x

E5-1 and E5-2: Resource use and the circular economy: policies and actions

In Germany, we aim to improve SMT Scharf's environmental management by implementing the **ÖKOPROFIT program**, reduce operational emissions, conserve natural resources, increase eco-efficiency and raise awareness of environmental and sustainability issues.

To reduce the **consumption of resources associated with products and services**, we attach great importance to the durability and quality of our products when selecting materials and processes, because a product with a long life cycle and functional design generates less waste. We strive to use alternative and sustainable materials in our products.

We also pay attention to **sustainable product design** in the construction of our machines. Thanks to our modular concept and the ability to dismantle assemblies and components, parts of our machines can be easily repaired and adapted to current regulations at any time. In addition, we offer a maintenance service that increases the service life of SMT Scharf products. These measures help to extend the service life of our machines and reduce the environmental impact caused by unnecessary waste. External market studies have shown that our machines achieve top values in terms of total cost of ownership (TCO). Many of our products last twice as long as the industry average. These sustainability efforts not only help protect the environment, but also provide economic benefits to our customers and to us as a company.

To reduce the **inflow and consumption of resources associated with products and services**, we also offer the option of electrifying vehicles during general overhauls as part of our repair and maintenance service. This can help to reduce carbon emissions in underground mining and improve underground air quality.

As part of our efforts to **reduce, reuse and recycle waste**, we have made our manufacturing operations very low-waste. In our administration, we are also reducing paper consumption through increased digitization.

Waste management and the proper disposal of recyclable materials and waste are carried out in accordance with legal requirements. Disposal is based on the principle of maximum separation of recyclable materials. The following recyclable materials are collected separately at the Hamm site:

- Paper, cardboard, cardboard packaging
- Commercial waste, mixed packaging
- Wood waste
- Oil-contaminated materials
- Documents and data carriers relevant to data protection

We are reviewing our operational waste streams with the goal of further reducing waste volumes and increasing the amount of recyclable materials.

Social (S)

S1: Our workforce

Strategies regarding our employees

Our employees are our greatest asset. Treating them responsibly is therefore an important aspect of our sustainability efforts. It is important to us to create and maintain a healthy and safe working environment for our employees at all times, which guarantees the dignity, safety and health of all employees.

We want our employees to feel comfortable and appreciated at SMT Scharf. We promote this through multiple measures such as inflation compensation and other voluntary benefits including a company pension scheme or the option of leasing a company bicycle, as well as through community-building activities such as company parties.

A strong sense of responsibility among our executives and employees is very important to us. That is why we provide them with ongoing training. Positive role models, open communication and employee involvement in the decision-making process encourage personal responsibility and quality awareness.

ESRS 2 SBM-3: Workforce-related IROs

As part of the materiality analysis, the following IROs were identified, among others, with respect to the company's own employees:

The **structured involvement of employees in decisions on employment issues**, e.g., through works councils or other employee representatives, represents an opportunity for the company. It increases employee satisfaction and motivation. Weak or absent participation therefore poses significant risks to the company.

A **clear wage structure and vacation policy** can also have a positive effect on employee satisfaction and productivity.

The **risk of injury during production processes** poses a significant risk to the company and its employees, which is why we make great efforts to design and improve safe processes.

Significant impacts, risks and opportunities (IROs)		Human rights affected by negative impacts	Concentration in the value chain			Time horizon		
			Upstream	Own	Downstream	Short term	Medium term	Long term
Working conditions								
Insecure employment relationships	Negative impact	x		x		x	x	x
Uncertain working time rules	Negative impact	x		x		x	x	x
Regulated working hours due to single-shift operation	Positive impact			x		x	x	x
Potentially inappropriate remuneration	Negative impact	x		x		x	x	x
Uncertainty due to lack of collective bargaining coverage	Negative impact	x		x			x	x
Rising wages/personnel costs due to inflation	Risk			x		x	x	x
Flexibility of the company due to lack of collective bargaining	Opportunity			x			x	x
No or weak employee involvement in employment issues via employee representatives	Negative impact	x		x		x	x	x

Structured employee participation in employment issues via employee representatives	Positive impact			x		x	x	x
Good involvement of employee representatives in collective bargaining	Positive impact			x		x	x	x
No or weak involvement of employee representatives in collective bargaining	Negative impact	x		x		x	x	x
Clear pay scale structure, clear vacation time regulations	Opportunity			x		x	x	x
Promoting the compatibility of work and private life	Positive impact			x		x	x	x
Injuries in production processes	Negative impact	x		x		x	x	x
Equal treatment/equal opportunities								
Exchange of knowledge, networking of employees nationally and internationally	Positive impact			x		x	x	x
Intercultural exchange, networking of employees nationally and internationally	Positive impact			x		x	x	x
Diversity	Opportunity			x		x	x	x

