

A close-up, high-contrast photograph of a mechanical gear. The gear is dark and metallic, with its teeth clearly visible. A small, bright green ball is positioned on one of the gear's teeth. The background is blurred, showing more of the mechanical structure.

COMMITTED TO A VISION

SUSTAINABILITY
REPORT **2021**

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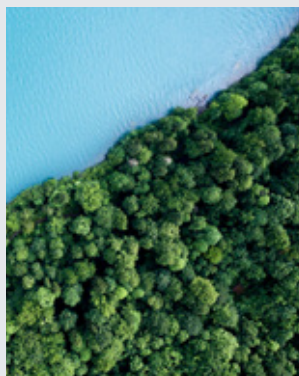


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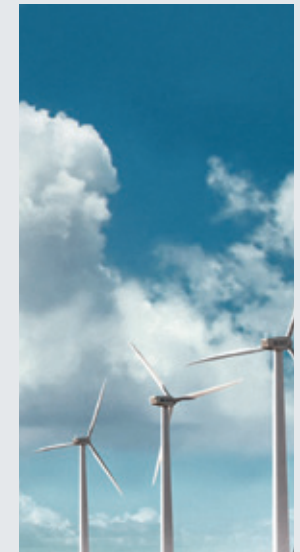


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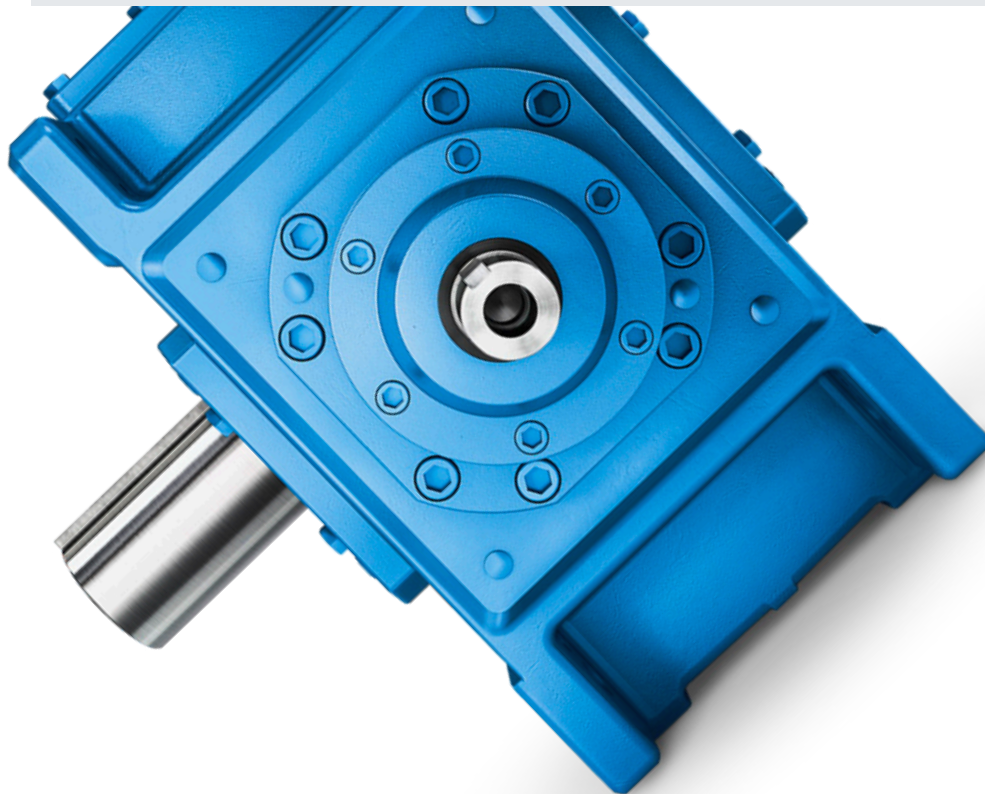


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1.1

INTRODUCING OUR SUSTAINABILITY REPORT

Flender (referred to as “the Company”) is delighted to publish its first Sustainability Report to update and inform our stakeholders about our sustainability strategy, initiatives and corresponding progress. Flender started its sustainability journey a few years ago and has implemented several projects since then to map our baseline and reduce our footprints in terms of carbon, waste, water and materials, and also reduce our environmental, social and governance (ESG) risks. On the way, Flender has unearthed several value-creating opportunities for the business by integrating sustainability imperatives into its business strategy. Our customers have welcomed our innovative solutions presented through a sustainability lens.

This report covers information about our sustainability governance, materiality assessment results, sustainability strategy, compliance management

system, business strategy and product portfolio from the perspective of sustainability and ESG integration, governance matters, supply chain matters and quantitative data on key sustainability indicators.

The reporting period for this report is October 2020 through September 2021. Moving forward, we aim to disclose information on our sustainability initiatives and progress annually.

Flender started a carve-out process from Siemens AG in October 2020 and became an independent entity in March 2021. Additionally, Flender also integrated the former Siemens AG wind turbine generator business. Due to these organizational changes, historical data presented in this report may refer to and relate to different time periods and reporting entities, especially as some locations are still co-shared with Siemens AG and thereby certain data,

specifically energy data, cannot be solely attributed to Flender operations yet. This is disclosed where possible.

In preparing this report, Flender was supported by the technical ESG consultancy Ramboll using principles of the Global Reporting Initiative (GRI) Standards 2020, 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 gather information on material issues as identified through our materiality assessment process.

Comments or questions regarding this report should be addressed to our CSR team on: csr@flender.com

FLENDER STARTED A CARVE-OUT PROCESS FROM SIEMENS AG IN OCTOBER 2020 AND BECAME AN INDEPENDENT ENTITY IN MARCH 2021.

1.2

CEO'S STATEMENT

**Dear Stakeholders,**

We at Flender are delighted to present to you our first Sustainability Report.

The fiscal year 2020–2021 has been a busy year at Flender due to the carve-out from Siemens AG. Further, the impacts of the COVID-19 pandemic have been another factor that has continued to have impact on the way we operate and on our operations.

Being the leaders in drive technology, and given the influence our products have in the arena of renewable energy generation, sustainability is at the core of our business strategy. Our central vision is to be “the partner of choice for a sustainable future” for our stakeholders. Our aim is to help our customers and thereby society at large accelerate the growth towards a low carbon future.

In order to reinforce and strengthen our CSR strategy, we have taken several steps over the last year. We set up a Corporate Social Responsibility (CSR) Board in 2020 that will be responsible for making Flender’s core strategic decisions on CSR including evaluation of value-creation opportunities for our stakeholders. Integrating sustainability into our product and service offerings will be a key differentiating factor for Flender. I will personally be overseeing the Board’s contribution as the Chair.

The other highlights of our progress over the last year have included

completing a materiality assessment to understand our core areas of focus, mapping our operations against the impact on the United Nations Sustainable Development Goals (SDGs) to understand where we can have maximum impact through our operations, engaging with our supply chain partners on carbon emissions reduction, and working with our packaging partners to develop sustainable packaging options. Further, Flender has committed to make its operations carbon neutral by 2030. We have made significant progress in the last few years to significantly reduce our carbon footprint and we will continue working on these initiatives.

Our employees are at the core of all our strategies, and we are grateful to each and every one of them for their contributions especially during this challenging year due to the impacts of the COVID-19 pandemic. To address the challenges presented by the COVID-19 pandemic, Flender took several steps to minimize impacts on our employees

and on our operations. We successfully switched to a work-from-home model where possible and introduced several health and safety measures specifically focused on work environment hygiene.

In July 2021, one of the worst flood disasters in German history impacted entire communities in North Rhine-Westphalia and Rhineland-Palatinate. Flender took a stance to help the communities as much as possible and therefore donated €200,000 to the emergency fund of Aktion Deutschland Hilft e.V.

This report presents some of the highlights of the actions we have taken, and the corresponding progress made during the past year towards our goal. I invite you all to read the same, and provide your valuable inputs as we continue our journey. I, along with the entire Flender team, look forward to implementing our new plans in the coming year and making significant progress in our sustainability journey.

Andreas Evertz
Flender Group CEO

02

OUR COMPANY

FLENDER

FLENDER

2.1

WHO ARE WE?

Flender is the corporate umbrella of two brands: Flender and Winergy. Flender is a global leader in wind turbine gearbox technologies and has the market's widest wind offering, supplying a third of all gearboxes worldwide. In offering these products, Flender delivers key enabling technologies to power the world with sustainable energy. At the same time, Flender supplies drive technology for industries including construction, minerals and mining, marine and traditional power generation. We see ourselves as at the forefront of the energy transition, working with and understanding the needs of traditional

energy generation to become more energy efficient, whilst supporting the development of new energy generation.

Under the Flender brand name the primary focus is on drive systems for multiple industries. Winergy is the brand for gear units, generators, Direct Drive segments, HybridDrive systems and associated services for wind turbine systems.

With more than 120 years of history, we are a leading player in the wind energy market and in the other industries where we operate. We see ourselves as being an instrumental part of a sustainable society.

FLENDER AT A GLANCE



2.2

OUR VISION

It is our vision to be The Partner of Choice for a Sustainable Future for our customers.

In achieving this vision, our aim is to work closely with all of our stakeholders and to jointly shape a sustainable future and achieve the best possible value for our customers. We collaborate with our customers to foster this vision, and deliver value and experience to meet our global commitment to our customers. Our aim is to always deliver high quality product thereby ensuring a long lifespan. Refer to chapter 4.2 for more information on our sustainable product portfolio.

OUR MISSION

At Flender, our mission is nothing less than that “We Move the World” through our products, services and innovative approaches towards drive technology. We are champions for the power of drive technology in our world today and tomorrow. Our mission informs our everyday decision making and our growth and value creation trajectory, and is at the heart of our CSR strategy.

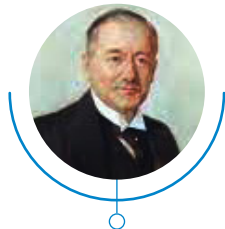
Detailed financial performance is disclosed in our audited Annual Report 2020–2021, which is made available to our investors and disclosed in abbreviated form in accordance with German law.

2.3

OUR HISTORY

The Company was founded in 1899 by Alfred Friedrich Flender. Over the course of more than a century we have supported the development of drive technology in multiple industries. The Winergy brand was founded in 2001 to meet the specific requirements of the wind power industry.

MILESTONES OF OUR 120-YEAR HISTORY



1899

Founding of A. Friedr. Flender & Co. by Alfred Friedrich Flender



1899

Production of wooden belt pulleys



1924

Start of couplings production



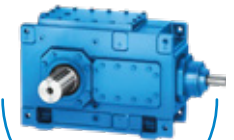
1927

Start of gear unit production in Bocholt: Flender Variator



1986

Flender & Co. becomes a joint-stock company as A. Friedr. Flender AG



1991

Flender gear units are introduced – today: the world's largest modular range of gear units in series production

FLENDER'S HISTORICAL TIMELINE: 120 YEARS OF EXPERIENCE AND INNOVATION



2001

Winergy is founded as a new independent company



2005

Siemens AG takes over Flender AG as the new business unit Mechanical Drives



2017

Flender GmbH becomes an independent company as part of the Siemens AG group



2018

Winergy celebrates delivered gear unit capacity of 150 GW (100,000 gear units worldwide)



2020

Wind Energy Generation becomes a business unit of Flender GmbH



2021

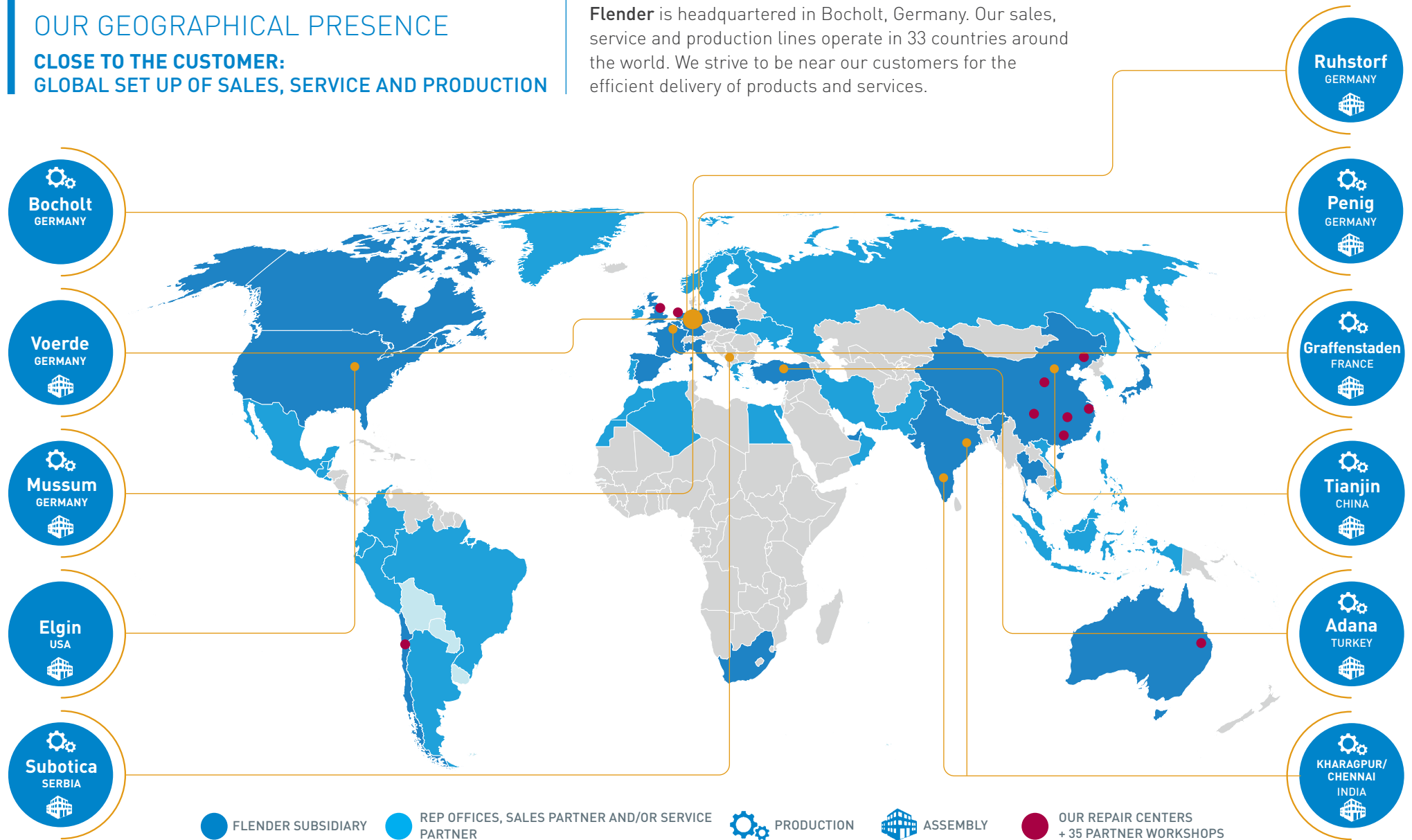
The Carlyle Group is the new owner of Flender GmbH

2.4

OUR GEOGRAPHICAL PRESENCE

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

Flender is headquartered in Bocholt, Germany. Our sales, service and production lines operate in 33 countries around the world. We strive to be near our customers for the efficient delivery of products and services.



03

INTRODUCING OUR CSR STRATEGY

3.1

SUSTAINABILITY: A CORE ELEMENT OF OUR BUSINESS STRATEGY

At **Flender**, we believe that focusing on sustainability imperatives presents myriad opportunities for us and our customers. Through our products, we can support our customers on their journey towards a more sustainable future. For clarity, we refer to all of our sustainability and environmental, social and governance (ESG) activities under the umbrella term “corporate social responsibility” or “CSR”, which is the dominant term within Germany. We employ the term “sustainability” specifically when we refer to environmental benefits of our products and services.

The key objectives of our CSR strategy are:

- long-term value creation for present and future generations;
- profitable long-term growth; and
- positive impact on the economy, the society and the environment.

Our three objectives are aligned with the direction of travel brought about by the global challenge of climate change and the need for carbon emissions reduction, which will create new business opportunities for Flender. Supporting this transition to a greener

global economy will create a positive impact on society and the environment. Our goal is to responsibly mitigate potential risks to our business and society at large from climate change and other environmental impacts and create value for the business and for our stakeholders while addressing these challenges. At the same time, we recognize that there are increasing risks attached to “business as usual” – that is, to business that doesn’t take into account sustainability factors.

Climate-related risks and nature-related risks are financially material to a business like Flender, which utilizes international supply chains and relies on natural resource extraction as an input to its manufacturing processes. Reputational risk is attached to unsustainable business practices, as younger talent in particular desires to work in planet-friendly companies, and investors and media actors are increasingly educated and critical.

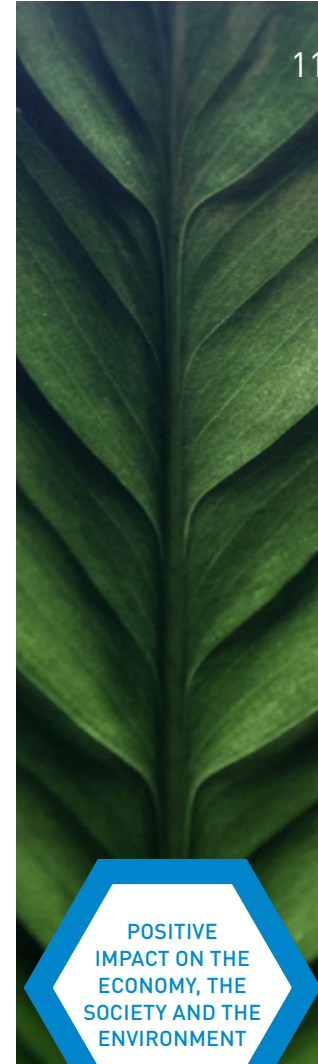
Flender takes responsibility to mitigate potential risks and support potential opportunities by doing business in a responsible way. We assess all our



PROFITABLE
LONG-TERM
GROWTH



LONG-TERM
VALUE CREATION
FOR PRESENT
AND FUTURE
GENERATIONS



POSITIVE
IMPACT ON THE
ECONOMY, THE
SOCIETY AND THE
ENVIRONMENT

PILLARS OF OUR CSR STRATEGY

business decisions at an early stage to be able to integrate our CSR strategy.

From an economic perspective, it is also our duty to operate responsibly and sustainably to protect the interests of our stakeholders. We believe that responsible and forward-looking

management is key to maintaining an innovative and reliable position in the market. Healthy growth, long-term success and contributing to society are important to us, and it is our ambition to create long-term value for present and future generations.

3.2

CSR STRATEGY

Our CSR strategy has been developed over the course of 2020-2021, with key inputs from Flender employees around the world and our multiple stakeholder groups, and is spearheaded by our Flender CSR Board.

The CSR Board has identified a set of goals to guide future sustainability efforts and resource planning. The table to the right provides a glimpse of our vision under three categories: environment, society and governance. In subsequent chapters, you will find further details on our initiatives and goals. Our CSR strategy was developed to closely align with and support our corporate strategy.



Our sustainability strategy is underpinned by the following pillars: sustainability, ownership culture, employer of choice, compliance, and health and safety. Graphic on page 13 shows which activities sit under each strategic pillar. We are in the process of developing associated targets and KPIs corresponding to each pillar and will report on these in our next report.

Our CSR strategy is in its early stages after the carve-out and will be further developed over the course of the coming months and years, allowing Flender to be as proactive as possible in creating a sustainable, future-focused business approach. ➤

THE CSR BOARD HAS IDENTIFIED A SET OF GOALS TO GUIDE FUTURE SUSTAINABILITY EFFORTS AND RESOURCE PLANNING.

OUR CSR STRATEGIC PILLARS

SUSTAINABILITY

- Climate protection is closely linked to energy consumption. We use energy rationally and efficiently
- We try to avoid or recycle waste
- We design our processes to achieve the best possible environmental compatibility of products and plants and avoid unnecessary emissions and noise pollution

BE AN EMPLOYER OF CHOICE

- Our employees are our greatest asset and we constantly invest in training and education
- We believe diversity enriches our workplace
- Leadership: be bold, decisive and courageous with motivation and engagement

OWNERSHIP CULTURE WITH PASSION FOR FLENDER LEADS OUR ACTIONS

- People orientation with empowerment and trust, honesty, openness and collaboration
- We behave respectful and focused, take initiatives and drive execution
- We foster a culture where we learn from our mistakes
- We are proud and passionate for Flender

COMPLIANCE

- We allow no compromises on compliance
- We comply with the applicable laws of the countries in which we operate
- We ensure the implementation of all company guidelines and controls

NO COMPROMISES ON HEALTH, SAFETY AND ENVIRONMENT

- Number one priority: health, safety and environment
- We want every single Flender employee and the communities in which we operate are able to rely on a safe working environment at all times
- We observe the safety regulations at our workplace
- When we recognise dangerous situations, we take appropriate action

3.2

CSR STRATEGY CONTINUED

Our pillars and our metrics

We are currently in the process of developing a CSR roadmap, which will include tactical goals to support our overall aims and business strategy, in line with our GRI-led materiality assessment (see the following page). We have started to identify core metrics that we aim to improve and track year over year and commit to report transparently. An overview of our full GRI-relevant metrics can be found on page 78. ➤

WE HAVE STARTED TO IDENTIFY CORE METRICS THAT WE AIM TO IMPROVE AND TRACK YEAR OVER YEAR AND COMMIT TO REPORT TRANSPARENTLY.

