



WE MOVE the WORLD

SUSTAINABILITY REPORT 2022

CONTENTS

1 WELCOME AND HIGHLIGHTS

- 1.1 CEO's statement
- 1.2 Welcome from the CSR team
- 1.3 Our CSR highlights for 2022

2 OUR COMPANY

- 2.1 Who we are
- 2.2 Our vision and mission
- 2.3 Our history
- 2.4 Our markets and business areas

3 OUR CSR STRATEGY

- 3.1 CSR: a core element of our business strategy and corporate culture
- 3.2 CSR strategy and goals
- 3.3 CSR responsibility
- 3.4 Stakeholder dialogue
- 3.5 Materiality analysis

3

- 3
- 4
- 5

7

- 8
- 8
- 9
- 10

13

- 14
- 16
- 19
- 20
- 22

4 ENVIRONMENTAL SUSTAINABILITY

- 4.1 Our products and services
- 4.2 Our sustainable product portfolio
- 4.3 Management of our energy consumption
- 4.4 Managing our carbon emissions: our path to net-zero emissions
- 4.5 Our waste and water management

5 EMPLOYER OF CHOICE

- 5.1 Our employees
- 5.2 Diversity, equity and inclusion
- 5.3 Training and education
- 5.4 Supporting educational programs worldwide
- 5.5 Social commitment

6 HEALTH & SAFETY

- 24
- 26
- 29
- 34
- 36
- 43
- 46
- 48
- 53
- 58
- 61
- 63
- 65

7 GOVERNANCE & COMPLIANCE

- 7.1 Our compliance management
- 7.2 Taxes & financial assistance
- 7.3 EU taxonomy
- 7.4 Customer protection and data protection
- 7.5 Responsible supply chain

8 TCFD DISCLOSURE 2022

9 OUTLOOK

10 ABOUT THE REPORT

11 GRI INDEX

- 70
- 72
- 77
- 78
- 78
- 79
- 86
- 91
- 93
- 95

1.1 CEO'S STATEMENT

GRI 2-22



Andreas Evertz
FLENDER GROUP CEO

Dear Stakeholders,

A challenging year has ended with an uncertain and volatile future ahead. The COVID-19 pandemic and political crises worldwide continue to create uncertainties in the global supply chain, energy sources are becoming scarce, prices are rising, and inflation presents a significant risk to businesses worldwide. And, where it matters most, the climate negotiations at the 2022 COP27 conference in Egypt failed to come to clear conclusions to take on the world's greatest challenge.

These complex conditions amplify the importance of positioning Flender for the future, and constantly expanding our sustainability commitments and activities. For a healthy planet, for intergenerational justice, and, above all, for our employees, customers, investors, and suppliers, it is imperative for us to create and lead a resilient and responsible business into the future. With products and services in wind, transmission, and drive technology at the heart of our business, Corporate Social Responsibility (CSR) must form the core of our corporate strategy.

Our goal is to be a pioneer, a driving force and the partner for the energy transition. This extends to our entire portfolio – in addition to wind power, we are also working on sustainable and innovative solutions in other industries, because one industry cannot function and succeed on its own. Our Sustainability Report for 2022, which I am very proud to share, presents our considerable progress to date, and our commitments for the future. It highlights the pivotal role played by our people as we build our sustainable future together.

Despite all the challenges this year, we can look back with confidence on our achievements. Flender's CSR initiative is bearing fruit globally. Within all our Company business units, we are actively promoting the energy transition and sustainability is an essential part of our corporate culture. To this end, we work intensively in close dialogue with all our stakeholders, to speak about key issues and develop solutions together.

A stable foundation is essential. This foundation is laid by our "Flenderaner" and we thank them for their daily commitment. Together we have built a corporate culture where action on CSR is part of our DNA and cooperation, inclusion and diversity are inherent to our ways of working.

We are proud that our commitment has already been honored: in our very first attempt this year we received a Gold Medal from EcoVadis, the world's best recognized provider of sustainability ratings for companies. This puts us among the top 5% of companies in terms of our global sustainability performance, considering our activity in environmental and social issues.

For us, however, these are only the first steps on a long journey and this award is by no means a reason to rest on our laurels. We are committed to further positive change.

In this sense, our Sustainability Report not only provides an overview of the status quo of our CSR progress in 2022, but also a promise of our further commitment.

Enjoy reading!

Andreas Evertz
Flender Group CEO

1.2 WELCOME FROM THE CSR TEAM



Kimberley ten Broeke
HEAD OF CORPORATE SOCIAL RESPONSIBILITY

“OUR ACTIVE ROLE IN SUSTAINABLE TRANSFORMATION AND, IN PARTICULAR, THE ENERGY TRANSITION IS ONLY POSSIBLE THROUGH CLOSE COOPERATION WITH ALL OF OUR EMPLOYEES WORLDWIDE AND AN ACTIVE DIALOGUE WITH OUR STAKEHOLDERS.”

As a market and quality leader for gear units, generators, couplings and related services, Flender assumes responsibility for global industrial and wind customers. We stand for pioneering and setting standards in our processes and outputs, and we set ourselves the same high expectations in sustainability.

We are pleased to share the Flender CSR journey through this report and present you with the progress of our activities and successes in the areas of environment, social affairs, and corporate governance. We started our independent CSR journey in 2020; in 2021 we developed our first voluntary Sustainability Report and now, in 2022, CSR is an integral part of Flender's corporate strategy and culture. We have continued to work on developing clear governance and communication structures, ambitious goals for our CSR commitments, and robust data. We are proud that our commitment and achievement have also been endorsed by our recent EcoVadis Gold rating.

For us, sustainable development and transformation is always a joint effort – between the CSR Board, our employees, and our business partners. This year we have reached another milestone with the full and detailed development of our CSR strategy, with clear messages and goals.

However, we cannot stop there. The global challenges and the increasing regulatory requirements in the area of sustainability present us with new tasks and constant further development. We face these challenges enthusiastically, together with all our stakeholders.

Our successes to date confirm that we are on the right track, and act as inspiration for our next steps!

Enjoy reading!

Kimberley ten Broeke
Head of Corporate Social Responsibility

1.3 OUR CSR HIGHLIGHTS FOR 2022



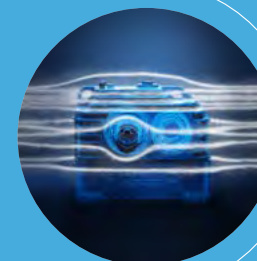
Development of **measurable sustainability goals** for areas of activity

» Read more on page **17**



Award for Winergy HybridDrive as **"Powertrain of the Year 2021"**: Promotes efficiency and reliability

» Read more on page **37**



Launch of **"FLENDER ONE"**, the gearbox of the future: Resource saving and energy efficient

» Read more on page **32**

AIQ: With our new gear unit intelligence, we are improving processes and conserving valuable resources

» Read more on page **32**



Official commitment to set net-zero emission targets by joining the **Science Based Targets initiative (SBTi)**

» Read more on page **38**



Vestas supplier award 2022 for **"Operational Excellence"** due to reliability, service and commitment to achieve net-zero emissions

» Read more on page **34**



1.3 OUR CSR HIGHLIGHTS FOR 2022 CONTINUED

Gold award in the EcoVadis sustainability rating:
Flender is among the top 5% of the most sustainable companies worldwide



» Read more on page 15

Joining the UN Global Compact: Obligation to act responsibly and to achieve the SDGs

» Read more on page 17



Dedicated to fulfilling our social responsibility:
Our social commitment encompasses next to donations to the ones in need, also the personal involvement of our employees in social projects

» Read more on page 63



40 years of wind power – Winergy is a pioneer in the wind industry:

- Strengthening our position through the acquisition of wind turbine gearbox manufacturer Moventas
- Milestone of 350 GW

» Read more on page 29



We want to be the employer of choice:
Our Flender employees are the basis for CSR success and are actively involved through our employee surveys conducted on a regular basis.

» Read more on page 47

2

OUR COMPANY

IN THIS SECTION

2.1	Who we are	8
2.2	Our vision and mission	8
2.3	Our history	9
2.4	Our markets and business areas	10



2.1 WHO WE ARE

GRI 2-1, 2-6, 2-9 | SDG 2.9

Flender is a leading global supplier of mechanical and electrical drive systems and has had the reputation for the highest performance, innovation, quality, and reliability of drive components for more than 120 years. Flender is the corporate umbrella of two brands: Flender and, since 2001, Winergy.

- Flender, the leading provider of drive technologies for many industry sectors.
- Winergy, a pioneer and leading supplier in the wind industry with a broad portfolio including gearboxes, generators, couplings, direct drive segments and complete drive systems.
- In addition to the development and manufacture of products, we deliver services and digital solutions in the areas of maintenance, service and monitoring under both brands.

With both brands, we see ourselves as an essential part of the sustainable transformation. Our ambition is to become the partner of choice for a sustainable future in all our business areas. We will actively drive the energy transition, with a focus on renewable energies in our Winergy brand, and with our sustainable product range under the Flender brand. We and our business partners can make a significant contribution to sustainability only if all areas of the Company work together.

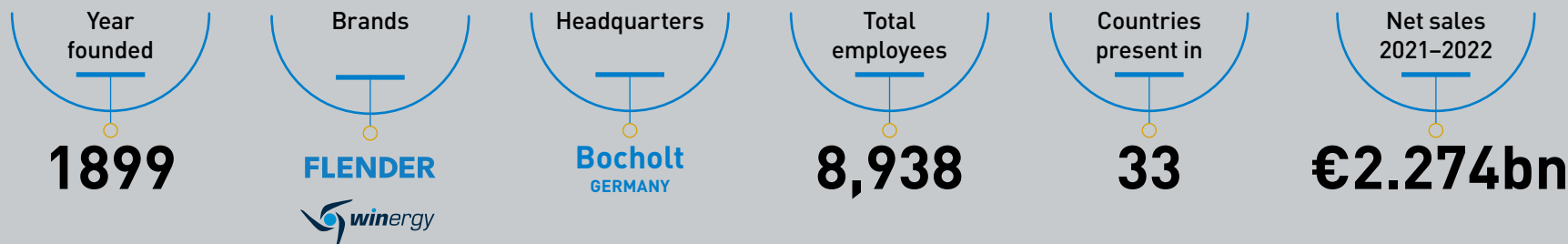
2.2 OUR VISION & MISSION

THE PARTNER OF CHOICE FOR A SUSTAINABLE FUTURE

To realize this vision, to achieve added value for present and future generations and a planet worth living on, we work closely with all stakeholders and actively support the energy transition. For us, sustainable corporate success means taking responsibility for our environment, and our employees and society, at a Company and product level as well as in our own supply chain.

WE MOVE THE WORLD

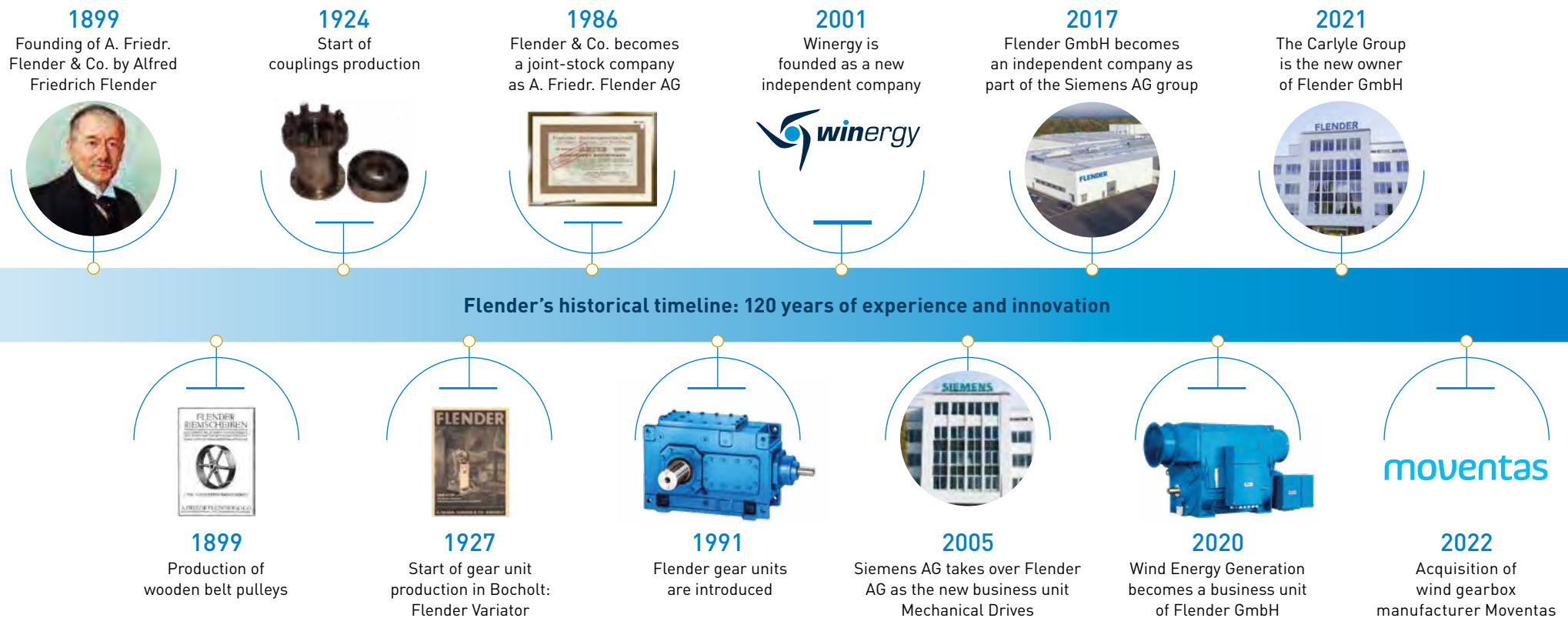
Flender has been a byword for innovation and setting new standards for years, continuously moving the bar for our industry. Our almost unlimited product portfolio, our extensive knowledge in all aspects of mechanical and electrical drive technology, the highest quality in products and services, and our highly qualified and committed employees have always been the key to our success.



Detailed financial performance is disclosed in our audited Annual Report 2021-2022, which is made available to our investors and disclosed in abbreviated form in accordance with German law.

2.3 OUR HISTORY

Since Alfred Friedrich Flender founded the business in 1899, we have supported the development of drive technology across numerous industries for more than 120 years. The Winergy brand was founded in 2001 to meet the specific requirements of the wind power industry.

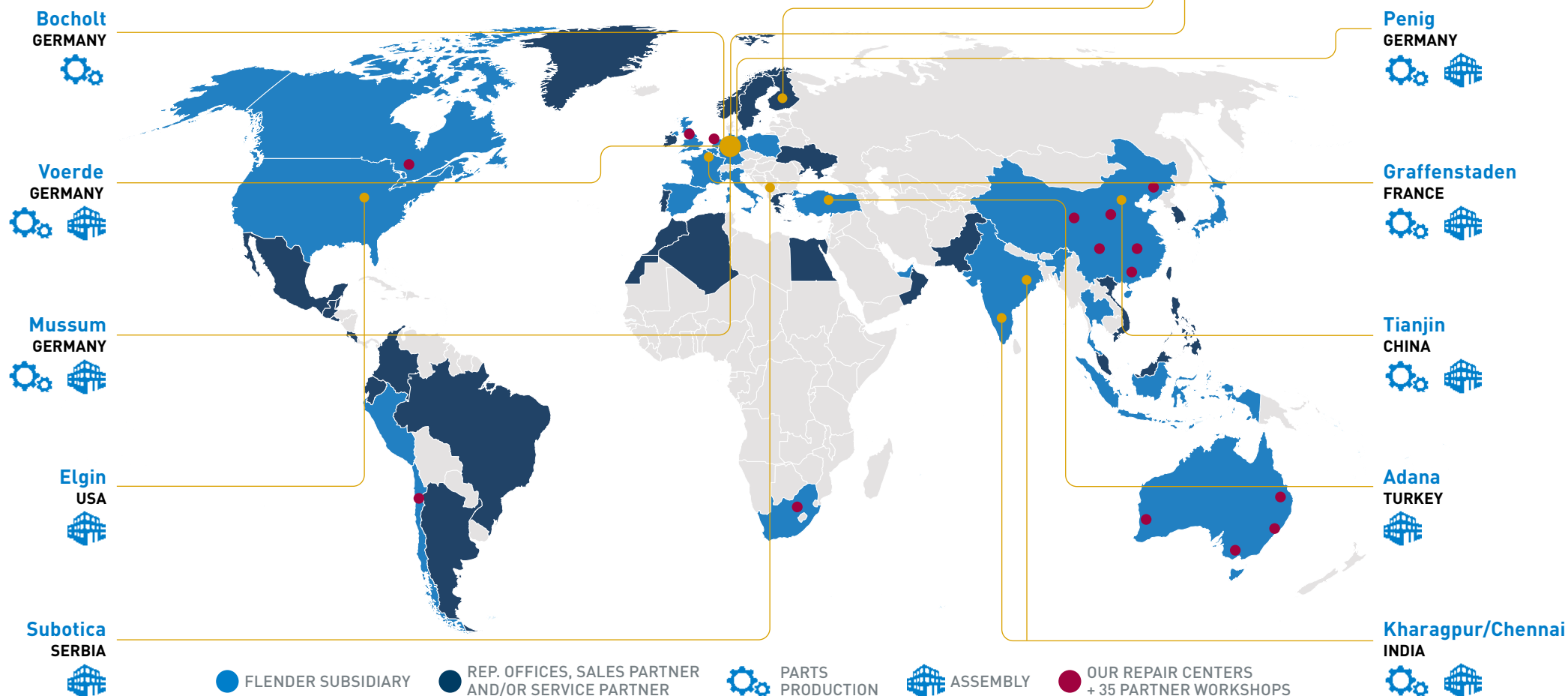


2.4 OUR MARKETS AND BUSINESS AREAS

GRI 2-1, 2-6

We are very close to our customers — our sales, service and production lines are active in 33 countries around the world. Our proximity to customers, end-users and distributors enables the most efficient delivery of products and services. Our customers regard us as a reliable, safe investment and a competent partner — decades of experience and trusting cooperation are the basis for our success in global markets.

CLOSE TO THE CUSTOMER: GLOBAL SET-UP OF SALES, SERVICE AND PRODUCTION



2.4 OUR MARKETS AND BUSINESS AREAS CONTINUED

FLENDER APPLICATIONS: A BALANCE OF WIND AND INDUSTRY



~60%



MINERALS AND MINING 	CEMENT 	POWER GENERATION 	NATURAL GAS
RUBBER AND PLASTICS 	METALS 	CHEMICALS AND ENVIRONMENT 	PASSENGER TRANSPORT
MARINE 	HARBOR/CRANE 	PULP AND PAPER 	FOOD AND BEVERAGES
OTHER 	<p>Spread across various industries and end markets such as construction, environmental and recycling, textiles, water and wastewater, and entertainment.</p>		

~40%

FLENDER

2.4 OUR MARKETS AND BUSINESS AREAS CONTINUED

Association memberships

GRI 2-28

We are an active member of various professional associations around the world and aim to exchange ideas with these associations to learn from them and to make a contribution.

Flender is a member of the following associations, among others:

- Unternehmerverband der Metallindustrie Ruhr-Niederrhein e. V. (Entrepreneurs' Association of the Metal Industry Ruhr-Niederrhein);
- FVA Forschungsvereinigung Antriebstechnik e. V. (FVA Research Association for Drive Technology);
- VDMA Verband Deutscher Maschinen- und Anlagenbau e. V. (Association of German Mechanical and Plant Engineering);
- CleanPower (formerly American Wind Power Association);
- American Gear Manufacturing Association (AGMA);
- Global Wind Energy Council (GWEC); and
- German Chamber of Commerce in China.



3

OUR CSR STRATEGY: THE PARTNER OF CHOICE FOR A SUSTAINABLE FUTURE

IN THIS SECTION

- 3.1 CSR: a core element of our business strategy and corporate culture 14
- 3.2 CSR strategy and goals 16
- 3.3 CSR responsibility 19
- 3.4 Stakeholder dialogue 20
- 3.5 Materiality analysis 22

3.1 CSR: A CORE ELEMENT OF OUR BUSINESS STRATEGY AND CORPORATE CULTURE

Two brands, one Company, one vision

As a leading company in drive technology for many branches of industry under the Flender brand and in the field of wind energy under the Winergy brand, we have one common goal: to be the partner of choice for a sustainable future.

CSR is our top priority and is integral to our DNA. Our products will help our customers and wider society to accelerate the transformation towards a low-carbon future. For us this means:

- long-term value creation for present and future generations;
- long-term profitable growth;
- achieving a positive impact on the economy, society, and the environment;
- being a leading partner in shaping a sustainable economy; and
- achieving our climate targets ahead of the Paris Agreement targets.

Our understanding of sustainability

We summarize all our sustainability or “ESG” activities under the generic term “Corporate Social Responsibility (CSR)”, which is the prevalent terminology in Germany.

We aim to set industry standards for CSR in our business areas. This orientation supports our ambition to be the “Employer of Choice” for our current and future employees, who increasingly want to work for companies that focus on CSR. We also want to encourage positive perception from our investors and from the media, both of which are increasingly focusing on the CSR agenda.

At the same time, we want to reduce risks for our business and for society. In addition to climate and environmental risks, these include social and ethical risks that are essential for a company like Flender, which uses international supply chains and needs natural resources for the manufacturing process, to address.

Doing business responsibly is in the interests of all our stakeholders. It is the key to an innovative, robust position in the market and the enabler for Flender to make a positive contribution for current and future generations.



3.1 CSR: A CORE ELEMENT OF OUR BUSINESS STRATEGY AND CORPORATE CULTURE CONTINUED



Confirmation from EcoVadis: We are on the right track

We are proud that our CSR activities are already assessed positively by external bodies. EcoVadis, the world-renowned provider of sustainability ratings, awarded us the EcoVadis Gold Medal on our very first application. This puts us in the top 5% of the most sustainable companies worldwide. This achievement endorses our CSR strategy and assures our business partners that Flender is the right partner for a sustainable future.

Special mention was made of our achievements in supporting the energy transition through our wind turbine drive trains and making supply chains and supplier systems sustainable across our portfolio, as well as our labor and human rights initiatives.

For us, recognition by EcoVadis is a strong incentive to maintain and further intensify our CSR activities. Our measures in 2022 are already contributing to this.