S1-1, -2, -3 and -14: Working conditions

We attach great importance to **social dialogue** in our company. For example, SMT Scharf GmbH has a company suggestion scheme (BVW) to involve our employees in shaping business processes. At the end of 2023, a targeted campaign was launched to promote the BVW—with great success. Employee participation was higher than ever before and the system continues to be actively used. In 2024, a total of **28 organizational improvement suggestions** were submitted, a significant increase from the **five suggestions submitted in the previous year**. Of these 28 suggestions, **14 were evaluated positively** and are already being implemented. This shows that innovative ideas from the workforce are being used in a targeted manner to optimize processes and further increase efficiency within the company. In addition, our ISO 9001-certified quality management system incorporates the basic principle of the “continuous improvement process” (CIP). We understand this to mean identifying, documenting and pointing out a weakness for which there is not yet a solution in the sense of the improvement suggestion made by the submitter. The BVW and the CIP principle are to be increasingly established as an integral part of operational processes through transparent, comprehensive and rapid process organization. The aim of the BVW and the CIP principle is to enable all employees to play an active role in shaping the company’s operations on a voluntary basis and beyond their normal duties. SMT Scharf wants to strengthen employee identification with the company, promote a relationship of trust between management and employees, increase productivity and reduce costs—for example by saving materials, energy and working hours—improving work processes, shortening transport routes, avoiding errors and improving the company’s environmental protection.

The employment conditions of the majority of our employees in Germany are based on the collective bargaining agreement of the **IG Metall** trade union. At the Hamm site, the proportion of non-tariff employees was 10% as of the balance sheet date.

A **good work-life balance** is important to us. This is why SMT Scharf offers its employees at the main location in Hamm flexible working hours and the opportunity to work from home up to two days a week. Our working time models include flexitime and flexible working hours. There is currently an increasing demand for employees who are prepared to work abroad for several weeks at a time. This requires specific professional, personal and cultural skills. We are in the process of building up the appropriate workforce.

Occupational health and safety (OHS) at the Hamm site is a high priority at SMT Scharf. Preventing personal injury and damage to property is a top priority. Responsibility for occupational safety lies with the plant manager, the occupational safety officer and the management. An occupational safety committee (ASA) is responsible for the safety of employees. The committee is chaired by an occupational safety specialist and includes other safety representatives. The occupational safety specialist regularly reports on accidents to the plant manager and management at the ASA meeting and the annual briefing. Current events and audits, and the actions resulting from them, are discussed at regular meetings.

We have set ourselves the goal of completely eliminating accidents and injuries to employees of SMT Scharf and our subcontractors, as well as accidents with downtime or environmental damage with effects beyond the Hamm site or the customer’s site. In addition, we aim to achieve an accident rate of less than eight per 1,000 employees and to increase the number of first aiders to 20% of the workforce.

Regularly updated workplace risk assessments are designed to help keep the accident rate as low as possible. In addition, we have first aiders who are regularly trained and retrained beyond the legal requirements. We ensure that a sufficient number of first aiders are available at all times. We also have a fire safety officer and train fire safety assistants. In 2024, 37 employees participated in first aid training. In addition, 17 fire safety assistants were trained.

All employees are required to attend an annual safety briefing. All new employees receive a safety briefing from internal specialists. Company medical care is provided by an external service provider. This service provider also participates in ASA meetings and audits, e.g., with regard to noise protection. All required health and safety equipment can be ordered from supervisors.

Our EHS plan describes which guidelines, work instructions, etc., SMT Scharf must observe in addition to the relevant provisions of German occupational safety and environmental law. Periodic inspections of equipment such as cranes or gas systems are carried out by external specialist companies and our own employees in accordance with legal requirements.

SMT Scharf believes that standardized reporting of all work-related injuries, illnesses and hazards, including the collection, storage and evaluation of data on these events, is an important part of identifying measures to prevent similar situations, setting the right priorities for preventive measures and evaluating the effectiveness of controls and preventive measures.

Under no circumstances should products labeled as **hazardous substances** be purchased or used unless it can be ensured that appropriate controls are in place and that exposure to these substances can be kept below the locally applicable limits. A risk assessment must be carried out before hazardous substances are used in the workplace. Hazardous substances are handled according to the very latest standards and must be kept to a minimum. When hazardous substances are procured, the health and safety officer must check in advance whether substitution is possible. The safety data sheet must be available for all existing hazardous substances and an entry must be made in the hazardous substances register. In addition, operating instructions must be prepared and the employees concerned must be instructed accordingly. This is done by the foremen as part of the annual workplace-specific training.