MATCHING OUR CSR STRATEGY WITH OUR GRI-LED MATERIALITY ANALYSIS

SUSTAINABILITY



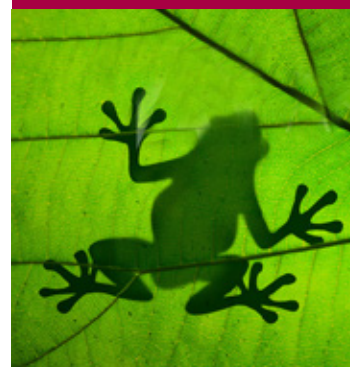
- GRI 301: Materials
- GRI 302: Water and effluents
- GRI 305: Emissions
- GRI 306: Waste
- GRI 307: Environmental compliance
- GRI 308: Supplier environmental assessment

BE AN EMPLOYER OF CHOICE



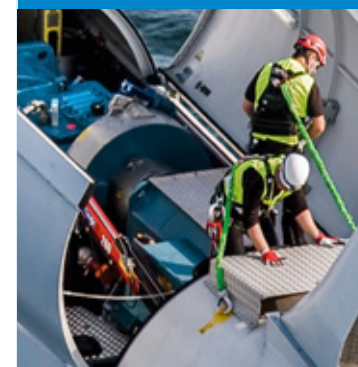
- GRI 401: Employment
- GRI 404: Training and education
- GRI 405: Diversity and equal opportunity
- GRI 406: Non-discrimination
- GRI 407: Freedom of association and collective bargaining
- GRI 408: Child labor
- GRI 409: Forced or compulsory labor

COMPLIANCE



- GRI 201: Economic performance
- GRI 205: Anti-corruption
- GRI 206: Anti-competitive behavior
- GRI 418: Customer privacy
- GRI 419: Socioeconomic compliance

NO COMPROMISES ON HEALTH, SAFETY AND ENVIRONMENT



- GRI 403: Occupational health and safety
- GRI 416: Customer health and safety

3.2

CSR STRATEGY CONTINUED

Commitment to UN Sustainable Development Goals (SDGs)

A key question that emerged when setting our strategic goals was how we can contribute best to the 17 United Nations (UN) Sustainable Development Goals. Flender has responded to the UN's urgent call for collective action. We evaluated our role in achieving the UN SDGs and have identified the goals where we have both direct and indirect influence. We identified that our carbon footprint reduction goals, reducing raw material, waste, wastewater and emissions along our supply chains, are of central importance to our CSR strategy.

Flender's impact on the SDGs

Our operations have a direct influence on and contribute to: SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation and Infrastructure) and SDG 12 (Responsible Consumption and Production).

SDG 7: Affordable and Clean Energy

We are a market leader in supplying gearboxes, generators and couplings for global industrial and wind power

UN AGENDA 2030: 17 SDGS TO TRANSFORM OUR WORLD

Impact via products and solutions
Mostly direct impact through innovative product portfolio along the value chain



Impact via sustainable and responsible business practices
Impact mainly via the way we do business, global operations and partnerships



Indirect impact
SDGs where Flender has only limited and mostly indirect impact



customers and our gearboxes drive a significant proportion of the world's wind turbines. This means that we are instrumental in making the energy supply more affordable and cleaner.

SDG 9: Industry, Innovation and Infrastructure

We contribute to tomorrow's infrastructure and innovation in the energy generation industry through our innovative products and cutting-edge technology.

SDG 12: Responsible Consumption and Production

By integrating sustainability principles in the product design and manufacturing phase, we enable our customers to reduce their footprint.

Through our products we contribute towards making our customers' operations more efficient and enable reduction in energy footprint by continuously improving our products.

Through our focus on quality and maintenance services, we enable longevity of our and our customers' assets. We thereby contribute towards waste reduction and responsible consumption.

As for the other SDGs, direct impact through our operations is limited.

3.3

MATERIALITY ASSESSMENT

In order to identify topics or areas of greatest impact, as perceived by our stakeholders as most important for our business, we conducted a materiality assessment in 2021. The issues identified through this exercise guide the focus areas of our CSR strategy.

The materiality assessment was conducted in accordance with the GRI Materiality Principle and considered our activities, our economic, environmental and social impacts, and the expectations and interests of our stakeholders.

We identified boundaries for each material topic by considering the relevance of our operations and associated impacts.

As part of the materiality assessment, we considered three different perspectives:

- the influence of stakeholder decisions;
- the relevance to Flender; and
- the impact of Flender.

Our stakeholders

Our business decisions and strategy have direct impact on our stakeholders, and therefore our stakeholders play an essential role in defining our strategy and setting our corresponding goals.

The needs of our stakeholders are important to us and they influence our daily business decisions. To continuously evaluate their needs and requirements, we conduct surveys with customers and employees, and we are in regular communication with all our stakeholders. ➤

THE MATERIALITY ASSESSMENT WAS CONDUCTED IN ACCORDANCE WITH THE GRI MATERIALITY PRINCIPLE AND CONSIDERED OUR ACTIVITIES, OUR ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS, AND THE EXPECTATIONS AND INTERESTS OF OUR STAKEHOLDERS.

FLENDER
STAKEHOLDERS

CUSTOMERS

POTENTIAL
EMPLOYEES

EMPLOYEES

INVESTORS,
ANALYSTS
AND OTHER
CAPITAL MARKET
PARTICIPANTS

SUPPLIERS
AND PARTNERS

POLITICIANS,
ASSOCIATIONS,
INTEREST GROUPS
AND NGOS

EDUCATIONAL
INSTITUTIONS

PRESS AND
THE MEDIA

COMMUNITIES

FLENDER

3.3

MATERIALITY ASSESSMENT CONTINUED

MECHANISMS FOR STAKEHOLDER COMMUNICATION

GROUPS	MEDIA AND FORMATS	GROUPS	MEDIA AND FORMATS
Employees	Flender website, global townhall meetings, townhall meetings, Flender intranet, Yammer news blog, ad hoc communication, communication cascade, Company notice boards, etc.	Educational institutions	Flender website, collaboration with universities and schools, trade fairs, advertisements, social media
Potential employees	Flender website, advertisements, trade fairs, collaboration with universities and schools, events, social media	Press and the media	Flender website, press releases, interviews, media trips, social media
Customers	Flender website, meetings (in person, digital, etc.), one-to-one communication (phone, email, etc.), key account management, brochures, advertisements, trade fairs, social media	Communities	Flender website, press, advertisements, regional events, sponsoring, donations, social media
Suppliers and partners	Flender website, brochures, trade fairs, supplier days, Flender Supplier Summit, social media	Investors, analysts and other capital market participants	Flender Annual Report, quarterly investor presentations
Politicians, associations, interest groups and NGOs	Flender website, topic-related discussions, site visits, social media		

Determining material issues

Our materiality analysis was informed by the GRI Standards as well as SASB. To evaluate the importance of each topic, we used a matrix approach to map the relevance to stakeholders and

for company decisions. The materiality matrix shown below shows the most important issues in the blue zone, and those with slightly lower priority in the grey zone. Lower priority items (white zone) are excluded from this report. ➤

EACH SECTION SHARES AN OVERVIEW OF OUR INITIATIVES IN THIS PILLAR, AND HOW WE MEASURE OUR PROGRESS, BOTH IN TERMS OF GRI-RELEVANT MATERIAL ISSUES, AND OUR WIDER SUITE OF REPORTING METRICS. WE WILL REVIEW THE MATERIALITY ASSESSMENT ON ANNUALLY.

3.3

MATERIALITY ASSESSMENT CONTINUED

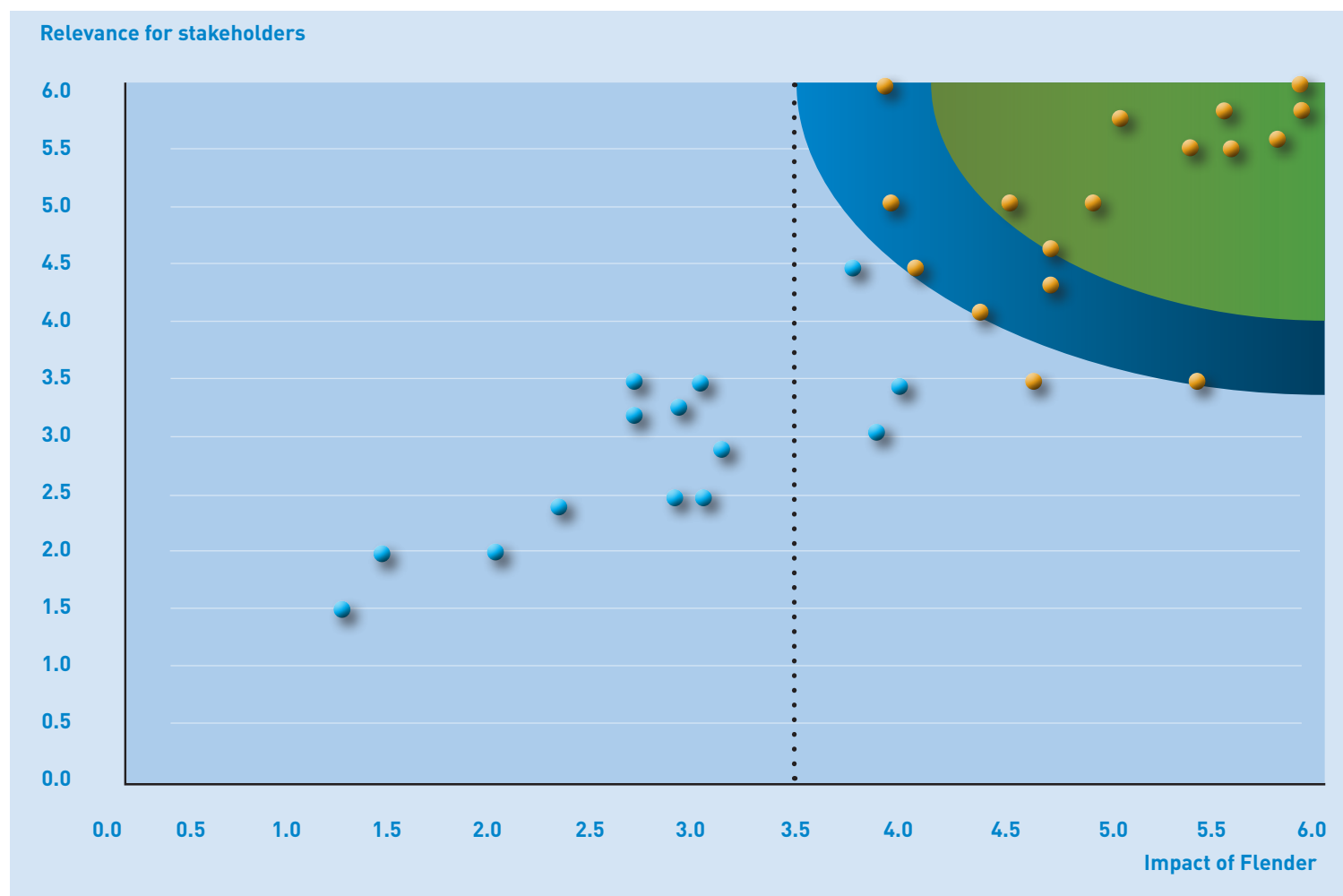
Determining material issues continued

For a full index of the GRI topics by number, see our GRI reporting appendix on page 78.

All topics in the upper right corner were determined to be important for both stakeholders and Flender, and are therefore covered in this report. The remainder of the report is split into three sections: Environmental Sustainability, Employer of Choice, and Compliance, reflecting three key pillars from our CSR strategy. Each section shares an overview of our initiatives in this pillar, and how we measure our progress, both in terms of GRI-relevant material issues, and our wider suite of reporting metrics.

We will review the materiality assessment annually. The material topics identified through the GRI materiality assessment include: economic performance, anti-corruption, anti-competitive behavior, environmental compliance, non-discrimination, employment, occupational health and safety, child labor, customer health and safety, and socio-economic compliance.

MATERIALITY MATRIX: GRI RATINGS FOR FLENDER



3.4

CSR GOVERNANCE

Our CSR activities are directly led by the Group CEO who also chairs Flender's CSR Board. Other members of the CSR Board include senior management representatives from the Flender business units and business lines and some of the Group functions.

The CSR Board is the central steering committee for the strategic development of CSR. The core tasks of this Board are:

- define and steer focus on strategic sustainability matters (decarbonization, sustainability risk and value creation management, ESG strategy, responsible decision-making framework, non-financial disclosure, communication, ratings, etc.);
- set the vision and direction of sustainability efforts within the Company;
- promote and encourage consideration of sustainability aspects in business decisions;
- initiate strategic and innovative sustainability projects; and
- oversee and review the progress of Company-wide activities, programs and measures on a continual basis.

CSR BOARD



**KIMBERLEY
TEN BROEKE**
CSR MANAGER



ANDREAS EVERTZ
GROUP CEO

The Chair of the CSR Board is supported by Flender's CSR Manager, who reports directly to the CEO and is responsible for data collection specific to CSR initiatives, tracking and monitoring the trends, data analysis, providing guidance on new initiatives and pilot projects, and supporting implementation of and promoting new CSR programs in the Company through the CSR Board.

The CEO and CSR Manager are supported by senior management representatives from Flender business units, business lines and Group functions. Each business unit, business



**MANAGEMENT
BUSINESS UNITS/LINES**

line and function is ultimately responsible for implementing and integrating CSR within its area of control.

In addition to progressing strategic initiatives, a core function of the CSR Board is risk and opportunity management. Flender is implementing a systematic process for evaluating and managing sustainability risk. We will analyze the risks posed by climate change to our operations and business strategy, as well as the global trends that can have a significant influence on

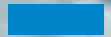


**MANAGEMENT
GROUP FUNCTIONS**

our sustainable performance. These trends present both challenges and opportunities for our Company.

THE CEO AND CSR MANAGER ARE SUPPORTED BY SENIOR MANAGEMENT REPRESENTATIVES FROM FLENDER BUSINESS UNITS, BUSINESS LINES AND GROUP FUNCTIONS. EACH BUSINESS UNIT, BUSINESS LINE AND FUNCTION IS ULTIMATELY RESPONSIBLE FOR IMPLEMENTING AND INTEGRATING CSR WITHIN ITS AREA OF CONTROL.

04

ENVIRONMENTAL
SUSTAINABILITY

4.1

OUR PRODUCTS AND SERVICES

Our environmental programs are designed to conserve resources throughout the entire product life cycle, reduce waste for disposal and work towards climate neutral business activities. Flender has taken several initiatives to make our products, operations and supply chains greener and more sustainable. For example we have had ISO 14001:2015 certification for all production sites since 2009. Detailed information on such initiatives can be found in the sections below.

EXAMPLE: IMPROVING THE ENERGY EFFICIENCY OF OUR PRODUCTION SITE IN FRANCE

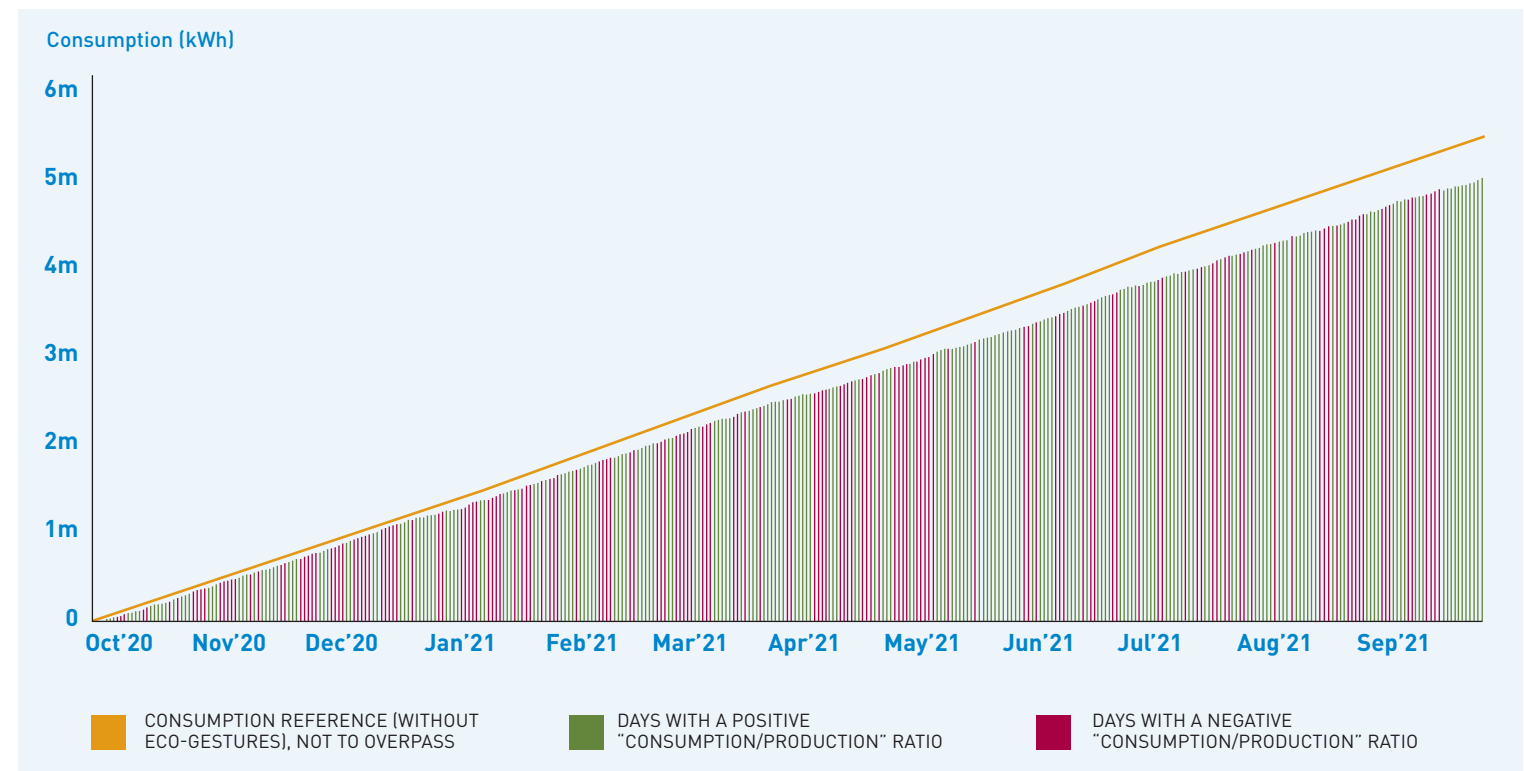
Energy consumption is one of the main environmental impacts of our operations. Several actions were established in FY 2021 to reduce our energy consumption on site. We focused on training our employees on eco-gestures with a particular focus on how to use production machines more efficiently. We also raised awareness on compressed air leakage and waste sorting. Furthermore, the aim was not only to train the teams, but also sustain our positive engagement by continuously communicating the results

of our employees' hard work. To this extent we have implemented a consumption counter. This enables us to feed back monthly on improved energy practices and guide group discussions about what worked

well in the past months and which areas need further improvements. If guidelines have not been met, meetings are planned with the teams to understand why and to improve. The results of our actions are

impressive with 728 MWh of electricity saved, which represents 44 CO₂ equivalent tons, €56k and 8.5% of the total consumption. This is a real team achievement, thanks to the involvement of all employees. ➤

CUMULATIVE CONSUMPTION GRAPH FOR FY 2021



4.1

OUR PRODUCTS AND SERVICES CONTINUED**Flender business overview**

Flender serves various industries from chemical and pharma to power generation and wind energy. Products are manufactured across the following six businesses: wind turbine gearboxes, wind generators, industrial gear units, couplings, customer service, turbo gears units and couplings. Flender's product range and the industries it serves are shown to the right. ➤

WIND TURBINE GEARBOXES

PRODUCTS More than 100,000 gearboxes for wind turbines with a total power of more than 200 gigawatts delivered to satisfied customers worldwide. Our assortment of gearboxes includes the following:

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

**APPLICATIONS**

- Wind turbines

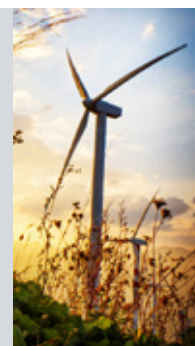
**WIND GENERATORS**

PRODUCTS For wind turbine concepts with gearboxes, our specialized generator systems 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

**APPLICATIONS**

- Wind turbines

**COUPLINGS**

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

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

**APPLICATIONS**

- Pumps
- Fans
- Compressors
- Wind
- Rail



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

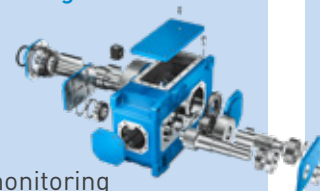


CUSTOMER SERVICES

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

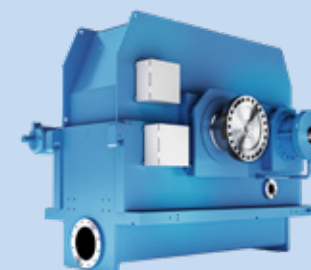


TURBO GEARS

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



APPLICATIONS

- Cement/ mining
- Rubber and plastics
- Marine
- Food and beverage



APPLICATIONS

- Crane
- Material handling
- Water/ wastewater



APPLICATIONS

- All branches



APPLICATIONS

- Power generation
- Oil and gas



4.1

OUR PRODUCTS AND SERVICES CONTINUED

INDUSTRIES SERVED BY FLENDER BY REVENUE

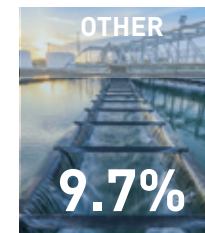
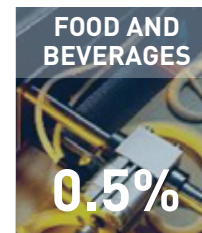
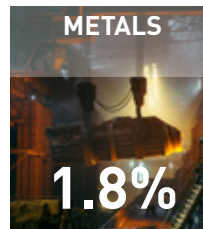
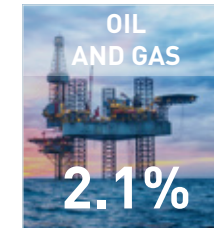
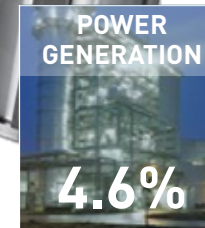
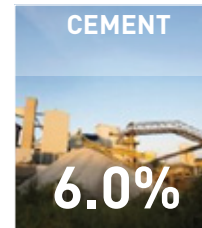


WIND POWER

65%



Gearboxes/generators for onshore and offshore wind turbines featuring industry-leading technology.