3.2 CSR STRATEGY AND GOALS

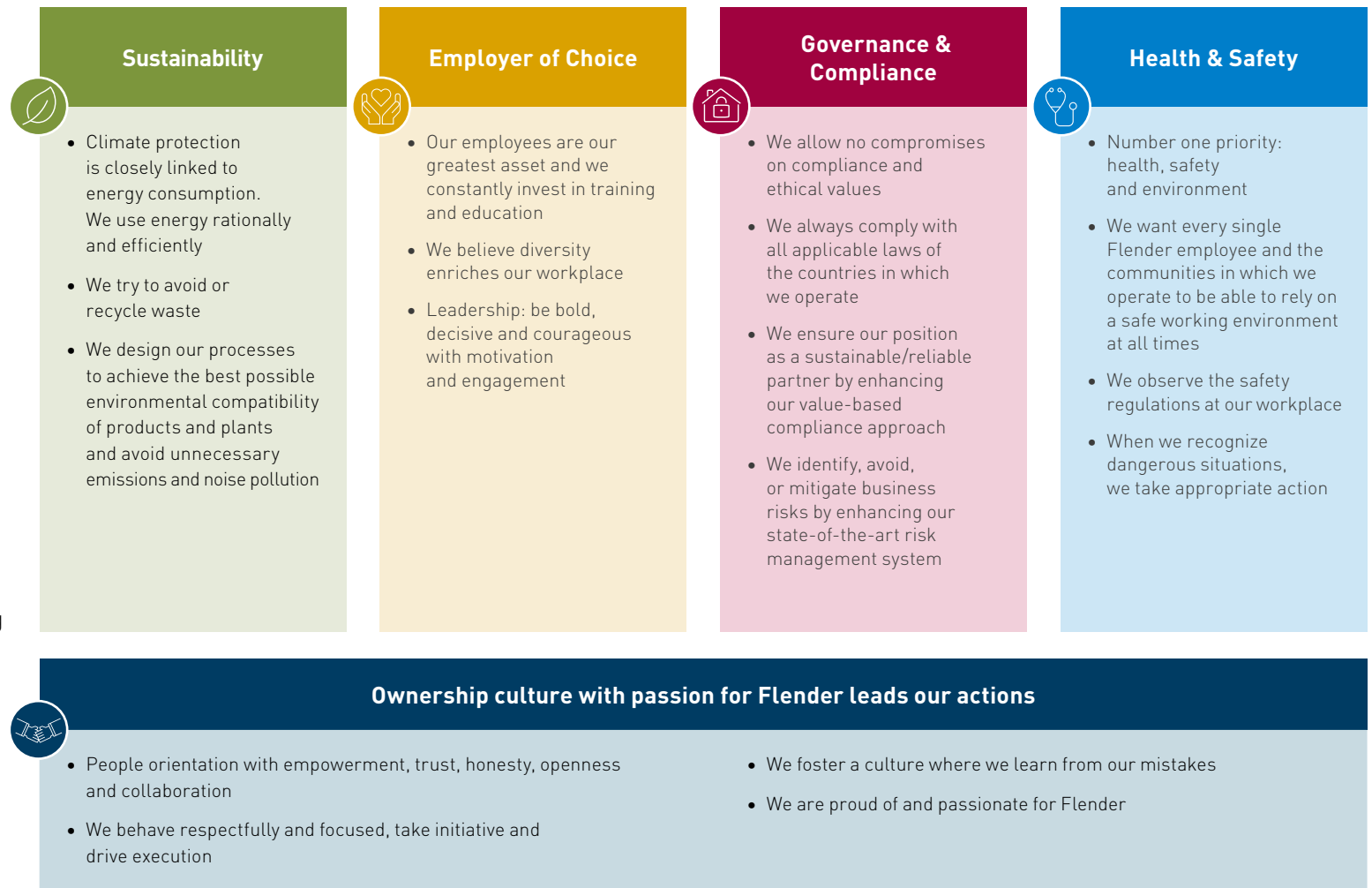
The CSR strategy developed by Flender builds on the common CSR understanding of thinking in the three sustainability dimensions of environment, social affairs, and governance & compliance.

We have four clear pillars:

- Sustainability;
- Employer of Choice;
- Governance & Compliance; and
- Health & Safety.

A pillar we are exploring for the further development of our CSR strategy is Flender's "ownership culture". What we mean by this is a culture of shared responsibility and teamwork, driven by our teams' passion for working at Flender. This culture reflects the strong identification of our employees with our Company and their commitment to our mission 'to Move the World' and is closely related to the other four pillars and promotes them. We are proud that our employees already identify strongly with Flender and we will integrate this cultural strength as a future strategy pillar.

CSR STRATEGY – OUR VISION: THE PARTNER OF CHOICE FOR A SUSTAINABLE FUTURE



3.2 CSR STRATEGY AND GOALS CONTINUED

Implementation of our CSR strategy GRI 3-3

To achieve our goal, we further improved our CSR strategy in 2022. A CSR roadmap with ambitious targets has been developed together with departments across the organization and the CSR Board. The findings of the materiality analysis we conducted in 2021, the validation of this work in 2022, and our commitment to set net-zero goals in line with the SBTi and to the SDGs were taken into account in the development of the CSR strategy. As a rule, we work to contribute to all the SDGs, and believe strongly in this approach to sustainable development. In our daily operations, and in line with our value chain and direct and indirect influence, we have concentrated on our core SDGs:

- **SDG 7:** Affordable and clean energy;
- **SDG 9:** Industry and infrastructure; and
- **SDG 12:** Responsible consumption and production.



Our CSR strategy with its targets and initiatives enables us to communicate transparently and to be perceived by our stakeholders as a partner of integrity, both internally and externally.

Our CSR goals and key indicators

We have defined goals and key indicators within our four pillars and are working to develop a CSR key indicator management system. The system will allow us to measure our progress in the future and adjust initiatives where necessary.

On the right you find our near-term goals that we have set in 2022 for each pillar. We are continuing to work on specifying the key indicators for each pillar – and also for our forthcoming ownership culture pillar – and looking to integrate base years where this has not already been done. In addition, we will examine the implications of joining the UN Global Compact on our goals over the course of 2023.

The remainder of the report is designed to share more information on each pillar and on the underlying activities.

Pillar: Sustainability

- Net-zero carbon reduction targets for the Company and supply chain
- Goals for the use of renewable energies at Flender and the contribution to the energy transition
- Goals for conserving resources throughout the Company (energy, waste and water)



Pillar: Employer of Choice

- Goals to promote diversity, equity and inclusion
- Promotion of social commitment
- Goals for employee satisfaction, promotion and retention



Pillar: Governance & Compliance

- Goals for achieving a value-based compliance approach and raising awareness of these topics among employees and business partners
- Risk management objectives
- Goals in future-oriented management of the supply chain



Pillar: Health & Safety

- Objectives to maintain and promote the health, well-being and safety of employees
- Goals to increase CSR security in the supply chain
- Measures for continuous improvement of health and safety















3.2 CSR STRATEGY AND GOALS CONTINUED

MATCHING OUR MATERIALITY ANALYSIS TO OUR CSR STRATEGY PILLARS

GRI chapter according to materiality analysis

SUSTAINABLE DEVELOPMENT GOALS according to materiality analysis

 Sustainability	 Employer of Choice	 Governance & Compliance	 Health & Safety
 <ul style="list-style-type: none"> • GRI 301: Materials • GRI 302: Energy • GRI 303: Water and effluents • GRI 305: Emissions • GRI 306: Waste • GRI 307: Environmental compliance • GRI 308: Supplier environmental assessment 	 <ul style="list-style-type: none"> • GRI 401: Employment • GRI 404: Training and education • GRI 405: Diversity and equal opportunity • GRI 406: Non-discrimination • GRI 407: Freedom of association and collective bargaining • GRI 408: Child labor • GRI 409: Forced or compulsory labor • GRI 412: Supplier social assessments • GRI 413: Local communities 	 <ul style="list-style-type: none"> • GRI 201: Economic performance • GRI 205: Anti-corruption • GRI 206: Anti-competitive behavior • GRI 207: Tax • GRI 412: Human rights assessment • GRI 418: Customer privacy • GRI 419: Socioeconomic compliance 	 <ul style="list-style-type: none"> • GRI 403: Occupational health and safety • GRI 416: Customer health and safety
			

3.3 CSR RESPONSIBILITY

Since becoming independent in March 2021, CSR has been integrated at the highest level at Flender. Overall responsibility lies directly with the Group CEO, who is also Chairman of Flender's CSR Board. In addition to the CSR management, representatives of the business areas and some departments of Flender are participants in the CSR Board.

CSR Board as the central steering committee

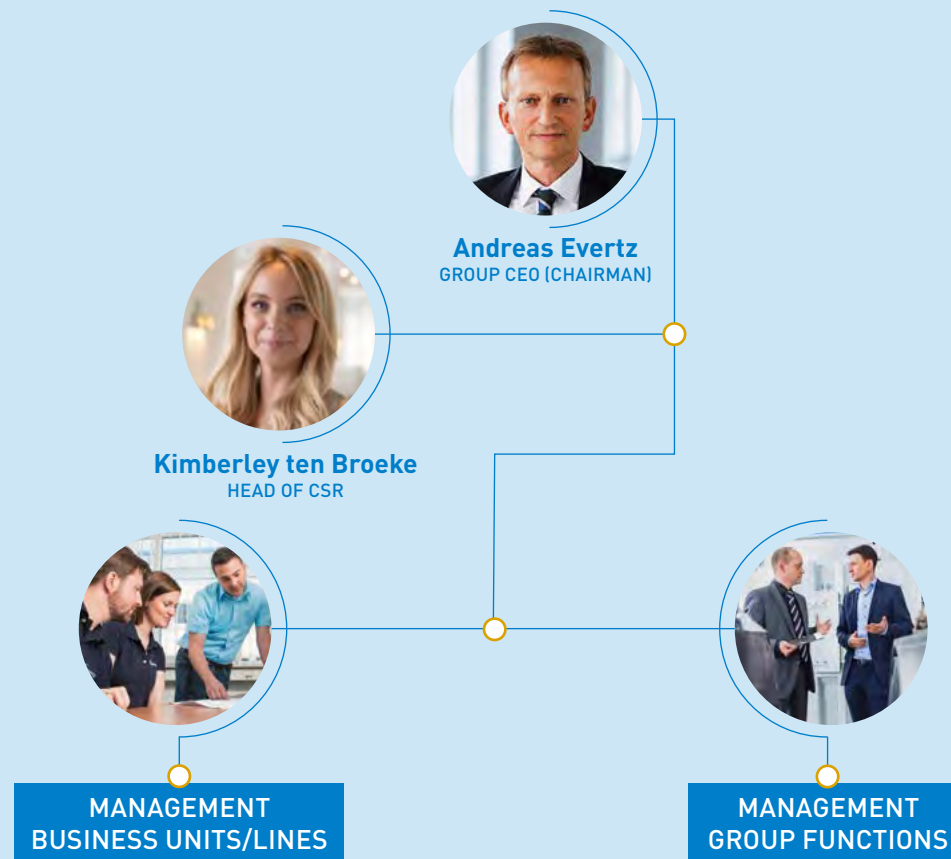
The CSR Board is the central control body for the strategic evolution of CSR, and it decides and controls the implementation of the CSR strategy. The Board initiates strategic and innovative sustainability projects and ensures that the global initiatives are consistent with the Group-wide CSR strategy. In addition, it promotes and demands the consideration of CSR topics in business decisions. The CSR Board met four times in the year under review. Key topics this year were: the operationalization of the strategy across the Company divisions; the identification of key goals; the specification of key indicators for measuring our activities; and the further integration of sustainability into our corporate culture, including the consideration of the "ownership culture" pillar.

The Chairman of the CSR Board is supported by the CSR Management department. This department reports directly to the CEO on progress and the need for action and controls the implementation of the CSR strategy across the business. In addition, this department is responsible for CSR initiatives, tracking and monitoring trends and new regulatory requirements, data analysis, providing guidance for new initiatives and promoting pilot projects.

The CEO and the CSR Management department are supported by representatives from all business areas. Each business unit is responsible for the implementation and integration of CSR in its area. This also applies to the main topics of the CSR strategy, which are the responsibility of the respective business unit managers.

Working and developing together are key success factors in the strategic and operational implementation of CSR. The established CSR network promotes a regular exchange with all central and local CSR managers of the sites and departments at Flender. All CSR topics and projects are discussed in this network, successes and best practices are reported and the implementation of the CSR roadmap is developed together.

GOVERNANCE OVERVIEW



3.4 STAKEHOLDER DIALOGUE

GRI 2-29, 3-1

Trusted cooperation with all our stakeholders is the basis for our business model, which has been successful for 120 years. Stakeholder needs and views are important to us and guide our future orientation. We develop our approach to sustainability for and together with our stakeholders, and work on our energy transition goals collectively. A continuous exchange with our stakeholder groups is essential to us to secure long-term partnerships, to identify global trends and developments, and to support the growth of our business areas.

Our stakeholder groups

Our most important stakeholder groups include our employees, customers, shareholders, business partners, suppliers, investors, analysts and other capital market participants.



3.4 STAKEHOLDER DIALOGUE CONTINUED

GRI 2-29, 3-1 continued



MECHANISM OF STAKEHOLDER COMMUNICATION

STAKEHOLDER	MEDIA AND FORMATS FOR REGULAR EXCHANGE
Employees	Flender website, global town hall meetings, local town hall meetings, Flender intranet, Yammer news blog, ad hoc communication, communication cascade, bulletin boards in the Company, etc.
Potential employees	Flender website, advertisements, trade fairs, cooperation with universities and schools, events, social media
Customers	Flender website, meetings (in person, digital, etc.), personal communication (telephone, email, etc.), key account management, brochures, advertisements, trade fairs, social media
Business partners and suppliers	Flender website, brochures, trade fairs, supplier days, Flender supplier summit, social media
Political groups, associations, interest groups and NGOs	Flender website, topic-related discussions, site visits, social media
Educational institutions	Flender website, cooperation with universities and schools, trade fairs, advertisements, social media
Press and media	Flender website, press releases, interviews, media trips, social media
Communities	Flender website, press, advertisements, regional events, sponsorship, donations, social media
Investors, analysts and other capital market participants	Flender Annual Report, Sustainability Report, quarterly investor presentations

3.5 MATERIALITY ANALYSIS

GRI 3-1, 3-2



We have been conducting an annual materiality analysis with our stakeholders since 2021. The aim is to identify the ecological, social, and economic issues for Flender that we consider to be the most important for our stakeholders and therefore for our business. The identified material topics form the basis for our strategic and operational sustainability pillars and for our reporting. In addition, we use our material issues to review how we are contributing to achieving the SDGs through our business activities.

In 2022, we updated the materiality analysis, taking into account the following perspectives:

- **inside-out perspective:**
 - effects of Flender's business activities on sustainability aspects; and
- **outside-in perspective:**
 - relevance of sustainability issues for Flender's corporate development.

The topics in the upper right area were identified as the most important from internal and external prioritization. The main topics are: mobility, including the supply chain; consideration of ecological, social and economic aspects with business partners; diversity and inclusion; community engagement; risk management; and sustainable materials and products.

These topics – as well as topics with lower priority – form the basis for our CSR strategy and our reporting. All the topics presented in the matrix are of great importance and a focus for our strategy.

Based on our CSR strategy, the materiality analysis and current and future regulatory requirements, we have divided the remainder of the Sustainability Report into the following main subject areas:

SUSTAINABILITY

We Move the World by:

- reducing resources and impacts; and
- improving quality.

EMPLOYER OF CHOICE

We Move the World by:

- moving and growing together;
- expanding knowledge and continued training;
- increasing diversity; and
- promoting employee satisfaction.

HEALTH & SAFETY

We Move the World by:

- raising the standard; and
- creating trust and safety.

GOVERNANCE & COMPLIANCE

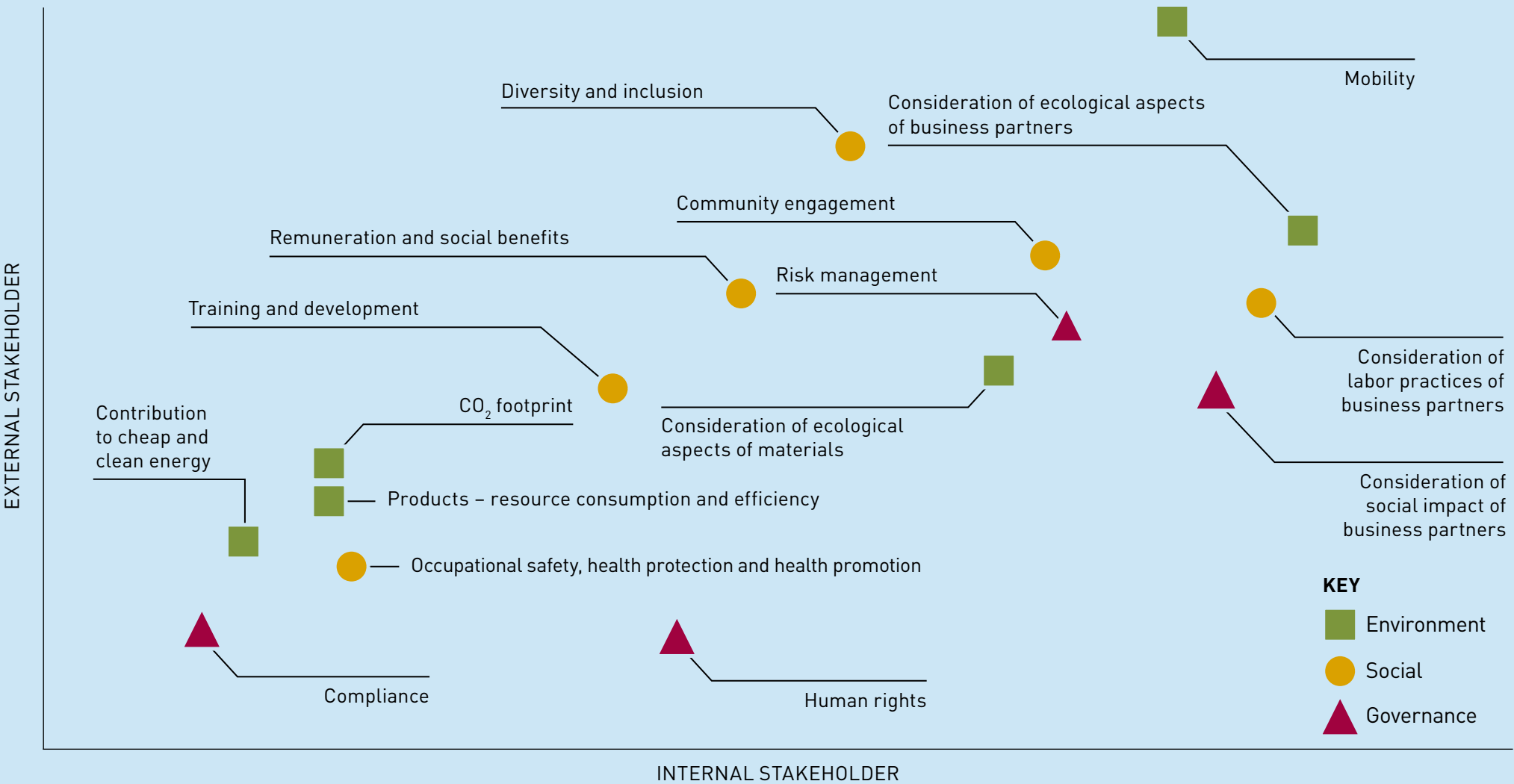
We Move the World by:

- value-based management; and
- excluding and minimizing risks.

3.5 MATERIALITY ANALYSIS CONTINUED

GRI 3-2

RESULTS OF THE MATERIALITY ANALYSIS



4

ENVIRONMENTAL SUSTAINABILITY

IN THIS SECTION

- | | | |
|-----|---|----|
| 4.1 | Our products and services | 26 |
| 4.2 | Our sustainable product portfolio | 29 |
| 4.3 | Management of our energy consumption | 34 |
| 4.4 | Managing our carbon emissions: our path to net-zero emissions | 36 |
| 4.5 | Our waste and water management | 43 |

4 ENVIRONMENTAL SUSTAINABILITY

GRI 3-3



WE MOVE THE WORLD BY:

- reducing resources and impacts; and
- improving quality.

Sustainability means thinking about tomorrow in a future-oriented way. Every year, more resources are consumed worldwide than the earth can sustain ecologically in the long term. At the same time, greenhouse gas emissions are constantly increasing. The consequences can already be felt today: record heat, droughts, storms, floods and the loss of biodiversity are increasing.

Flender takes responsibility for our contribution to protect the environment and resources and the goals of the Paris climate protection agreement. We will achieve this with innovative, low-carbon sustainable solutions in our entire product portfolio and in our operations. We want to fulfill our responsibility and build trust with our business partners. Sustainability is foundational to our promise to be the partner of choice for a sustainable future.

Our products stand for the highest quality and reliability, high efficiency and reduced use of resources and emissions. This guides us in all decisions, which also include the upstream and downstream value chains – from purchasing to manufacturing to the disposal of our products.

In addition, as a pioneer in the field of wind power, we want to be an effective part of the energy transition with our Winergy brand and support the transformation to renewable energy sources. Furthermore, we are driving the energy transition with our other products for other industries such as wastewater, rail, hydrogen and hydropower plants, which are essential for the successful transformation of energy production.

We have firmly integrated this approach in the CSR strategy and set ourselves ambitious goals for all areas. We aim to improve our carbon, energy, waste and water footprint and will report on our progress. During the year under review, we set out the strategic and operational cornerstones for the future. We defined the CSR goals and focused primarily on improving data transparency and quality.

PILLAR: SUSTAINABILITY		
FOCUS TOPIC	INITIATIVES/KPI	TARGET YEAR
CO ₂ reduction	• Implementation of new environmental reporting tool for the global data collection of Scope 1 and 2 emissions	2023
	• Start the net-zero target setting process and decide on SBTi	2023
	• Development of a CO ₂ transparency program for suppliers	2023
	• New heating concept for main production facilities (3-5 years)	2026
	• 30% CO ₂ savings in Scope 3 by 2030	2030
Renewable energy	• Conversion of the most important production sites to renewable energy by 2022	2022
	• Conversion of our service facilities to renewable energy by the end of 2023	2023
	• 80% share of renewable energies by 2024	2024
Energy, waste and water	• Implementation of a global waste reduction program by the end of 2023	2023
	• Implementation of a global water efficiency program by the end of 2023	2023
	• 5% energy savings (kWh) between 2022 and 2027	2027
	• 10% waste reduction between 2022 and 2027	2027
	• 10% water savings between 2022 and 2027	2027

4.1 OUR PRODUCTS AND SERVICES

Flender serves a wide variety of industries – from the chemical and pharmaceutical industries to power generation and wind energy.

Our sustainable product portfolio: >>



Wind turbine gearboxes

PRODUCTS

More than 100,000 gearboxes for wind turbines with a total power of more than 250 GW delivered to satisfied customers worldwide. Our assortment of gearboxes includes the following:

- Two-staged planetary gearboxes
- Three-staged planetary gearboxes
- HybridDrive



BRANCHES

- Wind

Wind generators

PRODUCTS

For wind turbine concepts with gearboxes, our specialized generator systems of up to 20 MW offer the perfect combination of performance and quality. More than 50,000 generators for wind turbines with over 100 GW rated output have already been delivered. Our assortment includes:

- Asynchronous and synchronous generators
- Direct Drive stator segments



BRANCHES

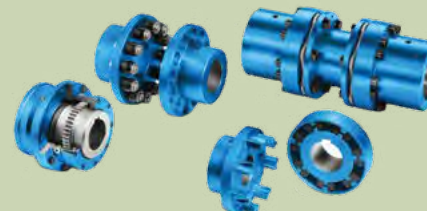
- Wind

Couplings

PRODUCTS

We are a leading supplier of industrial couplings. The diversity and depth of our portfolio are unique worldwide. This includes:

- Flexible couplings
- Gear couplings
- All-steel couplings
- Wind turbine couplings
- Rail couplings
- Clutches and many more



BRANCHES

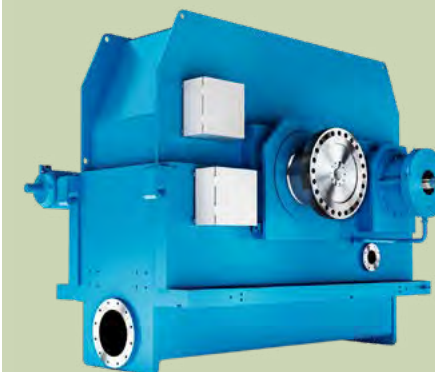
- All branches

Turbo gears

PRODUCTS

We have so far manufactured and installed more than 15,000 high speed gear units worldwide. Every one of them is tailor-made to meet customer requirements.