In addition to safety, we consider the **health and well-being of our employees** to be a fundamental prerequisite for successful corporate development. To promote this, we have set up ergonomic workstations in the administrative area in Hamm, with height-adjustable desks and individually adjustable office chairs for employees. In production and assembly, workbenches are height adjustable. Workstations at our international sites also meet the highest health and safety standards and are equipped accordingly.

It is important to us that the physical, social and psychological requirements of our products and services are met in the **process environment** in which our employees work. These aspects influence the motivation, satisfaction and performance of the workforce and therefore the performance of the company. One of the most important factors is that employees are given the opportunity to contribute creative ways of working and to help shape processes. Other important aspects are occupational safety, ergonomics, social facilities, indoor climate, air circulation, noise protection, lighting design and hygiene. The respective department heads and management are responsible for creating the appropriate

framework conditions. The top management representative checks the adequacy of the process environment during internal audits.

In addition, we offer our employees medical care and the opportunity to rent a company bicycle for personal use.

Equal treatment and equal opportunities

SMT Scharf AG views the **diversity of its workforce** as a clear advantage. We are convinced that the complementary interaction of employees with different personal and professional backgrounds, as well as diversity in terms of internationality, age and gender, enriches the company and promotes its development. Accordingly, we are committed to a corporate culture that provides equal opportunities regardless of gender, age, origin, sexual orientation, disability or other potentially discriminatory characteristics. The Supervisory Board places a high value on a diverse range of complementary profiles and on different professional and life experiences, including international backgrounds. It also strives for a balanced representation of the sexes. At the same time, implementing this aspiration in practice is sometimes challenging due to industry-specific circumstances, particularly with regard to the availability of suitable candidates. A balanced age structure is important to us. We are convinced that everyone at SMT Scharf benefits from collaboration between different generations.

Fair remuneration is of central importance to us. We ensure this in accordance with the respective country-specific salary structures and, wherever possible, apply the ERA table of the IG Metall trade union, which regulates remuneration in accordance with employees' activities and experience. Remuneration is based on the respective task and responsibility, not on gender or origin.

SMT Scharf AG promotes the **further training** of its employees and decides on internal promotions on a case-by-case basis. A structured promotion plan has not yet been established at the headquarters in Hamm. We ensure that only sufficiently qualified personnel with the relevant skills, knowledge and experience are deployed at all workplaces through targeted personnel selection and through the training and further education of our employees.

S1-6: Characteristics of the company's employees

Table 1

Gender	Number of employees (FTE)
Male	324
Female	72
Diverse	0
Not specified	0
Total number of employees	397

Table 2

Country	Number of employees (FTE)
Germany (SMT Scharf AG)	9
Germany (SMT Scharf GmbH)	107
Germany (ser elektronik GmbH)	21
Canada	10
South Africa	36
China	50
Russia	101
South America	1
Poland	62

S2: Workers in the value chain

The employees in the value chain are a key issue for us because, together with our own employees, they form the basis of our operations.

We manage the IROs associated with value chain workers through a variety of measures. We respect human rights and ILO core labor standards and work closely with our suppliers to protect human rights.

We also care about the working conditions of our customers' employees. With numerous safety features, our transportation solutions help mining companies provide good and safe conditions for their employees underground.

A holistic management system and key figures on this topic are still under development. We plan to report on this in more detail in the future.

ESRS 2 SBM-3: IROs related to the labor force in the value chain

Significant impacts, risks and opportunities (IROs)		Human rights affected by negative impacts	Concentration in the value chain			Time horizon		
			Upstream	Own	Downstream	Short term	Medium term	Long term
Working conditions								
Unsafe working conditions in metal production/metal processing/raw materials extraction	Negative impact	x	x			x	x	x
Hazardous working conditions and high accident rate in the steel producing/processing industry	Negative impact	x	x			x	x	x
Low accident rate thanks to safe machines	Positive impact				x	x	x	x
Better health conditions and lower particulate pollution in underground mining/infrastructure projects thanks to electrically powered machines	Positive impact				x	x	x	x
Good reputation for product safety standards	Opportunity				x	x	x	x
Equal treatment and equal opportunities for all								
Cases of discrimination against suppliers/ in the extraction of raw materials	Negative impact	x	x		x	x	x	x
Other work-related rights								
Uncertainty regarding labor-related rights at direct suppliers and in the extraction of raw materials	Negative impact	x	x		x	x	x	x

Governance (G)

G1: Business conduct

Corporate policy and culture

We are committed to conducting business with integrity in all aspects of our operations and to complying with the laws and regulations of all countries in which we operate. Our corporate goals describe our values, such as personal responsibility, openness, transparency and compliance with legal and ethical requirements, as well as the way we strive to treat each other and our business partners. These goals provide us with a clear vision that we work to implement together on our way to achieving sustainable corporate success.