Spread across various industries and end markets such as: construction, environmental & recycling, textiles, water and wastewater, and entertainment

35%

FLENDER

One of the world's largest portfolios of industrial gears, turbo gears and couplings covering a vast range of industrial applications. Integrated aftermarket services platform covering retrofit, spare parts, repairs, condition monitoring and service contracts.

FLENDER

4.2

OUR SUSTAINABLE PRODUCT PORTFOLIO

We believe that Flender, as a manufacturer of equipment used for wind energy generation and a provider and developer of energy generation technology, ensures access to affordable, reliable, sustainable and modern energy (SDG 7) for all, through its customers.

We cover a wide range of products and services for the onshore and offshore wind power industry. Our products contribute to the reduction of non-renewable energy consumption, as the use of our products supplies more than 150 million households with sustainable electricity as at 2021.

Flender meets the sustainability-related demands of its customers and partners by developing future-oriented and resource-efficient solutions, products and business models. As suppliers to incumbent businesses in both the traditional high carbon sectors and low carbon sectors, we acknowledge and use our ability to exert an influence on environmental impacts of our products and operations not just in the manufacturing phase, but also in the design, sales, utilization, service and disposal phases.

To ensure our products and our manufacturing are sustainable from an environmental point of view, we place a high emphasis on:

Quality, reliability and high efficiency

We place value on long service life and low maintenance

EXAMPLE: INCREASED RELIABILITY WITH IMPLEMENTING NEW TECHNOLOGIES

Introduction of journal bearing technology has further increased the efficiency and reliability of our wind turbine gearboxes. This saves customers time and money on maintenance tasks, extends the lifespan of our products and makes operations more reliable.

Low emission products

HybridDrive for wind turbine gearboxes reduce levelized cost of energy

EXAMPLE: HYBRIDDRIVE FOR WIND TURBINE GEARBOXES

The innovative and reliable products under our Winergy brands are designed to reduce energy generation costs. The HybridDrive is one example, boasting energy conversion



efficiency of more than 96.5%. With products designed to keep these concepts in mind, we contribute significantly to a clean energy supply, reduce material footprint and increase lifespan of our products thereby contributing towards material and

carbon footprint reduction across our value chain.

Some salient features of our product with regard to sustainability are highlighted on the following page. >

4.2

OUR SUSTAINABLE PRODUCT PORTFOLIO CONTINUED

PRODUCT OVERVIEW:

WIND TURBINE DRIVE TRAIN TECHNOLOGIES AND ASSOCIATED SERVICES

Includes wind gearboxes, wind generators, Direct Drive components, couplings and digital solutions for clean energy.

Wind turbine gearboxes:

- Have high capacities and harmonized torque densities (e.g. Winergy High Density Gearbox).
- Help to optimize space requirements due to compact designs.
- Can be recycled (excluding lubricant) and therefore reduce waste.



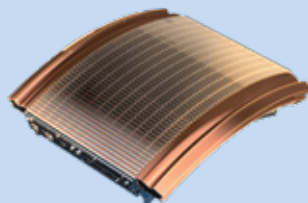
Wind turbine generators:

- Maintenance friendly.
- Can be almost completely recycled.
- These can be enhanced through the modular design concepts improving circularity
- and long product life cycles of the permanent magnet synchronous generators.



Direct Drive segments:

- The gearless Direct Drive wind generator is a multi-pole synchronous machine, usually equipped with permanent magnet technology.
- Winergy offers a custom-made stator in segmented design for the Direct Drive wind generator.



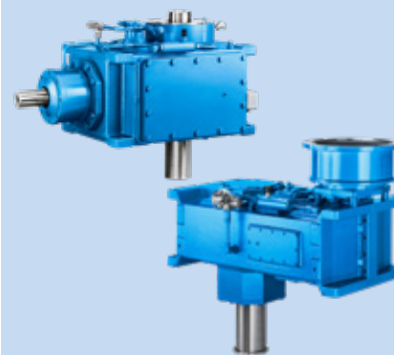
PRODUCT OVERVIEW:

INDUSTRIAL PRODUCTS AND ASSOCIATED SERVICES

Consists of universal gear units, application-specific gears (e.g. for the food industry) and couplings.

Standard and specific gears:

- Can be recycled except for the lubricant.
- Various applications comprise, for instance, waterway infrastructure systems, hydroelectric power plants or wastewater treatment. Those technologies can contribute to more sustainable industry operations.
- Moreover, we offer couplings, service and gearboxes for jackup rigs and installation vessels for offshore wind turbines.



Rail transport couplings:

- With high component compatibility ensures high transport availabilities and capacities. This is decisive in continuously urbanizing cities that face increasing mobility needs. Our products support the process towards a low level of dependency on individual transport, and we contribute to lowering overall CO₂ emissions, especially in contrast to road transport.



4.2

OUR SUSTAINABLE PRODUCT PORTFOLIO CONTINUED**CASE STUDY: CHINA**

On 21 April, Flender was honored as “Energy-Saving Star Supplier” and “Most Influential Supplier” during the China Cement Industry Summit organized by the China Cement Association.

Awards go to the best supplier based on a range of criteria, including technology indicators, industry indicators, market share, service satisfaction, customers/users survey and other multi-dimensional information.

Among the 20 companies that received awards, Flender was the only transmission company. In the cement industry, Flender’s energy-saving, high efficiency and environmentally friendly products and low noise characteristics have been praised and certified by end customers, design institutes and engineering procurement agents alike. The award confirmed Flender’s outstanding development and recognition in China. These awards are a testimony that Flender actively responds to China’s national policy, helping green development in the cement industry by improving customer productivity through reliable products with less energy consumed.

General Manager of Flender Ltd’s China Industrial Gearbox Division Chen Peijian said: “This award is a full affirmation of Flender’s efforts in China for more than 30 years. Flender has been committed to promoting the Chinese cement industry to be more efficient and energy saving. We promise to our customers the delivery of a ‘leading technology products and worry-free operation throughout the life cycle’ service system.”

The Chairman of Ccment.com said: “Flender actively responded to the national policy for ‘dual control and double reduction’ for the industry, and developed a series of gear units that meet the policy and environmental protection requirements, online monitoring products, etc. On one hand, Flender is focusing on energy efficiency improvement; on the other hand, it promotes the reduction of emissions, and it deserves this award.” >



4.2

OUR SUSTAINABLE PRODUCT PORTFOLIO CONTINUED

Our product life cycle

We take responsibility for the impact our products have on the health and safety of the users, and on the environment; we therefore aim for high quality and longevity. This is ensured through quality management, intensive risk analysis and extensive testing of the products. This allows for long life cycles, reduced disposal and a low necessity for the renewal of products and parts. We constantly aim to reduce and mitigate the negative environmental input of our product life cycle by reducing material input, reducing the resource intensity of

our products and designing our products for ease of recycling.

Reduce material inputs

Steel and iron is a major resource input in all our products; it accounts for over 85% of the weight of most of our products. We purchase raw materials for our own parts production as well as components for our assembly lines where we build the final product. We purchase a vast number of raw materials, manufactured or standard parts; efforts to map the total material inputs in our >

PURCHASED



CAST IRON

110,000
metric tons

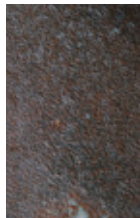
PURCHASED



STEEL

105,000
metric tons

PRODUCED



STEEL AND
IRON SCRAP

19,515
metric tons

PURCHASED



WOOD

13,000
metric tons



4.2

OUR SUSTAINABLE PRODUCT PORTFOLIO CONTINUED

Reduce material inputs continued

» operations are underway and will be reported in subsequent reports. We have full transparency on the material input when it comes to the use of conflict minerals (subject to CMRT), chemicals (subject to REACH) or hazardous substances (subject to RoHS) and are committed to increasing the share of recycled material.

Product design

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 eliminate risks. Preventative measures are defined and their fulfillment will be checked and approved as part of the process. Major criteria among others are REACH, RoHS, diversity of material and design for disassembly. Our engineers are supported by our corporate Technology and Innovation (TI) function while each business unit takes responsibility on an operative level. As an example, we are working on weight reduction of parts by specifying the casted and forged parts in near-net shape meaning that the part is designed in such a way that as few as possible material needs to be taken away in machining operations (e.g. for gears, housings, torque arm, etc.) in order to control the overall weight of the

final product and to reduce the machining or customization requirements. Our wind turbine generators are designed in such a way that the unit is mostly recyclable post use phase. Similarly, our wind turbine gearboxes are recyclable except for the lubricant. Many of these gearboxes and generators have a modular design for the ease of dismantling and ultimately recycling of the individual parts.

There are several advantages of modular designs:

- easily replace parts instead of disposing of the entire units;
- reduction in transportation costs;
- reduction in material wastage;
- prolonged life cycle; and
- products can be easily upgraded by replacing old parts. »

MATERIAL
INPUTS



PRODUCT
DESIGN



SUSTAINABLE
PACKAGING



PRODUCT
QUALITY
AND SAFETY



FLENDER

4.2

OUR SUSTAINABLE PRODUCT PORTFOLIO CONTINUED

Sustainable packaging

As we consider the entire product life cycle, packaging is an essential factor in reducing our carbon and material footprint. Efficient packaging also contributes to efficient operations. We have taken several measures to evaluate and improve our packaging in recent years. One such example is discussed below.

SMART BOX

Partnering with suppliers for sustainable innovative packaging solutions

A key part in our climate neutrality journey is close cooperation with customers and suppliers. Together with our automotive and industrial supplier Schaeffler we created a new innovative

THANKS TO A DOUBLE SIDED, ABRASION-RESISTANT MELAMINE RESIN COATING, THE BOX IS SIGNIFICANTLY MORE ROBUST THAN UNCOATED WOODEN TRANSPORT BOXES AND CAN BE REUSED UP TO 20 TIMES.

and environmentally friendly reusable packaging system – called “SMART Box” – to protect resources and avoid disposal in landfills. With the new SMART Box, transportation of large size bearings is not only safe but also sustainable.

SMART Box has a uniform size, whereby up to five pallet frames can be stacked per pallet and a complete unit of the new returnable packaging system replaces a multitude of individual boxes on several pallets.

Thanks to a double-sided, abrasion-resistant melamine resin coating, the box is significantly more robust than uncoated wooden transport boxes and can be reused up to 20 times. During the development of this new packaging system, great importance was attached to the usability for rolling bearings for different applications. Additionally, a GPS tracking system planned for Europe shall eventually ease monitoring of the boxes transported and stored.

In a nutshell with the introduction of the transport boxes for one of the gearboxes, the overall impacts have been:



- 100 tonnes per year reduction in wood packaging waste; and
- >50% reduction in CO2 emissions compared to materials used in the disposable boxes including return logistics for empty boxes.

Moreover, it is not only the handling of the boxes that is improved, but storage space and costs are also significantly reduced. ➤

4.2

OUR SUSTAINABLE PRODUCT PORTFOLIO CONTINUED

Product safety and quality

The outstanding quality of our products and solutions is key to our success.

Some of the ways in which we ensure excellent product quality and safety offerings include:

- a comprehensive service over the product's entire life cycle, including a spare parts service, technical support and various retrofit and modernization options;
- a 24/7 emergency hotline is available to all our customers for any urgent technical questions;
- offering a preventative maintenance service to increase the lifetime of our products, and to also ensure all products work at their optimal operating conditions;
- a systematic quality management system certified to ISO 9001 standard at all production and main development facilities since 1991. External audits are performed annually;
- to ensure the quality and safety of our products, we also cover the entire value chain with supplier quality audits according to VDA 6.3;
- an internal audit and a comprehensive assessment program support our continuous improvements intentions; and
- centrally, a product safety report is prepared annually for the entire Group.

CASE STUDY: OUR OFFERING TO SUPPORT THE RUNNING OF PUBLIC TRANSPORT

Using public transport is much more environmentally friendly than private vehicles. Flender offers a dedicated range of rail couplings which ensures smooth travel for rail vehicles and aims to strengthen public transport with best in class drive train technology.

Our rail couplings range contains solutions for most drive train tasks. Couplings for rail vehicles have to fulfill numerous requirements during everyday use, sometimes in extreme conditions. With this in mind, Flender focuses on reliability and safety during both the design and the production of rail

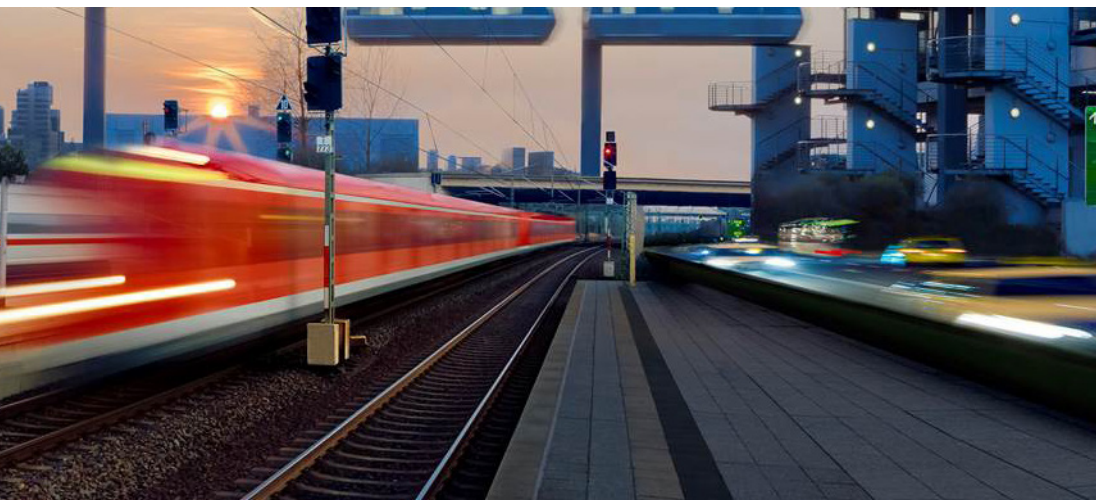
couplings and regularly subjects them to tests. Millions of kilometers of track, icy Siberian temperatures, extreme heat, maximum starting torques and revolution speeds, extremely dusty conditions, axial or radial jolts at high speeds – whatever route it is used on, Flender rail couplings are always in their element.

They create reliable connections for locomotives and streetcars. With state-of-the-art technology and high-precision workmanship, they have been successfully used in thousands of vehicles around the world. With this portfolio we support public transport and the reduction of CO₂-intensive private transport.

FLENDER RAIL COUPLINGS OFFER:



- High quality
- 100% component traceability
- Great manufacturing and engineering depth with an extensive product range
- A high degree of standardization leads to high quality combined with high availability for all railway applications
- Low maintenance costs and a high level of serviceability

FLENDER


4.3

ENERGY FOOTPRINT

2021 ENERGY CONSUMPTION WITHIN THE ORGANIZATION

AT FLENDER, OUR MAIN SOURCE OF ENERGY IS ELECTRICAL ENERGY. IT IS USED TO POWER OUR MACHINES, TEST BENCHES AND TO POWER OUR HEAT TREATMENT PROCESS. AS IT IS BY FAR THE MOST IMPORTANT SOURCE FOR US, WE ARE TAKING ENERGY EFFICIENCY PROJECTS SERIOUSLY AND ARE DRIVING INITIATIVES IN ALL MAJOR LOCATIONS.



NATURAL
GAS

~25%



OTHER
SOURCES

~2%



ELECTRICITY
(RENEWABLE)

68%



ELECTRICITY

~74%

REDUCTION OF ENERGY CONSUMPTION

REDUCTION IN
TOTAL ENERGY
CONSUMPTION
SINCE 2018
(EQUIVALENT
IN GJ - 66,000GJ)

8%

REDUCTION
IN NON-
RENEWABLE
ELECTRICITY
CONSUMPTION
SINCE 2018

13%

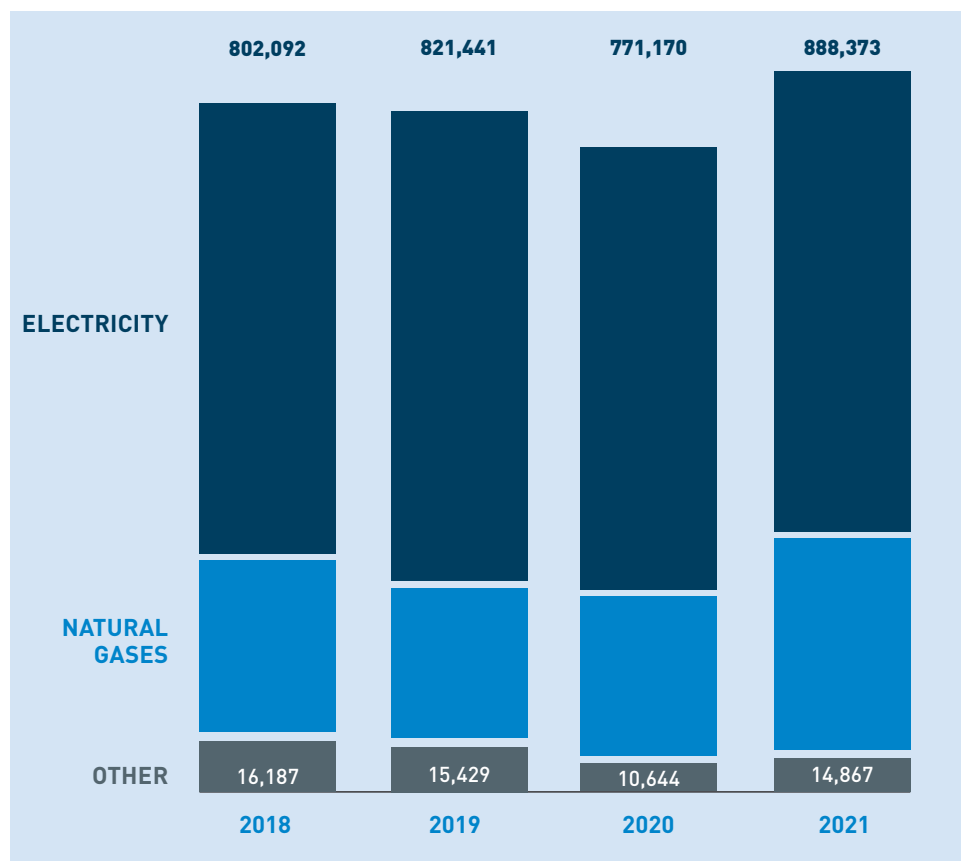
CASE STUDY: ENERGY EFFICIENT CABINET COOLERS

Triggered by an improvement suggestion from one of our employees, we have replaced existing cabinet coolers on 105 machines. Old equipment was replaced with state-of-the-art compressor units. By means of speed-controlled components and efficient design, they save up to 75% electrical energy. This was in most cases a plug and play solution, saving 367,920kWh per year. These coolers are now standard on all new machines for Flender global demands.

We are constantly aiming to reduce the energy consumption of our products. To achieve the same, we use recycled materials as inputs to our products, and are working towards making our products more energy efficient.

Refer to chapter 4.2 [Sustainable Product Portfolio] for further details.

4.3

ENERGY FOOTPRINT CONTINUED2021 ABSOLUTE ENERGY CONSUMPTION (2018 TO 2021) IN FY¹

1. Energy data has different scopes for different years and is not 100% comparable. Data from 2020 includes the new Siemens AG business unit Wind Generators. As of FY 2021, no data is available for Tianjin, China (Wind Generators), as the location is shared with Siemens AG. Work is in progress to obtain Flender China energy data. Furthermore, the following locations, in addition to our sales locations, have been excluded as they are not material in our energy footprint: Ruhstorf an der Rott, Germany; Leeds, United Kingdom; Adana, Turkey; Bayswater and Sydney, Australia; and Isando, South Africa.

4.4

GHG EMISSIONS

Flender calculates its annual GHG footprint using the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (referred to as “the GHG Protocol”), which is the most widely used international standard for greenhouse gas emissions accounting.

Greenhouse gases (GHG) consist of carbon dioxide, methane, nitrous oxide, and fluorinated gases (hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride, and nitrogen trifluoride (NF₃)). Other gases such as PFCs, HFCs and NF₃ are not used within our operations.