- High speed gear units



BRANCHES

- Power generation
- Natural gas

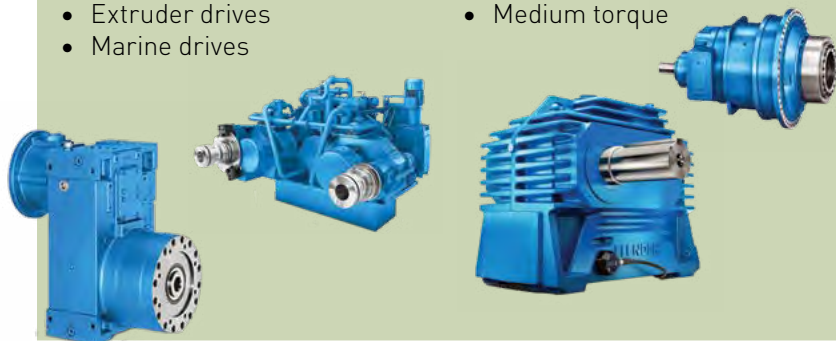
4.1 OUR PRODUCTS AND SERVICES CONTINUED

Industrial gears

PRODUCTS

Our portfolio of industrial gear units is world leading. Our knowledge of gear unit design and our application know-how make us a leading supplier which combines solution expertise with reliability, at an early stage. This segment includes the following assortment:

- Application-specific gear units
- High torque
- Vertical mill drives
- Extruder drives
- Marine drives
- Standard gearboxes (helical/bevel helical/planetary gear units)
- Medium torque



BRANCHES

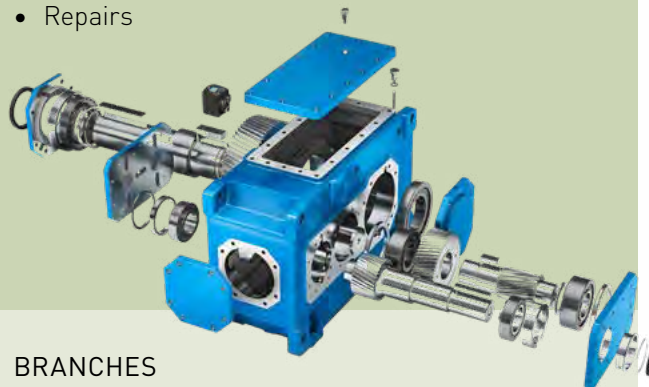
- Cement/mining
- Rubber and plastics
- Marine
- Food and beverage
- Crane
- Material handling
- Water/wastewater

Customer services

PRODUCTS

Flender offers comprehensive services for gear units and couplings over their entire life cycle. In addition to our classic services such as spare parts services, repairs and maintenance, technical support, and various retrofit and modernization options, we help you shape your digital future with our diagnostic services.

- Retrofit
- Spare parts
- Repairs
- Condition monitoring
- Service contracts



BRANCHES

- All branches

Digital solutions

PRODUCTS

Flender offers a comprehensive portfolio of digital solutions to monitor gear units and generators to ensure availability.

- AIQ
- Moventas CMaS
- Remote expert



BRANCHES

- All branches

4.1 OUR PRODUCTS AND SERVICES CONTINUED

The outstanding quality and extended life cycle of our products and solutions are key to the success of our CSR strategy. To ensure this, we work hard to maintain and iteratively improve key aspects of our products including:

- a comprehensive service over the entire life cycle of the product, including spare parts service, technical support and various retrofit and modernization options;
 - a 24/7 emergency hotline is available to all our customers for urgent technical questions; and
 - a preventative maintenance service is provided to extend the life of our products and ensure all products are working under optimal operating conditions; and
- a systematic, certified quality management system according to ISO 9001 at all production and service locations. In addition, annual audits are carried out to guarantee the quality and safety of our products. We audit our suppliers along the value chain based on key indicators using process audits based on VDA 6.3. There is more information on this in the “**Responsible supply chain**” section:
 - internal audits of our core processes and a comprehensive assessment program; and
 - a product safety report for the entire Group is created centrally every year.

Our CSR strategy is geared towards conserving resources throughout the product life cycle, reducing waste for disposal and working towards carbon neutral business operations.

Flender has already taken several initiatives to make its products, processes and supply chains more environmentally friendly and sustainable. For example, we have been ISO 14001:2015 certified for all production sites since 2009. Detailed information on such initiatives can be found over the course of the following sections.



4.2 OUR SUSTAINABLE PRODUCT PORTFOLIO

High quality and reliable products, constant further development and a focus on sustainable innovation are the factors for our success. Development of new or improved products, services and business models that are future-oriented brings economic benefits and has a positive impact on the environment and resources.

Our contribution to renewable energy

We want to ensure access for all to affordable, reliable, sustainable and modern energy, working with and through our customers. As the climate changes, the development of renewable energy sources is increasingly important both from a mitigation and a resilience perspective.

Whether onshore or offshore - with Winergy we have been supplying a wide range of wind energy generation equipment for over 40 years. With the acquisition of Moventas in 2022, we have further expanded our expertise and capacities to support the energy transition. With gearboxes, generators, couplings, integrated drive trains and a comprehensive multi-brand service portfolio, we are the perfect partner for our customers in the wind energy market.

To meet the world's future energy requirements for renewable energies, capacities must be massively expanded and offshore wind power in particular, with its great potential, must be further developed. We reached a major milestone here in the year under review:

At the same time, we want to further reduce the cost of generating energy. An example for this is our new **HybridDrive product**, which achieves efficiency of more than 96.5% energy conversion. By bringing products like this to market, we make an important contribution to clean energy supply, reduce our material footprint and extend the life of our products.

WHAT CAN 350 GW DO?

In specific terms this means:



408,000,000,000

Internet searches carried out per hour



7,154,000,000

Refrigerator freezers kept cold for a year



268,275,000

European households' electricity needs met for a year



5,365,500,000

Washing machines run at a normal rate of use for a year



135,000,000

Electric cars driven around the world for a year

4.2 OUR SUSTAINABLE PRODUCT PORTFOLIO CONTINUED

Our contribution to resource reduction and greater sustainability

We take responsibility for our impact on society and the environment in all our product areas. We constantly strive to reduce and mitigate the negative environmental impact of our product life cycle. After all, modern industrial applications not only have to be economical, but also sustainable. This applies to the actual production process as well as everything that precedes it in the value chain.

We approach this challenge by reducing the resource intensity of our products, increasing their lifespan and designing and developing our products to be easily recyclable.

We ensure this through our quality management, risk analysis and extensive testing of the products. At the same time, we are constantly working to make our products better and to develop innovative, sustainable products. Flender is responsible for the design of all its products and applies sustainability criteria right at the start of the product design and development process. A checklist that supports product engineers during the development process to create environmentally conscious products is embedded into our design framework. This checklist helps to support the consideration of impacts and risks to the environment originating from our products, systems and packaging in order to define measures minimizing or eliminating risks. Preventative measures are defined and their fulfillment will be checked and approved as part of the process.

Conservation of resources and other advantages of the modular designs of our gearboxes and generators:

- replacement of individual parts and not just the entire unit is possible;
- reduction of transport costs;
- reduction of material waste;
- extended life cycle; and
- upgrade option.

Aspects of the sustainability checklist in the development process/product design:

- consideration of environmental impacts and risks originating from:
 - our products;
 - our systems;
 - our packaging; and
- definition of measures to minimize or eliminate risk, e.g. criteria such as REACH, RoHS, variety of materials and removable design.

OUR PRODUCTION PROCESS

Material inputs



Product design



Sustainable packaging



Product quality and safety

4.2 OUR SUSTAINABLE PRODUCT PORTFOLIO CONTINUED

Our contribution to resource reduction and greater sustainability continued

Our engineers are supported by our Corporate Technology and Innovation (TI) function, while each business unit takes responsibility for sustainable innovation at operational level. Our priority is to increase power density to generate the same performance with fewer resources. The basis for increasing the power density of our products, i.e. transmitting more torque with the same or less weight, lies in technology development.

New manufacturing technologies, in combination with the optimized utilization of materials for gear teeth and structural components, offer sustainability potential by enabling components to be designed smaller or with less material input. Our calculation programs, which we use to “calculate” the latest state of the art into our products, are continuously being developed.

Besides, we are working on reducing the weight of parts by specifying the cast and forged parts in near-net shape, which means that the part is designed in such a way that as little material as possible has to be removed during manufacturing processing. With its fundamental studies into new technologies, the Technology & Innovation department is also helping to ensure that, beyond the recycling, also the repair of our products is thought through further and that components can thus remain in use longer.

In addition, we are working on new, more efficient manufacturing technologies such as heat treatment and gear manufacturing processes in combination with the optimized utilization of materials.

Our products are designed so that the unit is largely recyclable after the usage phase since our products are mainly made from steel and cast iron materials.

Sustainable packaging is an important factor in reducing our carbon and material footprint and we are continuously working on sustainable and innovative packaging solutions. For example:

- new, standardized packaging instructions for German production sites to be able to use reusable packaging in a targeted manner; and
- the introduction of reusable packaging for rolling bearings (from wood to plastic), which significantly reduces wood waste.

4.2 OUR SUSTAINABLE PRODUCT PORTFOLIO CONTINUED

FLENDER ONE – sustainable, innovative and efficient

The single-stage spur gear has been setting standards in paper production, centrifugal pumps and other industrial applications for a long time. With FLENDER ONE, we have taken the classic to the next level, making it more sustainable for our customers – resource saving and efficient. How does FLENDER ONE contribute to more sustainability?

With FLENDER ONE, we can make an effective contribution to sustainability for our customers:

- The cooling requirement can be significantly reduced compared to the previous product.
- Efficiency has been improved through processes that optimize performance.

- Minimizing downtime – reduction of idle times through the highest quality standards and the digital solution AIQ. With the new transmission intelligence of AIQ, we equip transmissions works with basic intelligence, intelligent sensors and intelligent tools for drive train and process automation. AIQ stands for suitable solution packages and clear customer benefits because the intelligent technology makes diagnostics, error detection and predictions as well as maintenance support more efficient, directly and immediately at the customer's site.

- Avoid wasting resources by optimally scaling to requirements.

In concrete terms, this means compared to a conventional gearbox, Flender ONE saves around 124 tons of CO₂ per year with a machine output of 7,500 kW and machine times of 24 hours a day, 7 days a week.

More information can be found at:
Flender One

124 tons

CO₂ saved per year with a machine output of 7,500 kW and machine times of 24 hours a day, 7 days a week.



4.2 OUR SUSTAINABLE PRODUCT PORTFOLIO CONTINUED

GRI 301-1 | SDG 8.4

We consider the environmental aspects of our materials

We are focused on optimizing our use of materials in order to conserve valuable resources and minimize the use of environmentally harmful resources.

Steel and cast iron are important resources in the manufacture of our products - they account for over 85% of the weight of most of our products.

We have full transparency about the use of materials when using Substances of Very High Concern (SVHC) according to the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) or restricted substances (according to the Restriction of Hazardous Substances (RoHS)) and are committed to increasing the proportion of recycled material. Flender is in the process of developing a database to evaluate all the materials used in its products.



CASE STUDY



FLENDER REMOTE EXPERT – real-time service meets sustainability

Trust and excellent service are important aspects on which our customer relationships are based. To achieve this, we aim to minimize downtimes and guarantee quick fault diagnosis and troubleshooting. With the Flender Remote Expert, we can offer our customers direct and fast service advice. With the help of smart glasses, smartphones or tablets, our

field service technicians can offer immediate support – great added value for customers and for the environment at the same time. The digital connection reduces travel and reduces CO₂ emissions.

More information can be found at:
Flender-Remote-Expert

4.3 MANAGEMENT OF OUR ENERGY CONSUMPTION

GRI 302-1, 302-3, 302,4 | SDG 7.2, 7.3, 8.4, 12.2, 13.1

As a company and with our products, we want to make a significant contribution to the energy transition. Our goal is to cover 80% of our total energy requirements from renewable sources by 2024. Since 2018, our enterprise-wide electricity consumption has increased by 10.8% due to higher sales and company integrations. Compared to the previous year, the increase in 2022 was 3.0%. Nevertheless, we see ourselves on the right track, as the total share of renewable energy in 2022 was 75% and renewable electricity 99.6%. We have already converted all of the important production sites to renewable electricity, and we plan to convert all of our service facilities to renewable electricity sources in 2023.

The most important source of energy for Flender is electrical energy. This is used for the operation of our machines and test benches as well as for heat treatment processes. Accordingly, we are focusing on reducing the consumption of this type of energy. This means promoting projects and initiatives to improve our energy efficiency at all key sites, including initiatives such as installing solar panels on our factories, switching to energy efficient LED lighting and exchanging equipment to energy efficient technologies. Within Flender retrofitting existing equipment with energy efficient pumps, drives and coolers is playing a significant role. With the help of these measures, we were able to save a total of 5,828.19 GJ in 2022.

302-4 Reduction of energy consumption (GJ)



5,828.19

Saved energy

302-1a Total fuel consumption within the organization from non-renewable sources (GJ)



228,181.97

Fuel consumption from non-renewable sources

CASE STUDY



VESTAS SUPPLIER AWARD 2022 FOR "OPERATIONAL EXCELLENCE"

Our goal is to be the "partner of choice for a sustainable future" and so we are delighted that our customer Vestas has recognized us and endorsed our approach. Vestas' awards go to the best suppliers based on a range of criteria. Flender was recognized not only for its reliable products and deliveries, its excellent customer service performance and its regional footprint, but also for its commitment to net-zero emissions. This demonstrated that our commitment to sustainability is enabling us to achieve our goal.

4.3 MANAGEMENT OF OUR ENERGY CONSUMPTION CONTINUED



302-1c Electricity consumption (GJ)



674,350.32

Electricity consumption

Note: As in previous years, Flender did not sell any electricity or other energy in 2022. The sites in Chile and Ruhstorf are not included in the calculation of secondary energy. The site in Australia is not taken into account for calculating primary energy.

302-1e Total energy consumption within the organization (GJ)



899,760.80

Total energy consumption

302-3 Energy intensity



0.0120

Energy intensity

All relevant production costs of all Flender business entities were used as the denominator for the calculation of the energy intensity. The following energy sources were taken into account, both internal and external: fuel, electricity, heating and district heating.

4.4 MANAGING OUR CARBON EMISSIONS: OUR PATH TO NET-ZERO EMISSIONS

Flender calculates its annual greenhouse gas footprint using the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard ("the GHG Protocol"), the most widely used international standard for accounting of greenhouse gas emissions.

Greenhouse gases (GHG) include carbon dioxide, methane, nitrous oxide and fluorinated gases (hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride and nitrogen trifluoride (NF₃)). Other gases such as PFC, HFC and NF₃ are not used in our operations.

The GHG Protocol divides emissions into the following three types:

- **Scope 1 emissions** (direct emissions);
- **Scope 2 emissions** (indirect emissions from energy purchases such as electricity and district heating); and
- **Scope 3 emissions** (other indirect emissions along the value chain).

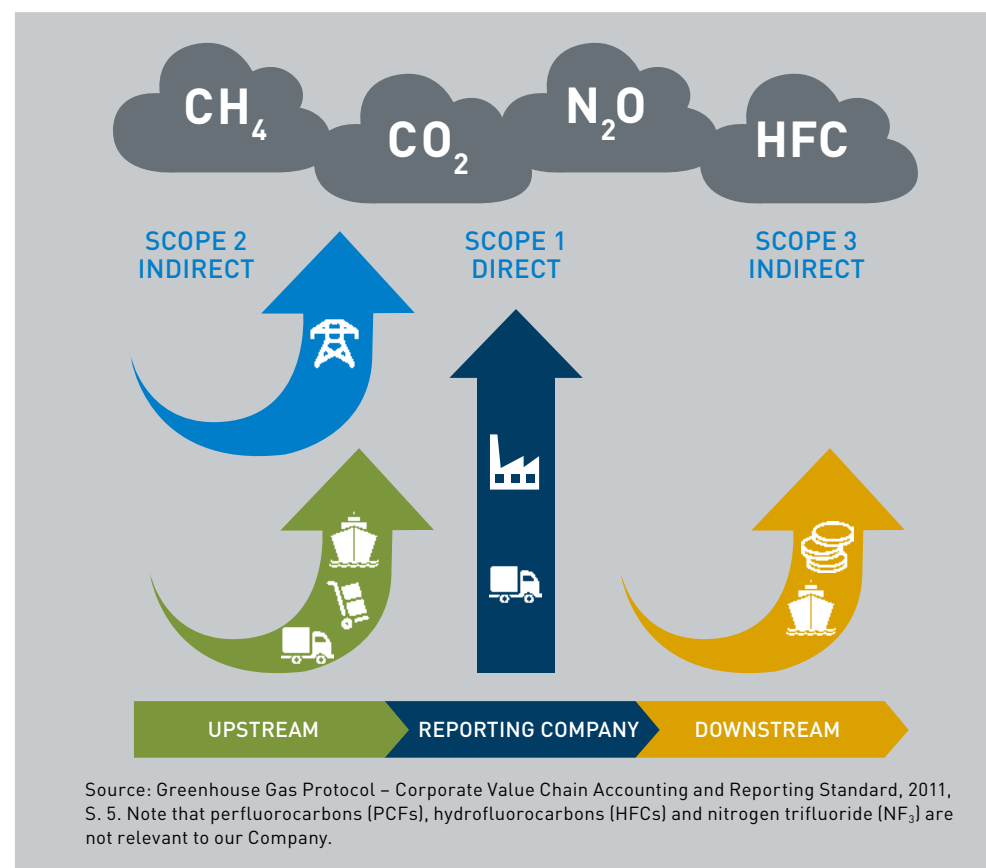
Direct and indirect GHG emissions sources at Flender include:

- **Scope 1 emissions:** those directly related to fuel consumption, including natural gas, LPG, motor fuels, heating oil and acetylene, and emissions of other greenhouse gases from manufacturing operations;
- **Scope 2 emissions:** the consumption of purchased electricity and district heating energy for product manufacture; and
- **Scope 3 emissions:** emissions from upstream and downstream processes, such as those caused by business travel, investments, transport and sales, but also emissions caused by purchasing products and services from suppliers.

Our strategy to net-zero emissions
Our targets to reduce our CO₂ footprint by 2030:

Become carbon neutral in Scope 1 and Scope 2

Reduce Scope 3 by about 30%



4.4 MANAGING OUR CARBON EMISSIONS: OUR PATH TO NET-ZERO EMISSIONS CONTINUED

CASE STUDY

HYBRIDDRIVE – THE POWERHOUSE FOR WIND TURBINES

The expansion of offshore wind power is particularly important in order to ensure global future energy requirements are met in a sustainable manner. However, these systems are often resource and cost intensive. We are working on resource optimization and efficiency for our wind customers. With our HybridDrive powertrain, we have reached a new level of product efficiency, resulting in the product being named “Best Powertrain of the Year 2021” by WindPower Monthly Magazine.

Why?

With this powertrain, we have set new standards and significantly increased system efficiency and safety. Critical resources required for the energy transition are saved and costs are reduced.

The compact design saves resources

With the HybridDrive, we have developed a drive for wind turbines that saves 87.5% of the rare earth materials and 90% of copper compared to previous commonly

used offshore drive concepts. The situation is similar (83%) with electrical steel. Due to the reduced dependence on the raw materials mentioned, there is currently a rethinking in the wind industry towards the new medium-speed drive concepts such as the HybridDrive.

Compared to conventional geared drives, the HybridDrive is unique because it combines the previously separate components of transmission and generator into a particularly compact drive unit and requires 50% of the space compared to conventional geared drives.

Flexible application options

The HybridDrive is flexible and suitable for different concepts of onshore and offshore wind production.

Noise level reduction

Due to the medium-speed drive technology, the noise level decreases significantly along with the reduced output speed of the transmission.

Highest reliability of the components

We have increased system security and can ensure high reliability of all components through improved system testing in the factory.

Improving the levelized cost of energy (LCoE)

Through technological developments, we are increasing the speed of the turbines and the energy output.

Increase in efficiency

By optimizing the materials, we were able to increase the efficiency of the system by 1%.

You can find more information about Winergy HybridDrive on our website: **Winergy-HybridDrive**



Main benefits HybridDrive

90%

Copper vs. direct drive

87.5%

Rare earth minerals vs. direct drive

83%

E-steel vs. direct drive

+1%

Drive train efficiency, improving LCoE

UP TO 50%

Shorter vs. conventional geared drives

4.4 MANAGING OUR CARBON EMISSIONS: OUR PATH TO NET-ZERO EMISSIONS CONTINUED



OUR EMISSIONS COMMITMENTS

Flender is committed to becoming CO₂ neutral by 2030 based on reducing our Scope 1 and Scope 2 emissions. This goal was set at our CSR Board meeting in November 2020 and is an integral part of our first CSR strategy pillar, "Sustainability".

To achieve this goal, we implement energy saving initiatives and try to reduce our Scope 1 and 2 emissions as much as possible. Many of our buildings are today heated with natural gas. We are planning to replace natural gas as much as we can to use renewable energy in the future through heat pumps and waste heat recovery. As there will be no full conversion possible, we plan to offset all remaining emissions after 2030. To minimize offsets, we are implementing an energy management system, helping us to reduce overall consumption. We have also set ourselves the goal of reducing our Scope 3 emissions by 30% by 2030 compared to the base year 2021.

To achieve these goals, we need detailed data baselines. With the help of an external partner, we introduced new environmental reporting for global data

collection of Scope 1 and 2 emissions. This enables us to track our emissions and measures worldwide much better, enabling countermeasures to be deployed more quickly and target setting and tracking to be more effective.

In addition, we are pursuing a multi-pronged strategy that is aimed at reducing the CO₂ footprint in operations and in our supply chain. CO₂-reduction measures for emissions from energy are coordinated globally and implemented locally. All sites report on their progress regularly.

We strengthened our ambitions in 2022 by committing to set near and long-term Company-wide emission reductions in line with the Science Based Targets initiative (SBTi) criteria. We have responded to the SBTi's urgent call for corporate climate action through the Business Ambition for 1.5°C campaign. Over the next months, we will develop targets to drive forward the goals of the Paris Agreement. Our positioned targets will be reviewed and validated by the SBTi.

4.4 MANAGING OUR CARBON EMISSIONS: OUR PATH TO NET-ZERO EMISSIONS CONTINUED

REDUCING THE CARBON FOOTPRINT OF OUR OPERATIONS

GRI 305-1, 305-2, 305-3, 305-4, 305-5, 305-7 |
SDG 3.9, 12.4, 13.1

Between 2015 and 2022 we reduced CO₂ emissions in our own operations by 78.7%, mainly by switching to CO₂-neutral energy sources.¹ An increase in our Scope 1 emissions can be observed in the 2022 financial year following steady reduction over the last few years, due to two factors:

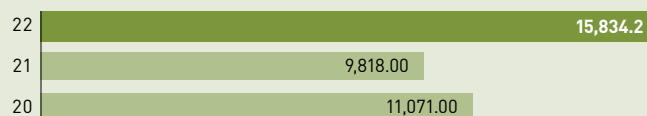
- 1) our implementation of stricter requirements for balancing natural gas and including additional sites; and
- 2) COVID-19 related increased ventilation requirements led to increased natural gas consumption.