The Managing Board of SMT Scharf AG and the management of the GmbH, as well as the managing directors of the global subsidiaries, are responsible for defining the corporate governance focal points and measures in collaboration with the external compliance officer, the external law firm for legal matters, the external data protection officer, the head of Customs and Foreign Trade and the head of IT.

The procedure is determined both independently of specific events as part of regular *jours fixes* and in response to specific events and changes in legislation and case law. In the past and current fiscal year, the focus was on compliance with the economic sanctions against Russia and the organizational integration of the subsidiaries, while also taking into account the new shareholder structure and measures to improve the protection of trade secrets.

ESRS 2 SBM-3: IROs related to corporate governance

As part of the materiality analysis, the following IROs were identified with regard to corporate governance:

SMT Scharf attaches great importance to a pleasant working environment and a **supportive corporate culture**. This can increase the attractiveness of the company as an employer and reduce employee turnover. A negative corporate culture can lead to a poor working atmosphere, which not only affects the well-being of employees, but also reduces productivity and thus represents a financial risk. In addition, a lack of adaptability to new market conditions and technologies can be a competitive disadvantage.

In the area of **supplier relationship management**, SMT Scharf strives to improve the traceability of raw materials in the supply chain, for example by participating in (industry) initiatives to minimize compliance risks in the supply chain.

In the area of **corruption and bribery**, legal, financial and reputational damage can be avoided by preventing and detecting incidents.

Significant impacts, risks and opportunities (IROs)		Human rights affected by negative impacts			Concentration in the value chain		
		Upstream	Upstream	Own	Short term	Medium term	Long term
Corporate culture							
Pleasant working environment	Positive impact		x		x	x	x
Negative corporate culture	Risk		x		x	x	x
Change-resistant corporate culture	Risk		x		x	x	x
Supplier relationships							
Tracking of raw materials	Positive impact	x			x	x	x
Corruption and bribery							
Preventive measures	Opportunity		x		x	x	x

G1-1: Business conduct policies and corporate culture

Code of Conduct

Our Code of Conduct defines the standards for our actions in line with our corporate purpose and values. It provides our employees with orientation for a positive corporate culture and describes the voluntary and legally prescribed measures that SMT Scharf takes to ensure ethical and lawful business conduct as well as personal integrity and a sense of responsibility of all employees and to strengthen the team spirit. The Code also helps to protect our customers, employees and suppliers as well as our own reputation.

SMT Scharf GmbH has included the Code of Conduct in the works agreement for its employees. Suppliers are not yet required to sign and comply with the Code of Conduct. However, we are currently reviewing whether the requirements for a binding supplier commitment to our Code of Conduct are met.

Compliance Management System (CMS)

In addition to the Code of Conduct, a compliance culture practiced by the Managing Board and managers is intended to prevent violations.

The Managing Board bears the overall responsibility for compliance within the company. It creates the organizational conditions for an effective CMS, is committed to compliance and lives the compliance culture. The Chief Compliance Officer is the key position for establishing, maintaining and developing the CMS. The Chief Compliance Officer is a member of the Managing Board of the holding company and reports to the Managing Board. In addition to ad hoc meetings, there is a regular exchange of information between the Chief Compliance Officer and the Managing Board of SMT Scharf as part of fixed regular meetings.

The aim of the CMS is to identify and prevent potential violations of regulations at an early stage. It is also intended to help define appropriate responses to compliance incidents in a uniform manner for all Group companies. For this purpose, we have appointed an independent external Compliance Officer. This officer supports the Chief Compliance Officer in fulfilling his duties and is called in when special expertise is required. The current external Compliance Officer of SMT Scharf GmbH, Dr. Philip Seel from the law firm Grüter in Hamm, has been in office since January 23, 2018 and advises the Managing Board within the scope of his mandate on all compliance-relevant legal issues insofar as they relate to German law. This includes, in particular, legal advice in connection with the CMS and its components.

We sensitize our employees to compliance issues through appropriate training. This creates an awareness of compliance within the SMT Scharf Group, promotes the compliance culture and thus ensures the effectiveness of the CMS.

We do not tolerate any unethical or illegal conduct by employees or other representatives of the SMT Scharf Group. In the event of specific compliance violations, SMT Scharf reserves the right to take appropriate measures under labor and civil law and, if necessary, to file criminal charges. The Managing Board is in close contact with the appointed Compliance Officer to determine possible measures.