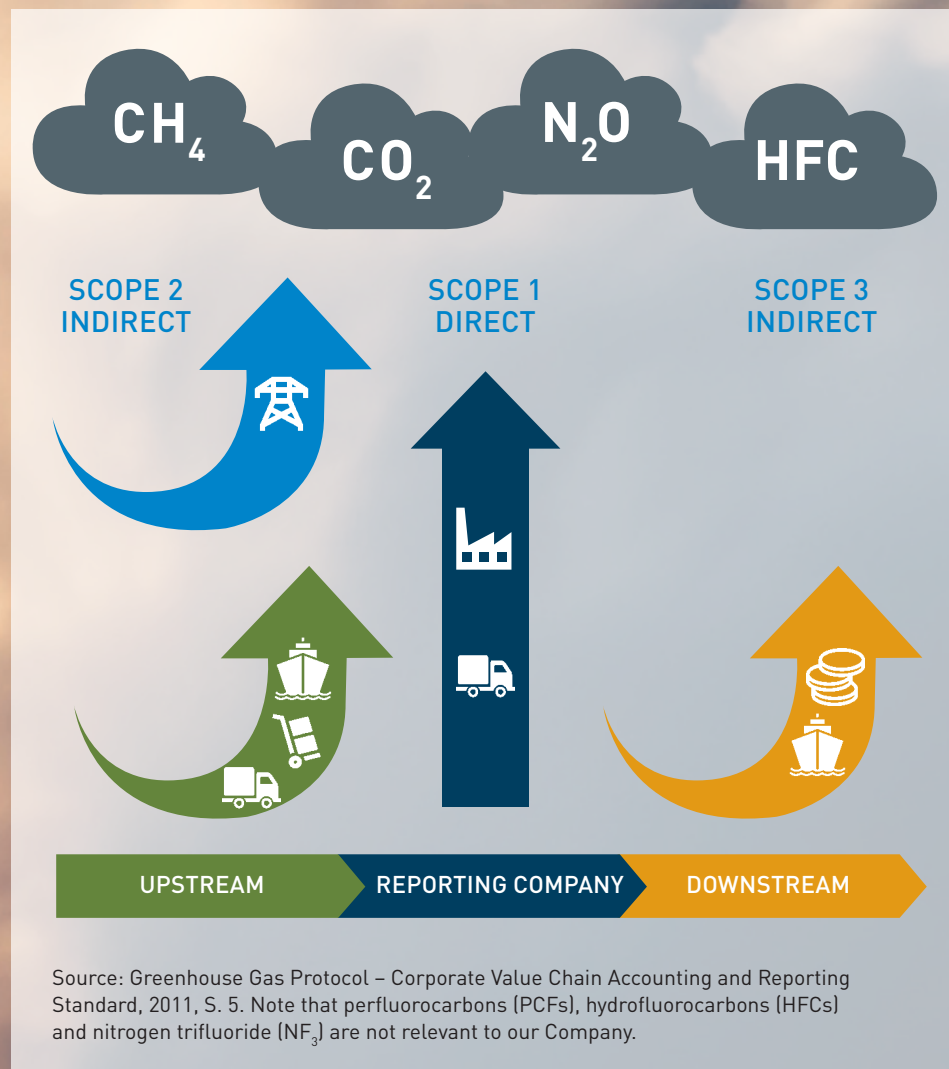


The GHG Protocol breaks down emissions into the following three types:

- 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).

At Flender, the direct and indirect GHG emissions sources include:

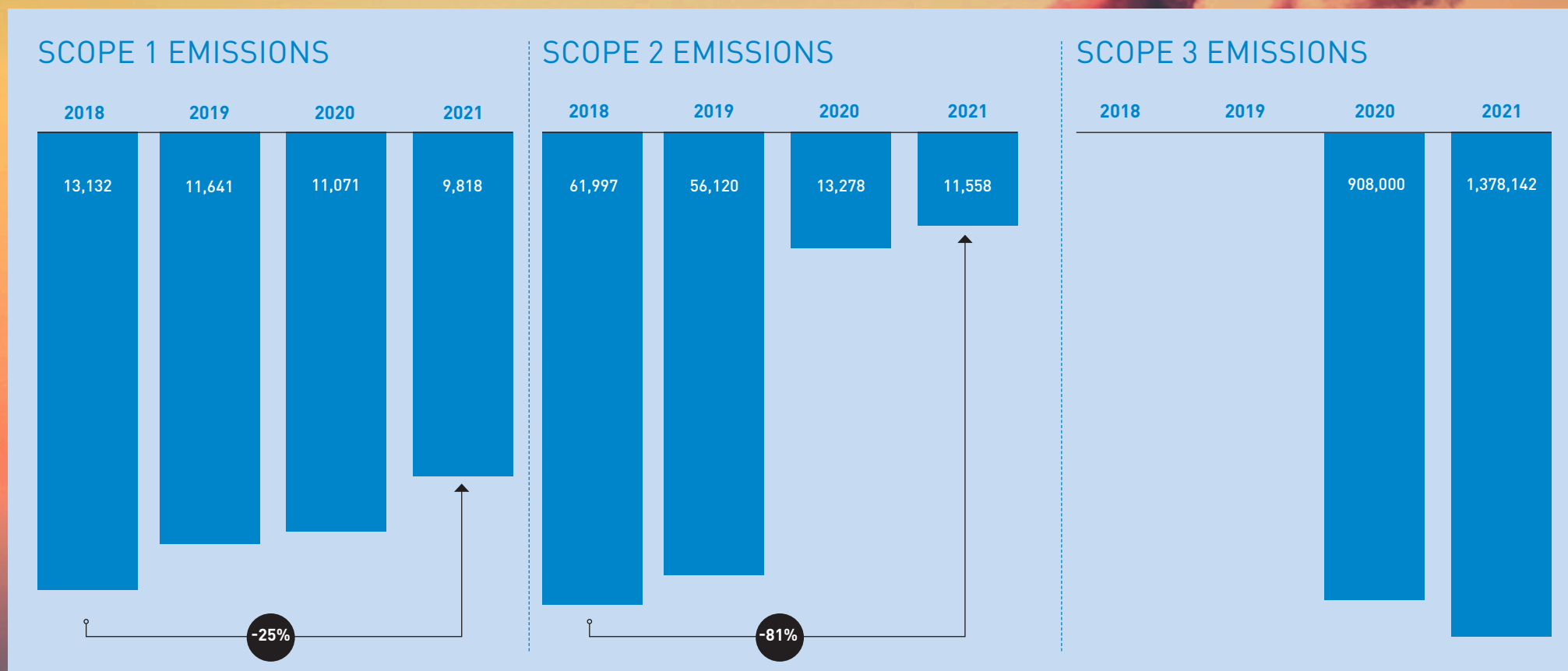
- **Scope 1 emissions:**
Those caused directly by fuel consumption including natural gas, liquefied petroleum gas, fuels, heating oil and acetylene, and emissions of other GHG in production operations.
- **Scope 2 emissions:**
The consumption of purchased electricity and district heat energy for product manufacturing.
- **Scope 3 emissions:**
Those from upstream and downstream processes such as those caused by business travel, investments, transport and distribution, and also emissions caused by the purchase of products and services from suppliers. ➤



4.4

GHG EMISSIONS CONTINUED

TOTAL DIRECT EMISSIONS AND REDUCTIONS (SCOPE 1) GHG EMISSIONS IN TONS



The GHG emissions intensity results are from the energy intensity and the footprint of each country where energy is purchased and used. In addition, the production footprint is strongly influenced by customer needs, as well as national production and purchasing requirements. >

4.4

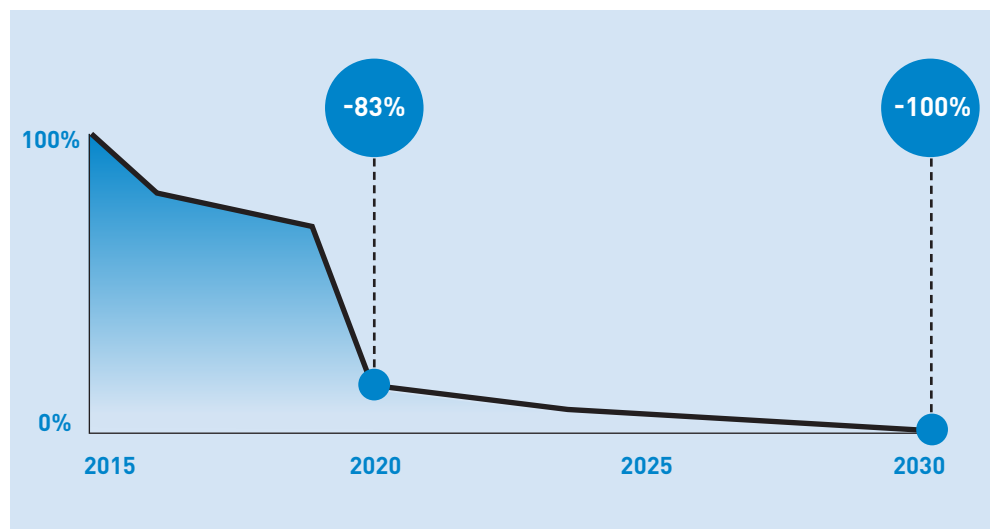
GHG EMISSIONS CONTINUED**GHG reduction goals**

Flender has committed to becoming carbon neutral by 2030 based on our Scope 1 and 2 emissions. This ambitious target was set within our CSR Board meeting in November 2020, and is part of our first CSR strategy pillar of “Sustainability”. Since then, we have aligned on a Scope 3 target, to reduce CO₂ by 30% until 2030 against a 2021 baseline.

Since 2015, we have decreased our CO₂ emission levels by 83%.² This was mainly achieved by switching to carbon neutral power sources. Further, since 2018, Scope 1 and Scope 2 CO₂ emissions have been reduced by 72%, i.e. 54,000 tons CO₂ equivalent. This reduction was mainly achieved due to the reduction of energy consumption and further change to renewable energy resources. ➤

2. Calculated until FY 2020 without the Wind Generators business unit.

CO₂ EQUIVALENT EMISSIONS IN TONS, BASELINE: FINANCIAL YEAR 2015
SCOPE 1 AND 2, ALL FLENDER LOCATIONS



4.4

GHG EMISSIONS CONTINUED**Our carbon neutrality strategy**

Flender has committed to operate carbon neutral by 2030 during our first year of operations as a stand-alone company. We are seeking to implement energy-saving initiatives and aim to reduce Scope 1 and 2 where possible and will offset our remaining emissions starting in 2030.



DIRK DONDORP
VICE PRESIDENT
PARTS MANUFACTURING
FINANCE

“WE ARE STRIVING TO BE CARBON NEUTRAL IN SCOPE 1 AND 2 BY 2030. WE ARE ALREADY USING GREEN ELECTRICITY IN ALMOST ALL SITES AND HAVE A CLEAR PATH FOR ALL SITES. ON TOP OF THAT WE ARE RUNNING A PROGRAM ON ENERGY EFFICIENCY, REDUCING THE TOTAL CONSUMPTION WITH CLEAR TARGETS WITHIN THE WHOLE COMPANY.”

In order to achieve the carbon neutrality goal, Flender has a multipronged strategy focusing on several different areas to reduce carbon footprint in operations as well as supply chain. Project lead for the carbon neutrality goal is driven at corporate Vice President management level. All sites are regularly reporting their progress. Carbon reduction measures for emissions from energy are coordinated globally while the implementation is done locally.

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

- Energy management is a core strategy to reduce and control our GHG emissions. Flender has developed a list of energy reduction measures which consider areas such as building technologies, building envelopes and production activities. Further, dedicated Energy Management Coordinators have been assigned at all production sites.
- Other core elements of an energy reduction strategy are behavioral changes, energy supply management,

energy data management, and organizational and technical energy efficiency programs. All major new equipment is installed with energy measuring devices. In our main production sites, energy management systems are used to monitor electricity consumption.

- Many cabinet coolers have been replaced with energy efficient coolers.
- We equipped our halls with LED lighting and are planning further retrofits in the remaining ones.
- Site-specific energy reduction goals. Each site has its own goals to reduce the overall energy consumption as well to reduce the energy consumption from the non-renewable energy sources. For example, in 2020, we set a target of reducing energy consumption by 1% at three production facilities in Germany (Bocholt, Voerde and Mussum) compared to 2019 levels. For each of these locations, an Energy Management Coordinator was appointed and an energy management audit based on the DIN EN 16247-1, a standard issued by the German agency (the Energy Efficiency and Energy Management Working

Committee) was completed to identify and support the energy-saving initiatives. Since 2015, the European Efficiency Directive requires that energy audits must take place every four years at qualifying facilities. Our Company has appointed an external agency to conduct energy management audits based on DIN EN 16247-1.

In total, 70 energy reduction projects have been conducted to date in Germany, which has led to a reduction in emissions. These were mainly in the area of building technology, building envelope and the production activity. We plan to report global energy reduction projects for the future.

To build on this ambition we are committing a further study during 2022 to evaluate a potential science-based and Paris-aligned target.

4.4

GHG EMISSIONS CONTINUED**SCOPE 3:****Our supply chain GHG footprint**

We are committed to ensuring responsible operations throughout our entire value chain. While we have already been able to achieve major reductions in direct CO₂ emissions, we continue to work to gain transparency with regard to the carbon footprint of our complex supply chain. For our purchasing volume in 2021, our Scope 3 CO₂ emissions amounted to 1,378,142.00.

It is to be noted that, as several steel mills and foundries work with electric arc furnaces and buy renewable energy already, the actual emissions are substantially lower. This was verified

by comparisons we made based on the results received through our Carbon Web Assessments.

Based on our supply chain CO₂ emission evaluation, 85% of our total emissions are attributed to 165 suppliers, i.e. 2.6% of our total 6,396 suppliers. Therefore, we recognize and acknowledge the fact that a strong cooperation along our supply chain and a focus on specific saving potentials are essential to achieve climate neutrality. To channel our efforts efficiently, in this reporting year we focused on reducing the emissions of our top 25 emitting suppliers with CO₂ emissions greater than 10,000 tons of CO₂ equivalent; the suppliers are primarily steel mills and foundries. ➤

OVERVIEW OF CO₂ EMISSIONS IN SUPPLY CHAINS

YEAR	SUPPLIERS IDENTIFIED WITH CO ₂ EMISSIONS ABOVE 10,000 TONS	SUPPLIERS WITH CO ₂ EMISSIONS ABOVE 3,000 TONS	SUPPLIERS WITH CO ₂ EMISSIONS ABOVE 1,000 TONS
2020	15	36	67
2021	25	47	93

WHILE WE HAVE ALREADY BEEN ABLE TO ACHIEVE MAJOR REDUCTIONS IN DIRECT CO₂ EMISSIONS, WE CONTINUE TO WORK TO GAIN TRANSPARENCY WITH REGARD TO THE CARBON FOOTPRINT OF OUR COMPLEX SUPPLY CHAIN.



4.4

GHG EMISSIONS CONTINUED

CARBON WEB ASSESSMENT: ENABLING SUPPLIERS TO TRACK AND REDUCE THEIR CARBON FOOTPRINT

To map the carbon footprint of our suppliers and enable the suppliers to map and track their carbon emissions, Flender developed together with an external provider a “Carbon Web Assessment” (CWA) tool with the help of external experts.

To pilot test the tool, in November 2019, 17 suppliers, including some high CO₂ emitting suppliers, were nominated to participate in testing the tool. The emission values are calculated according to the Greenhouse Gas Protocol (GHG) for each supplier in relation to the respective purchasing volume. The results from the pilot suppliers who had taken part in the CWA gave insights into the actual CO₂ emission values and the measures taken by the suppliers to reduce their carbon footprint. This tool integrates survey, learning and reporting functionality, supports suppliers to assess their individual carbon footprint and gives recommendations on setting adequate

CARBON WEB ASSESSMENT



efficiency targets. We have seen the tool provide valuable insights into operational processes of suppliers as the questionnaire covers a wide range of questions such as to what degree

green electricity is purchased, whether and to what extent energy efficient lighting is applied, and whether an environmental or energy management system has been implemented.

4.5

WASTE MANAGEMENT

Our environmental management system aims at implementing measures to reduce the volume of waste generated, both hazardous and non-hazardous, in our operations. We are constantly striving to decrease waste year on year, and have introduced initiatives to support this aim.

Waste generated and diverted from disposal

The primary waste generating sources are our production and office locations.

Over the past few years our total waste disposal has increased. This is due to our ongoing business expansion, and also a significant increase in production. We have established several waste reduction projects, including pallet recycling and reusable packing for components.

Approximately 71% of hazardous waste, and 99% of non-hazardous waste (excluding construction waste) was diverted from disposal for recycling. >

ABSOLUTE WASTE GENERATED 2018–2021

	2018	2019	2020	2021	Unit
Hazardous waste for disposal (t)	1,726	1,596	1,548	1,759	t
Hazardous waste for recycling (t)	3,691	3,627	3,741	4,285	t
Non-hazardous waste for disposal (t)	59	94	65	544	t
Non-hazardous waste for recycling (t)	35,590	35,374	34,064	37,838	t
Construction waste	297	142	99	16	t
Waste	41,363	40,833	39,517	44,442	t

4.5

WASTE MANAGEMENT CONTINUED

Our waste initiatives

We have initiated several projects at all our sites to eliminate waste and to increase recycling.

Some examples of such initiatives include:

- The new reusable “SMART Box” developed in partnership with our supplier Schaeffler, which is used for packaging and transportation, has enabled us to reduce wood waste generation by more than 100 tons annually, and 30% of packaging material used by the supplier can now be diverted for recycling.
- The Company policy “Quality, Environment, Safety – Policy” requires that we strive to divert as much waste as possible away from landfill.

- We have implemented recycling programs at all major locations.
- We are working towards a more consistent approach to measure and monitor the amounts of waste sent for disposal and recycling in order to establish baseline information at all the sites which can inform our focus areas to reduce waste.

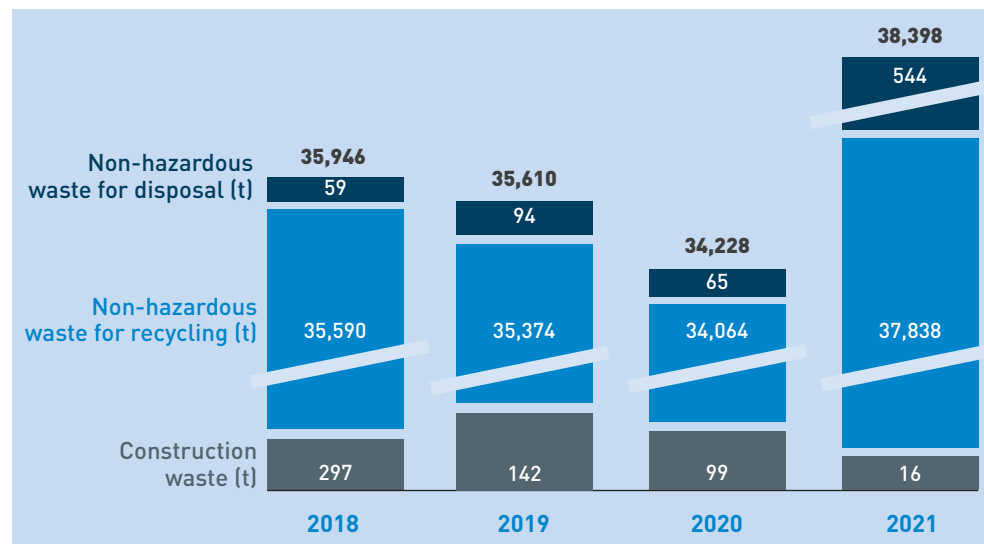
Waste disposed

All waste from Flender’s facilities is disposed of exclusively by qualified waste disposal companies. We do not export or import waste.

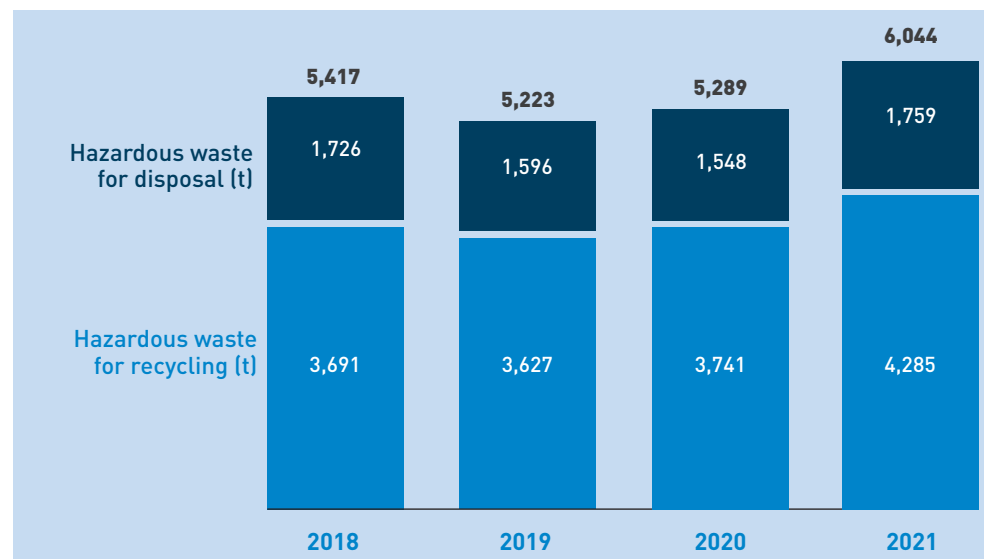
Due to the integration of the Wind Generators business unit, we have seen an increase in waste disposal, and an increase in production volume.

THE NEW REUSABLE “SMART BOX” DEVELOPED IN PARTNERSHIP WITH OUR SUPPLIER SCHAEFFLER, WHICH IS USED FOR PACKAGING AND TRANSPORTATION, HAS ENABLED US TO REDUCE WOOD WASTE GENERATION BY MORE THAN 100 TONS ANNUALLY, AND 30% OF PACKAGING MATERIAL USED BY THE SUPPLIER CAN NOW BE DIVERTED FOR RECYCLING.

NON-HAZARDOUS WASTE



HAZARDOUS WASTE



4.6

WATER USE AND EFFLUENTS

Water is used at our production sites mainly for surface treatment processes, washing, rinsing and cleaning, as a coolant, or for non-production purposes such as sanitary water or drinking water in the canteen or during construction projects. Wastewater is usually discharged into the public sewer system which is then treated at local wastewater treatment plants.

The primary waste source at all sites is municipal sources. At some locations, water from surface and groundwater is used for cooling processes.