Between 2015 and 2022, we were able to reduce our Scope 2 emissions by 98.6%.

¹ The following gases were included in the calculation: carbon dioxide, methane, nitrous oxide and fluorinated gases (hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride and nitrogen trifluoride (NF₃)). There were no biogenic CO₂ emissions.

The specified emission values do not include data on halogenated carbon from the sites in Chile, Ruhstorf, the USA, South Africa and Australia.

Scope 1



15,834.2

GHG emissions

Scope 2



934.7

GHG emissions

Total Scope 1 and 2



16,768.93

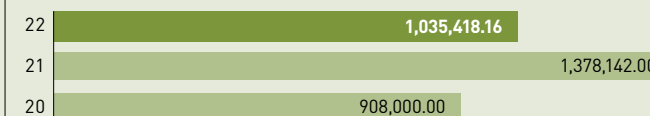
GHG emissions

Changes per year

-22%

FY2021: -12%

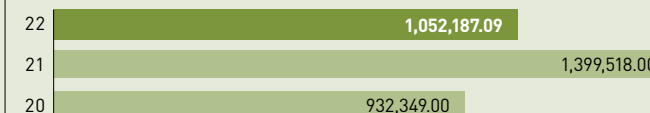
Scope 3



1,035,418.16

GHG emissions

Total Scope 1, 2 and 3



1,052,187.09

GHG emissions

Changes per year

-26%

FY2021: +50%

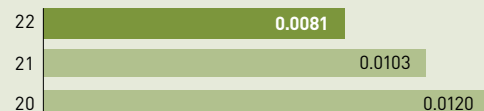
4.4 MANAGING OUR CARBON EMISSIONS: OUR PATH TO NET-ZERO EMISSIONS CONTINUED

REDUCING THE CARBON FOOTPRINT OF OUR OPERATIONS CONTINUED

GRI 305-1, 305-2, 305-3, 305-4, 305-5,
305-7 | SDG 3.9, 12.4, 13.1 continued

The GHG emissions intensity is derived from the energy intensity and footprint of each country where energy is purchased and consumed. Production footprint is predominantly influenced by the needs of customers, as well as national production and purchasing requirements.

305-4a GHG emissions intensity ratio for the organization



0.0081

Intensity ratio

The GHG emissions intensity was calculated as follows: total Scope 1 and 2 GHG emissions divided by Flender's total production costs multiplied by 1,000. The following gases were included in the calculation: carbon dioxide, methane, nitrous oxide and fluorinated gases (hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride and nitrogen trifluoride (NF₃)).

305-7a Volatile organic compounds (VOC) (t)



167.1

VOC

Some of the strategies used to reduce the CO₂ footprint of our global operations include:

- Energy management as a core strategy to reduce and control our greenhouse gas emissions: Flender follows a range of energy saving measures that consider areas such as building technology, building envelope and production activities. In addition, dedicated energy management coordinators have been deployed at all production sites. In addition, our sites are audited at least every four years by an external body on the basis of DIN EN 16247-1 as required by the European Efficiency Directive.



- Other core elements of our energy saving strategy are behavioral changes, energy supply management, energy data management and organizational and technical energy efficiency programs. All major new production facilities are equipped with energy meters.
- Many systems and machines used in our in-house manufacturing have been replaced by more energy efficient variants.
- We have equipped many more buildings and offices with LED lighting, and further replacements are planned.
- Site-specific energy saving targets: each site has its own goals to reduce overall energy consumption as well as energy consumption from non-renewable energy sources. Overall, we aim to achieve 5% energy savings (KWh) in total between 2022 and 2027.
- A major goal for 2026 is the development of a new heating concept for our main production facilities.

4.4 MANAGING OUR CARBON EMISSIONS: OUR PATH TO NET-ZERO EMISSIONS CONTINUED

REDUCING THE CARBON FOOTPRINT IN OUR SUPPLY CHAIN

GRI 308-2

We are committed to acting responsibly throughout our value chain, including Scope 3 emissions. To this end, we are continuing to work on creating CO₂ transparency in our complex supply chain.

In the supply chain for our gearboxes, couplings and generators we have a variety of raw material and component suppliers which use and source predominantly ferrous and non-ferrous base materials (copper, iron ore, nickel, steel scrap, etc.) like foundries, steel mills, ring rollers and forging shops, and roller and journal bearing suppliers.

For our purchasing volume in 2022, our Scope 3 emissions amounted to almost 1 million tons of CO₂ equivalent, around 25% below 2021. This reduction is mainly due to a change in our accounting approach in Scope 3 from “spent based” to a “spent/weight-based mix”. By changing the calculation method, we have more detailed values, independent of the (supplier) cost trend (*), and can therefore initiate more targeted reduction measures in the future.

(*) As we have seen a high inflation of supplier costs, this would have influenced the cost/emission ratio without actual improvements/deterioration respectively.

Additionally, it should be noted that actual emissions are significantly lower than reported as several steel mills and foundries that supply us are already using electric arc furnaces and/or are sourcing renewable energy. This has been verified by initial comparisons we made based on the results of our Carbon Web Assessments.

To achieve long-term net-zero emissions, we recognize that close collaboration across our supply chain and a focus on specific savings opportunities are essential. Based on our CO₂ emissions assessment of our supply chain, 80% of our total emissions can be attributed to 148 suppliers, i.e. 2.3% of our total of 6,303 active suppliers relevant for scope 3 reporting. In order to direct our efforts most efficiently, in 2022 we focused on reducing the emissions of our eleven largest suppliers, with CO₂ emissions of more than 10,000 tons of CO₂ equivalent. These suppliers are mainly steel mills and foundries.

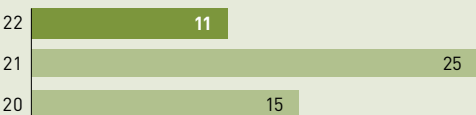
By the end of 2023, we have set the goal of developing an efficient transparency program, including measurement and reporting standards for our suppliers, to enable them to track their CO₂ footprint and initiate appropriate reduction measures (more information in the Supply Chain chapter).



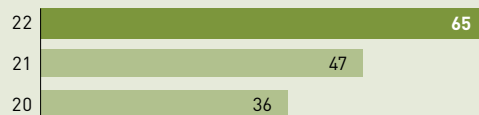
4.4 MANAGING OUR CARBON EMISSIONS: OUR PATH TO NET-ZERO EMISSIONS CONTINUED

REDUCING THE CARBON FOOTPRINT IN OUR SUPPLY CHAIN CONTINUED

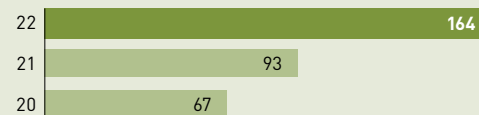
308-2b Number of suppliers identified as having significant actual and potential negative environmental impacts



11
Suppliers identified with CO₂ emissions above 10,000 tons

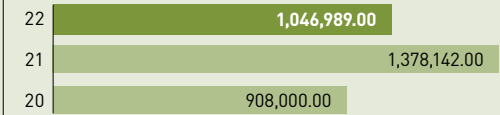


65
Suppliers with CO₂ emissions above 3,000 tons



164
Suppliers with CO₂ emission above 1,000 tons

308-2c Significant actual and potential negative environmental impacts identified in the supply chain



1,046,989.00
Actual CO₂ emissions



4.5 OUR WASTE AND WATER MANAGEMENT

OUR APPROACH TO WASTE MANAGEMENT

GRI 306-1, 306-2, 306-3, 306-4, 306-5 | SDG 3.9, 6.3, 12.4, 12.5

We have set a goal to reduce the volume of hazardous and non-hazardous waste. Most of the waste we produce is generated at our manufacturing and office sites. Due to our ongoing business expansion and increase in production, our total waste volume has increased significantly over the last few years. In the current year, despite our reduction efforts, waste volume has risen by 13.4% due to extensive construction work at our sites, particularly material in China and India. In order to achieve our goal of reducing waste by 10% by 2027 compared to 2021, we are launching and implementing various projects and initiatives at our sites. These include:

- development and implementation of a global waste reduction program to consistently measure, evaluate and reduce waste; and
- recycling programs at all major sites.

All waste from Flender companies is disposed exclusively by qualified disposal companies. We carry out regular cross-checks on the information provided by each disposal company. Furthermore, Flender implemented a new environmental reporting tool also covering global waste. About 71% of hazardous waste and 99% of non-hazardous waste (excluding demolition waste) was recycled.

IN TONS	2020	2021	2022
Non-hazardous waste	39,518.41	38,366.80	36,535.77
Of which rubble	98.72	15.62	7,655.82
Hazardous waste	5,289.00	6,044.24	13,863.70
Total waste	44,807.41	44,411.04	50,399.46

IN TONS	2020	2021	2022
Non-hazardous waste	65.41	528.80	4,482.18
Recycled non-hazardous waste	34,064.00	37,837.90	32,053.59
Hazardous waste disposed of	1,548.00	1,759.21	8,509.74
Recycled hazardous waste	3,741.00	4,285.03	5,353.96

Note: The sites in Chile, Ruhstorf, the USA and Australia are not included in the waste quantities specified here.

Our approach to water use and wastewater

Water is a valuable resource and scarce around the world. As a company, Flender is dependent on water, so it is important to us that we use this resource conscientiously and carefully. At our production sites, water is mainly used for surface treatment processes, washing, rinsing and cleaning, as a coolant or for non-production-related purposes such as sanitary water or drinking water in the canteen or in construction projects. Wastewater is usually discharged into the public sewer system and then treated in local sewage treatment plants.

Our water consumption

GRI 303-1, 303-3, 303-5 | SDG 6.3, 6.4

The primary source of water at all sites is municipal supply. At some sites, water from surface and ground water is used for cooling processes. A total of 391.5 megaliters (ML) of water was withdrawn worldwide in 2022, of which 58% came from freshwater supply and 42% from groundwater withdrawal. This means an overall increase in water consumption of 7%. The total water consumption from the municipal supply (third-party water) has also increased by almost 24%. The increases are due to the integration of the Wind Generators business unit as well as a significant increase in production and ongoing expansion projects.

We have already optimized our water management in recent years and it is checked annually. During the year under review, we set ourselves a specific goal of reducing our water consumption by 10% between 2022 and 2027. Our global water efficiency program should help us to consistently minimize our water consumption at all sites in the future. >>

4.5 OUR WASTE AND WATER MANAGEMENT

Our water consumption continued

GRI 303-1, 303-3, 303-5 |

SDG 6.3, 6.4 continued

» The total and specific wastewater volumes worldwide have also increased in the last three years due to ongoing expansion projects and the significant increase in production. As we output contaminated wastewater, prior in-house pre-treatment is required before the wastewater is discharged into the public sewage system.

For all treatment plants, we have the necessary approvals from the responsible water authorities and monitor the treatment and pollutant parameters for compliance with all specified discharge limit values. We do not discharge wastewater into natural bodies of water or groundwater.

303-5 Water consumption (m³)

22 **2,710.20**

2,710.20

Total consumption of water from all areas

Note: The sites in Chile and Ruhstorf are not included in the calculation of water consumption. Water consumption is calculated from the difference between water withdrawal and wastewater discharge.

303-1 Water withdrawal by sources (m³)

YEAR	2020	2021	2022
Fresh water supply	167,061.00	228,630.88	226,878.30
Groundwater withdrawal	148,446.00	125,007.40	164,654.00
Other water	168.00	685.70	0.00
Total water withdrawal	315,675.00	345,323.98	391,532.30

306-1 Water discharge by quality and destination (m³)

YEAR	2020	2021	2022
Sanitary waste water	83,700.00	108,282.32	202,563.10
Production waste water pre-treated	4,693.00	6,552.00	5,180.00
Production waste water not pre-treated	3,085.00	3,469.00	106,364.00
Evaporation	56,180.00	34,080.18	9,836.00
Discharged cooling water	141,759.00	148,674.41	34,202.00
Other	25,735.00	63,832.82	30,650.00
Total waste water	315,152.00	361,421.73	388,822.10

Note: The sites in Chile, Ruhstorf, the USA, South Africa and Australia are not included in the wastewater values specified here.



4.5 OUR WASTE AND WATER MANAGEMENT

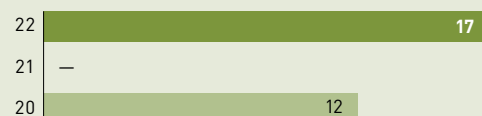
Dealing with water risks

GRI 303-3, 303-5 | SDG 6.4

The business has assessed the risk of water scarcity for our operations and this issue has been considered as part of our broader climate-related risk review. The results showed that production sites in China and India are located in areas with high to extreme groundwater stress. Groundwater stress measures the ratio of total water extraction to the available renewable surface and groundwater supply. Therefore, we invested in a new scrap and chip treatment building in China outside the potential flooding zone to protect groundwater and the nearby river. In Chennai, India, we invested in a new effluent treatment for our water recycling.

At the production sites in China and India, water extraction rose by 108% and 18% year on year to 25 and 148 megaliters, respectively, due to intensive construction work.

India (m³)



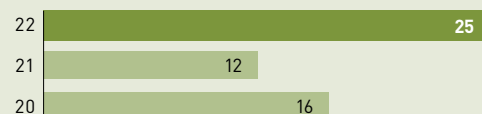
17

Groundwater



8

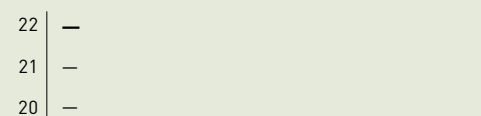
Mains supply



25

Total

China (m³)



0

Groundwater



148

Mains supply



148

Total

5

EMPLOYER OF CHOICE

IN THIS SECTION

5.1	Our employees	48
5.2	Diversity, equity and inclusion	53
5.3	Training and education	58
5.4	Supporting educational programs worldwide	61
5.5	Social commitment	63



5 EMPLOYER OF CHOICE

GRI 3-3



WE MOVE THE WORLD BY:

- moving and growing together;
- expanding knowledge and further training;
- increasing diversity; and
- promoting employee satisfaction.

A sense of togetherness, teamwork, mutual appreciation and support, a strong community, and a common passion for our products, our business partners, and customers: this is what Flender and our employees around the world – our “Flenderaner” – stand for. Our employees are our most valuable asset and the basis for our corporate success.

Employer of choice – recruiting and retaining employees

We are facing a variety of challenges in the employment market. A demographic change due to a slowing population growth and a changing age structure of the population: the proportion of young people is declining while the proportion of older people is rising. Apart from the

demographic changes, we also see an increasing shortage of skilled workers and changing working environments.

Our goal is to be the employer of choice for our current and future employees in order to retain people over the long term and to continue to attract talent in the future. We want our employees to go to work with joy, motivation and a shared passion: working together, asking questions, learning from mistakes, getting better and breaking new, creative ground. We are committed to professional and personal development, and want to provide an attractive, fair and supportive working environment where our employees feel comfortable and can use their personal strengths in the best possible way. The aim is to enable our global teams to work together and deliver excellence. Being an entrepreneur within the Company – always acting as if it were their own company – is also something that guides the day-to-day actions of our employees. To achieve this, we create clear structures, promote personal responsibility and allow creative freedom.

Our CSR goals as employer of choice

Diversity, equity and inclusion, training and further education and the involvement of employees in corporate development are central aspects of our CSR strategy and building blocks for a sustainable future.

PILLAR: EMPLOYER OF CHOICE		
FOCUS TOPIC	STRATEGIC INITIATIVE/KPI	TARGET YEAR
Diversity, equity and inclusion	Implement an active program for diversity, equity and inclusion by the end of 2023	2023
	Conduct unconscious bias training	2023
	Proportion of women in management positions to be 27% by 2025 and 33% by 2030	2025/2030
	Collaborate with schools/universities in the field of diversity	2025
People at Flender	Conduct an annual employee survey by 2022	2022
	Achieve an overall participation rate of 85% and a net promoter score of 60%	2027
	Introduce regular performance feedback for all employees by 2022	2022
	Constant optimization of existing training offers and programs, as well as expansion of the existing training catalogue	2022
	Offer benefit programs globally	2025

5.1 OUR EMPLOYEES

Employment type (102-8c)

Employment type – full time



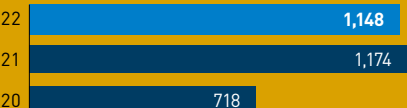
8,688

Employees on full-time contracts



7,540

Full-time contracts – male



1,148

Full-time contracts – female

Employment type (102-8c)

Employment type – part time



250

Employees on part-time contracts



83

Part-time contracts – male



167

Part-time contracts – female

Employment type (102-8c)

Employment type – permanent



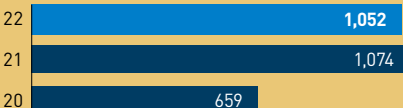
7,525

Employees on permanent contracts



6,473

Permanent contracts – male



1,052

Permanent contracts – female

Employment type (102-8c)

Employment type – fixed term



1,413

Employees on fixed-term contracts



1,150

Fixed-term contracts – male



263

Fixed-term contracts – female

5.1 OUR EMPLOYEES CONTINUED

GRI 2-7, 102-8, 401-1 | SDG 5.1, 8.5, 8.6, 10.3

Our employees worldwide*

In the reporting year, a total of 8,938 people were employed at Flender worldwide – 97% of them full time and 84% on permanent contracts. We are pleased that the number of employees has remained constant in the second year as a fully independent business. The year-on-year change is predominantly due to retirements.

* Employees by headcount, as of the reference date from the personnel master data. There is no significant proportion of workforce that is not employed by Flender.

8,938

Employed by Flender worldwide

97%

Full-time employees

84%

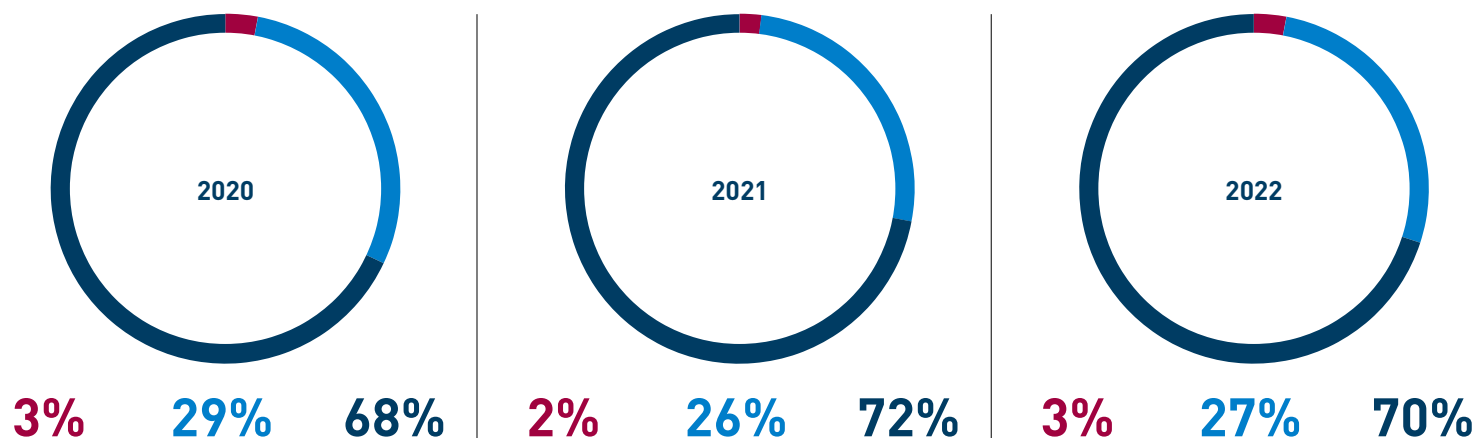
Employees on permanent contracts

KEY

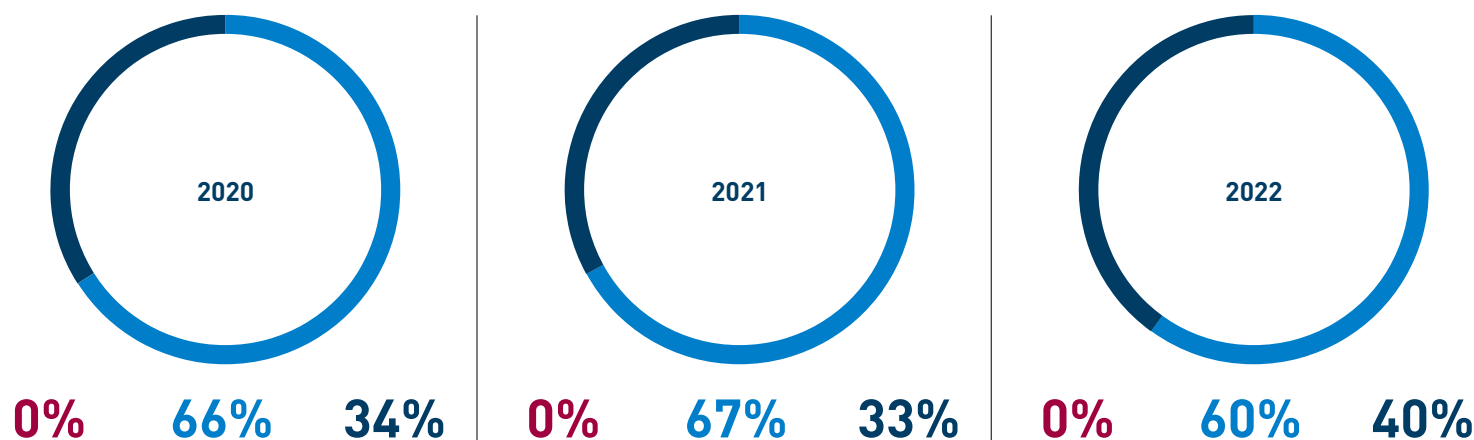
- AMCAS (Americas, Canada and Chile)
- APAC (China, India, Australia and all smaller Asian sites)
- EMEA (Europe, Serbia, South Africa, UAE, Dubai)

Contract of employment (102-8 a, b)

Contract type – Permanent



Contract type – Fixed-term



5.1 OUR EMPLOYEES

CONTINUED

GRI 2-7, 102-8, 401-1 | SDG 5.1,
8.5, 8.6, 10.3 continued

	102-8	2020	2021	2022	
NEW HIRES (401-1)					
By region	467	100%	737	100%	703 100%
AMCAS	11	2%	40	5%	49 7%
APAC	201	43%	394	53%	338 48%
EMEA	255	55%	303	41%	316 45%
By gender	467	100%	737	100%	703 100%
Female	76	16%	152	21%	98 14%
Male	391	84%	585	79%	605 86%
By age group	467	100%	737	100%	703 100%
<20	60	13%	63	9%	64 9%
20-29	162	35%	260	35%	295 42%
30-39	181	39%	267	36%	221 31%
40-49	44	9%	98	13%	81 12%
50-59	12	3%	46	6%	34 5%
>60	8	2%	3	1%	8 1%
EMPLOYEE FLUCTUATION (401-10)					
By region	339	100%	514	100%	871 100%
AMCAS	24	7%	25	5%	25 3%
APAC	115	34%	157	31%	339 39%
EMEA	200	59%	332	65%	507 58%
By gender	339	100%	514	100%	871 100%
Female	62	18%	101	20%	172 20%
Male	277	82%	413	80%	699 80%
By age group	339	100%	514	100%	871 100%
<20	8	2%	24	5%	18 2%
20-29	75	22%	145	28%	238 27%
30-39	110	33%	188	37%	336 39%
40-49	28	8%	56	11%	118 14%
50-59	47	14%	42	8%	63 7%
>60	71	21%	59	11%	98 11%

5.1 OUR EMPLOYEES CONTINUED

GRI 2-30, 401-2 | SDG 5.4, 8.5, 8.8

The importance of employee satisfaction

We work in a dynamic environment with constant changes and new opportunities. Our environment requires employees to be flexible and proactive, in order to ensure the success of the Company and to prepare for a sustainable future. To understand the needs of our employees, we have conducted a global employee survey every year since 2021. All Flender employees are eligible to participate. In addition to posing questions on employee satisfaction and topics such as commitment, meaningful work, and peer relationships, we include topics in each survey that are related to employee welfare. In the last employee survey, diversity, equity and inclusion was included as an additional topic. All Flender employees are eligible to participate. In total 71% of employees took part in the survey in 2022.