SMT's sales, deliveries and exports as well as the provision of services by SMT—with the exception of a delivery of spare parts to Russia in 2024—were carried out in accordance with the German and European foreign trade restrictions and sanctions in force at the time the report was completed, which have evolved over time. With respect to the delivery of

spare parts to Russia in 2024, the proceedings were discontinued by the Main Customs Office in Münster.

Whistleblower system

SMT Scharf employees are obliged to immediately report circumstances that give rise to the suspicion that other employees, commercial agents working for SMT Scharf or other service providers have violated provisions of the Code of Conduct or applicable laws.

Whistleblowers may report anonymously or by name. In principle, employees can report a possible violation of rules to their line manager, a managing director, a member of the Managing Board or the external compliance officer. To minimize the barriers to reporting, we have also established an electronic whistleblower system.

The identity of the whistleblower is kept confidential in accordance with the legal requirements of the Whistleblower Protection Act. Whistleblowers will not be subject to any employment sanctions or be held liable for damages as a result of a report, except in cases of willful misconduct or gross negligence. Whistleblowers are not prohibited from reporting possible violations to, cooperating with, responding to inquiries from or testifying as a witness for regulatory, investigative or other government authorities. Employees who participate in retaliation against a whistleblower may be subject to disciplinary action, up to and including termination of employment.

Handling of reports

The process for handling reports of compliance violations follows our Compliance Manual. It consists of three steps:

- 1. Gathering information:** Regardless of the source of the information about a possible compliance violation, the suspicion must be investigated and the Chief Compliance Officer must be informed immediately. The Chief Compliance Officer will make an initial assessment of the severity of the violation and inform the management of any reports.
- 2. Clarification:** The Chief Compliance Officer ensures that the potential compliance violation is fully clarified. In doing so, he involves all functions of the SMT Scharf Group and, if necessary, external experts. The management monitors the implementation of the investigation.
- 3. Legal consequences and follow-up measures:** The Chief Compliance Officer reports the results of the investigation to the management. The necessary measures are initiated in consultation with the Managing Board, e.g., reporting to the authorities if there is an obligation to report. In addition, the Managing Board, in consultation with the Chief Compliance Officer, decides on sanctions.

The Compliance department documents the implementation and results of the clarification measures in a clear manner. Any compliance violations identified are included in the Chief Compliance Officer's annual overall compliance report.

G1-3, G1-4: Corruption and bribery

SMT Scharf respects the principles of fair competition and the integrity of public administration. We are aware of the fundamental importance of these values for the functioning of the economy and our company. SMT Scharf therefore does not tolerate any form of corruption. Corrupt actions expose both SMT Scharf's employees and the company as a whole to considerable legal risks and consequences, which can range from fines that

threaten the company's existence to long-term prison sentences for the individuals involved. SMT Scharf believes that management functions, especially in the areas of purchasing and sales, are particularly at risk from external attempts at bribery and corruption. The divisional managers and the Managing Board each receive appropriate training twice a year.

If SMT Scharf employees commit or tolerate any corrupt acts, SMT Scharf will take all available legal measures to restore the company's integrity. These measures may include terminating without notice the employment of the employees concerned and asserting claims for damages. This also applies without exception if the SMT Scharf employee concerned believes that he or she is acting in the interests of SMT Scharf, e.g., to obtain a contract.

Corruption occurs when representatives or employees of customers, other business partners or government agencies are offered unjustified advantages of any kind in order to obtain a contract, official approval or other advantage for the company. It is also considered bribery if SMT Scharf employees accept unlawful advantages from business partners, such as gifts in kind. In cases of doubt, SMT Scharf's Compliance Officer must be consulted before benefits are granted or accepted. There were no cases of corruption or bribery in the year under review.

G1-2, G1-6: Supplier relationship management and payment practices

Our suppliers

SMT Scharf attaches great importance to maintaining long-term, trusting relationships with key suppliers and ensuring positive collaboration with them through good communication.

Suppliers are selected according to objective criteria in the interests of SMT Scharf. In particular, we consider quality, punctuality and reliability of delivery as well as price; however, social responsibility and working conditions at suppliers also play an important role. We make sure that our suppliers are paid on time. If possible, we use discount terms, otherwise we pay on the due date.

In terms of sustainability, our goal is to work with our suppliers to improve the quality of people's lives and secure the livelihoods of present and future generations by acting in an economically, environmentally and socially responsible manner. In selecting our suppliers, we consider social criteria such as occupational safety and respect for human rights, as well as environmental criteria such as climate protection in terms of carbon emission reduction and energy efficiency. To promote a sustainable environment and provide high quality and safe transportation solutions, we consider safety and quality standards such as ATEX compliance and welding certificates when selecting our suppliers.