Water consumption

Over the past four years the total water consumption from the municipal supply (third-party water) has increased by almost 46%, due to the integration of the Wind Generators business unit as well as a significant increase in production and ongoing expansion projects. In 2021, 365.6 megaliters (ML) of water were withdrawn globally, of which

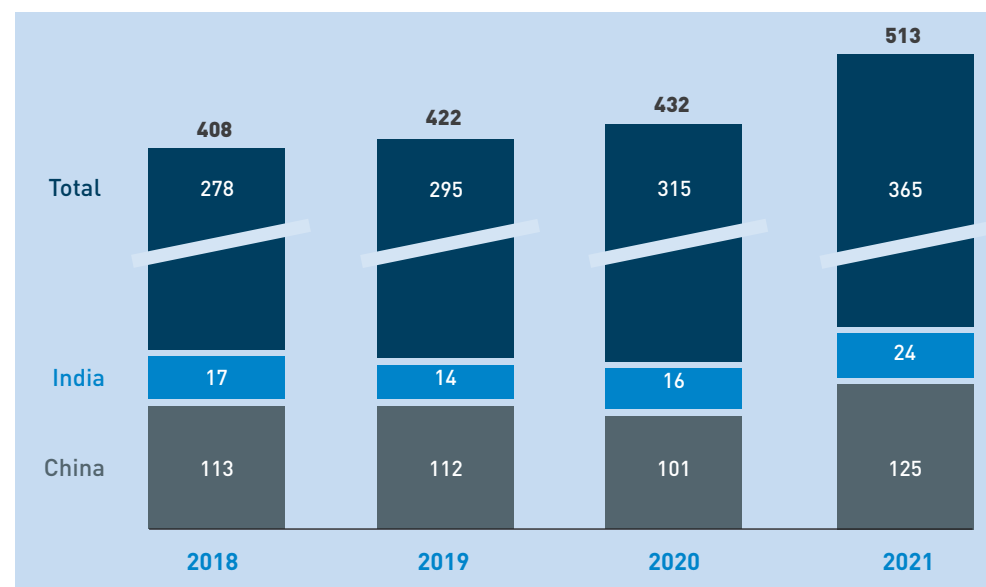
65.6% came from the municipal supply (third-party water), 34,2% came from ground and surface water and 0.2% came from other water sources. Over the past four years the total water withdrawal has increased by 25%. In the last four years, Flender has undertaken expansion projects at many of our production sites.

Our Company's annual targets with regard to water consumed and effluent discharged are that they should be lower than the previous year quantities. The total and specific volumes of wastewater globally have increased over the last four years. This is due to ongoing expansion projects and a significant increase in production. We only discharge contaminated wastewater in the public sewer system, which requires in-house pre-treatment prior to discharge. We hold the necessary permits for all treatment plants and monitor the treatment and pollutant parameters to ensure we adhere to all local discharge limits from local authorities. We do not discharge any wastewater into natural waters or groundwater. ➤

ABSOLUTE WATER WITHDRAWAL 2018–2021

IN M LITERS	2018	2019	2020	2021
Ground and surface water	111.0	128.5	148.4	125.0
Municipal water	164.6	166.1	167.1	240
Other	0.2	0.3	0.2	1
Total	275.2	294.9	315.6	366

ABSOLUTE WATER DISCHARGE (MI)



4.6

WATER USE AND EFFLUENTS CONTINUED**Water risks**

Our Company has assessed the risk posed by water scarcity to our operations and it has been considered as part of our wider review of climate-related risks. Initial results have shown that production locations in China and India are in areas with high to extremely

high baseline water stress areas. The baseline water stress measures the ratio of total water withdrawals to available renewable surface and groundwater supplies. At the production sites in China, water withdrawal increased 10.6% compared to the last four years from 112.5 ML in 2018 to 124.5 ML in 2021.

ABSOLUTE WATER WITHDRAWAL 2018–2021: INDIA

IN M LITERS	2018	2019	2020	2021
Ground and surface water	13	11	12	—
Municipal water	2	3	4	12
Other	—	—	—	—

ABSOLUTE WATER WITHDRAWAL 2018–2021: CHINA

IN M LITERS	2018	2019	2020	2021
Ground and surface water	—	—	—	—
Municipal water	112	112	101	125

05

EMPLOYER OF CHOICE

5.1

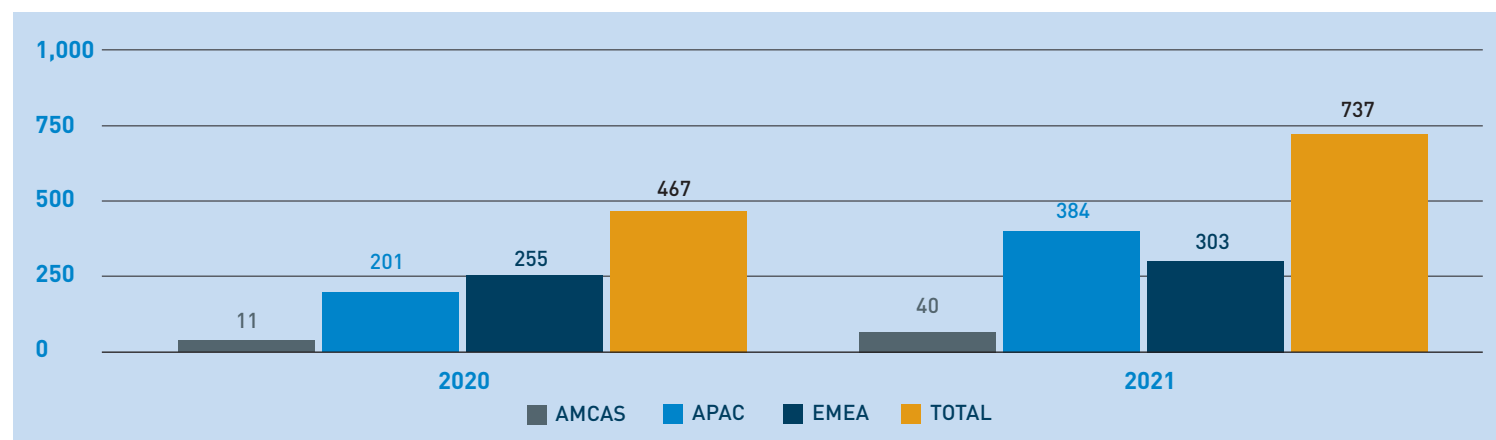
EMPLOYER OF CHOICE

Commitment to our employees

At Flender, we believe our employees are our most valuable asset. Our Company policies aim at treating each other professionally, based on fairness, respect and dignity. We are committed to fair employment practices worldwide and offer equal opportunities to all our employees. Our human resource practices are aligned with the Company's vision and we strive to continually improve our practices.

We believe that the wellbeing and retention of our employees is a key step to both being a major player in a sustainable future and also achieving success in our field of business. As a global company, we aim to have a diverse workforce that reflects a divergent range of values and opinions, in order to be innovative and forward thinking. Our success is based on our strong corporate culture, with a guiding principle: always act as if it were your own company. We call this our Ownership Culture. This calls for responsibilities to be defined clearly, and for each individual to bear responsibility for his or her actions. These principles are underpinned in the Business Conduct Guidelines.

TOTAL NUMBER OF NEW EMPLOYEE HIRES DURING THE REPORTING PERIOD BY REGION



The engagement of competent people is the basis of Flender's success, and therefore we aim to hire and retain highly qualified and skilled employees to ensure that we remain the partner of choice for our clients. The Flender culture is developed by our workforce and underpinned by our values, and ensures the Company's continued success. We pride ourselves on having low turnover rates in our workforce, with a turnover rate of 5.7% in total and 5.4% in our APAC region.

Flender has implemented processes and practices to continually improve people management, for example ongoing training and development programs, employee recognition programs and annual internal satisfaction surveys. Further, we

acknowledge employees' contributions, and promote collaboration and a healthy culture where all employees can thrive. We identify our shortcomings and address them on an ongoing basis. Flender offers employee-friendly benefits to attract and retain staff, and to ensure a healthy work-life balance. Some of these benefits include an attractive remuneration package, disability and life insurance, and retirement provisions. At all German locations, we offer flexible working options and at HQ we provide for childcare services for working parents.

Caring for our team during COVID-19

As we were challenged by the COVID-19 pandemic impacts in the reporting year, the health and safety of our employees was the top priority. To address impacts

of the pandemic, employees needed on site who were part of high risk groups were able to work in separate areas and employees in administrative positions were able to work from home. Traveling was either suspended or limited, and high hygiene standards and protocols as per the guidance issued by the local health agencies were implemented at all our facilities. Communication campaigns were launched to keep all employees and other stakeholders updated on ongoing COVID-19-related measures and to keep employees engaged during the pandemic.

Global turnover in the total number of employees during FY 2021 was approximately 5.7%. New hiring in FY 2021 has increased by almost 58% in comparison to FY 2020. ➤

5.1

EMPLOYER OF CHOICE CONTINUED

PPE kit distribution and vaccination drive in India

With the onset of the COVID-19 pandemic and lockdowns in India around April 2020, a task force was mobilized within Flender to monitor the situation and provide support to employees and their families in need. The task force constituted of Employee Health and Safety, Human Resources and Healthcare teams along with volunteers from other functions including Engineering, Finance and Manufacturing.

As an immediate measure, a web and mobile-based app was deployed to monitor the general health condition of employees and their families on a day-to-day basis, to create awareness about the pandemic and provide guidance towards personal hygiene and social distancing. Emergency support was provided in terms of securing hospital beds for infected people, counselling their family members and arranging medication. COVID-19 awareness programs were conducted periodically.

Corporate support was extended to citizens at risk surrounding our

operations, with large scale distribution of PPE kits starting in June 2020. Around 50,000 units were dispersed over a span of three months. These kits were provided to government run hospitals for use by doctors and paramedical staff. Kits were also provided to Red Cross Society and local scout teams for distribution to local administration staff, public utility services and primary healthcare workers. One of the organizations receiving the PPE stated: “We appreciate the commitment and support from Flender in the fight against COVID-19 and look forward to similar initiatives from more corporate entities.”

As soon as COVID-19 vaccines were made available in the region and a vaccination policy was released by government, Flender took it up as a priority to garner necessary clearance and support from local civic administration and district health services to get all employees and external service providers vaccinated. On-site vaccination camps were set up at the two factory locations in India – Chennai and Kharagpur.

COVID-19 vaccine doses were procured



from government approved private hospitals and with their support close to 1,000 doses were administered within a period of three months. More than 60% of the doses were received by external service providers and the remaining went to Flender employees. On-site facilities like ambulances, doctors and Medicare staff were arranged from the supporting hospitals.

Post vaccination counselling, monitoring and follow-ups were done for all recipients. Employee volunteers and healthcare teams briefed the participants on personal hygiene and social distancing guidelines for the



workplace and home. After receiving the vaccine, recipients also reaffirmed their “Pledge to End COVID-19” by following all safety protocols.



“FLENDER INDIA IS PROUD OF TAKING SPECIAL CARE OF ITS EMPLOYEES AND VARIOUS OTHER STAKEHOLDERS DURING THE CHALLENGING TIMES OF THE COVID-19 PANDEMIC.”

5.2

TRAINING AND EDUCATION

Flender invests in capacity-building and ongoing training programs for its employees. This ensures a high level of performance from employees and increases the efficiency of all business functions and generates a positive impact.

Through Flender Academy Portal, our in-house personnel development training portal, we provide mandatory training such as occupational health and safety and compliance training, and on-demand webinars and lectures on topics such as sustainability, mental

wellness and wellbeing. Our training ensures that employees remain highly competent in performing their function-specific tasks and are prepared for transitional phases, such as for the use of newly implemented technologies.

For those in leadership roles – such as functional coordinators, managers and specialists – in addition to the training offered via the Flender Academy Portal, they also participate in external training programs as needed, according to their specific job requirements.


THROUGH FLENDER ACADEMY PORTAL, OUR IN-HOUSE PERSONNEL DEVELOPMENT TRAINING PORTAL, WE PROVIDE MANDATORY TRAINING SUCH AS OCCUPATIONAL HEALTH AND SAFETY AND COMPLIANCE TRAINING, AND ON-DEMAND WEBINARS AND LECTURES ON TOPICS SUCH AS SUSTAINABILITY, MENTAL WELLNESS AND WELLBEING.

5.3 DIVERSITY

Flender believes that diversity enriches the workplace, our outcomes and our overall business performance. Mutual respect is part of our workplace, regardless of the location. The Company has a zero-tolerance policy against discrimination based on gender, age, nationality, origin, religion, political views or social condition. Fair treatment includes not only employees, but also external collaborators, suppliers and clients.

Flender has a Diversity Officer in Germany who is supported by regional contacts for diversity. The Diversity Officer is responsible for implementing diversity and inclusion-related programs throughout the Company. Flender GmbH has a Diversity and Bargaining Agreement which includes a representative body for disabled employees.

We are committed to ensuring that our recruiting and candidate screening processes are unbiased and that there is no discrimination against any background, and we live this statement. To highlight the importance of this commitment, we have placed several statements on our website. ➤



**WE ARE COMMITTED
TO ENSURING THAT OUR
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LIVE THIS STATEMENT. TO
HIGHLIGHT THE IMPORTANCE
OF THIS COMMITMENT, WE
HAVE PLACED SEVERAL
STATEMENTS ON
OUR WEBSITE.**

5.3

DIVERSITY CONTINUED



JULIA CAMMINADI
HEAD OF DIGITAL
BUSINESS

“I HAVE ALWAYS BEEN INSPIRED BY THE OPPORTUNITIES THAT FLENDER HAS TO OFFER.”

Our Company’s diversity and inclusion policies are introduced to employees at the start of their employment, as part of the onboarding training. We have assessed gender diversity ratios and have started a Women@Flender network, which is a support group for female employees. This is supported by senior management not only by attending meetings and supporting initiatives but also by sponsoring these.

Some examples of our diversity-related initiatives include:

- At the facility in Voerde, Germany, we are working on improving accessibility to make the working environment more accessible. This includes a roofed parking place, automatic doors and accessible toilets.
- Flender sponsors annual events to

promote diversity and inclusion, which are open to employees and external visitors. The following events were organized in 2019 (note – due to the COVID-19 pandemic, these events were not conducted in 2020 and 2021):

- **Girls’ Day:** As part of this event, female school students are invited to Flender facilities to gain insight into Flender operations and engineering jobs. As engineering jobs, specifically mechanical engineering jobs, are typically male dominated, we see the Girls’ Day program as a significant opportunity to encourage young women into taking up engineering careers. On the last Girls’ Day in 2019, 24 girls took part in the initiative to gain an insight into Flender as a mechanical engineering company; and
- **Technical Day:** A cross-border (Germany and the Netherlands) technology day at Berufskolleg Bocholt-West, Germany. Almost 40 German and Dutch companies from the sectors of trade, industry, IT and mechanical engineering were represented there recently. Children and young people aged 8 to 14 had the opportunity to get to know the companies and their products.



- **Mechanics Experience Day:** An annual event for students/pupils 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 last event in 2019, we welcomed 330 visitors.

Diversity and inclusion in numbers

For the total number of male and female employees, please refer to the table on page 51. We currently do not track diversity indicators such as ethnicity or other vulnerable groups. This is due to legal requirements in Germany, where we are only permitted to collect and

disclose gender-specific data, key figures and measures.

In the upcoming year, we plan to track and assess the following:

- ratio of basic salary and remuneration of women compared to men (gender pay gap); and
- diversity of governance bodies (gender and age group).

Flender did not record any incidents of discrimination during the reporting year 2021 via Flender’s incident reporting tool, “Quote”. For further details with regard to the incident reporting tool, please see chapter 6.3.

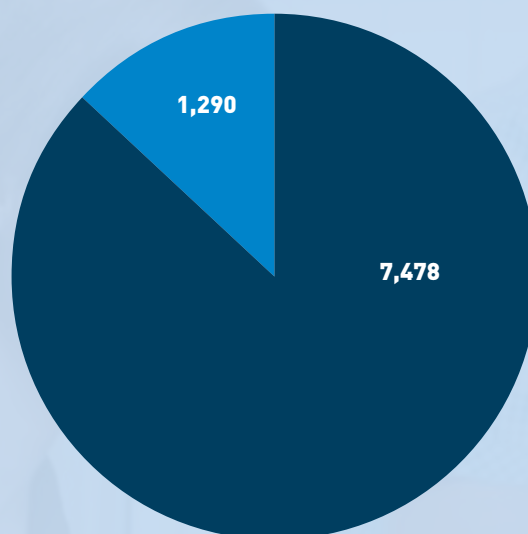
5.4

EMPLOYEE REPRESENTATION

Through our Business Conduct Guidelines and Code of Conduct, we ensure that employees and suppliers have their rights respected to form or join a trade union or engage in trade union activities. Employees are also ensured the free participation in collective agreements and bargaining. In Germany, 100% of all active employees are covered by collective bargaining agreements. The Penig location (Flender Industriegetriebe GmbH) has bargaining agreements but no collective bargaining agreements. Flender has no records of complaints or violations of the Conduct of Conduct in respect to the rights of association and representation. >

EMPLOYEES ARE ALSO ENSURED THE FREE PARTICIPATION IN COLLECTIVE AGREEMENTS AND BARGAINING. IN GERMANY, 100% OF ALL ACTIVE EMPLOYEES ARE COVERED BY COLLECTIVE BARGAINING AGREEMENTS.

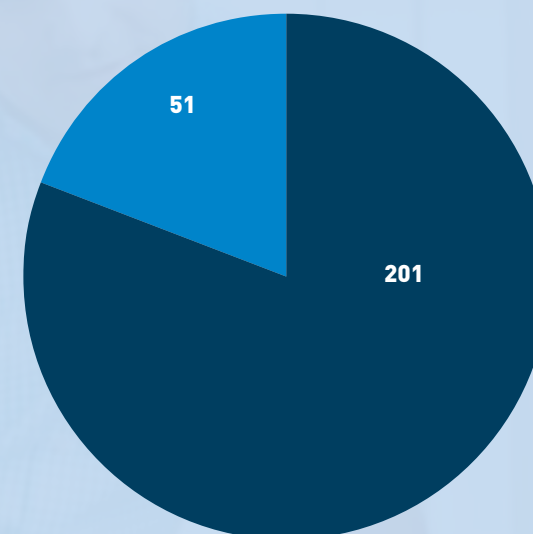
TOTAL NUMBER OF EMPLOYEES FY 2021
ACTIVE EMPLOYEES



MALE 85%
FEMALE 15%

TOTAL 8,768

TOTAL NUMBER OF EMPLOYEES FY 2021
APPRENTICES AND TRAINEES



MALE 80%
FEMALE 20%

TOTAL 252

Total active headcount

MALE 7,679

FEMALE 1,341

Total: 9,020

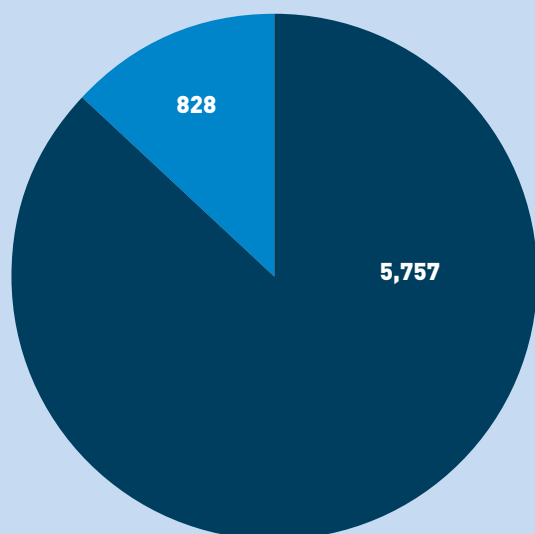
Dormant contracts
(e.g. parental leave, sabbatical, etc.)

MALE 121

FEMALE 77

Total: 198

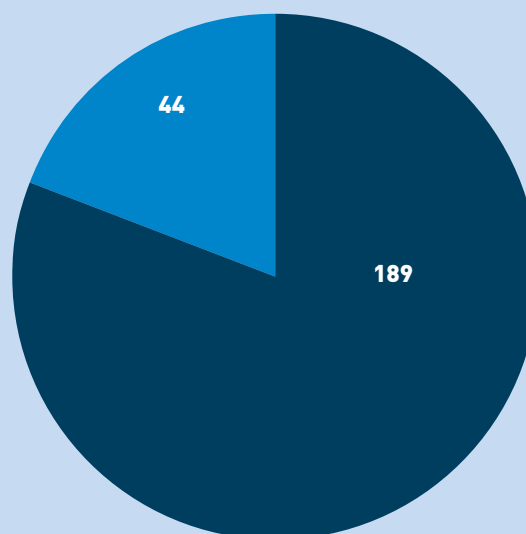
5.4

EMPLOYEE REPRESENTATION CONTINUEDTOTAL NUMBER OF EMPLOYEES FY 2020
ACTIVE EMPLOYEES

MALE 87%

FEMALE 13%

TOTAL 6,585

TOTAL NUMBER OF EMPLOYEES FY 2020
APPRENTICES AND TRAINEES

MALE 81%

FEMALE 19%

TOTAL 233

Total active headcount

MALE 5,946

FEMALE 872

Total: 6,818

Dormant contracts

(e.g. parental leave, sabbatical, etc.)