As an example, diversity, equity and inclusion (DE&I) was included in our last employee survey to gain a starting point for our upcoming global DE&I program.

In addition to our annual employee survey, there are opportunities to introduce new ideas and innovations via our "Trevios" ideas management system. The ideas are then assigned to the department which might benefit most from the idea. Each idea is then assessed for implementation opportunities, and, if implemented, the benefits are captured with a proportion of the benefit passed on to the submitter as a financial bonus. This year we carried out a limited campaign on the subject of "energy efficiency" in Bocholt, Mussum and Voerde. In addition to the bonus, the first 20 ideas submitted on the topic of energy efficiency were rewarded with

a voucher worth 40 euros. We were delighted with the response and it was pleasing to see that energy efficiency is as important an issue for employees as it is for the Company overall.

Of the 20 ideas submitted, 6 have been implemented so far, with 4 in the process of being checked for feasibility. In addition to our operations in Germany, an ideas management system is now available in China, India, Austria and the USA and is currently being implemented in Serbia. In this financial year, 59% of the ideas submitted have already been implemented. Many thanks to our employees for all their ideas!

In addition, we introduced our "FLENDER Green Weeks" in 2022 as part of our travel policy to raise awareness of CSR among employees. They take place once a quarter for one week where the following principles are applied:

- restricted travel activities are applied across the company; and
- during this time, employees are asked to avoid driving to the office or to form carpools.

Urgent customer visits are the only exceptions during "FLENDER Green Weeks".

CASE STUDY

BEST EMPLOYER AWARD

51job (also known as qianchengwuyou), founded in 1998, is a company providing human resources services, including initial recruitment, employee retention, training and learning, and other career-related assistance. 51job is the most influential human resources service provider in China and a listed company on NASDAQ.

In September 2021, 51job announced the 2022 HRM Excellence Awards. About 6,000 companies enrolled in this program and were evaluated in aspects of HR strategy, digital transformation, talent recruitment, training and development, compensation and benefits, employee care, employer branding and social responsibility. 824 companies made the final list. 323 are non-state owned companies, 230 state-owned companies, 131 foreign invested companies, 76 joint venture companies and 64 private owner companies.

With the impact of a changing epidemic and challenging micro-economic development, the company is required to respond with more complex and speedy human resources management. So the enlisted companies are therefore good examples of best practice. Flender Ltd., China is also very active in campus recruiting activities and targeted top 100 universities for employer branding promotion by roadshow and on-air conference. Flender Ltd., China was selected as Best Employer in the final round award in March 2022.

5.1 OUR EMPLOYEES CONTINUED

Attractive working conditions

GRI 2-30, 401-2 | SDG 5.4, 8.5, 8.8

Our aim is to reward the performance of our employees fairly and appropriately. Our compensation packages are based on the requirements of the position and the performance of the individual employee. In addition, depending on the location, various additional benefits such as car and food allowances, childcare allowance, collective bargaining success components and pension schemes are offered. We regularly review our compensation structure for competitiveness.



Jürgen Bosse
CHAIRMAN OF
THE WORKS COUNCIL,
GERMANY

“SUSTAINABILITY IS BECOMING INCREASINGLY IMPORTANT FOR CURRENT AND FUTURE EMPLOYEES. FLENDER STANDS FOR AUTHENTICITY, TRANSPARENCY AND LEARNING AND DEVELOPING TOGETHER.”

Employee rights

GRI 407-1 | SDG 8.8

Through our Business Conduct Guidelines and our Code of Conduct, we ensure that all employees are aware of their rights to engage in unions and union activities. Our employees are also guaranteed free participation in collective wage agreements and collective bargaining. All employees of Flender GmbH and Flender International GmbH in Germany are paid according to the IG Metall collective agreement unless they are paid outside of the collective agreement. Flender Industriegetriebe GmbH (Penig site) has an in-house wage agreement. No record of complaints or violations of the Code of Conduct relating to association and representation rights has been made in the past year.

Work – life balance

GRI 401-3 | SDG 5.1, 5.4, 8.5

Flender offers various parental leave, childcare and home office arrangements depending on the country and location. At our German sites, we offer flexible working options and childcare for our employees. If possible, we offer this to all employees returning after parental leave. During the reporting year, 151 men and 46 women in Germany took parental leave.

5.2 DIVERSITY, EQUITY AND INCLUSION

We know that diversity, equity and inclusion (DE&I) enriches the workplace and significantly benefits overall business performance. DE&I makes our Company more innovative and resilient and is therefore a priority area of Flender's CSR approach.

We stand for diversity, equity and inclusion

GRI 406-1 | SDG 5.1, 8.8

Around 9,000 people from a wide variety of nations work together at Flender in 33 countries worldwide and we have always been a company characterized by diversity.

We aim to build a culture in which we find and promote personal development pathways for every employee, in which everyone can make a valuable contribution to the development of our Company.

We pursue a zero-tolerance policy towards discrimination based on gender, age, nationality, origin, religion, political views or social circumstances. The fight against discrimination is anchored in our Code of Conduct and corporate principles and affects not only employees, but also business partners, suppliers and customers. In this year's employee survey, diversity, equity and inclusion were key topics and we were eager to hear our employees' attitudes to and expectations on this important topic.

RESPONDING TO INPUTS FROM THE EMPLOYEE SURVEY, AND SUBSEQUENTLY UNDERTAKING TARGETED DUE DILIGENCE, WE HAVE DESIGNED A PROJECT TO START IN MARCH 2023 WITH THE AIM OF DEVELOPING A GLOBAL DIVERSITY, EQUITY AND INCLUSION PROGRAM.



Flender is committed to developing human resources policies and procedures that nurture and reward our people for good performance. Through our remuneration framework, we want to attract, develop and retain our employees and drive appropriate behaviors to achieve the best results.

Our employees are our most valuable asset. We embrace and encourage each individual's differences, their life experiences and their capabilities, and innovations that help to build and shape not only our cultures, but Flender's reputation both internally and externally.

We strive to foster, cultivate and preserve a culture of diversity, equity and inclusion through our basic principles contained in our Business Conduct Guidelines.

Our diversity initiatives are applicable in our approach to recruitment, selection, compensation and benefits and professional development. We aim to develop a working environment where all employees have a responsibility to treat each other equally and with dignity and respect.

Diversity enriches our workplace. It is essential that any forms of discrimination, harassment, or inappropriate behavior towards individuals or groups are not tolerated within Flender.

In the 2022 reporting year, Flender did not record any incidents of discrimination through the Flender "Tell-Us" reporting tool. Further details can be found in chapter 7, Governance & Compliance.

5.2 DIVERSITY, EQUITY AND INCLUSION CONTINUED

GRI 405-1 | SDG 5.1, 5.5, 8.5

OUR MEASURES AND PROJECTS TO PROMOTE DIVERSITY, INCLUSION AND EQUAL OPPORTUNITIES

We support various initiatives to promote diversity, inclusion and equal opportunities.

- **Structural inclusion measures:** At the site in Voerde, Germany, we are working on making the working environment more accessible. This includes a covered car park, automatic doors and accessible toilets.

Flender sponsors annual events to promote diversity, equity and inclusion, which are open to employees and external visitors. The following events were organized in 2022, among others:

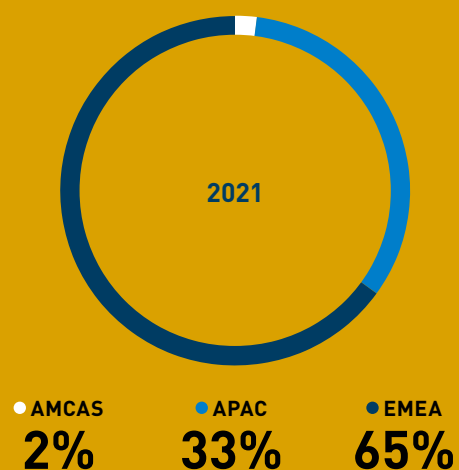
- **Mechanics Experience Day:** An annual event for students from local schools to get an insight into the apprenticeships that Flender offers. Under the supervision of trainees or instructors, various Do-It-Yourself stands are offered such as drawing, drilling and cabling. At the end of June, over 100 schoolchildren from the Bocholt region came to the Mechanics Experience Day.
- **Night of apprenticeship (Bocholt, Germany):** The second training night took place on 17 November 2022 and was a complete success for Flender. More than 370 visitors found out about our training programs, explored our premises and had the opportunity to experience hands-on programs in the training workshop that offered insights into individual professions integral to our business.



5.2 DIVERSITY, EQUITY AND INCLUSION CONTINUED

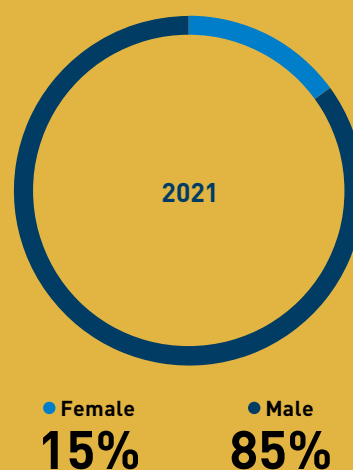
102-8 Information on employees

Employees by region



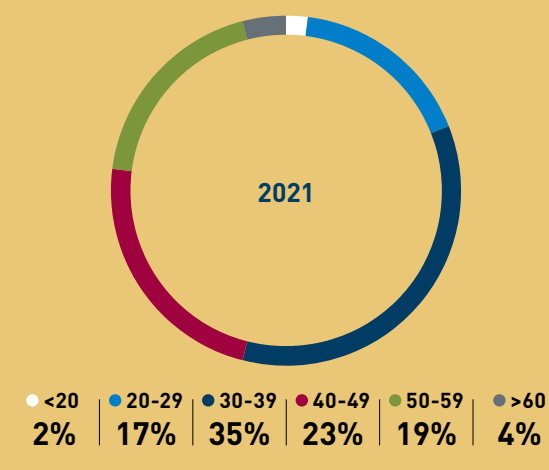
102-8 Information on employees

Employees by gender



405-1b Diversity of governance bodies and employees

Employees by age



5.2 DIVERSITY, EQUITY AND INCLUSION CONTINUED

GRI 405-1 | SDG 5.1, 5.5, 8.5 continued

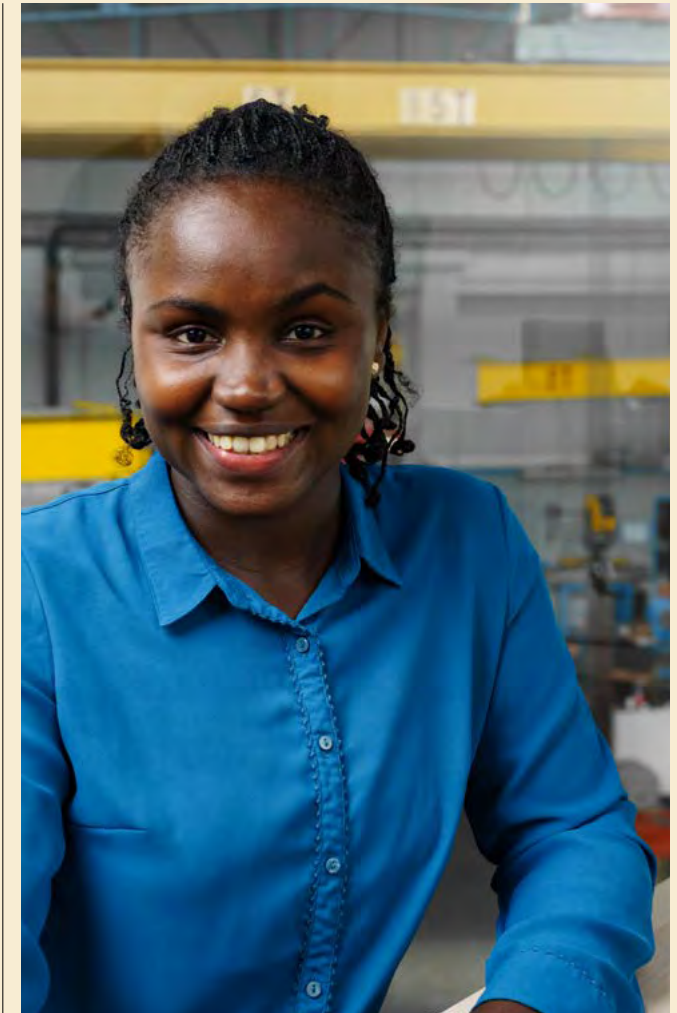
Promotion of woman

At present, 15% of our employees worldwide are women, with around 11% in management positions (a differentiated evaluation by level is being planned). In the future, our aim is to address the imbalance between women and men at all levels. As part of our CSR strategy, we have set ourselves the goal of reaching 33% women in our management positions by 2030 and will be planning suitable measures to achieve this.

The “Women@Flender” network, which was founded more than ten years ago, plays an important role for Flender. The network acts from Germany and stands for equal opportunities and unprejudiced promotion of employees. Topics such as personal development, leadership, new work and work – life balance are discussed at regular international meetings. The network is supported by the management through its attendance at events, naming supporters and sponsoring initiatives.

Another important aspect of equal opportunities for us is mixed-age teams. This is because employees of different ages bring different skills, experiences, and viewpoints to the table, helping to increase innovation and creative problem solving. We at Flender ensure age diversity around the world. We are proud that around 50% of new hires are under the age of 29, evidencing that we are able to attract younger generations into our workforce. We are equally full of admiration for our older generations as they have evidenced their indispensable commitment by their many lifelong employment biographies at Flender.

Our older workers, who have the wisdom of experience, are truly experts in their field of expertise and share their knowledge and train our younger employees. They offer mentorship, leadership and interpersonal skills, and have their own approach to problem solving which has proved its worth over many years. Our younger and older employees form a team that complements each other. This strengthens the Company culture and loyalty among employees as well as ensures that the next generation of “Flenderaner” is well equipped and receives precisely the skills and qualifications required to maintain Flender’s success in future. We are convinced that, as other forms of diversity, improving age diversity in the workplace has a direct impact on the success of Flender and is demonstrated by its effects on employee engagement, retention, and motivation.



5.2 DIVERSITY, EQUITY AND INCLUSION CONTINUED

GRI 405-1 | SDG 5.1, 5.5, 8.5 continued

CASE STUDY

HARVEST FESTIVAL, INDIA

India is popular as a “land of festivals”. The festive season in India continued in the new year with the onset of a week-long Harvest Festival, celebrated across the country. India has 29 states and 8 union territories, each having its own unique cultural footprint and languages as well as festivities. As the majority of the rural population in India is engaged in agriculture, the first yield of food crop is a delight for the people and they celebrate it cheerfully as a festival. Harvest Festival is one of the most popular and colorful celebrations that happens across the country. As different regions in India get diverse climate conditions, harvest season also varies moving from the north to south or east to west of India. Likewise, the Festival is celebrated in different parts of the country on different dates between January to April and August to November. Also, in different parts of India, it is associated with different names, customs, colors and fervor.

Some of the largest northern and southern states celebrate Harvest Festival in the month of January. In the southern state of Tamil Nadu, it is celebrated by the name Pongal. This is a thanksgiving celebration where people express their deep gratitude to mother nature for the produce of the year. The celebration goes on for four days. The festivities involve prayers combined with singing, dancing, games and cooking traditional dishes mainly with rice from the fresh harvest. Families, neighbors and friends get together in colorful traditional costumes to thank nature for the availability of fertile land, good rains, sunlight necessary for agriculture and cattle for milk.

These festivals also help in developing a sense of respect and responsibility in Indians towards natural resources as means of sustained living.

The employee engagement team at Flender Chennai organized a Pongal celebration in the factory with enthusiastic support from management and employees. On the celebration day Flenderaners came to the office adorned with colorful traditional costumes. The Chennai factory premises was also decorated in vibrant colors.

Pongal celebrations started with a traditional ceremony and prayers in the presence of Flender India management. Our distinguished guests and visitors on the day also gracefully participated in the ceremony. The management team welcomed all participants and invited them to take part in the events planned for the day.

A group of local students visited during the ceremony to demonstrate their talent with the musical instrument “Parai” and promote traditional music of the state. It was followed by a series of competitions among the employees, showcasing their talent in poster and rangoli art as well as cooking.

Teams of employees competed in cooking Pongal dishes using earthen pots and a firewood stove. Others joined in to make colorful rangoli art on a Pongal theme.



An overwhelming response was received for the poster art competition. All artworks were displayed in the open for everyone to see and appreciate. In keeping with the competitive spirit, a judging committee was formed to give scores in the competitions.

Later in the day, many fun games were organized with on-the-spot participation. The sportive lot from among the employees tested their might in the game events while the audience cheered for the players at full blast. Few employees also showcased their talent in dancing, singing and poetry.

The day ended with an encouraging address and vote of thanks from management. The refreshing events of the day were appreciated by all.

5.3 TRAINING AND EDUCATION

GRI 404-2 | SDG 8.2, 8.5

FOR ALL OF OUR EMPLOYEES, WE OFFER CONTINUED EDUCATION AT THE FLENDER ACADEMY, BOTH ON SITE AND ONLINE AS ON-DEMAND WEBINARS OR LECTURES. IN ADDITION TO MANDATORY TRAINING COURSES ON OCCUPATIONAL SAFETY AND COMPLIANCE, WE OFFER A WIDE RANGE OF SPECIALIST AND PERSONAL DEVELOPMENT COURSES, FOR EXAMPLE ON CSR, AND MAINTAINING MENTAL HEALTH AND PERSONAL WELL-BEING.

Motivated, satisfied and high performing employees are our most important success factor. Our Company operates in a very dynamic environment with the demands on employees increasing at the same time as the demands of our employees on us as an employer. We see it as our responsibility to offer our employees an extensive range of training and further education that secures and promotes both personal and professional skills.

Further development and continued education not only have personal and professional advantages for individual employees, but also secure our continued position as market leader. With well-trained specialists, we can enhance our ability to innovate as well as increase efficiency in all business areas.

Founded in 2019, the Flender Academy, which is responsible for training and education, has developed and implemented a variety of programs:

- Project management training program and qualification as a certified project manager: In project management in particular, it is important that Flender maintains consistency across departments and countries, and that project management meets the same standards everywhere. For this reason, a stand-alone training series on project management was developed two years ago, which, in addition to face-to-face training, also offers learning modules such as in-depth videos and webinars on the most important topics. Since then, this training series has been established as a fixed learning component for all new project managers and project team members.

Project managers also have the option of being certified as project managers. This internal Flender certification is currently in its second year and the application phase for the coming year will start in early 2023.

Last year, twelve employees in China received further training as trainers in order to standardize project management internationally. In addition, the training courses will also be offered online in English in 2023.

- Our "Juniorenkreis", a talent program, and "go-for-professional" program:

There are two support programs to prepare talented young employees in the Company for a possible management or specialist career:

- "Juniorenkreis", a talent program for employees from the technical and commercial areas; and
- the "go-for-professional" program for industrial employees.

Both programs include leadership and self-management seminars. In the "Juniorenkreis", the participants also work on a project in a team, which is then presented to upper management. These programs also support the expansion of Flender's internal network.

- Industrial Development program (IDP): IDP is a 2.5-year program aimed at Flender specialists and junior managers from the production area and was newly introduced in 2022. With this program, we support five to seven talented employees in our Company every year to prepare them for their future potential tasks and roles. During this time they will be deployed in five different areas in Bocholt, Voerde, Mussum and Penig and will get to know each area for six months.

In addition to these special programs, the Academy has its own learning management system, which lists all training courses and records training needs. All employees have the opportunity to make training requests to the Flender Academy and receive support in selecting and planning in-house training courses.

5.3 TRAINING AND EDUCATION CONTINUED

Feedback to support further development

GRI 404-1, 404-2, 404-3 |

SDG 4.3, 4.5, 5.1, 8.2, 8.5, 10.3

We give our employees regular feedback to promote their personal development. Managers are already required to give feedback to all employees every year. In March 2023 we will implement a structured feedback and performance management system for this purpose.

Peer to peer training opportunities

- Learning from and with each other: For new products, we conduct global sales meetings and training sessions in order to offer our global customers the best quality and the best service.
- In Germany, we also offer special support for our young talented employees who are aiming for a specialist or management career:



	NUMBER OF PARTICIPANTS	TOTAL HOURS	HOURS PER EMPLOYEE
Office (white collar)	14	3,360	240
Production (blue collar)	12	1,848	154



On average, employees took part in further training measures for eleven hours per year per employee in the reporting year (GRI 404-1).

5.3 TRAINING AND EDUCATION CONTINUED



CASE STUDY

SERBIA: TRAINING AND DEVELOPMENT OPPORTUNITIES

In Serbia, there were a wide variety of training and further education opportunities for employees and managers in the reporting year. The following are some examples of further training measures.

Ten men and two women took part in the “Franklin Covey – training” course, which is offered especially for executives.

On the other hand, 90 men and 30 women took part in the “Communication, assertive communication and giving feedback – training for mentors”, which also aimed at acquiring feedback skills.

Another continuing education option was the “Pro-teams communication skills training” for the improvement of communication within the individual teams, in which 29 men participated.

“Stress management” was offered as the fourth option for continuing education, with 31 men and 23 women participating.

In total, 215 employees from the Serbian site expanded their skills in these four training options alone.

5.4 SUPPORTING EDUCATIONAL PROGRAMS WORLDWIDE

For more than 25 years, Flender has supported training and education programs for young people in the communities in which we operate. Extensive collaboration with universities is also a key element in promoting our employer brand and attracting young talent.

Education and training opportunities across our markets

Each year, we offer around 90 students training opportunities in Germany, France, Serbia, South Africa and the United Kingdom. We attach great importance to quality in developing these opportunities with every student mentored by highly qualified training staff. To promote our education and training opportunities, we visit local schools, training centers and career events. Due to the differing nature of the training opportunities, ranging from industrial to technical, commercial and information technology training, the duration of the courses varies, with an average course lasting three years.

Knowledge transfer in India

Flender colleagues took a break from their regular work and taught young students at a local industrial training institute in Kharagpur. During the sessions, students learned about a range of disciplines core to Flender's business such as mechanical engineering.

Internships, application training and Company tours for school students

We partner with local high schools such as St. Georg Gymnasium in Bocholt, Germany, and Freies Gymnasium in Penig, Germany, both of which specialize in STEM subjects. On an annual basis, we offer students of these schools internships, application training and factory tours.

Increasing graduate attractiveness in China

In order to attract young university graduates, Flender China plans to award scholarships to the best students. The aim is to promote the employer brands of "Flender" and "Winergy" in the market and to attract young people to become Flender employees.

Martin Kaufung, CFO of Flender China, introduced Flender at the signing of the scholarship agreement with Ms Lang Li Ying, the Director of Hebei University of Technology, on the university campus.