In addition, our suppliers are audited by our quality assurance department and given questionnaires to complete. In the future, ESG criteria will become increasingly important and will be taken into account in supply contracts. Contractual provisions are in place to avoid risks in the supply chain. We are also planning to include the review and assessment of suppliers' social and environmental performance in future supplier assessments and audits. Overall, ESG risks in our suppliers' countries of origin, such as water scarcity, are low.

New suppliers receive a self-disclosure questionnaire, followed by a quality audit as a basis for approval by the Quality department. Supplier evaluations are conducted on a regular basis, and visits and monitoring audits are also used as a basis for evaluation.

We provide annual training to our procurement and supply chain employees on topics such as strategic sourcing, project sourcing and negotiation skills. The establishment and implementation of sustainable procurement management is further consolidated through training.

We are in constant contact with our suppliers. Local suppliers have long been integrated into the supply chain as key suppliers and are certified to the required quality. Certification is a prerequisite for supplier acceptance. The social and environmental performance of our suppliers is assessed annually as part of our ISO quality management system, the non-conformance reports (NCRs) and through personal visits to our suppliers.

SMT Scharf has maintained a stable business relationship with Lebenshilfe Hamm, a vulnerable supplier, for more than 40 years. Through this long-standing partnership, SMT Scharf makes an active contribution to social responsibility by contributing to the supplier's economic stability and minimizing social risks. This collaboration underscores the company's commitment to a sustainable and inclusive supply chain.

In China, we generally have at least two qualified suppliers for critical parts to minimize supply chain risks. Regular visits and audits are made to key suppliers to understand their business situation and developments in the technical area or in the production and quality control system. When selecting suppliers, the environmental protection measures taken by the supplier during the fiscal year are taken into account but are not yet recorded as part of the procurement standard. Critical quality control of suppliers is primarily related to welding quality. The company commissions internal welding experts to visit the supplier on a regular basis to identify any deficiencies and provides appropriate training to ensure price, quality and sustainability in the supply chain. There is currently no verification of social and environmental performance. The company already works with many local suppliers and intends to expand its local supplier base. We have had a trusted relationship with all our suppliers for more than ten years and see a long-term relationship as beneficial to all parties.

IRO-2: List of material disclosure requirements

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Glossary

ATEX Directive	The ATEX Directive establishes uniform rules throughout the European Union for the sale and commissioning of equipment and protective systems intended for use in potentially explosive atmospheres.
Carbon footprint (CO ₂ footprint)	The term “carbon footprint” refers to the measurement of climate-impacting greenhouse gases and their compilation into a greenhouse gas balance. A carbon footprint can be created for countries, regions, companies, products and services as well as for private households. It is stated in In addition to ad hoc meetings, there is a regular exchange of information between the Chief Compliance Officer and the Managing Board of SMT Scharf as part of fixed regular meetings. equivalents (CO ₂ e). One CO ₂ equivalent is equal to one ton of carbon dioxide (CO ₂) emitted. Since carbon footprints take into account other climate-relevant greenhouse gases in addition to CO ₂ —primarily methane (CH ₄), nitrous oxide (N ₂ O), fluorinated and perfluorinated hydrocarbons (HFCs, PFCs) and sulphur hexafluoride (SF ₆)— CO ₂ e is an appropriate unit of measurement.
Chief Compliance Officer (CCO)	The CCO is responsible for monitoring and managing compliance issues within an organization. He or she ensures that violations are avoided, weaknesses are eliminated, and errors are properly reported. At SMT Scharf, the CCO is the key position for establishing, maintaining and further developing the CMS . He or she is a staff member of the management of the holding company, is subject to instructions and reporting obligations, and is in regular contact with the Managing Board.
China III standard	The Chinese government has adopted stricter emissions standards for vehicles with the China III emissions regulation. These came into effect in 2021 and also apply to machines used in underground mining.
CO ₂ (carbon dioxide)	Carbon dioxide is one of the best-known greenhouse gases and is produced when fossil fuels such as coal and natural gas are burned. Greenhouse gases are measured under a global and standardized framework called the Greenhouse Gas Protocol.
Code of Conduct	The Code of Conduct is a set of rules of conduct for a company. It is intended to provide guidance to employees and contains guidelines for responsible, ethical and honest conduct.