MALE 139

FEMALE 37

Total: 176

NEW EMPLOYEES

HIRES AND TERMINATIONS FY 2020 – BY GENDER

	MALE	%	FEMALE	%	TOTAL FY 2020
Hires	391	84	76	16	467
Terminations	(277)	82	(62)	18	(339)
Difference	114	—	14	—	128

NEW EMPLOYEES

HIRES AND TERMINATIONS FY 2021 – BY GENDER

	MALE	%	FEMALE	%	TOTAL FY 2021
Hires	585	79	152	21	737
Terminations	(413)	80	(101)	20	(514)
Difference	172	—	51	—	223

5.4

EMPLOYEE REPRESENTATION CONTINUED**NEW EMPLOYEES**

HIRES AND TERMINATIONS FY 2020 – BY REGION

	AMCAS	%	APAC	%	EMEA	%	TOTAL
Hires	11	2	201	43	255	55	467
Terminations	(24)	7	(115)	35	(200)	59	(339)
Total no. of employees	175	—	2,446	—	4,197	—	6,818

NEW EMPLOYEES

HIRES AND TERMINATIONS FY 2020 – BY AGE

	HIRES	%	TERMINATIONS	%
<30yrs	222	48	(83)	24
30–50yrs	225	48	(138)	41
>50yrs	20	4	(118)	35
Total	467	—	(339)	—

NEW EMPLOYEES

HIRES AND TERMINATIONS FY 2021 – BY REGION

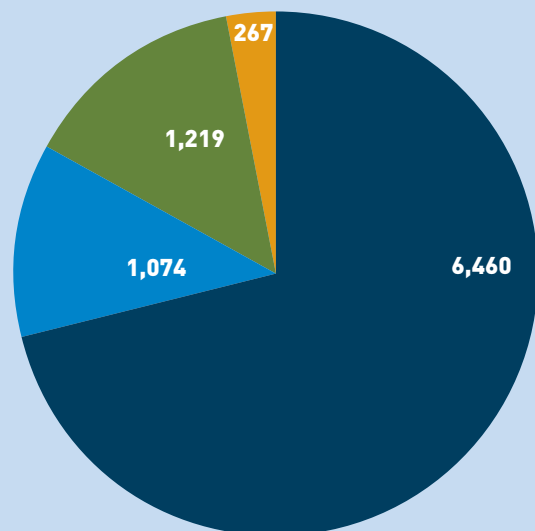
	AMCAS	%	APAC	%	EMEA	%	TOTAL
Hires	5	5	54	54	41	41	100
Terminations	(25)	5	(157)	30	(332)	65	(514)
Total no. of employees	191	—	2,926	—	5,903	—	9,020

NEW EMPLOYEES

HIRES AND TERMINATIONS FY 2021 – BY AGE

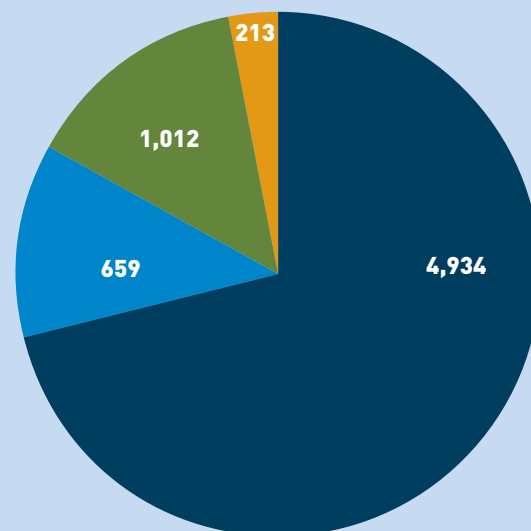
	HIRES	%	TERMINATIONS	%
<30yrs	44	44	(169)	26
30–50yrs	49	49	(382)	59
>50yrs	7	7	(101)	15
Total	100	—	(652)	—

5.4

EMPLOYEE REPRESENTATION CONTINUEDTOTAL NUMBER OF EMPLOYEES FY 2021
BY CONTRACT TYPE

MALE 72%	Permanent
FEMALE 12%	Permanent
MALE 14%	Fixed term
FEMALE 3%	Fixed term

Total active headcount (M&F): 9,020

TOTAL NUMBER OF EMPLOYEES FY 2020
BY CONTRACT TYPE

MALE 72%	Permanent
FEMALE 10%	Permanent
MALE 15%	Fixed term
FEMALE 3%	Fixed term

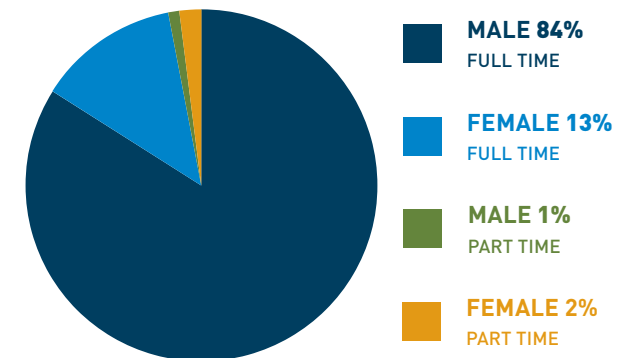
Total active headcount (M&F): 6,818

5.4

EMPLOYEE REPRESENTATION CONTINUEDTOTAL NUMBER OF EMPLOYEES FY 2021 BY GENDER
FULL/PART TIME

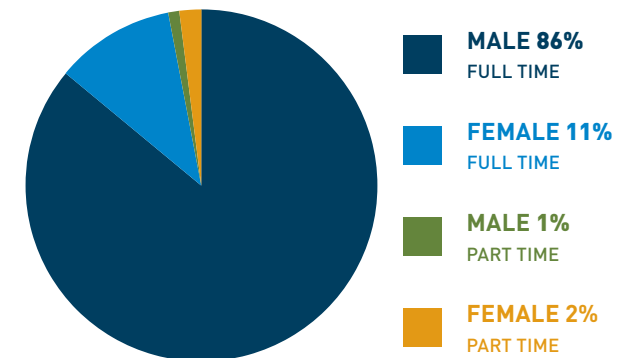
	MALE	%	FEMALE	%	TOTAL
Full time	7,606	87	1,174	13	8,780
Part time	73	30	167	70	240
Total	7,679	—	1,341	—	9,020

TIME TYPE 2021

TOTAL NUMBER OF EMPLOYEES FY 2020 BY GENDER
FULL/PART TIME

	MALE	%	FEMALE	%	TOTAL
FULL TIME	5,878	89	718	11	6,596
PART TIME	68	31	154	69	222
Total	5,946	—	872	—	6,818

TIME TYPE 2020



5.4

EMPLOYEE REPRESENTATION CONTINUED**EMPLOYEES BY CONTRACT TYPE**

BY REGION FY 2020

	AMCAS	%	APAC	%	EMEA	%	TOTAL
Permanent	175	3	1,642	29	3,776	68	5,593
Fixed term	—	—	804	66	421	34	1,225
Total	175	—	2,446	—	4,197	—	6,818

EMPLOYEES BY CONTRACT TYPE

BY REGION FY 2021

	AMCAS	%	APAC	%	EMEA	%	TOTAL
Permanent	194	3	1,932	26	5,411	72	7,534
Fixed term	—	—	994	67	492	33	1,486
Total	194	—	2,926	—	5,903	—	9,020

AGE DISTRIBUTION OF EMPLOYEES

BY GENDER FY 2020

	MALE	%	FEMALE	%	TOTAL
<30yrs	1,068	18	187	21	1,255
30–50yrs	3,242	55	539	62	3,781
>50yrs	1,636	28	146	17	1,782
Total	5,945	—	872	—	6,818

AGE DISTRIBUTION OF EMPLOYEES

BY GENDER FY 2021

	MALE	%	FEMALE	%	TOTAL
<30yrs	1,416	18	269	20	1,685
30–50yrs	4,441	57	886	66	5,297
>50yrs	1,852	24	186	14	2,038
Total	7,679	—	1,341	—	9,020

5.5

COMMUNITY ENGAGEMENT

Corporate social responsibility is an important element of Flender's vision of working closely with our stakeholders. We believe companies can only succeed if they fulfill the needs of society and add lasting value to the communities where we operate. Our Company creates value for local communities through our operations, our role as an innovative product leader and our numerous activities as a corporate citizen.

At Flender we maintain continuous engagement with our neighbors and communities in which we operate. We have made beneficial contributions to several local community initiatives. One of our main areas of focus is promoting initiatives for the youth in our communities, such as supporting youth work programs, supporting local youth recreational amenities such as youth sport clubs and supporting educational institutions. By supporting educational initiatives, we contribute towards SDG 4.

Some of the community engagement initiatives that Flender conducts are as following:

- Donations to several children's charities such as the Children's Home

of Hope in Chennai, India, a children's home in Subotica, Serbia, a family charity in India, and school scholarship projects in China.

- In South Africa, we support the Black Economic Empowerment (BEE) program.
- Working with students, schools and universities in a variety of ways, especially in the area of science, technology, engineering and mathematics (STEM). For example, taking part in STEM programs and involvement in STEM committees at local high schools such as St.-Georg-Gymnasium in Bocholt, Germany, and Freies Gymnasium in Penig, Germany.
- We encourage all our employees and their families to take part in local environmental initiatives, such as the Clean Environment initiative for clean-up initiatives in our local communities.
- In Germany, our human resources and work council legal members volunteer as judges at local labor courts and also volunteer as auditors for the chamber of commerce (Industrie- und Handelskammer (IHK)).

EXAMPLE: OUR CSR ACTIVITIES IN SERBIA UNDER FLENDER SUBOTICA

Flender d.o.o. Subotica, our Serbian subsidiary, invests a large deal into local CSR activities and donations to support the local community.

The first step is approval of the budget for donations and CSR activities and this is done as part of the annual budgeting process. The Company receives request for donations and participation in different kinds of CSR activities, as well as actively looking for causes that are in line with the Company's goals.

Three areas that Flender d.o.o. Subotica focuses on are:

- social responsibility;
- education; and
- environment.

Causes that are organized by well known institutions or recognized non-profit organizations are chosen, in line with the approved budget for the fiscal year. All activities are approved by the Company management. In case of donations, approval is requested from the Flender HQ Compliance team, as well as from the Flender Group CEO.



5.5

COMMUNITY ENGAGEMENT CONTINUED

EXAMPLE: OUR CSR ACTIVITIES IN SERBIA UNDER FLENDER SUBOTICA CONTINUED

At the end of the 2020 holiday season, Flender d.o.o. Subotica donated to three organizations:

- Red Cross Subotica: donation for gifts for children who are users of the soup kitchens;
- "Kolevka": a home where children and people aged 0–26 with developmental issues live 24/7, providing them with health treatment, rehabilitation and education; and
- Association "Zajedno": an organization supporting people with psychological or physical disabilities – it is working on improving the position in society of people with disabilities by strengthening their capacities and developing inclusion in the community.

Flender d.o.o. Subotica hosted the representatives of all three organizations in December 2020 in the factory, when donation contracts were signed. ➤

Education

Flender d.o.o. Subotica has different kinds of CSR activities concerning education. One of them is active participation in a dual-education program. Pupils from a technical school, "Ivan Saric", in Subotica complete a part of their formal education in a Flender factory, where they spend one to three days per week. Flender has mentors who are licensed to work with high school students, who are in charge of the practical part of their education.

For the time in the Company, pupils receive compensation for dual education, in line with the law on dual education in Serbia. Flender d.o.o. Subotica offers dual educations for the following professions: locksmith, welder, electrician and industrial mechanic.

For recent university graduates and final year students, there is a trainee program in Flender d.o.o. Subotica, called "Wind Generation". Through this program, trainees of different educational profiles have the opportunity to gain their first practical experience and to learn in our Company.

All trainees have mentors who are in charge of their development.

The program has three stages:

- onboarding phase, where they get to know the Company;
- learning phase, where they learn by working on specific goals; and
- project phase, where they work on an assigned project, which they present upon completion to the Company management. ➤



5.5

COMMUNITY ENGAGEMENT CONTINUED

EXAMPLE: OUR CSR ACTIVITIES IN SERBIA UNDER FLENDER SUBOTICA CONTINUED

Environment

When it comes to the environment, Flender d.o.o. Subotica has donated to the association Green Oasis for the project of afforestation of Subotica. Flender employees have also volunteered in the process of planting trees.

In response to the COVID-19 pandemic, we provided the following support to local communities and our supply chain partners:

- In early 2020, in response to the start of the COVID-19 pandemic, the Company provided epidemic prevention material to all of our core customers in China.

- We also donated FFP2 masks within the local community in France.

Flender donated €200,000 to the emergency fund of Aktion Deutschland Hilft e.V following one of the worst flood disasters in German history.

WHEN IT COMES TO THE ENVIRONMENT, FLENDER D.O.O. SUBOTICA HAS DONATED TO THE ASSOCIATION GREEN OASIS FOR THE PROJECT OF AFFORESTATION OF SUBOTICA. FLENDER EMPLOYEES HAVE ALSO VOLUNTEERED IN THE PROCESS OF PLANTING TREES.



Green Oasis association; Flender employees volunteer in planting trees

5.6

SUPPORTING EDUCATIONAL PROGRAMS

For more than 25 years Flender has supported training and educational programs for the youth population in the local communities where we operate.

Some of these initiatives include:

- Apprenticeship program: As part of this program, we provide around 90 school and university students with apprenticeship opportunities in Germany, France, Serbia, South Africa and the United Kingdom; each student is offered a mentor as part of this program. We visit local schools, training centers and career events to advertise our apprenticeship program. Due to the different areas, such as the industrial, technical, commercial or information technology area, the duration of the training varies, but on average these training courses last three years.

ON AN ANNUAL BASIS, WE OFFER STUDENTS/PUPILS INTERNSHIPS, APPLICATION TRAINING AND FACTORY TOURS.

- We partner with local high schools such as St.-Georg-Gymnasium in Bocholt, Germany, and Freies Gymnasium in Penig, Germany, both of which are specialized in STEM subjects. On an annual basis, we offer students/pupils internships, application training and factory tours.
- We regularly participate in local marketplace projects and professional programs within our local communities, such as the Bocholter Marketplace organized by the city Bocholt, where local companies and non-profit organizations “negotiate” deals without paying, e.g. Company employees helped to paint a room of a music school, accompanied by the music school band. Flender participated at this event as attendees but also as a host.
- Collaboration with the University of Applied Science in Bocholt: Flender has a member seat on the board of directors of the “Fördergesellschaft”/ Support Society, supports the further development of the dual-study programs (B. Eng and M. Eng.) and recruits students for these programs and Flender employees lead some Bachelor degree courses.

5.7

ASSOCIATION MEMBERSHIPS

We are an active member of various specialist associations to engage with, learn from and contribute to such associations as part of our business responsibility.

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

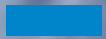
- the German Mechanical Engineering Industry Association (Verband deutscher Maschinen- und Anlagenbau (VDMA));

- the Research Association for Drive Technology (Forschungsvereinigung Antriebstechnik e.V.);
- the Business Association, Germany (Unternehmervverband); and
- the Association of German Engineers (Verband deutscher Ingenieure (VDI)).



06

COMPLIANCE



6.1

OUR CORPORATE VALUES

Flender's success is founded on top performance and high ethical standards. We believe that these values have earned Flender its reputation today and are the foundation for the trust placed in us by customers, suppliers, business partners, shareholders and employees.

Flender's compliance values are defined in the Business Conduct Guidelines (BCG) and are guided by fair competition, equitable treatment of business partners and employees, and an open and respectful corporate culture. The Flender Group Code of Conduct for Suppliers and Third-Party Intermediaries defines the basic requirements we place on suppliers and third parties concerning their responsibility towards CSR topics.

We are proud that due to our compliance-led approach, no violations of applicable laws or regulations in social and economic aspects were recorded during the reporting period.

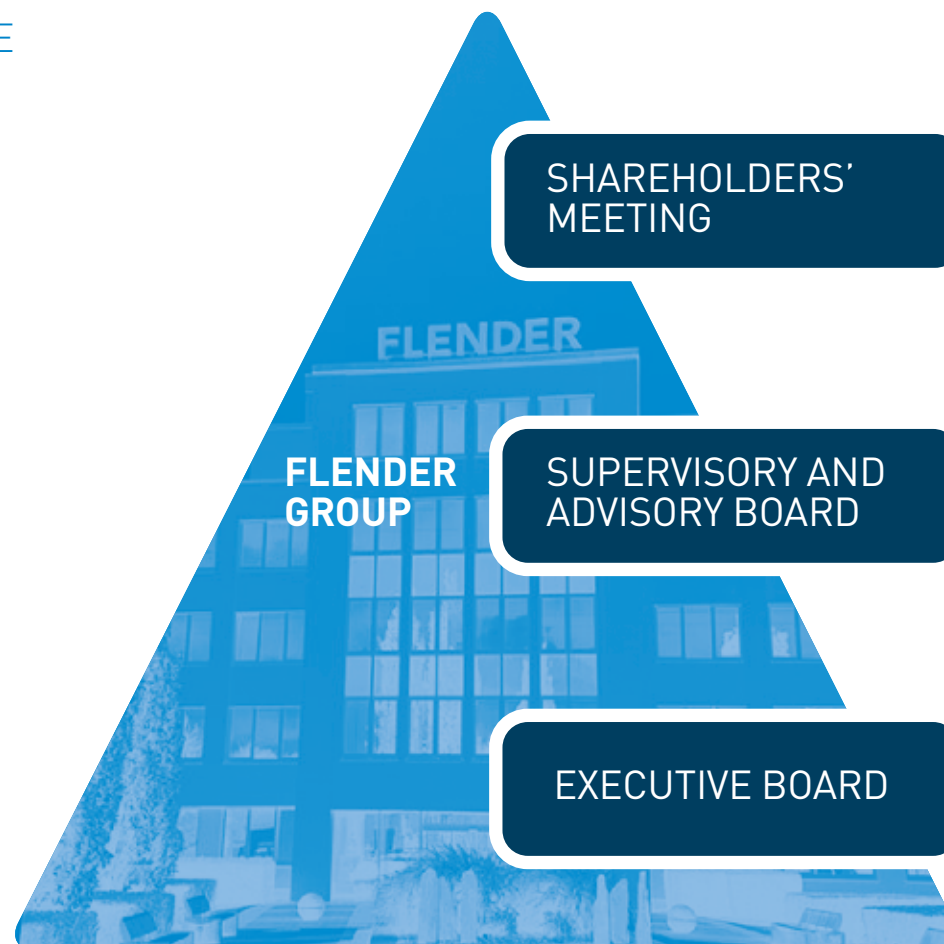
6.2

CORPORATE GOVERNANCE

Flender International GmbH is a company with limited liability according to German law and is primarily governed by the Limited Liability Companies Act (Gesetz betreffend die Gesellschaften mit beschränkter Haftung (GmbHG)). The Flender Group has three governing bodies: the Executive Board, the Supervisory and Advisory Board, and the shareholders' meeting.

Flender Group corporate governance structure

The management authority and power of representation are exercised by the Company's Executive Board. The secondary body, the Supervisory and Advisory Board, is appointed as prescribed by the articles of association of the Company. The third body, the shareholders' meeting, represents shareholders' interests and exercises the powers assigned to it by law and the articles of association. The Executive Board manages the Company with the aim of creating sustainable value in its responsibility and develops the corporate strategy and ensures its implementation in consultation with the Supervisory and Advisory Board.



FLENDER'S COMPLIANCE VALUES ARE DEFINED IN THE BUSINESS CONDUCT GUIDELINES (BCG) AND ARE GUIDED BY FAIR COMPETITION, EQUITABLE TREATMENT OF BUSINESS PARTNERS AND EMPLOYEES, AND AN OPEN AND RESPECTFUL CORPORATE CULTURE.

6.3

COMPLIANCE MANAGEMENT SYSTEM

Flender is guided by a robust Compliance Management System (CMS) based on internationally recognized standards. The CMS is implemented to prevent non-compliance and address compliance matters in an appropriate and timely manner. It also incorporates internal and external reporting systems and tools, such as the incident reporting channel, “Tell Us”, which is outlined below.

Compliance is fully supported by all Flender managers, Directors, the Executive Board, the Supervisory and Advisory Board, and the Carlyle Group (our shareholder). The active commitment of the Executive Board provides clear compliance structures and an effective system by appointing a global and local Compliance Organization. This Compliance Organization is equipped with the necessary resources and support.

The CMS provides advice and concrete instructions on proper conduct to all employees and business partners via the following documents: our Flender Business Conduct Guidelines (BCG), which contain our fundamental

principles which guide employee conduct, and responsibilities towards colleagues, Flender, the market, customers and partners, society, and the environment; our Flender Compliance Circular, which contains all Company-wide rules covering and supplementing the BCG provisions in the areas of compliance and, in particular anti-corruption, anti-trust, anti-money laundering, data privacy and human rights; and our Compliance Handbook. The Compliance Circular is binding for all Flender business units and facilities, and applies to Flender affiliated companies.

In addition, we have a dedicated Code of Conduct for Suppliers and Third-Party Intermediaries. This Code outlines the minimum requirements and obligations for our suppliers and third-party intermediaries towards their stakeholders and the environment. All suppliers and business partners are contractually obliged to comply with this Code. The Code covers requirements under the following topics - compliance, human rights and labor practices, environmental protection, fair operating practices, responsible mineral



sourcing and supply chain requirements. For suppliers, the Code specifies additional requirements for an Environmental, Health and Safety Management System.

These regulations and guidelines apply to Flender worldwide and cover compliance topics such as gifts and invitations, rules against restraint of competition, anti-corruption, compliance with export control laws, and fair treatment of employees and business partners. ➤

OUR FLENDER COMPLIANCE CIRCULAR CONTAINS ALL COMPANY-WIDE RULES COVERING AND SUPPLEMENTING THE BCG PROVISIONS IN THE AREAS OF COMPLIANCE AND IN PARTICULAR ANTI-CORRUPTION, ANTI-TRUST, ANTI-MONEY LAUNDERING, DATA PRIVACY AND HUMAN RIGHTS.