Mr Kaufung visited the various departments

of Hebei University of Technology to discuss the potential collaboration and leverage the university's resources to develop Flender's business in China, including in the fields of mechanical engineering, electric automation and artificial intelligence.

Hebei University of Technology is an important resource for hiring college graduates in both R&D and engineering fields. With the partnership now established, it is felt this will support the development of human resources at Flender long into the future.

5.4 SUPPORTING EDUCATIONAL PROGRAMS WORLDWIDE CONTINUED

1. Partnership with the Bocholt University of Applied Sciences

Flender sits on the board of directors of the “Fördergesellschaft” (Support Society), supporting the further development of the dual-study programs (B. Eng. and M. Eng.) and recruiting students for these programs with Flender employees leading some Bachelor’s degree courses. In the next year, Flender will also be the main sponsor of the new Bachelor’s degree program, “Sustainable Engineering and Management”, as well as being involved in the development of content for a new study module. As our colleague explains: “Economy and industry must take the lead in conserving resources and protecting the climate. For this we need excellently trained specialists. The new course will bring young, ambitious people to Bocholt. The entire business site benefits from this. In order to live up to our claim of being the partner of choice for a sustainable future, we need very good young people.”

2. Equipment support in India

Flender India’s CSR team supported schools in Chennai and Kharagpur that are close to factory sites with equipment to improve their infrastructure and facilities for students. With the help of associated non-governmental organizations (NGOs), these schools were provided with furniture, computers, printers and diesel generators.



5.5 SOCIAL COMMITMENT

Assuming social responsibility is an important component of our CSR strategy. As a company, Flender is also part of society and we firmly believe that companies can only be successful if they meet the needs of society and local people. For us, it goes without saying that we are involved with society at our locations around the world and we aim to create value for our local communities through our activities. Together with our employees, we are committed to resilient and sustainable societies.

In line with our CSR strategy, we are particularly committed to giving people around the world access to the same educational opportunities, raising awareness of environmental protection and supporting social projects.

Donations and fundraising activities

Donations and CSR activities across multiple locations have a specifically allocated central budget, agreed yearly. Incoming donation requests for campaigns led by recognized non-profit organizations are screened against our CSR goals and approved by senior management.



OUR COMMITMENT TO SOCIAL PROJECTS Fundraiser for war and refugee aid

In the 2022 reporting year, we initiated a fundraising campaign for aid organizations and associations that support the victims of war, displacement and poverty. Our employees contributed 50,000 euros with the Company topping up the amount to 200,000 euros. A large proportion of the money was donated to local humanitarian aid in view of the plight of the people in the war zones in Ukraine, which has been ongoing for months.

The fundraising was also designed to support people who come from crisis areas, who have left their homes and are looking for protection or other support. The funding was split between several organizations:



- 150,000 euros were donated to Aktion Deutschland Hilft e.V., which deploys relief workers on the ground in the event of a disaster.
- Of the remaining 50,000 euros, 20,000 euros were donated to the Arbeitskreis Asyl in Bocholt and 15,000 euros to the Bocholter Tafel.
- 7,500 euros were donated to Jusina Bocholt eV. to support unprivileged and refugees to organize a small vacation to help overcome trauma and stress and 7,500 euros were donated to AWO Wesel for Ukraine refugee support.
- In addition to the financial donations, our "Flenderaners" helped with the collection and distribution of food at the Bocholter Tafel.

LEFT IMAGE

Elisabeth Löckener from the Asylum Working Group is presented with 20,000 euros from Flender

RIGHT IMAGE

Jürgen Bosse (left) and Doris Bush from Flender present the 15,000 euro donation to Dr Helmut Schepers from the Bocholter Tafel

5.5 SOCIAL COMMITMENT CONTINUED

Our commitment to education and equal opportunities

It is particularly important to us to give everyone – especially children and young people – access to education and equal opportunities. We support the promotion of initiatives for youth in our communities, such as youth work programs and local youth leisure facilities such as youth sports clubs and educational institutions.

We participate in the following initiatives, among others:

- Children's Home of Hope in Chennai, India;
- children's home in Subotica, Serbia;
- family charity in India;
- school scholarship projects in China; and
- donations to various children's charities.



Children's Home of Hope, Chennai



Charitable children's projects (Jusina Summer Week Program)

Our commitment to environmental protection awareness

The promotion of the energy transition and environmental protection are essential aspects of our CSR strategy. We are involved in society worldwide to contribute to raising awareness of the importance of the energy transition. At our various sites and especially through our CEO, we play an active role in public and in discourse with politicians.

In addition, we encourage all of our employees and their families to get involved in local environmental actions, such as the Clean Environment initiative to help clean up our communities.



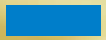
Visit of the Prime Minister of Energy and Natural Resources of Turkey to our Winery factory in Subotica



Exchange with US politician on renewable energy in Elgin, USA

6

HEALTH AND SAFETY



6 HEALTH & SAFETY

GRI 3-3



WE MOVE THE WORLD BY:

- raising the standard; and
- creating trust and safety.

Flender has a global environmental, health and safety management system (environment, health and safety = EHS) in order to be able to analyze, evaluate and eliminate or minimize all EHS risks. We comply with and exceed legal requirements and standards worldwide, as well as local environmental, health and safety regulations.

Our EHS central department is responsible for our EHS management system and reports directly to the CEO. The local EHS experts ensure that our global sites comply with all laws and regulations relating to environmental, health and safety protection and initiate projects and campaigns on site.

In addition, we have been working together with our third-party certification body TÜV Rheinland worldwide for more than 20 years in order to continue to meet future requirements and to constantly improve our management systems. In 2022, we also worked on improving data transparency and systems in our internal and external networks. One of our projects is the software solution "Substain" which helps us gather the data that is crucial for the creation of the Sustainability Report. Substain

automatically provides CO₂-equivalent factors to calculate our carbon footprint. With the software we greatly increased transparency throughout the worldwide Flender sites and minimized the potential for error in the calculation of environmental key figures.

HOW TO DO:

Standing still is a step backwards. Together with our internal and external network partners, such as TÜV Rheinland, we work continuously to improve our management systems in the areas of quality, environmental protection and occupational safety. That this work is effective is shown by the fact that we have had no legal violations of occupational safety and environmental regulations at our sites and our lost time days (LTDs) due to work-related incidents has also improved. We have achieved this through continuous tracking and root cause analysis. Subsequently, the EHS network ensures that the findings are shared throughout the Company.



6 HEALTH & SAFETY CONTINUED

PILLAR: HEALTH & SAFETY

FOCUS TOPIC	STRATEGIC INITIATIVES/KPI	TARGET YEAR
Safety	Standardization of global reporting of EHS data	2023
	Continuous communication of safety moments and EHS KPIs	2023
	Reduction of the global total recordable injury rate (TRIR) to the value of 1.40 by 2023 and 1.20 by 2027	2027
	Further enhancing visibility of EHS incidents by establishing a global, real-time database	2027
	Strengthen and continuously improve the existing zero-accident culture on a global scale	2027
	Improve audit and training program by conducting specific/customized audits and awareness raising training across all sites and departments	2027
Audits and CIP	Develop an internal audit plan and conduct audits for relevant ISO standards	2023
	Adaptation of our continuous improvement program, "Flender Performance Assessment" (FPA), and internal audits of the new corporate structure and introduction	2023
	Timely completion of actions: >85% by 2025 and >95% by 2030	2025/2030
Certification	Implementation of the global Flender Matrix certificate for the ISO standards 9001 QM, 14001 Environment and 45001 Health and Safety in the worldwide organizational entities	
	77%	2024
	84%	2026
	100%: one common global ISO certifier for the entire Flender organization	2030

6 HEALTH & SAFETY CONTINUED

Our EHS management system: high standards, learning and developing together

Our central EHS team and our local EHS experts form a common, interdisciplinary network. Monthly meetings are held with all those responsible for EHS, where we discuss incidents, security factors and KPIs, derive appropriate measures and work to constantly improve our system – all driven by the principle of learning from and with one another.

Corporate environmental protection

GRI 307-1 | SDG 16.3

As outlined in Chapter 4, our goal is to minimize environmental impacts in order to protect the environment. To this end, we comply with all applicable legal and local requirements and have implemented our environmental management system in accordance with ISO 14001 at all production and main development sites. We pursue this with our globally introduced software solutions for occupational safety and environmental protection.

We introduced a worldwide common EHS management system with reference to ISO 14001 which ensures standardized, shared processes for all sites. This management system is audited by a third-party certification body (TÜV Rheinland) every year to maintain our multi-site ISO 14001 certificate (Matrix certificate). In the reporting year, we carried out audits for the following locations: Tianjin, Subotica and both sites in Bocholt. Overall, we have not identified any legal violations of environmental laws and regulations at any of our sites.

Our approach to increasing occupational safety and avoiding accidents

GRI 403-4, 403-2, 403-5, 403-8 | SDG 8.8, 16.7

At Flender, we see our employees as our most important asset. Safe jobs, avoiding accidents at work and promoting the health of our employees are of central importance. In this way we can protect our people – our priority and a key factor in our CSR strategy.

We continually invest in resources and create a database to maintain a high level of health and safety awareness and compliance, and to ensure that all our manufacturing facilities meet stringent safety standards and requirements.

8,778 employees worldwide are covered by our occupational health and safety management system. That is a total of 94% and includes 100% of our production and service sites (excluding sales offices). In addition, we are working on targeting a full, Flender-wide Matrix certification by 2030.

With site and country-specific training courses, we are increasing the overall safety awareness of our employees. All of our employees are required to complete mandatory health and safety training annually with the scope of this training dependent on the respective function of the employee. We also offer a wide range of support to maintain and promote the physical and mental well-being of our employees. Depending on the site, various additional measures take place.

We also see health and safety as a shared responsibility. We therefore regularly involve all employees in the topic of occupational safety:

- In addition to our quarterly occupational safety committees and monthly health working group, employees are involved in risk assessments and the follow-up to accidents.
- All employees can use the 3i ideas management system to submit suggestions for improvement on the topic.
- Sites have an established reporting system in which all employees can document and report unsafe conditions or hazards in occupational, environmental and health protection. These threats are then reviewed and the necessary measures to manage any risks are implemented across the organization.
- Employees from external companies receive onboarding training for the site and carry out risk analysis together. After an accident involving an employee from an external company, an accident follow-up is carried out with all those involved.

6 HEALTH & SAFETY CONTINUED

Safety certifications and accident counts at our sites

GRI 403-1, 403-2, 403-9, 403-10 | SDG 3.9, 8.8, 16.1

Our safety standards are based on international standards and are firmly anchored in our management system. All of our production facilities and service locations are certified according to the ISO 45001:2018 standard for occupational health and safety. The certification process helps us to identify weaknesses and potential for improvement.

In addition to these legal requirements, all indications and deviations from the audits are tracked and implemented and remedied with appropriate measures. We monitor our EHS KPIs, including the number (by type) and frequency of incidents, incident severity, near misses and lost time incidents.

We can see that these measures are having an effect on our EHS KPIs: accident-related downtime has fallen by around 26% in Germany and by around 36% worldwide.

In addition, our work-related illnesses were decreasing from three cases in 2021 to only one case in 2022. We remained zero work-related fatalities.

403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities



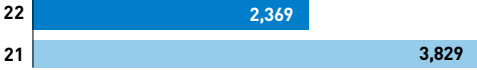
1.12

Lost time injury frequency rate (LTIFR)



1.37

Total recordable injury rate (TRIR)



2,369

Lost time days (LTD)



2

Occupational diseases



0

Work-related fatalities

FY2021: 0



7

GOVERNANCE & COMPLIANCE

IN THIS SECTION

7.1	Our compliance management	72
7.2	Taxes & financial assistance	77
7.3	EU taxonomy	78
7.4	Customer protection and data protection	78
7.5	Responsible supply chain	79

REGULATION

7 GOVERNANCE & COMPLIANCE

GRI 3-3



WE MOVE THE WORLD BY:

- value-based management; and
- excluding and minimizing risks.

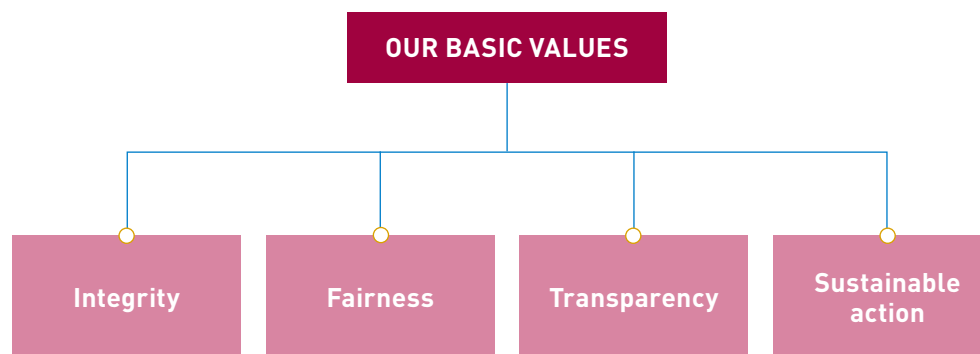
Responsible corporate management is an essential building block for our sustainable success and the achievement of our goals. For Flender, this means integrity and fairness: always acting in an exemplary and correct manner, in the interests of the Company, our employees, customers and business partners and taking into account our social responsibility towards our fellow human beings and the planet. This includes legally compliant behavior and the prevention of risks in the Company. To ensure this, our compliance management system (CMS) is an integral part of all business decisions and activities. The guiding principle is zero tolerance for rule violations and, when they do occur, Flender takes immediate and appropriate action.

However, at Flender compliance means more than simply adhering to laws and regulations. We strive to always do the right thing beyond rules and regulations. Our values and beliefs are deeply rooted in our organizational and corporate culture.

Our CSR goal: establishing a value-based compliance approach

We are continuously developing our compliance management system on the basis of a value-based compliance approach. This reflects our basic values of integrity, fairness, transparency and sustainable action in our corporate

culture and in our daily operations. We are proud that this year we have optimized our compliance processes and training courses for compliance and have defined our CSR goals for the future.



PILLAR: GOVERNANCE & COMPLIANCE		
FOCUS TOPIC	STRATEGIC INITIATIVE/KPI	TARGET YEAR
Improvement and awareness	Implement values-based compliance training and communication initiatives at all sites by 2023	2023
	Conduct risk-based compliance audits at all sites by 2023	2023
	Conduct regular compliance culture surveys through 2023	2023
Governance and risk management	Further development of the risk management system in line with the size and independent business of Flender by 2023	2023
	Initiate risk-based internal audits at key facilities by 2023	2023
	Conduct risk-based internal audits on at least 100% of key companies by 2025	2025

7.1 OUR COMPLIANCE MANAGEMENT

GRI 2-23, 2-24, 2-25, 2-27, 205-3, 412-1, 412-2, 419-1 | SDG 16.3, 16.5

As a global company, we place high demands on a responsible and effective compliance management system. The goals are to identify risks at an early stage, prevent violations of legal and internal Company rules, derive measures and protect our Company and every employee. When implementing our CMS, we are guided by international standards and use the BKMS

Compliance Case Management Tool, one of the leading systems to support compliance management processes. To report violations of laws or regulations, we use the BKMS-based whistleblower portal, "Tell Us", for all stakeholders.

Our compliance system is based on four pillars:



- Effective compliance work requires full clarification: With "Tell us" we guarantee a uniform reporting channel and a comprehensive and fair investigation.
- Consequences and reactions: Misconduct is punished directly and measures are taken directly to eliminate deficiencies.
- Constant improvement: Together with all business areas, we work on constantly correcting and improving our processes.
- Effective preventive measures: With measures such as risk management, policies and procedures, training and communication, we can avoid systematic misconduct.

We are proud that due to our value-based compliance approach, no incidents of corruption or violations of applicable social or economic laws or regulations were recorded in the reporting period.



Daniel Mehari
GROUP GENERAL
COUNSEL

"FLENDER IS SUCCESSFUL AND HAS EARNED ITS EXCELLENT REPUTATION NOT ONLY THROUGH THE QUALITY OF WORLD-CLASS PRODUCTS AND SERVICES BUT ALSO BECAUSE FLENDER STANDS FOR INTEGRITY, FAIRNESS, AND RELIABILITY, WHICH OUR BUSINESS PARTNERS AND STAKEHOLDERS ALL TRUST. WE AT FLENDER LIVE UP TO OUR HIGHEST AND VALUE-BASED ETHICAL STANDARDS IN ALL OUR ACTIVITIES AND HAVE A CULTURE OF OPEN COMMUNICATION AND SPEAK UP OPENLY AND SUPPORT OUR CULTURE OF TRANSPARENCY."

7.1 OUR COMPLIANCE MANAGEMENT CONTINUED

GRI 2-23, 2-24, 2-25, 2-27, 205-3, 412-1, 412-2, 419-1 | SDG 16.3, 16.5 continued

Responsibilities

Compliance has the full support of all Flender managers, Directors, the Board, the supervisory board, the advisory board and the Carlyle Group (our shareholder). The active engagement of the Management Board ensures clear compliance structures and an effective system through the appointment of a global and local compliance organization. This compliance organization is equipped with the necessary resources and support.

Centrally, the Legal and Compliance department, with the Chief Compliance Officer and Head of Compliance, is responsible for the control and monitoring of compliance management, including the fight against corruption and money laundering, anti-trust law, data protection and the observance of human rights as well as the basic rules for compliance organization. The Legal and Compliance department ensures compliance with laws and regulations and supports the decentralized local entities in preventing, detecting and responding to incidents of violations and misconduct. The Chief Compliance Officer regularly reports directly to the CEO of Flender.

Compliance risks and mitigation measures are identified via Compliance Risk Assessments (CRA). The CEOs of the respective entities are responsible for carrying out the assessments and ensuring the appropriate implementation of defined mitigation measures with the support of compliance.

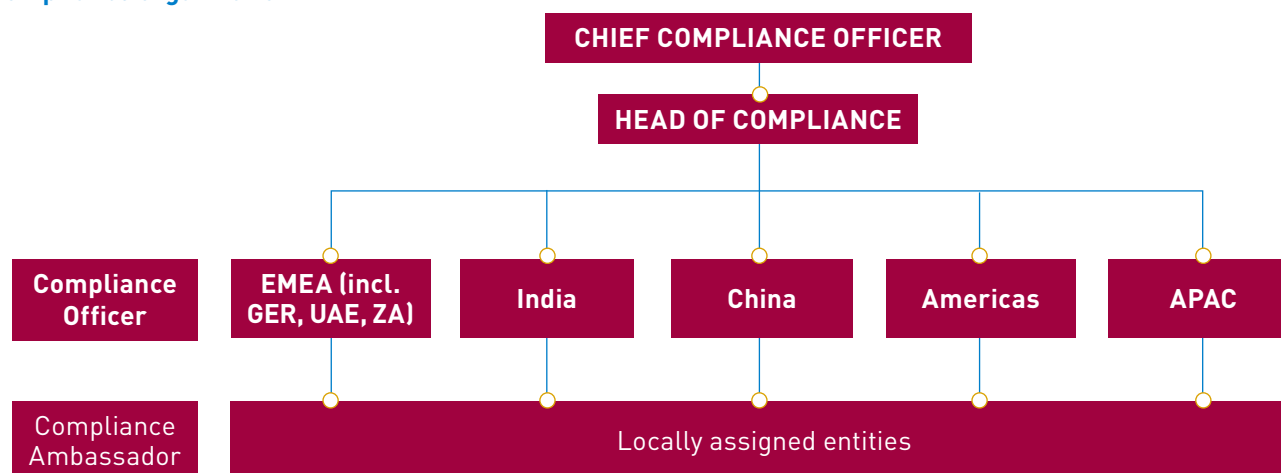
On a decentralized basis, we have assigned a Compliance Officer to all legal entities and a local Compliance Ambassador to provide support. The tasks include:

(a) support for local management and executives:

- in the realization of the compliance program across Flender companies by implementing the necessary compliance regulations and their continuous improvement and development;

- in the introduction and coordination of suitable measures to monitor compliance with the compliance program and to identify undesirable developments in the Flender companies at an early stage;
 - in the necessary measures and coordination of investigations to rectify identified legal violations and misconduct at local level; and
- (b) preventive awareness raising and training of employees on the topic of compliance, emphasizing how important this is in the context of CSR.

Compliance organization



7.1 OUR COMPLIANCE MANAGEMENT CONTINUED

GRI 2-23, 2-24, 2-25, 2-27, 205-3, 412-1, 412-2, 419-1 | SDG 16.3, 16.5 continued

Employee support and training

To support and raise awareness among our employees, we have adopted the Flender Business Conduct Guidelines (BCG), which reflect our corporate values and rules. They give all employees worldwide orientation and practical recommendations for behavior towards colleagues, business partners, customers, society and the environment. All Flender employees are trained in the basic content of the BCGs and they agree to comply with them.

In addition, our compliance handbook and compliance circular contain all Company-wide regulations to cover and supplement the BCG regulations. These also cover the compliance focus areas of anti-corruption and money laundering, anti-trust and competition law, data protection, export controls, human rights and criminal misconduct.

Compliance focus area

In addition, we attach great importance to employee education and training on the subject of compliance in order to further develop our values-based compliance system. Through regular training and information, our employees are familiar with the Flender values. Compliance training is mandatory for all our employees and management bodies worldwide. Implementation is monitored in all our regions.

Another important training module is our anti-corruption management, which is an integral part of our compliance management system.

In order to be able to provide employees with even more targeted support in the future, we will make compliance a key topic in the 2023 employee survey.



7.1 OUR COMPLIANCE MANAGEMENT CONTINUED

GRI 2-23, 2-24, 2-25, 2-27, 205-3, 412-1, 412-2, 419-1 | SDG 16.3, 16.5 continued

Corruption training in 2022

Employee training courses on the subject of compliance are extremely important to us in order to bring our value-based compliance approach to life. Compliance risks must be dealt with sensitively and carefully, particularly in countries where we consider the risk of corruption to be higher.

In 2022, based on a risk assessment of which countries are most susceptible to corruption, we carried out additional compliance training courses across several geographies. Around 1,400 managers and employees in China and India were trained together with the local contacts, notably in the context of anti-corruption.

The training consisted of various real examples of corruption which the participants evaluated and solved together.

Requirements for our business partners

Flender also expects its business partners:

- to take their responsibility for CSR issues seriously;
- to know and comply with the locally applicable law; and
- and the generally recognized standards of social responsibility and the essential principles of integrity.

This commitment is reflected in our Flender Group Code of Conduct for Suppliers and Third-Party Intermediaries and in a comprehensive approach to dealing with our business partners. All suppliers and business partners are contractually obliged to comply. The code covers requirements on the following topics: compliance, human rights and labor practices, environmental protection, fair operating practices, responsible sourcing of minerals and supply chain requirements. For suppliers, the code specifies additional requirements for an environmental, health and safety management system.

Our “Tell Us” compliance reporting system

GRI 2-26 | SDG 16.3

With our “Tell Us” compliance reporting system, we provide our employees and all other stakeholder groups with a special communication channel to anonymously report complaints about human rights violations or corruption, for example. These reports are forwarded directly to our compliance organization and processed there in a spirit of trust. With “Tell Us” we promote transparency, openness and trust among our employees, business partners and other stakeholders.

Respect for human rights

As a global company, Flender is responsible for respecting human rights throughout the value chain. We are committed to respecting them throughout our sphere of influence and ensuring that our business activities do not violate them.