<p>Compliance Management System (CMS)</p>	<p>A CMS brings together all of an organization’s structures, processes and measures to ensure compliance. It ensures that organizations do not violate legally binding external regulations, such as laws and internal policies. The goal of the CMS is to identify and prevent potential violations at an early stage. It is also intended to help SMT Scharf define appropriate responses to compliance incidents for all Group companies in a uniform manner. Our external compliance officer supports SMT Scharf by, in particular, providing legal advice in connection with the CMS and its components.</p>
<p>Compliance Officer</p>	<p>SMT Scharf’s Compliance Officer is an external lawyer who supports the CCO in fulfilling his or her duties. The Compliance Officer is consulted when special expertise in commercial law is required. As part of this mandate, the Compliance Officer advises the Managing Board on all legal issues relevant to compliance, insofar as these relate to German law. This includes, in particular, legal advice in connection with the CMS and its components.</p>
<p>Corporate Sustainability Reporting Directive (CSRD)</p>	<p>The Corporate Sustainability Reporting Directive (CSRD) is an EU directive that comprehensively reforms sustainability reporting in the European Union. It replaces the previous Non-Financial Reporting Directive (NFRD) and requires companies to disclose comprehensive information on environmental, social and governance (ESG) issues. The European Sustainability Reporting Standards (ESRS) form the basis for reporting. The CSRD will gradually take effect for large companies and listed SMEs from 2024; from 2025, many will have to report for the first time for the 2024 financial year.</p> <p>In the course of implementation, the European Commission published the draft for the first Omnibus Package on February 26, 2025, which revealed the specific planned impact of the simplification initiative on reporting requirements. The aim of the Omnibus Initiative is to make the application of the CSRD more practicable, especially for small and medium-sized enterprises, for example through transitional arrangements, reduced reporting scopes or clarifications in the application of the ESRS – without fundamentally lowering the level of ambition of the directive.</p>
<p>Diversity</p>	<p>Diversity refers to the conscious treatment, acceptance and equality of different people in companies, regardless of ethnic origin, skin color, age, gender, nationality, religion, ideology, disability, sexual orientation or the like.</p>

Double materiality	<p>An important innovation associated with the CSRD is the concept of double materiality. This means that companies' sustainability reports focus on information that is relevant and understandable to their target audiences. Due to the large number of environmental, social and governance issues, companies face the challenge of limiting their reporting to the issues that are material to them. The principle of double materiality considers both the material impact of business activities on people and the environment (non-financial materiality) and the impact of sustainability issues on business performance (financial materiality). To identify material issues, companies must conduct a materiality analysis. This includes sustainability aspects such as environmental protection, occupational health and safety, supply chain, human rights and other social aspects, governance and the assessment of existing internal controls, processes and policies. The company must report on the material issues identified in accordance with the ESRS. This includes information on strategy and governance related to the topic, information on actions taken as well as targets and metrics.</p>
Eco-efficiency	<p>Eco-efficiency refers to the effort to design products and processes in such a way that maximum benefit and quality are achieved with a minimum of resources and emissions. Eco-efficiency concepts contrast the destruction of ecological value with the creation of economic value. They enable the optimization of processes and products, as well as the analysis of competitors and markets. Eco-efficiency concepts lend themselves to the integration of continuous improvement processes.</p>
Energy audit according to DIN EN 16247	<p>An energy audit is a procedure that provides information about the existing energy consumption profile of a company. DIN EN 16247 defines the characteristics of an energy audit and specifies the requirements and respective obligations within the audit process. The objective is to identify and quantify economic energy savings. The audit includes an inventory and energy assessment of the company's processes. The results and resulting optimization opportunities are documented in a report. The energy audit can be a precursor to an energy management system.</p>
ESG	<p>ESG refers to the non-financial factors that investors consider when evaluating potential investments. "E" stands for environmental, "S" for social and "G" for governance. It is also about a company's impact on, and contribution to, sustainability and the associated risks to</p>

	the company. ESG factors are a mandatory part of sustainability reporting under the CSRD .
European Sustainability Reporting Standards (ESRS)	The ESRS are the first legally binding European ESG standards designed to ensure comprehensive and comparable sustainability reporting. The ESRS are a set of guidelines developed as part of the CSRD that define the reporting requirements for companies. Companies subject to the CSRD are required to report in accordance with the ESRS. The standards are developed by the European Financial Reporting Advisory Group (EFRAG), an independent multi-stakeholder body.
EU Taxonomy Regulation	The EU Taxonomy Regulation sets out a uniform system of criteria that can be used to determine whether an economic activity can be classified as environmentally sustainable. The regulation came into force in July 2020 and has been applicable since January 2022. The Taxonomy Regulation is the authoritative basis for all European and national regulations that relate directly or indirectly to environmentally sustainable economic activities or investments and sets out six environmental objectives that are relevant for the classification of economic activities: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and reduction, and protection and restoration of biodiversity and ecosystems.
Green Deal	The European Green Deal is a concept presented by the European Commission in December 2019 with the aim of reducing the EU's net greenhouse gas emissions to zero by 2050, making it the first continent to become climate neutral. It is the EU's contribution to the Paris Climate Agreement and is intended to become a central component of EU climate policy. The Green Deal is also a growth strategy with 50 specific measures designed to bring about social and economic change, including in the areas of financial market regulation (sustainable finance), energy supply, transport, trade, industry, agriculture and forestry. The previous target of reducing the EU's carbon emissions by 40% by 2030 compared to 1990 is to be increased to 50 to 55%.
Impacts, risks and opportunities (IROs)	Impacts, risks and opportunities (IROs) play an important role in CSRD reporting. The term "impacts" refers to the positive and negative effects that a company can have on society and the environment. It refers to activities within the company's own operations as well as those in the upstream and downstream value chains. Risks are potential negative consequences,