6.3

COMPLIANCE MANAGEMENT SYSTEM CONTINUED



DANIEL MEHARI
GROUP GENERAL COUNSEL

“FOR FLENDER, COMPLIANCE DOES NOT ONLY MEAN ADHERENCE TO ALL APPLICABLE LAWS, RULES AND REGULATIONS, POLICIES AND PROCEDURES. IT CONSTITUTES A CORE ELEMENT OF OUR BUSINESS AND REFLECTS OUR MINDSET AS A SUSTAINABLE AND RELIABLE BUSINESS PARTNER AND RESPECTFUL EMPLOYER. COMPLIANCE MEANS INTEGRITY, RESPONSIBILITY, ACCOUNTABILITY AND ETHICAL BEHAVIOR. ALL EMPLOYEES ARE COMMITTED AND LIVE UP TO THESE VALUES IN THEIR DAILY BUSINESS, WHICH ARE DEFINED IN THE BUSINESS CONDUCT GUIDELINES OF THE FLENDER GROUP.”

CASE STUDY: SALES WORKSHOP 2020

To foster and enhance the awareness of each employee, a comprehensive compliance training program is provided on a regular basis by the Legal and Compliance Department, including, but not limited to, mandatory and optional web-based and in-person training. This also includes risk-based compliance training and awareness sessions specifically tailored to targeted groups of employees with work-related higher relevance to raise awareness (e.g. sales and procurement).

For instance, Flender management invited all sales employees of all Flender entities worldwide to a workshop and training sessions covering technical, commercial, legal and compliance matters. During such sessions, representatives of the Legal and Compliance Department provided intensive compliance training consisting of, among others, Flender Compliance Management System, Business Conduct Guidelines, anti-trust and anti-bribery policies, and matters such as conflicts of interest, gifts, entertainment, hospitality, travel, and accommodation expenses. A particular focus of the

intensive compliance training conducted was the prevention of corrupt practice and other illegal actions from a sale and third-party perspective (i.e. advisors, agents and dealers).

The corruption prevention strategies of Flender were explained and discussed in detail, e.g. by introducing and elaborating on our mandatory regulations to ensure that no employee benefits are claimed or received by employees which exceed legal limits. The compliance training also consisted of various real cases where the participants had to simulate, evaluate and solve real workplace compliance scenarios.

The sales workshop was a great success. We wish to especially emphasize that all sales colleagues actively involved themselves in an extraordinary way with active participation, many questions and productive dialog. We are proud of the participants committing to ethical behavior by doing the right thing in the right way while conducting business responsibly. >

6.3

COMPLIANCE MANAGEMENT SYSTEM CONTINUED

Compliance governance

Flender's compliance governance is organized in a two-tiered structure.

- At the Group level, the responsibility for overall compliance lies with the Legal and Compliance Department, where an experienced and dedicated Head of Compliance and a Compliance Officer are headed by the Group's General Counsel. The General Counsel reports directly to the Group's CEO. The Legal and Compliance Department ensures compliance with laws and regulations and supports in preventing, detecting and responding to incidents of violation and misconduct.
- At the local level, each legal entity of the Flender Group is assigned a local Compliance Officer, who is the local contact for all compliance matters.

Compliance risks and mitigation measures are identified via Compliance Risk Assessments (CRA). The CEOs of the Flender entities are responsible for conducting the assessments and ensuring adequate implementation of defined mitigation measures with support from the Compliance

Flender Compliance Management System (CMS) Organization.

Other core components of Flender's CMS are our compliance management procedure, which consists of four steps, prevent, detect, respond and correct; our incident reporting process, which can take place via email, telephone or digitally using Flender's incident reporting tool, "Tell Us", as well as through reporting to the wider management team, with all reported incidents examined; and dedicated training and communication.



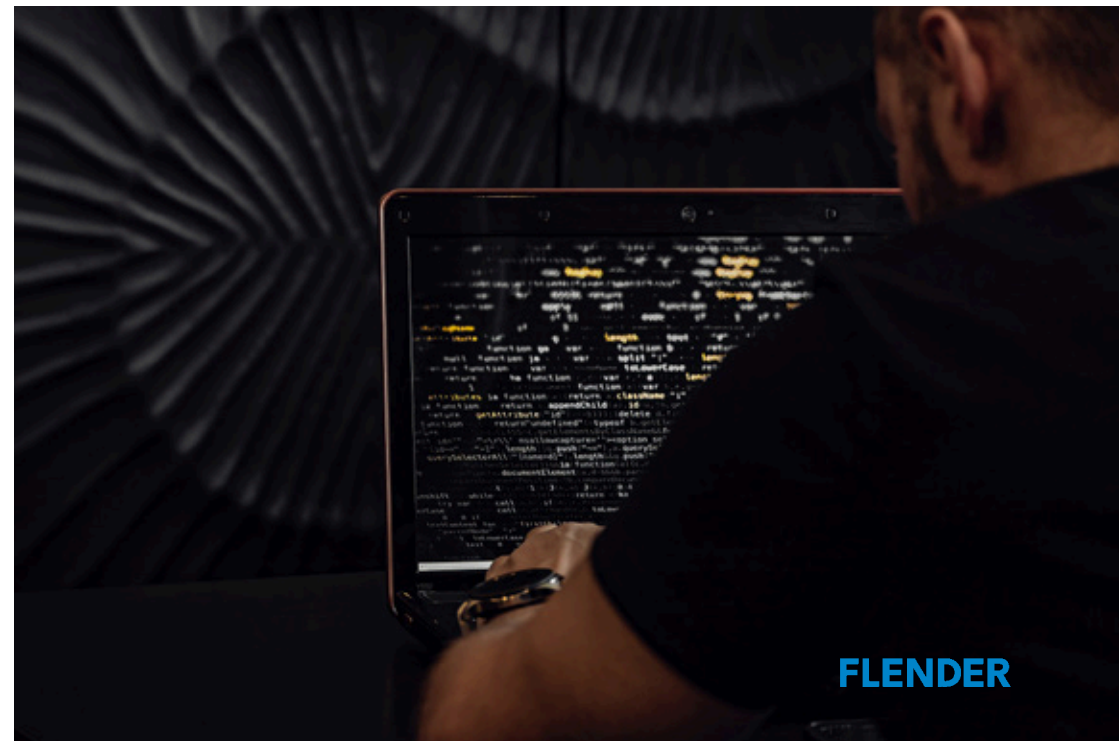
6.4

ANTI-CORRUPTION MEASURES

All employees, suppliers and business partners are required to comply with the Company's Code of Conduct and Flender Business Conduct Guidelines (BCG), which contain guidelines on anti-corruption measures.

In 2021, all of our business locations (100%) were assessed for risks related to corruption. No significant risks related to corruption were identified through this risk assessment exercise.

We promote the necessity of anti-corruption management within our teams through training and learning materials, and we continue to grow in strength and success as a Company, true to our corporate values. In 2021, Flender carried out a series of compulsory anti-corruption and Business Conduct Guidelines (BCG) training sessions with its employees.



6.5

ANTI-COMPETITIVE BEHAVIOR MEASURES

Adhering to the anti-trust law, we protect free, undistorted and effective competition for the benefit of our customers and society. Flender never enters into anti-competitive agreements with competitors as we fully support open competition in our relationships with customers, sales partners and suppliers. This is reflected in the guidelines for our employees in the BCG. Flender makes business decisions in the best interests of our Company, not based on personal interests. We anticipate and avoid situations where a conflict of interest may arise. We do not engage companies where our employees have personal interests, if it could personally benefit them,

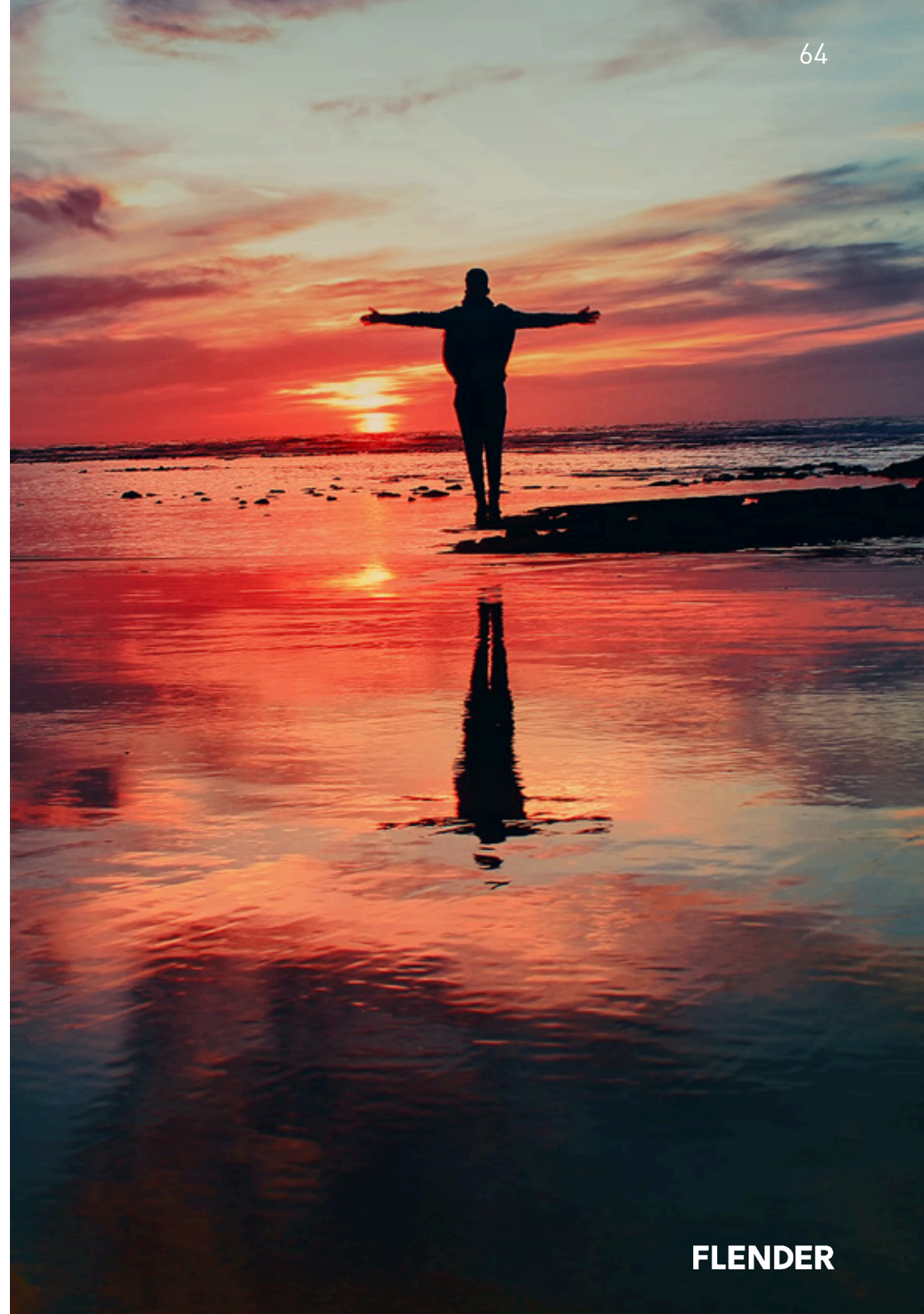
whether or not they can exert influence on Flender's business decision.

In 2021, there were no cases of anti-competitive behavior, nor were there any criminal proceedings against the Company owing to violations of applicable laws or regulations.

6.6

FINANCIAL ASSISTANCE

Flender did not receive any government subsidies or investment grants (e.g. for research and development) and no loan agreement programs were obtained during the coronavirus pandemic, nor any financial awards in 2021.



6.7

RESPECTING AND PROTECTING HUMAN RIGHTS

Human rights impact every step of the value chain and are fundamental to all Flender's commitments and business activities. Our guiding principles are aligned with our commitment 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 uphold our zero-tolerance policy towards child labor, forced labor, discrimination or harassment. Our commitment to respecting human rights is anchored in Flender's Business Conduct Guidelines. We are committed to ensuring we uphold this responsibility throughout our sphere of influence (see also chapter 7 – Responsible Supply Chain). We contractually obligate our employees, suppliers and business partners to comply with a uniform Code of Conduct.

Compliance with applicable laws and regulations is essential but, beyond that, Flender's employees are also expected to be aware of these issues, to both avoid infringing on the human rights of others and to address any adverse

human rights impacts in activities and circumstances where Flender is involved.

In order to foster transparency, openness and trust, Flender's grievance mechanism was established to encourage reporting of any human rights violations directly to our Compliance Organization, or via Flender's incident reporting tool, "Tell Us". These methods of reporting, including anonymously, are available for all employees, business partners, customers and other third parties.

**IN ORDER TO FOSTER
TRANSPARENCY, OPENNESS
AND TRUST, FLENDER'S
GRIEVANCE MECHANISM WAS
ESTABLISHED TO ENCOURAGE
REPORTING OF ANY HUMAN
RIGHTS VIOLATIONS DIRECTLY TO
OUR COMPLIANCE ORGANIZATION,
OR VIA FLENDER'S INCIDENT
REPORTING TOOL, "TELL US".**



6.8

PREVENTING CHILD LABOR IN OUR SUPPLY CHAINS

Flender strictly prohibits child labor in any form, and we ensure that our suppliers uphold the same standards and ethics by auditing all new suppliers prior to entering into a business relationship. Regular audits help us systematically identify potential risks in our supply chain and in collaboration with business partners, and evaluate whether they comply with our Code of Conduct.

In 2020, 52 supplier audits were conducted according to VDA 6.3 (2019: 84) (Verband der Automobilindustrie e.V. – process audits). At 38 of these audited suppliers Code of Conduct compliance

was also assessed, where child labor is covered specifically (see chapter 7 – Responsible Supply Chain). Flender has not identified any suppliers with a significant risk of child labor, forced labor or compulsory labor to the best of our professional knowledge during the 2020 reporting period. Typically, in a financial year, over 100 suppliers are audited on site. Due to the pandemic, many audits were canceled/postponed in 2020. However, in 2021 we launched a remote audit solution enabling us to audit 107 suppliers, of which 92 also included a Code of Conduct compliance assessment.

FLENDER HAS NOT IDENTIFIED ANY SUPPLIERS WITH A SIGNIFICANT RISK OF CHILD LABOR, FORCED LABOR OR COMPULSORY LABOR TO THE BEST OF OUR PROFESSIONAL KNOWLEDGE DURING THE 2020 REPORTING PERIOD.



6.9

CUSTOMER PRIVACY AND DATA PROTECTION

The data security and privacy of customers is of utmost importance. Flender's latest Data Privacy Policy was re-published in June 2021 and is available on our website. Our Data Privacy Policy complies with the European General Data Protection Regulation (GDPR). We have established guidelines about the types of personal data that are processed, when and why such data would be used or processed and how long the data will be saved. Data that is no longer necessary will be erased.

The obligations of Flender employees with respect to data privacy are set out in the Flender Business Conduct Guidelines. Using the data privacy tool with the support of the IT Department, we can document what personal information has been processed. Flender has a Data Privacy Organization with which complaints can be lodged if issues arise. Our Legal and Compliance Department has the overall responsibility for data privacy. A Company-wide awareness and training program is vital to ensure that users are aware of their responsibilities

under data protection law and that they apply the relevant rules and regulations correctly.

The Flender Data Privacy Organization offers face-to-face or online training courses for different target groups as well as web-based training modules or video clips on data privacy issues, providing employees with the data privacy knowledge that they need in their area of work. Mandatory training is allocated to all office-based employees worldwide. All employees working in production with management responsibility are also assigned the training. The training is distributed and tracked via the HR administration tool.

The robustness of our data privacy systems is demonstrated by the fact that we have received no substantiated complaints concerning breaches of customer privacy from any outside parties or regulated bodies. No leaks, thefts or losses of customer data have occurred in the reporting period.

6.10

HEALTH AND SAFETY MANAGEMENT SYSTEM



MICHAEL BAXMANN
VICE PRESIDENT,
QUALITY MANAGEMENT

“WE IMPROVE OUR EHS ACTIVITIES BY SHARING EXPERIENCES THROUGH OUR WORLDWIDE NETWORK. WE LEARN FROM EACH SINGLE INCIDENT AND KEEP OUR AWARENESS ON A HIGH LEVEL. ENGAGED EMPLOYEES WHO CARE FOR EACH OTHER ARE THE FOUNDATION THAT ALLOWS US TO STRIVE FOR ZERO INJURIES – WE ARE ALL RESPONSIBLE.”

As a **responsible** business, we continuously strive to stay in compliance with the local environmental, health and safety regulations, legal requirements and international standards globally.

Flender has a Global Environmental, Health and Safety (EHS) Management System in place to evaluate, control, manage and track all EHS risks. The EHS management team consults with all employees and encourages them to participate in EHS initiatives and decision-making processes.

In the context of environmental compliance, we adhere to all applicable local requirements and have implemented measures for maintaining and tracking compliance at all of our locations. Our Company has had no significant violations of environmental laws and regulations in the last four years.

Environmental management systems in accordance with the ISO 14001: 2015 standard for environmental management are implemented at all production sites and main development locations. >



6.10

HEALTH AND SAFETY MANAGEMENT SYSTEM CONTINUED

External audits are performed every three years to confirm that the participating locations conform to the environmental legislations and the ISO 14001 standard requirements.

For more than 20 years, we have been working in a trusting relationship with TÜV Rheinland as part of our worldwide certifications. Thus, we have continuously maintained management systems in the area of quality since 1994, on environmental topics since 2009 and in occupational safety since 2011. In order to control the comprehensive data at an early stage, we introduced a global software on the topics of occupational safety and environmental

protection at the beginning of 2021. We support the safety awareness of our employees worldwide with site and country-specific training. For example, a comprehensive poster campaign with current safety topics is circulating at the German-speaking sites at the moment.

At Flender, we see our employees as our most valuable asset. Therefore, the health and safety of our employees is the top-most priority and is an integral part of our Company's culture and strategy. We aim to maintain a high level of health and safety awareness and compliance by continuously investing resources to ensure that all our production plants meet strict safety standards and requirements.

We also offer a wide range of support to maintain and promote the physical and mental wellbeing of our employees. All of our employees are required to complete mandatory health and safety training.

All our production sites and our main developmental sites are certified to the ISO 45001:2018 standard for occupational health and safety. These global safety standards are integrated into our management system, which we continuously review and revise, and are based on international standards. In addition to these legal requirements, all audit findings are reviewed and tracked on an ongoing basis. We monitor

our EHS KPIs, including the number (by type) and frequency of incidents, incident severity, near misses and lost time incidents, GHG emissions reduction, energy efficiency, waste reduction and recycling, and water security.

We also see health and safety as a shared responsibility amongst all of our employees. In 2015, we introduced a health and safety yellow card system, which means that all employees can document and report all health and safety hazards. These hazards are then reviewed and followed up on, and necessary measures to address any risks are implemented Company wide. Following the introduction of the yellow card system, we recorded a reduction in health and safety incidents at all production sites. As part of the Global Environmental, Health and Safety (EHS) Management System, for each job role, a set of EHS mandatory training is assigned. Contractors receive onboarding training and risk analysis and work permit training is provided when needed.

HEALTH AND SAFETY METRICS

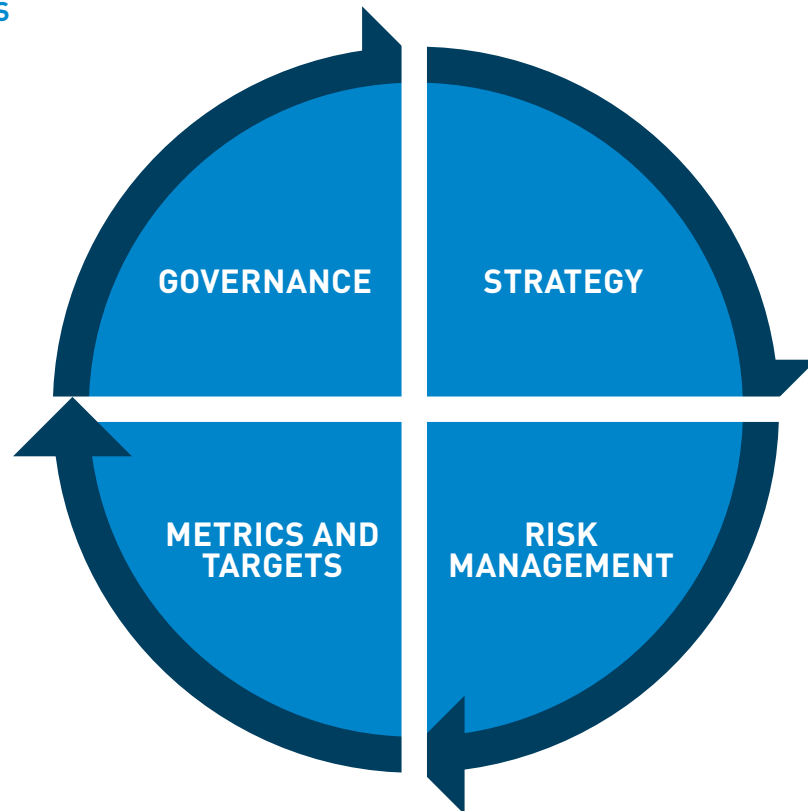
Lost time injury frequency rate (LTIFR)	Total recordable injury rate (TRIR)	Lost time days (LTD)	Occupational diseases	Work-related fatalities
1.18	1.48	3,829	7	0

The lost time injury rate is calculated using the number of occupational accidents within 200,000 hours worked. All our production sites are taken into account.

6.11

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

TOPICS



Flender has begun identifying the opportunities and risks associated with climate change within our business. For this process, we have chosen to adopt the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We are reporting our

progress on aligning with the TCFD framework including information on governance, strategy, risk management, and metrics and targets. This disclosure is an initial step, and we will continue to work on this over the next reporting period.

Governance

On the management level, Flender has established the Corporate Social Responsibility Board ("CSR Board") (please refer to chapter 3.4). The responsibility for climate-related risks and opportunities and management of the same is the responsibility of the Company's top management along with the CSR Board. Further, our Executive Board recognizes that climate-related risks can be material to our business.