Our guiding principles align with our commitments under the UN Global Compact, the International Bill of Human Rights, the European Convention on Human Rights and International Labour Organization (ILO) standards. These principles are the premise on which we maintain our zero-tolerance policy toward child labor, forced labor, discrimination or harassment.

Our commitment to respecting human rights is enshrined in our BCG. As described above, we require our employees and business partners to comply with our Code of Conduct.

Flender has also been a signatory to the United Nations Global Compact since 2022. Flender is committed to the ten principles that form the basis for integrity in corporate management and a future-oriented economic system. With this voluntary commitment, Flender wants to contribute to a fair, sustainable and future-oriented economic system and is therefore part of the world’s largest initiative for responsible corporate management.

7.1 OUR COMPLIANCE MANAGEMENT CONTINUED

Anti-corruption

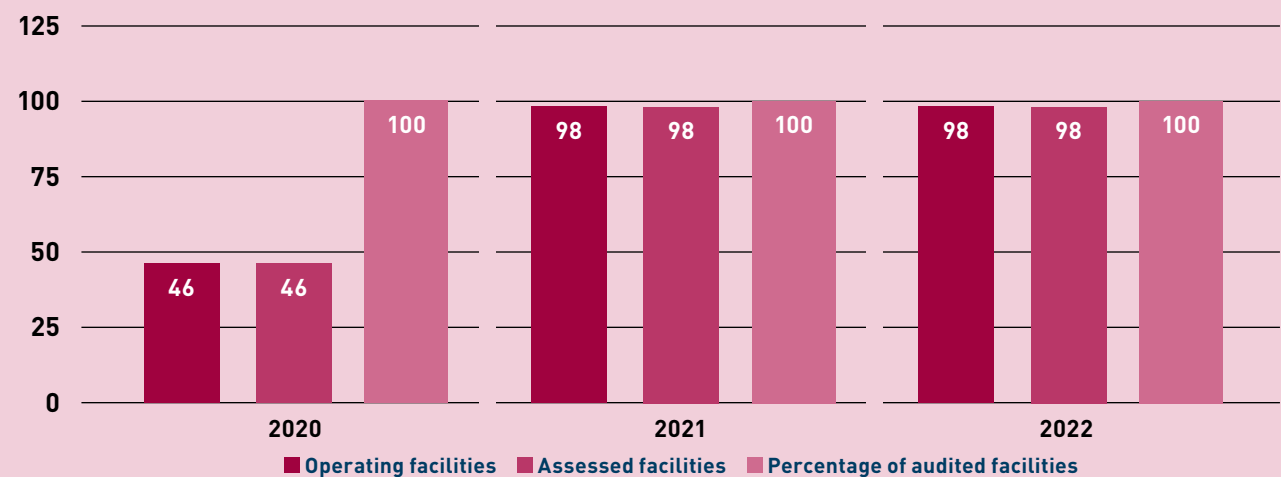
GRI 205-1, 205-2 | SDG 16.5

A “Compliance Risk Assessment” was carried out for all worldwide Flender entities in order to identify and evaluate potential compliance risks for all Flender entities and operations worldwide. The fight against corruption was seen as one of the focus areas as Flender conducts business and is represented in countries where a higher risk of corruption is identified by the Corruption Perceptions Index (CPI).

The following aspects, among others, were taken into account: the Transparency International ranking of each of our country markets; the susceptibility to corruption of the respective business entities; and the number of known cases of corruption in the past. All business sites (100%) were checked for corruption risks.



205-1 Operations assessed for risks related to corruption



Anti-competitive behavior

GRI 206-1 | SDG 16.3

Competitive behavior, taking anti-trust law into account, is important to Flender, which is also reflected in the BCGs. Business decisions are made in the best interest of our Company and not based on personal interests. Flender never enters into anti-competitive agreements with competitors because we fully support open competition in our relationships with customers, distributors and suppliers. We do not hire companies in which our employees have a personal interest or where it could benefit them personally.

In the reporting period, no anti-competitive behavior, or criminal proceedings against Flender were reported or uncovered via the internal process.

7.2 TAXES & FINANCIAL ASSISTANCE

GRI 207-1, 207-2 | SDG 10.4, 17.1, 17.3

Flender takes its obligation to comply responsibly with tax laws (including OECD principles) and tax practice in each country, to declare and pay the statutory amounts of tax, and to maintain open and constructive relationships with the tax authorities seriously. We believe that tax compliance is a core element of social responsibility for society and free markets.

Approach to tax risk management and governance arrangements

As the global headquarters, Flender holds ultimate responsibility for the taxation affairs of Flender entities. Responsibility for detailed oversight of taxation is partially delegated to local Finance departments. Flender entities approve, own and oversee the development and implementation of our tax strategy and ensure that it is consistent with the Flender BCG. Flender's tax strategy is reviewed continuously by the global tax team and our external consultants.

On site, entity-level Finance departments are responsible for the day-to-day management of Flender's tax affairs, including the management of compliance processes and Flender's tax contributions. In fulfilling its tax obligations, Flender is supported by external tax advisors which help us to meet our compliance obligations and identify, manage and, where possible, eliminate tax risks. However, responsibility for managing tax risk remains with the global tax team and its global management team.

Tax planning approach

Flender pursues tax planning measures that are as realistic as possible. Flender strives to be efficient in its tax affairs and will therefore use all available reliefs such as tax write-offs and incentives, but in the way in which they were intended. This means that all commercial and economic factors related to Flender's reputation, taxpayer responsibility and potential risk to the brand are taken into account.

Amount of accepted tax risk

Flender is a global brand that values its reputation and business success in its industry very highly, which is why it is important to us that we have a low tolerance for tax risks worldwide. If local tax risks are identified, these are addressed to the global tax department. The tax department will work with the local finance team and external tax advisors to manage these risks. Flender has robust procedures for managing tax matters.

Financial assistance

GRI 201-4

In the 2022 reporting year, Flender did not receive any state grants or investment grants (e.g. for research and development) and did not obtain any loan agreement programs or receive any other financial awards.



7.3 EU TAXONOMY

With the European Green Deal from 2019, the EU member states set themselves the goal of achieving climate neutrality by 2050. To achieve this goal, it is necessary to steer financial flows and investments towards sustainability. This will be done with the help of the EU taxonomy – a set of rules that defines the binding standards for sustainable management.

With the implementation of the Corporate Sustainability Reporting Directive (CSRD), Flender will be obliged to create a sustainability report and align with the EU taxonomy in the mid-term future. The current status of the requirements will not affect us directly until 2025. However, we are already preparing for the requirements of the EU taxonomy, so that we can be ready to report our economic activities for the Taxonomy Regulation's six environmental objectives in the future:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

7.4 CUSTOMER PROTECTION AND DATA PROTECTION

GRI 418-1 | SDG 16.3, 16.10

Data security and the privacy of our customers are of the utmost importance. To this end, Flender has set up a Company-wide data protection management system to ensure compliance with the applicable data protection law. Internal guidelines, such as the internal data protection guideline, are based on the GDPR and ensure a uniform level of data protection within the entire Flender Group. This ensures that when personal data is processed across all processes, all principles of legality, processing in good faith, purpose limitation, data economy, storage limitation, confidentiality, integrity, availability, intervenability, transparency and non-chaining are observed by all employees in a legally secure manner.

A tool-based directory of processing activities has been expanded to include important functions, including the documentation of all processing and compliance with legal requirements and internal guidelines.

A global team of local data protection managers supports the management of all Flender companies on site in implementing the obligations arising from internal guidelines and from applicable data protection laws. The Head of Data Privacy is part of the central legal and compliance department.

They guide the data privacy managers and support them in their tasks. Our data breach incident process ensures that all data protection incidents are registered, processed and archived in an audit-appropriate manner.

A Company-wide awareness and training program is essential to ensure that users are aware of their data protection responsibilities and can apply the relevant rules and regulations correctly. We offer classroom and online training courses as well as web-based training modules or video clips on data protection topics for various target groups. In addition, the data privacy managers support the global workforce with their consulting services. There are mandatory training courses and voluntary training courses.

The robustness of our data protection systems is evidenced by the fact that we have not received any substantiated complaints of breaches of our customers' privacy from external parties or regulators. No data leakage, theft or loss of customer data occurred during the reporting period.

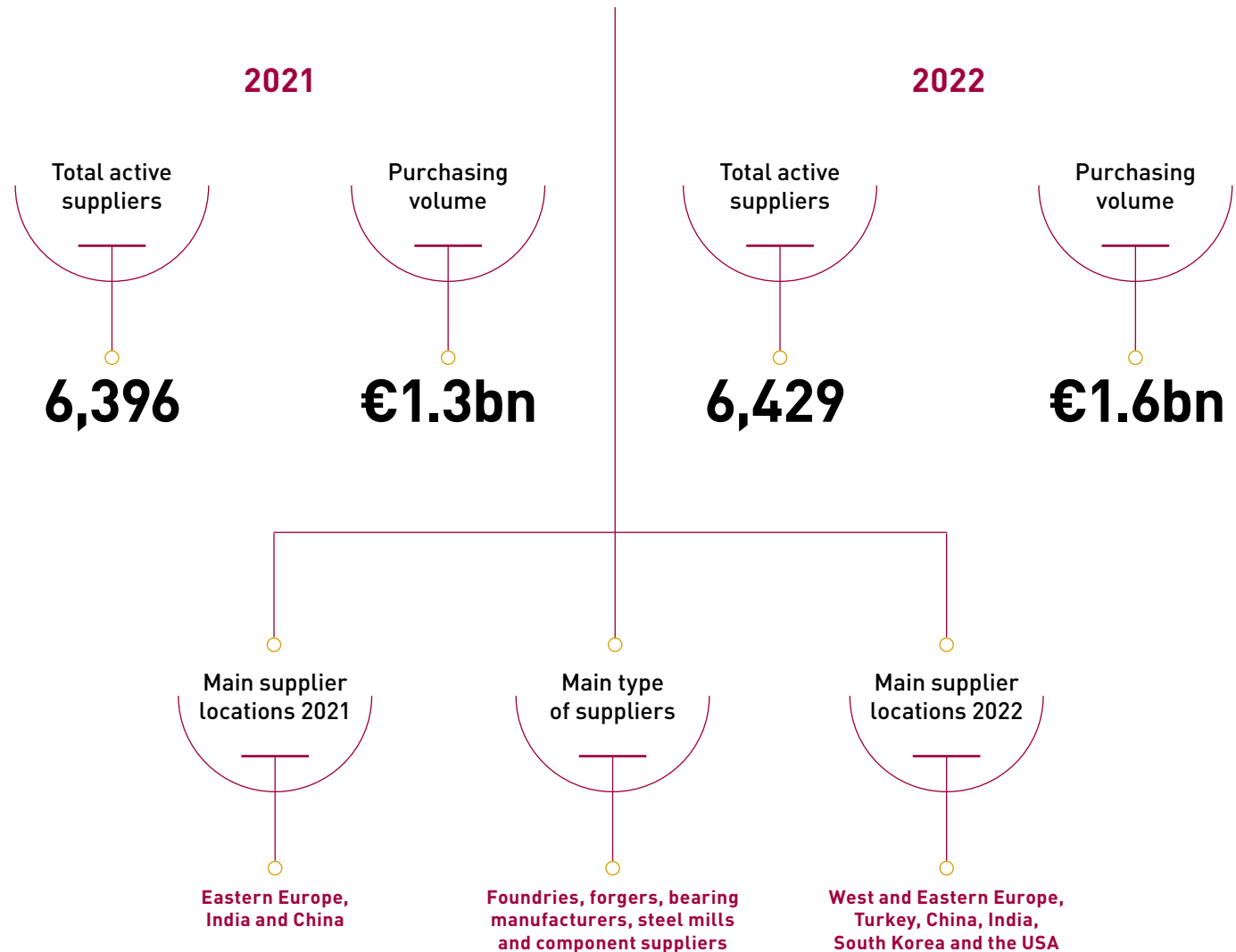
7.5 RESPONSIBLE SUPPLY CHAIN

Our supply chain in view: more sustainability throughout the value chain – this is what our customers, business partners, investors, legislators and, increasingly, society are demanding. As a business, we are responsible in our supply chain interactions as a matter of course, and we are convinced that we can only be sustainable and a partner for a sustainable future if we consider the entire supply chain.

A responsible and stable supply chain is also the basis for the successful production and delivery of our products. Trustful relationships with our suppliers are a cornerstone of our success.

The upstream value chain is an important aspect of our entire product portfolio. As a large steel consumer and with suppliers all over the world, our environmental impacts in the supply chain are clear, including high energy and CO₂ consumption, and a lack of ecological industry standards. There is also a risk of child labor, human rights and health and safety violations, as materials are sometimes sourced from countries that do not set adequate social standards.

SUPPLY CHAIN AT A GLANCE



7.5 RESPONSIBLE SUPPLY CHAIN CONTINUED

Our CSR goals at a glance

Pillar: Governance & Compliance

FOCUS TOPIC	STRATEGIC INITIATIVE/KPI	TARGET YEAR
Supply chain management	• Conducting ESG audits at our key suppliers	
	– 30% by 2023	2023
	– 50% by 2025	2025
	– 100% by 2030	2030
	• Ensuring that by 2023 75% and by 2025 100% of our key suppliers have signed our CoC	2023/2025
	• Initiation of a specific human rights survey among key suppliers	2023

Increasing transparency, reducing risks in our supply chain

GRI 308-1, 308-2, 414-1, 414-2 | SDG 5.2, 8.8, 16.1

With our supplier management process, we increase transparency and accountability in the supply chain and encourage our suppliers to comply with high environmental and social standards. Through this commitment, we help to establish responsible business practices worldwide and make a valuable contribution to respecting and protecting human rights and protecting the environment. To achieve this, we have defined appropriate measures and goals in our CSR strategy. We have set up a dedicated team in procurement to drive our Scope 3 transparency and mitigation roadmap.

Furthermore, we continued to work on process improvements to gain more transparency about data and costs and to lay the cornerstones for future measures and monitoring the impact of improvement measures. A key component is the "Cost and Value Engineering" approach for all materials. This approach gives us transparency about the costs for each material and, together with the suppliers, we can optimize them in a sustainable manner. For example, we work closely with foundries, steel mills, ring mills and forgers to make cost drivers and inefficiencies in the manufacturing process transparent and to support the selection of better aggregates to reduce energy consumption.

In order to minimize the environmental impact in the supply chain, we have focused on transparency around:

Calculation of CO₂ emissions in the supply chain

Our CO₂ reporting tool in Scope 3 is structured by region, supplier and material category (further information is available in the chapter on environmental protection). In the future, we will also have the CO₂ footprint for all materials and can thus consider sustainability as a criterion in addition to costs when making purchasing decisions.

7.5 RESPONSIBLE SUPPLY CHAIN CONTINUED

Verification of suppliers

At Flender, we are committed to conducting business in a socially responsible manner that supports the UN Sustainable Development Goals (SDGs).

As part of this commitment, we take great care in selecting our suppliers to ensure that they share our values and operate in a socially responsible way.

To achieve this goal, we have established a rigorous assessment process for new suppliers. Our process includes two key requirements for onboarding suppliers:

1. Code of Conduct (CoC): All new suppliers for indirect material and services with an expected annual purchasing volume above 5,000 euros and all suppliers for direct material are required to sign a Code of Conduct that commits them to operating their businesses in a responsible and sustainable way, in line with the UN Sustainable Development Goals.

This Code of Conduct outlines our expectations for our suppliers, including compliance with all relevant laws and regulations, respect for human rights and labor standards, and responsible environmental practices.

2. Corporate Responsibility Self Assessment (CRSA): In addition to signing our Code of Conduct, suppliers that have an anticipated business volume in excess of 50,000 euros and are supplying us from a non-OECD country or a country listed by Transparency International with a compliance country rating below 50, need to complete a Corporate Responsibility Self Assessment.

The CRSA has several chapters that need to be completed. These chapters cover a range of topics that are critical to our commitment to sustainability and social responsibility:

1. Legal Compliance and Fair Operating Practices:

This chapter gauges the supplier's commitment to legal compliance and fair operating practices, including their adherence to laws and regulations related to labor, health & safety, and the environment.

2. Human Rights and Labor Practices:

This chapter assesses the supplier's practices related to human rights and labor practices, including their approach to preventing forced labor, child labor, and discrimination, as well as their efforts to ensure fair wages and working conditions.

3. Health and Safety of Employees:

This chapter examines the supplier's policies and practices related to the health and safety of their employees, including their approach to preventing accidents and ensuring a safe working environment.

4. Environmental Management:

This chapter evaluates the supplier's environmental management practices, including their efforts to minimize their environmental impact and promote sustainable practices.

By asking suppliers to complete the Corporate Responsibility Self Assessment, we are able to gain a comprehensive understanding of their practices related to sustainability and social responsibility.

In FY2022 35 new suppliers were required to complete the CRSA.

164

Moreover, we identified 164 suppliers with a considerable negative environmental impact, in the reporting year.

3

Following our Scope 3 CO₂ emissions report, covering all global suppliers, we cluster suppliers in three different categories: exceeding 10,000, 5,000 or 1,000 tons CO₂ emission per annum for the business with Flender.

81.5%

These three categories total 164 suppliers, a quite low portion of the supply base (2.6%) but they cover over 81.5% of the Flender Scope 3 carbon footprint.

148

Flender Procurement has initiated a Supplier Emissions Transparency Program initially focusing on 148 suppliers, which cover 80% of Flender Scope 3 carbon footprint, to obtain primary emission data from them.

7.5 RESPONSIBLE SUPPLY CHAIN CONTINUED

Verification of suppliers continued

In addition to transparency, diversification of the supply chain is important to us in order to minimize risks. Our approach is to position ourselves more broadly in the supply chain – in terms of suppliers and countries. Among other things, we have already significantly increased the degree of localization in procurement in India and China. In China we were able to increase this to over 95% (previously over 80%); in India, where we are expanding our manufacturing capacities, we are also developing a local supply base. By 2025 we want to achieve a degree of localization in India similar to the level achieved in China. In addition, we have reduced the single source situation in many areas of drive technology and hydraulic components, thus ensuring a broader supply base in these areas. Furthermore, we have optimized the dependencies of direct and sub-suppliers in certain regions (Russia, Ukraine, China, Turkey, India) and identified and qualified new suppliers in order to reduce the risk in the supply chain logistically and geopolitically.

We also need minerals for the production of our products; among these minerals we cannot avoid using tin, tantalum, tungsten or gold or so-called conflict minerals. As for other industrial companies, there is also a lasting risk for Flender. Therefore, we are committed to excluding conflict materials from our supply chain. We are a member of the Responsible Minerals Initiative (RMI) and use the RMI form to assess potential risks related to conflict minerals in our supply chain. In addition, during the reporting year we implemented our own supply chain due diligence process to ensure transparency on the origin of the minerals in our supply chain.

CASE STUDY



RISK MINIMIZATION IN THE SUPPLY CHAIN USING OUR RISK MANAGEMENT TOOL “RISKMETHODS”

In our dynamic and volatile environment, changes or disruptions to our supply chain are increasing. These can include natural hazards, blockages in the delivery routes, volatile material prices or energy prices, a shortage of skilled workers, sanctions or different working practices. It is fundamentally important for us to get the relevant information from our complex supply chains at the right time at all times. RiskMethods allows us to monitor our multi-layered supply network and

proactively uncover risks and material supply implications in real time. In addition to internal data, up-to-date external data is also used and mapped in a risk scoring system. Thanks to the transparency in the supply network, we can take proactive measures at an early stage if risks arise. We have already registered 400 of our main suppliers and receive information about CSR risks on a daily basis.

7.5 RESPONSIBLE SUPPLY CHAIN

CONTINUED

An important tool: our Code of Conduct for suppliers

We attach particular importance to requiring our suppliers to comply with environmental and social standards through our supplier Code of Conduct, and to invest time in moving beyond compliance. The code is based on the Flender Code of Conduct and the principles of the UN Global Compact.

The Code of Conduct must be signed by all new suppliers of:

- direct materials; or
- non-product-specific material and services if its annual business volume with Flender exceeds 5,000 euros.

These suppliers have all been screened against basic environmental criteria such as the implementation of environmental management systems, training and compliance with environmental regulations. Existing supplier relationships are reviewed a minimum of every three years.

723

A total of 723 new suppliers have signed.

75%

By 2023 we want to reach 75% of our most significant (existing + new) suppliers.

CONTENTS OF THE CODE OF CONDUCT FOR SUPPLIERS:

- Human rights and labor practices:
 - Prohibition of forced labor
 - Prohibition of child labor
 - Non-discrimination and respect for employees
 - Employee health and safety
 - Grievance mechanism
- Protection of the environment
- Fair business practices:
 - Anti-corruption and anti-bribery
 - Combating money laundering and the financing of terrorism
 - Data protection
 - Responsible sourcing of minerals
 - Compliance with the Code of Conduct in the downstream supply chain



7.5 RESPONSIBLE SUPPLY CHAIN CONTINUED

ESG audits: together towards greater sustainability

GRI 408-1, 409-1 | SDG 5.2, 8.7, 16.2

We also regularly evaluate supplier performance and conduct ESG audits in order to work together on greater sustainability. Our long-term goal is to have 100% of our key suppliers ESG audited by 2030.

The ESG audits are based on the VDA 6.3 standard and include a specific assessment of compliance with the Code of Conduct and EHS risks.

In 2022, we evaluated 136 suppliers with regard to compliance with our Code of Conduct and EHS risks, 131 of which were also ESG audited according to VDA 6.3. In addition, an external sustainability assessment was carried out for five suppliers by the Electronic Security Association (ESA).

In addition, all suppliers supplying material used in our products ("direct material") must pass the audit before they can supply.

In fiscal year 2022, we did not identify any suppliers with a significant risk of child, forced or compulsory labor and did not have to ban suppliers due to environmental pollution.

308-2a Number of suppliers assessed for environmental impacts

YEAR	SUPPLIER ASSESSED FOR CODE OF CONDUCT COMPLIANCE AND EHS SITUATION	SUPPLIERS ASSESSED DURING VDA 6.3 AUDIT FOR EHS AND CODE OF CONDUCT COMPLIANCE	SUPPLIERS ASSESSED FOR SUSTAINABILITY BY THIRD PARTY (EXTERNAL SUSTAINABILITY ASSESSMENT – ESA – INTERTEK)	NEW ONBOARDED SUPPLIERS THAT SIGNED COMPLIANCE WITH CODE OF CONDUCT
2019	84	43	5	450
2020	52	38	4	330
2021	107	92	—	1,115
2022	136	131	5	723

7.5 RESPONSIBLE SUPPLY CHAIN CONTINUED

ESG audits: Together towards greater sustainability continued

409-1 BUSINESS LOCATIONS AND SUPPLIERS WITH A SIGNIFICANT RISK FOR INCIDENTS OF FORCED OR COMPULSORY LABOR			
CATEGORY	RISK SCORE (RISK METHODS) FY2020/2021		RISK SCORE (RISK METHODS) FY2021/2022
India	65		55
Turkey	57		49
Romania	53		51
Italy	48		45
Lithuania	47		48
Poland	46		40
Slovenia	44		39
Slovakia	44		44
China	43		44
Spain	42		42
USA	40		44
Austria	38		33
UK	36		42
Norway	36		34
France	36		42
Czech Republic	35		37
Belgium	34		37
New Zealand	33		35
Netherlands	32		29
Switzerland	31		29
Germany	31		31
Denmark	28		29



Constant dialogue ensures sustainability

GRI 308-2, 409-1 | SDG 5.2, 8.7

A constant and close dialogue with our suppliers – especially our key suppliers – is part of our identity and the basis for future viability. Together we work on solutions for a sustainable future and make a contribution to our economic success and that of our suppliers. At the same time, we increase the positive impact on the environment and society.