	<p>while opportunities are positive potential, e.g. in the form of financial benefits or reputational gains. As part of the double materiality analysis, the identified IROs are assessed according to their magnitude, scope, reversibility and likelihood.</p>
International Organization for Standardization (ISO)	<p>ISO is an international non-governmental organization (NGO) founded in 1947 that develops and publishes internationally valid standards. There are currently almost 25,000 ISO standards covering a wide range of topics.</p>
ÖKOPROFIT	<p>The environmental program ÖKOPROFIT (ÖKOlogisches PROjekt Für Integrierte UmweltTechnik) was developed in 1991 by the Environmental Office of Graz in collaboration with the Technical University of Graz. It is a collaborative project between the regional economy, administration and experts, and offers companies an environmental management approach that focuses on awareness-raising, practical relevance and the implementation of measures. The aim is to reduce operational emissions, conserve natural resources, increase eco-efficiency and raise awareness of the environment and sustainability. ÖKOPROFIT is implemented in a regional network of companies from different sectors and consists of workshops, individual consulting and certification.</p>
Paris Climate Agreement	<p>The Paris Climate Agreement was adopted at the COP21 (Conference of the Parties) of the Framework Convention on Climate Change in Paris in December 2015 and entered into force in November 2016. Under the Paris Agreement, signatories commit to limiting global warming to well below 2°C, and ideally to 1.5°C compared to pre-industrial levels. All EU Member States have signed the Paris Agreement.</p>
Plausibility check	<p>Plausibility checks are used by the auditor to verify the data quality of the specific information required by the ESRS, the so-called data points that companies are required to collect and report. Ensuring data quality is a key challenge in sustainability reporting. There is often a lack of standardized processes for consolidating and validating the information collected, which can lead to inconsistencies and gaps in reporting. The auditor therefore relies on inquiries and analytical assessments with a focus on the plausibility of the information. By establishing their own reporting process, companies can ensure that data is collected and reported consistently. Internal plausibility checks (e.g., by controlling) can ensure the quality of reported data points during the process.</p>

Renewable energy	Renewable energy is a type of energy that is considered a sustainable resource because it is self-renewing and therefore cannot be depleted as a resource. Examples of renewable energy include wind power, solar power and hydroelectric power. They are also referred to as “green electricity,” while “gray electricity” refers to electricity of unknown origin and energy source.
Stakeholders and stakeholder dialogue	<p>Stakeholders are basically all parties (groups or individuals) that are involved in, affected by, have an interest in or can influence the activities of a company. The term “stakeholders” or “interest groups” is also frequently used. Stakeholder mapping can be used to systematically identify relevant stakeholder groups.</p> <p>The stakeholder dialogue between the company and stakeholders identifies what is important to each side. Specific issues are raised and examined from different perspectives. The dialogue itself can take different forms depending on the stakeholder group. In principle, it is important that the company reports transparently and openly on the current situation and development status in the various areas and is genuinely interested in receiving feedback from stakeholders. This requires an understanding of stakeholder concerns and a willingness to engage with them. This does not mean that all stakeholder concerns must be addressed, but important insights should be incorporated into management decisions.</p>
Sustainability statement	The term “sustainability statement” refers to non-financial sustainability reporting in accordance with the CSRD . With the CSRD , the sustainability statement becomes a mandatory and independent part of the annual report and can also be published separately. From 2026, it will be subject to a content review by the auditor for the 2025 financial year. As a first step, companies carry out a double materiality analysis to determine which sustainability information is to be classified as material and therefore disclosed in the sustainability statement. The relevant data points from the ESRS are then identified and the statement is prepared.
Whistleblower system	A whistleblower system is an electronic reporting system that allows employees and others associated with the Company to report, by name or anonymously, misconduct and unethical or illegal behavior in the workplace.

SMT Scharf AG's value chain