We work constantly to support supplier learning and capability development. In India, for example, we are working closely with existing and new suppliers to ensure an efficient local supply chain that meets our technical requirements and adheres to our Code of Conduct. To this end, we frequently conduct technical workshops and EHS training sessions with these suppliers and improve process efficiency and reduce waste through lean and quality-focused management approaches.

8

TCFD DISCLOSURE 2022



8 TCFD DISCLOSURE 2022

GRI 201-2 | SDG 13.1

The increased frequency and severity of extreme weather events in the past year around the globe have clearly demonstrated that climate change is a growing risk to businesses worldwide, including Flender. Therefore, we put an increasingly strong focus on climate-related risks and opportunities in our strategic planning by identifying actual and potential impacts on our business, strategy, and financial planning.

Flender has begun identifying the opportunities and risks associated with climate change within our business for the first time in the last reporting period voluntarily, adopting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We are reporting our progress as per the requirements of the TCFD framework including information on governance, strategy, risk management, and metrics and targets. During this reporting period, we have made progress in all four dimensions of the TCFD framework.

Governance

The Corporate Social Responsibility Board ("the CSR Board") (please refer to chapter 3.3) is the main governance body for all CSR and climate-related topics. Along with the Company's top management, the CSR Board is responsible for climate-related risks and opportunities and management of the same.

Our Executive Board is aware that climate-related risks and opportunities can be material to our business and has strengthened its effort to identify, avoid and/or mitigate climate-related risks affecting Flender, where possible. There is a direct line of communication between the Chief Executive Officer (CEO) and the CSR Board, which in turn has a direct line of communication with the functional and local managers. Wherever Flender locations face climate-related risks, respective mitigation will be implemented within a timeline and incorporated within budget. These measures are subsequently followed up by Flender Real Estate.

The CEO is responsible for all strategic sustainability areas and is supported by the CSR department.

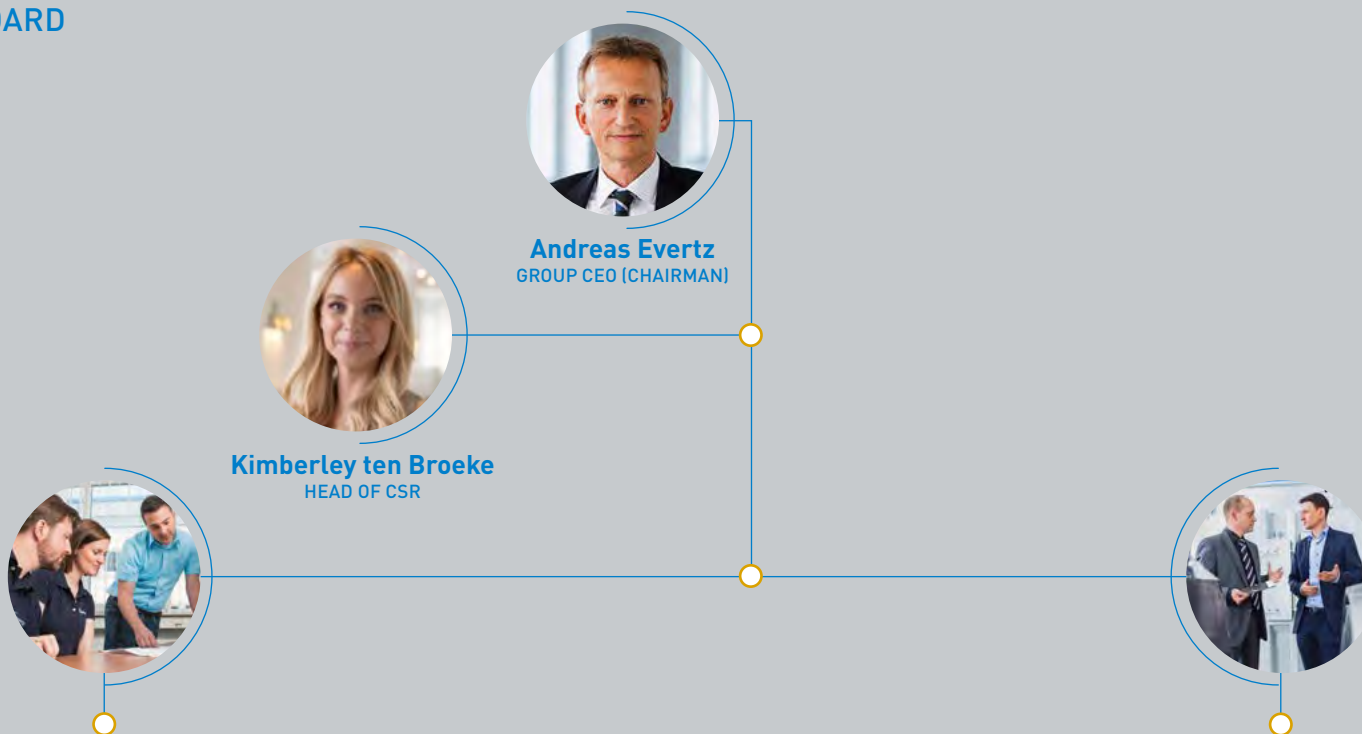
The goal is to fulfill the Company's vision to be the partner of choice for a sustainable future. By elevating climate-related risks and opportunities to the top of management's agenda and with the CEO as the individual ultimately responsible, we are orienting our governance structure to the TCFD framework.



8 TCFD DISCLOSURE 2022 CONTINUED

GRI 201-2 | SDG 13.1 continued

FLENDER CSR BOARD



MANAGEMENT BUSINESS UNIT/LINE

- Industrial Gears
- Customer Services
- Couplings
- Turbo
- Wind Gears
- Wind Generators

MANAGEMENT GROUP FUNCTIONS

- Corporate Development & Communications
- Human Resources & Legal Compliance
- Procurement
- Parts Manufacturing

8 TCFD DISCLOSURE 2022 CONTINUED

GRI 201-2 | SDG 13.1 continued

Strategy

In line with the TCFD recommendations, we focus on two groups of risks:

- 1) Transition risks related to transition to a lower-carbon economy. These include policy and legal, technology, market and reputation risks.
- 2) Physical risks resulting from direct acute damage or longer-term shifts in climate patterns.

From these two groups of risks, we clearly see physical risks having the greatest potential impact on our business. According to the transition to a lower-carbon economy and consumer direction of travel, as well as politics/regulations, we see a certain risk in some of our customer areas. However, we estimate this as not material considering our broad product and service portfolio across several industries. An analysis carried out together with one of our insurance partners (see section on Risk Management) revealed that Flender was rated with an overall natural catastrophe score considered moderate to high. This indicates an elevated risk for Flender on average, taking into account all regions and locations. At the same time, it shows that Flender's diversified global presence with production facilities across all continents has a positive effect on the organization's resilience to regionally contained, climate-related risks.

With respect to opportunities, we follow the TCFD recommendations and include opportunities arising from resource efficiency, alternative energy sources, innovative products and services as well as market developments in our analysis. Savings from rising energy efficiency in our production facilities and self-produced renewable energy will have a positive impact on Flender's cost structure in the future. We are convinced that the biggest short- to medium-term opportunities derive from the global rising demand for a carbon-neutral energy infrastructure.

Risk management

Analyzing climate-related risks is becoming an increasingly important part of our annual risk assessment and risk management system. As part of this, we have performed a "Global Peril Diagnostic" with one of our insurance partners. This covered a wide range of climate-related physical risks across all world regions and countries where Flender is operative. The analysis includes extreme weather events such as river floods, winter storms, tropical cyclones, wildfires, coastal floods, tornados, flash floods and hailstorms. Out of this analysis, an overall natural catastrophe score was calculated, indicating how Flender's global risk exposure compares to thousands of other organizations globally. We plan to perform this analysis regularly to be able to track developments in our risk exposure. In addition, we will continue to refine the methodology of our climate risk scenario analyses and put more emphasis on different scenarios – most notably business-as-usual scenarios, and a global warming scenario of 2°C and 4°C. Additional improvements will be made in the upcoming reporting period, including a continued emphasis on standardizing our risk management processes across different functions and locations for further transparency around risks and corresponding control processes. We have also started to carry out a regular analysis of decarbonization potential across its different production sites as well as along the value chain as part of our commitment to the SBTi (see above). The results of this analysis will not only help us to understand, prioritize and coordinate our decarbonization measures but will also help us to increase our resilience to climate-related price increases or energy shortages.

8 TCFD DISCLOSURE 2022 CONTINUED

GRI 201-2 | SDG 13.1 continued

Metrics and targets

Setting targets and tracking developments is at the center of our approach towards managing climate-related risks and opportunities. We have therefore continuously been working on developing KPIs that monitor the development of our own carbon emissions (direct and indirect), track our performance in reaching our CO₂ reduction targets and measure our exposure to climate-related risks. With respect to measuring our own carbon footprint, we have revised and extended our calculation methodology to strictly meet the requirements of the GHG Protocol Corporate Value Chain Standard. We continue to report our carbon emissions for Scope 1, Scope 2 and Scope 3 (see chapter 4.4). We have also invested in a new sustainability reporting

system in the past year. With this, we set the basis for gathering, consolidating and analyzing sustainability data from all of our production sites and offices worldwide in a more structured and scalable manner. With respect to target setting, we have joined the SBTi in 2022 and have committed to set near-term company-wide emission reductions in line with climate science with the SBTi. This commitment requires Flender to reduce its absolute carbon emissions in Scope 1 and 2 at an average annual rate of 4.2% until 2030 and by at least 90% until 2045. For Scope 3, we commit to set an intensity target, aiming at significantly reducing the carbon intensity of our products in the upcoming years. Our performance in reaching these targets will become part of our annually reported KPI

set once they have been validated and approved by SBTi. Our performance in this respect is also relevant for our risk assessment, since we are aware that failing to meet our targets may pose significant business risks in the future. As a growing number of our clients and business partners expect clear and externally reviewed decarbonization programs to be in place, in the upcoming years we will continue to further align with the recommendations of the TCFD framework and continuously extend our set of KPIs. Specifically, we plan to integrate further KPIs that measure our exposure to climate-related risks and their potential impact on our business. As such, our current climate-related targets are summarized in the table below.

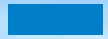
Climate-related targets 2022

METRIC	GOAL	TIMEFRAME
CARBON INDICATORS		
Scope 1 and 2 emissions	Achieve carbon neutrality by 2030	By 2030
Scope 3 emissions	30% reduction by 2030 against 2021 baseline	By 2030



9

OUTLOOK



9 OUTLOOK

For the last year it was our goal to accelerate Flender's CSR journey and ensure that the Company is best in class. Looking back on the past year, we are pleased that CSR now is an integral part of Flender's corporate strategy and culture. We developed a holistic CSR strategy with ambitious goals covering all ranges of environmental sustainability, social affairs and governance. We have already started to implement initiatives to achieve these goals; however, our work will not end here. Within the following graphic you find our focus tasks for each pillar for the coming year:

Sustainability

- Implementation of the SBTi criteria and examination of the impact on measures for the net-zero journey
- Start project on the circular economy to conserve resources



Employer of Choice

- Implementation of the diversity, equity and inclusion program
- Implementation of Compass Dialogue – employee performance feedback



Governance & Compliance

- Review and roadmap to implement regulatory requirements
- Corporate Sustainability Reporting Directive (CSRD)
- EU taxonomy
- Employee survey on compliance
- Implementation of UN Global Compact requirements and assessment of the need for CSR adjustments
- Implementation of the requirements of the German Supply Chain Due Diligence Act (LkSG).



Health & Safety

- Standardization of global reporting of EHS data
- Continuous communication of safety moments and EHS KPIs
- Adaptation of our improvement program "Flender Performance Assessment" (FPA) and internal audits to the new corporate structure and introduction



10

ABOUT THE REPORT



10 ABOUT THE REPORT

GRI 2-5

Report profile

For Flender, sustainability and the contribution to the energy transition have long been important and closely linked. Together with and for our stakeholders, we want to make an impact with our business and create long-term value. We are aware of our corporate responsibility and contribute to overcoming current and future challenges – such as climate change, the energy crisis, changes in global supply chains, health, poverty, education and diversity. Our goal is to make a significant contribution to the energy transition and to set standards.

This is our second, independent and voluntary Sustainability Report 2022. This report was prepared with reference to the Global Reporting Initiative (GRI) Standards 2021, the October 2018 Industrial Machinery and Goods Standard and the October 2018 Wind Technology and Project Developers Standard as developed by the Sustainability Accounting Standards Board (SASB) to ensure transparency and comparability.

In this report we provide information about our CSR strategy and goals in the various areas as well as our previous initiatives, progress and planned activities. No external audit of the 2022 Sustainability Report was carried out.

Reporting framework

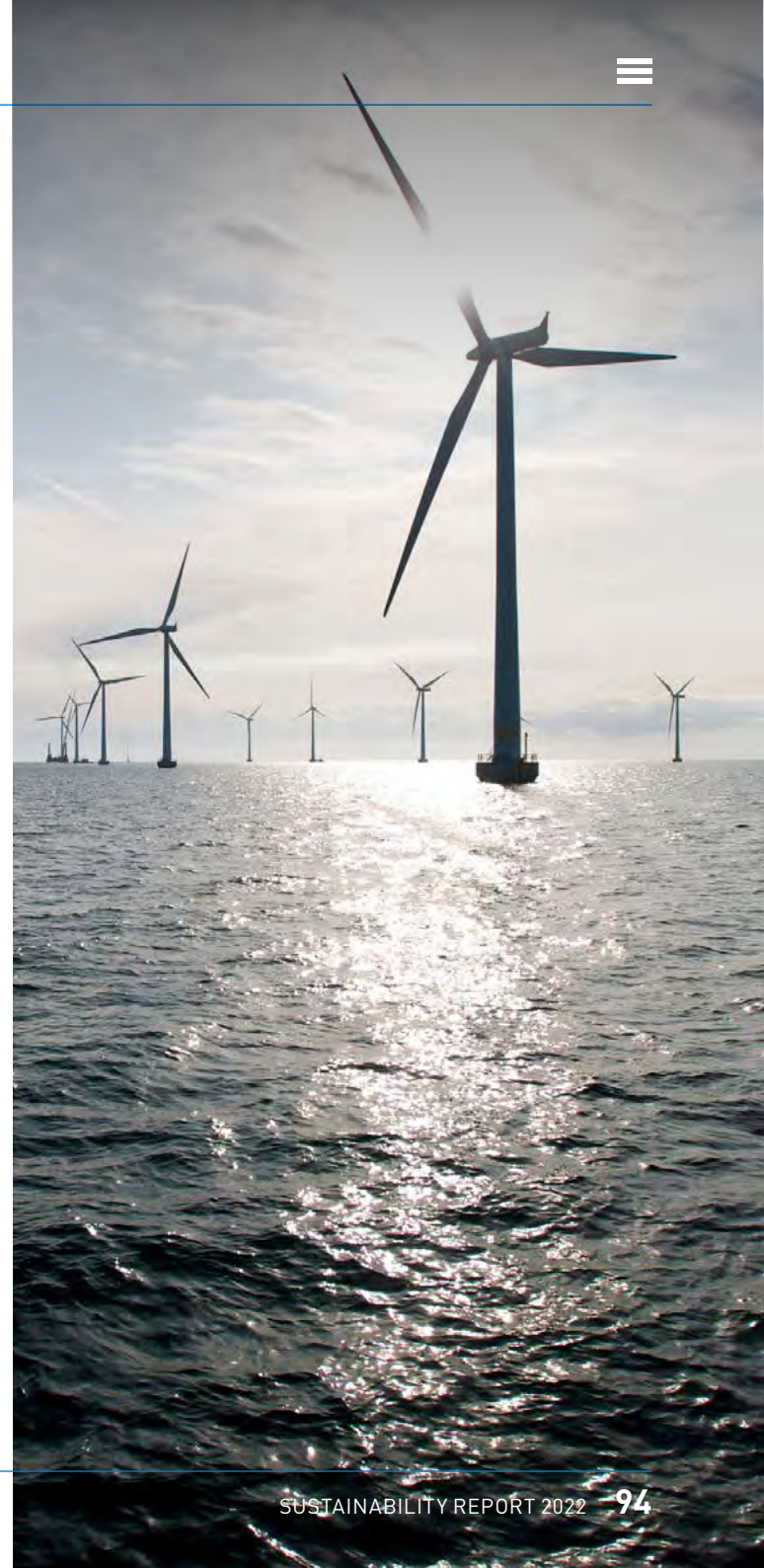
GRI 2-1, 2-2, 2-3

The reporting period for this report is October 2021 to September 2022 and this corresponds to the reporting period of the financial report. It refers to our entire company Flender International GmbH ("Flender") with its headquarters in Bocholt. Since the spin-off from Siemens AG in October 2020, we have been working as an independent limited liability company since March 2021 and are subject to German law and primarily to the law on limited liability companies (GmbHG). The shares of Flender Group GmbH are held 100% by CEP V Investment 9 S.à r.l. held indirectly by fund companies that are advised by the Carlyle Group. Our Company's headquarters are in Bocholt.

Flender has also integrated the former wind turbine business of Siemens AG. The historical data presented can therefore relate to different periods and reporting entities. This will be disclosed where possible. Furthermore, Flender took over Moventas Holdings Oy based in Finland in the reporting year. With the exception of the sales figures, Moventas data is not yet included in the key indicators and the report.

The Sustainability Report 2022 is published in English. The publication date is 23 May 2023.

If you have any comments or questions about this report, please contact our CSR team at: csr@flender.com





11

GRI INDEX

GRI STANDARD	DISCLOSURE	CHAPTER	PAGE NUMBER	COMMENT
2-1	Organizational details	2.1, 2.4, 10	8, 10, 94	
2-2	Entities included in the organization's sustainability reporting	10	94	
2-3	Reporting period, frequency and contact point	10	94	
2-5	External assurance	10	94	
2-6	Activities, value chain and other business relationships	2.1, 2.4	8, 10	
2-7	Employees	5.1	49, 50	
2-8	Workers who are not employees			Further details are evaluated and working in progress
2-9	Governance structure and composition	2.1	8	
2-22	Statement on sustainable development strategy	1.1	3	
2-23	Policy commitments	7.1	72, 73, 74, 75, 76	
2-24	Embedding policy commitments	7.1	72, 73, 74, 75, 76	
2-25	Processes to remediate negative impacts	7.1	72, 73, 74, 75, 76	
2-26	Mechanisms for seeking advice and raising concerns	7.1	75	
2-27	Compliance with laws and regulations	7.1	72, 73, 74, 75, 76	
2-28	Membership associations	2.4	12	
2-29	Approach to stakeholder engagement	3.4	20, 21	
2-30	Collective bargaining agreements	5.1	51, 52	
3-1	Process to determine material topics	3.4	20, 21, 22	
3-2	List of material topics	3.5	22, 23	
3-3	Management of material topics	3.2, 4, 5, 6, 7	17, 25, 47, 66, 71	
201-1	Direct economic value generated and distributed			See Annual Report
201-2	Financial implications and other risks and opportunities due to climate change	8	87	
201-3	Defined benefit plan obligations and other retirement plans			See Annual Report

GRI STANDARD	DISCLOSURE	CHAPTER	PAGE NUMBER	COMMENT
201-4	Financial assistance received from government	7.2	77	
205-1	Operations assessed for risks related to corruption	7.1	76	
205-2	Communication and training about anti-corruption policies and procedures	7.1	76	
205-3	Confirmed incidents of corruption and actions taken	7.1	72, 73, 74, 75, 76	
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	7.1	76	
207-1	Approach to tax	7.2	77	
207-2	Tax governance, control, and risk management	7.2	77	
301-1	Materials used by weight or volume	4.2	33	
301-2	Recycled input materials used	4.2	33	Further details are evaluated and working in progress
301-3	Reclaimed products and their packaging materials	4.2	33	Further details are evaluated and working in progress
302-1	Energy consumption within the organization	4.3	34, 35	
302-3	Energy intensity	4.3	34, 35	
302-4	Reduction of energy consumption	4.2	34	
302-5	Reductions in energy requirements of products and services	4.2	30	Further details are evaluated and working in progress
303-1	Interactions with water as a shared resource	4.5	43, 44	
303-2	Management of water discharge-related impacts			Further details are evaluated and working in progress
303-3	Water withdrawal	4.5	43, 44, 45	
303-4	Water discharge			Further details are evaluated and working in progress
303-5	Water consumption	4.5	43, 44, 45	
305-1	Direct (Scope 1) GHG emissions	4.4	39, 40	
305-2	Energy indirect (Scope 2) GHG emissions	4.4	39, 40	
305-3	Other indirect (Scope 3) GHG emissions	4.4	39, 40	
305-4	GHG emissions intensity	4.4	40	

GRI STANDARD	DISCLOSURE	CHAPTER	PAGE NUMBER	COMMENT
305-5	Reduction of GHG emissions	4.4	39, 40	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	4.4	39, 40	
306-1	Waste generation and significant waste-related impacts	4.5	43, 44	
306-2	Management of significant waste-related impacts	4.5	43	
306-3	Significant spills	4.5	43	
306-4	Waste diverted from disposal	4.5	43	
306-5	Waste directed to disposal	4.5	43	
307-1	Non-compliance with environmental laws and regulations	6	68	
308-1	New suppliers that were screened using environmental criteria	7.5	80	
308-2	Negative environmental impacts in the supply chain and actions taken	4.4, 7.5	41, 42, 80, 84, 85	
401-1	New employee hires and employee turnover	5.1	49, 50	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.1	51, 52	
401-3	Parental leave	5.1	52	
403-1	Occupational health and safety management system	6	69	
403-2	Hazard identification, risk assessment, and incident investigation	6	69	
403-4	Worker participation, consultation, and communication on occupational health and safety	6	68	
403-5	Worker training on occupational health and safety	6	68	
403-8	Workers covered by an occupational health and safety management system	6	68	
403-9	Work-related injuries	6	69	
403-10	Work-related ill health	6	69	
404-1	Average hours of training per year per employee	5.3	59	

GRI STANDARD	DISCLOSURE	CHAPTER	PAGE NUMBER	COMMENT
404-2	Programs for upgrading employee skills and transition assistance programs	5.3	58, 59	
404-3	Percentage of employees receiving regular performance and career development reviews	5.3	59	
405-1	Diversity of governance bodies and employees	5.2	55	
405-2	Ratio of basic salary and remuneration of women to men	5.2	53	Details are evaluated and working in progress
406-1	Incidents of discrimination and corrective actions taken	5.2	53	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	5.1	52	
408-1	Operations and suppliers at significant risk for incidents of child labor	7.5	84, 85	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	7.5	84, 85	
412-1	Operations that have been subject to human rights reviews or impact assessments	7.1	72, 73, 74, 75	
412-2	Employee training on human rights policies or procedures	7.1	72, 73, 74, 75	
414-1	New suppliers that were screened using social criteria	7.5	80	
414-2	Negative social impacts in the supply chain and actions taken	7.5	80	
416-1	Assessment of the health and safety impacts of product and service categories	4.1/6	28, 37, 65	Further details are evaluated and working in progress
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	4.1/6	28, 37, 65	Further details are evaluated and working in progress
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	7.3	78	
419-1	Non-compliance with laws and regulations in the social and economic area	7.1	72	



Flender International GmbH
Alfred-Flender-Straße 77
46395 Bocholt
Germany

Produced by
designportfolio

FLENDER