There is a direct line of communication between the Chief Executive Officer and the CSR Board, which in turn has a direct line of communication with the functional and regional managers. The CEO is responsible for all strategic sustainability areas and is supported by a global CSR Manager. The goal is to fulfill the Company's vision to be the partner of choice for a sustainable future. By putting climate-related risks and opportunities on the top management's agenda and with the CEO as the individual responsible for climate change-related risks and opportunities within the Company, we are aligning our governance structure with the TCFD framework. Flender became an

GOVERNANCE OVERVIEW



independent entity in March 2021; therefore, we are currently transitioning to a new organizational structure. Our aim is to further align the governance structure with TCFD's recommendations in the next reporting period. ➤

6.11

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Strategy

We understand that climate change is a risk to our business and also provides opportunities to contribute towards a low carbon growth strategy for our customers through our products and services. We recognize that climate change may result in a direct impact to our operations. It is important for us to be proactive in our approach to identifying, assessing and managing climate change-related risks and opportunities and be transparent about the same with our stakeholders.

Sustainability is integrated into our business strategy. Although we have not yet conducted a Company-wide assessment of climate-related risks and opportunities, we have begun to identify and are aware of the main climate change-related aspects impacting our Company's operations and services including our physical assets. Our aim is to become carbon neutral by the year 2030 by focusing on reducing Scope 1 and Scope 2 emissions. We mapped our Scope 3 emissions for 2021, and we are working on a strategy to reduce our Scope 3 emissions by directly working with our

top emitting suppliers.

We have initiated an analysis on physical risks, which has been completed for a selection of our production sites. We plan to carry out this analysis for our entire portfolio and update the same periodically. We plan to increase the scope of analysis to other physical risks, e.g. drought/water shortage, thunderstorms/severe weather and storms. Future analysis will not only consider Flender sites but also our supply chains and transport routes. All results will be taken into account in our risk management system.

We plan to conduct climate risk scenario analyses to identify risks for business-as-usual scenarios, and a global warming scenario of 2°C and 4°C. Further, the liability risks associated with physical, transitional and climate-related risks will be assessed in order to develop a comprehensive climate risk strategy. The strategy will be further reviewed for resilience and appropriate adjustments will be made.

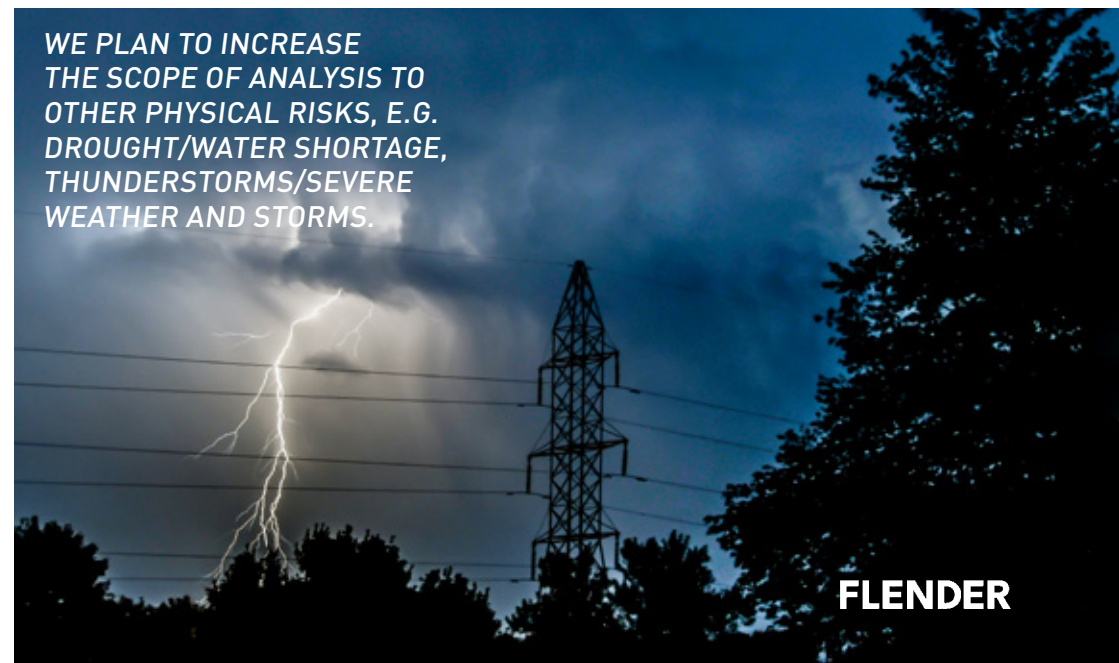
Risk management

Currently certain sustainability related risks are integrated into our risk management system. In future, we plan

to incorporate climate-related risks into the Company's risk management system. Considering that our processes have been under review and development since March 2021, we plan to ensure that our risk management processes are standardized across different functions for further transparency around risks and corresponding control processes. At present, Flender is in the process of introducing a risk management system, including the management of climate-related risks. Flender acknowledges that addressing climate-related issues presents a great

opportunity for us and our business. We offer energy efficient products for the renewable energy industry as well as other industries that are core to a low carbon future. The interest from national governments and international conglomerates in decarbonizing future economic growth is increasing. Flender, with its approximately 65% revenue generation from serving renewable energy sector customers, is an enabler of a low carbon future. This approach is also reflected in our product development strategy and is where most investments are made. ➤

WE PLAN TO INCREASE THE SCOPE OF ANALYSIS TO OTHER PHYSICAL RISKS, E.G. DROUGHT/WATER SHORTAGE, THUNDERSTORMS/SEVERE WEATHER AND STORMS.



6.11

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Metrics and targets

Flender is committed to the goal of being carbon neutral at our operational sites by 2030. By switching to carbon neutral energy sources in the recent past, we have made significant progress towards reaching our goal. As a result of switching to carbon neutral energy sources, we have been able to reduce our Scope 1 and 2 emissions by 83% between 2015 and 2020. We have focused on the large production sites as this is where most energy is consumed. We have focused on the large production sites as they have the largest carbon footprint. The transition to carbon neutral energy sources at the production sites in Serbia and India is planned for fiscal year 2022.

FOR FURTHER ALIGNMENT WITH THE TCFD RECOMMENDATIONS, FLENDER WILL WORK ON ADDITIONAL CLIMATE-RELATED METRICS AND TARGETS. KEY PERFORMANCE INDICATORS (KPIs) WILL BE IMPLEMENTED TO ESTABLISH AND MONITOR AN ONGOING OPTIMIZATION. THE KPIs WILL ENABLE DISCLOSURE OF PROGRESS MADE.

In addition, Flender aims to raise the standard to achieve the goal of complete carbon neutrality. For this purpose, we will establish a baseline in 2022 to achieve “net zero” in the future. Net zero involves setting a minimum carbon emissions reduction target for Scope 3 emissions within a defined timeframe and the gradual progression from carbon offset projects to projects that remove carbon. To understand our complete range of options to achieve net

zero status, we plan on conducting stakeholder engagement to capture all options and points of view. For further alignment with the TCFD recommendations, Flender will work on additional climate-related metrics and targets. Key performance indicators (KPIs) will be implemented to establish and monitor an ongoing optimization. The KPIs will enable disclosure of progress made. Measurement methodologies for Scope 1, 2 and 3

will be clearly defined in line with the TCFD guidance. Flender’s quantified GHG emissions reduction targets in relative or absolute terms (Scopes 1, 2, and/or 3) will be disclosed. We plan to define and regularly review further metrics and targets as a result of the planned analyses described above.

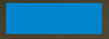
As such, our current climate-related targets are summarized in the table below.

CLIMATE-RELATED TARGETS 2021

METRIC	GOAL	TIMEFRAME
Carbon indicators		
Scope 1 and 2 emissions	Achieve carbon neutrality by 2030	By 2030
Overall carbon neutrality (including supply chains)	Set goal for complete overall carbon neutrality	2022
Energy indicators		
Carbon neutral energy at major operating sites	Use of carbon neutral energy to be implemented in Serbia and India	2022

07

RESPONSIBLE SUPPLY CHAIN



07

RESPONSIBLE
SUPPLY CHAIN

We are committed to ensuring responsible operations throughout our entire value chain. A stable supply chain is the foundation for successful production and delivery of our products. A trustworthy relationship with our suppliers is therefore a cornerstone of our success.

Core components of our responsible supply chain management are:

Supplier Code of Conduct

The Supplier Code of Conduct is an essential tool through which we embed sustainable practices in our supply chain. We require all our suppliers

to adopt the practices set out in the Flender Group Code of Conduct for Suppliers and Third-Party Intermediaries. The Code is based on Flender's Business Conduct Guidelines and the Principles of the UN Global Compact. The Code of Conduct was adopted by Flender on 1 October 2017.

Compliance with the Code of Conduct by the suppliers throughout the entire duration of the business relationship is a prerequisite and this ensures that the standards are effectively established in our entire value chain.

The Code of Conduct specifies the following requirements:

- **Human rights and labor practices:**
 - Prohibition of forced labor
 - Prohibition of child labor
 - Non-discrimination and respect for employees
 - Health and safety of employees
 - Grievance mechanism
- **Environmental protection**
- **Fair operating practices:**
 - Anti-corruption and bribery
 - Anti-money laundering and counter-terrorist financing
 - Data privacy

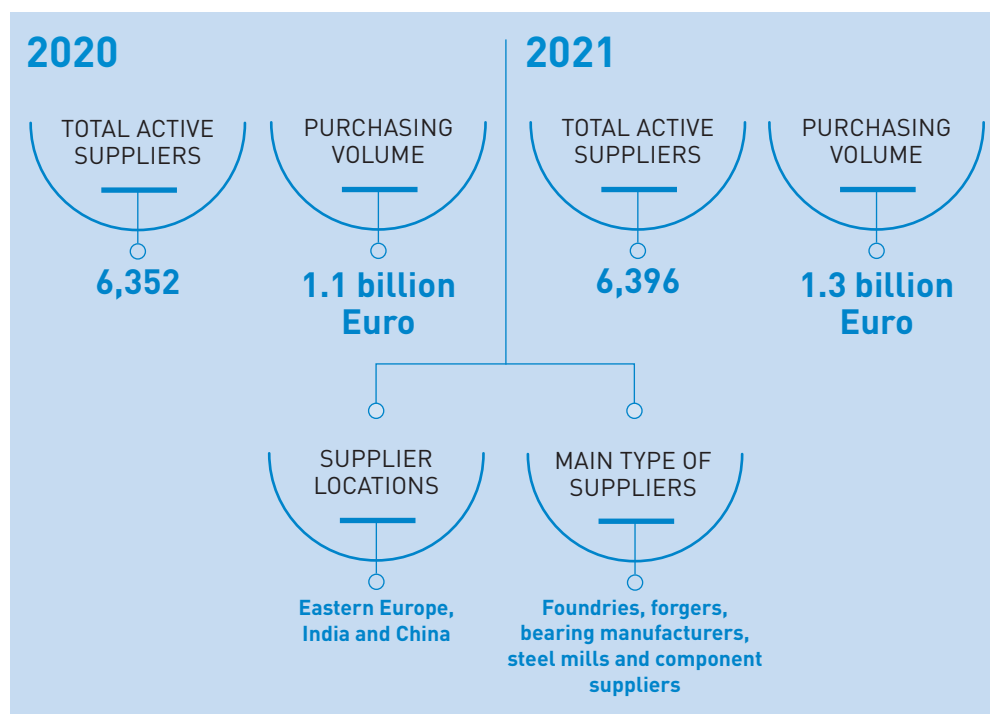
- Responsible minerals sourcing
- Compliance with the Code of Conduct in downstream supply chain

Supplier performance measurement

As consumers of steel and with suppliers located globally, environmental impacts in our supply chain are evident, and to address this we put a special emphasis on helping our suppliers to operate in a more environmentally friendly manner through our Code of Conduct, supplier performance reviews and supplier audits. Other salient issues in supply chains are risks related to human rights, child labor and health and safety.

Our supplier management process aims at increasing transparency and accountability in the supply chain by considering risks and holding our suppliers to high environmental and social standards. We have the tools and procedures in place to ensure our supply chain management is successfully applied and improving the performance of our suppliers. As part of supplier audits – based on the VDA 6.3 standard – we also execute a specific assessment on Code of Conduct compliance and >

SUPPLY CHAIN AT A GLANCE



07

RESPONSIBLE
SUPPLY CHAIN CONTINUED

➤ the EHS risks in our supply chain. All new suppliers need to sign the Code of Conduct; additionally all suppliers delivering material that is used in our products ("Direct Material") need to pass the audit before they are allowed to deliver.

Supplier assessment at a glance

- 100% of new suppliers were screened using basic environmental criteria such as the implementation of environmental management systems, training and compliance with environmental legislation.
- Number of new suppliers who signed the Code of Conduct: 330 (2019: 450).
- For fiscal year 2021 zero suppliers phased out for environmental impact. Over the course of 2018 and 2019, nine suppliers in China had to close operations because of environmental policy enforcement.
- In India, we focus on developing our micro suppliers to comply with our EHS required standards. In previous financial years 2018 and 2019, we phased out five micro suppliers that were not compliant with EHS standards. We are working with three micro suppliers for developing their EHS standards. ➤

YEAR	SUPPLIER AUDITS (ACCORDING TO VDA 6.3 STANDARD)	SUPPLIERS ASSESSED DURING VDA 6.3 AUDIT FOR EHS AND CODE OF CONDUCT COMPLIANCY	SUPPLIERS ASSESSED FOR SUSTAINABILITY BY THIRD PARTY (EXTERNAL SUSTAINABILITY ASSESSMENT)	NEW ONBOARDED SUPPLIERS THAT SIGNED COMPLIANCE TO CODE OF CONDUCT
2019	84	43	5	450
2020	52	38	4	330
2021	107	92	—	1,115

Note: Due to COVID-19 and related travel restrictions, most audits were performed remotely.
For the financial year 2021, no non-compliances were registered.

OPERATIONS AND SUPPLIERS AT SIGNIFICANT RISK FOR EHS AND SOCIAL RISKS

India	RISK SCORE: 65	UK	RISK SCORE: 36
Turkey	RISK SCORE: 57	Norway	RISK SCORE: 36
Romania	RISK SCORE: 53	France	RISK SCORE: 36
Italy	RISK SCORE: 48	Czech Republic	RISK SCORE: 35
Lithuania	RISK SCORE: 47	Belgium	RISK SCORE: 34
Poland	RISK SCORE: 46	Taiwan	RISK SCORE: 34
Slovenia	RISK SCORE: 44	New Zealand	RISK SCORE: 33
Slovakia	RISK SCORE: 44	Netherlands	RISK SCORE: 32
China	RISK SCORE: 43	Switzerland	RISK SCORE: 31
Spain	RISK SCORE: 42	Germany	RISK SCORE: 31
USA	RISK SCORE: 40	Denmark	RISK SCORE: 28
Austria	RISK SCORE: 38		

07

RESPONSIBLE
SUPPLY CHAIN CONTINUED**Conflict minerals**

We are committed to excluding conflict minerals in our supply chains. 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. Further, we have implemented a Supply Chain Due Diligence Process to assure transparency over the origin of the minerals in our supply chain.

Carbon emissions in our supply chain

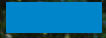
Flender has mapped its Scope 3 emissions and has implemented programs to reduce the same. Please refer to chapter 4.3 for further details.

**WE HAVE IMPLEMENTED A SUPPLY
CHAIN DUE DILIGENCE PROCESS
TO ASSURE TRANSPARENCY OVER
THE ORIGIN OF THE MINERALS IN
OUR SUPPLY CHAIN.**



08

NEXT STEPS



08

NEXT STEPS

**How we are developing
our sustainability approach**

The CSR team's goal is to accelerate Flender's sustainability journey and to ensure that the Company is best in class. Looking back on the past year, the CSR team at Flender has learned a lot and generated a strong CSR strategy and framework. These are essential fundamentals for Flender's CSR path will be built upon. For the coming year, Flender's focus will be the development

of a KPI reporting cadence and the formalization of the annual CSR goals. Additional tasks will evolve around the ambition to start the net zero target setting process so that carbon targets are in line with the Science Based Targets Initiative (SBTI).

It is also required for Flender to align with the Corporate Sustainability Reporting Directive (CSRD). This Directive will amend the existing

reporting requirements of the Non-Financial Reporting Directive by providing EU sustainability reporting standards. It extends the scope to all large companies and all companies listed on regulated markets. Moreover, the audit of the collected information will be required the audit of acquired information. The first set of standards is expected to be adopted in October 2022.

**COMING UP WILL ALSO BE
THE NEED FOR FLENDER TO
ALIGN WITH THE CORPORATE
SUSTAINABILITY REPORTING
DIRECTIVE (CSRD).**



09

GRI INDEX



GRI STANDARD	DISCLOSURE	CHAPTER	PAGE NUMBER	COMMENT
102-1	Name of the organization		Back cover	For immediate reference: Flender International GmbH Alfred-Flender-Strasse 77 46395 Bocholt
102-2	Activities, brands, products, and services	2.1, 4.1, 4.2	7, 21, 22, 25	
102-3	Location of headquarters	2.1	7	
102-4	Location of operations	2.1, 2.4	7, 9	
102-5	Ownership and legal form	6.2	60, Back cover	
102-6	Markets served	4.1	23	
102-7	Scale of the organization	2.1, 5.4	7, 49	
102-8	Information on employees and other workers	2.1, 5.4	7, 49–54	
102-9	Supply chain	7.1	74	
102-10	Significant changes to the organization and its supply chain	1	4	
102-12	External initiatives	1, 3.2, 5.5, 5.6	4, 14, 55–58	
102-11	Precautionary Principle or approach	6.11	70	
102-13	Membership of associations	5.7	58	
102-14	Statement from senior decision-maker	1	5	
102-16	Values, principles, standards, and norms of behavior	6.1	60	
102-17	Procedure for ethical advice and concerns	6.3	61	
102-18	Governance structure	3.4	18	
102-19	Delegating authority	3.4	18	
102-20	Executive-level responsibility for economic, environmental, and social topics	3.4	18	
102-40	List of stakeholder groups	3.3	15–16	

GRI STANDARD	DISCLOSURE	CHAPTER	PAGE NUMBER	COMMENT
102-41	Collective bargaining agreements	5.4	49	
102-42	Identifying and selecting stakeholders	3.3	15	
102-43	Approach to stakeholder engagement	3.3	16	
102-44	Key topics and concerns raised	3.2, 3.3	13, 17	
102-45	Entities included in the consolidated financial statements			See Flender annual report
102-46	Defining report content and topic Boundaries	3.3	15	
102-47	List of material topics	3.2	12-13	
102-48	Restatements of information	1	4	
102-49	Changes in reporting	1	4	
102-50	Reporting period	1	4	
102-51	Date of most recent report	1	4	
102-52	Reporting cycle	1	4	
102-53	Contact point for questions regarding the report	1	4	
102-54	Claims of reporting in accordance with the GRI Standards			This report was prepared in reference to the GRI Standards
103-1	Management approach	2	7, 11, 20, 44, 60, 74	
102-55	GRI content index		79	
201-1	Direct economic value generated and distributed	2.1	7	See Flender annual report
201-2	Financial implications and other risks and opportunities due to climate change			See Flender annual report
201-3	Defined benefit plan obligations and other retirement plans			See Flender annual report
201-4	Financial assistance received from government	6.6	64	

GRI STANDARD	DISCLOSURE	CHAPTER	PAGE NUMBER	COMMENT
205-1	Operations assessed for risks related to corruption	6.4	63	
205-2	Communication and training about anti-corruption	6.4	63	
205-3	Confirmed incidents of corruption and actions taken	6.4	63	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	6.5	64	
301-1	Materials used by weight or volume	4.2	27	
301-2	Recycled input materials used	4.2	27	
301-3	Reclaimed products and their packaging materials	4.2	28-29	
302-1	Energy consumption within the organization	4.3	31-32	
302-4	Reduction of energy consumption	4.3	31	
302-5	Reductions in energy requirements of products and services	4.2	24	
303-1	Interactions with water as a shared resource (management approach disclosure)	4.6	41	
303-2	Management of water discharge-related impacts (management approach disclosure)	4.6	41	
303-3	Water withdrawal	4.6	41-42	
303-4	Water discharge	4.6	41	
303-5	Water consumption	4.6	41	
305-1	Direct (Scope 1) GHG emissions	4.4	34	
305-2	Energy indirect (Scope 2) GHG emissions	4.4	34	
305-3	Other indirect (Scope 3) GHG emissions	4.4	34, 37	
305-5	Reduction of GHG emissions	4.4	34	
306-1	Waste generation and significant waste related impacts	4.5	39	

GRI STANDARD	DISCLOSURE	CHAPTER	PAGE NUMBER	COMMENT
306-2	Management of significant waste-related impacts	4.5	39	
306-3	Waste generated	4.5	39	
306-4	Waste diverted from disposal	4.5	39	
306-5	Waste directed to disposal	4.5	40	
307-1	Non-compliance with environmental laws and regulations	6.10	68	
308-1	New suppliers that were screened using environmental criteria	4.4	38	
308-2	Negative environmental impacts in the supply chain and actions taken	4.4	38	
401-1	New employee hires and employee turnover	5.1, 5.4	44, 49-51	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.1	44	
403-1	HS Management System (Management approach disclosure)	6.10	68-69	
403-8	Workers covered by an occupational health and safety management system	6.10	69	
403-9	Work-related injuries	6.10	69	
404-2	Programs for upgrading employee skills and transition assistance programs	5.2	46	
404-3	Percentage of employees receiving regular performance and career development reviews	5.2	46	
405-1	Diversity of governance bodies and employees	5.3	48	
405-2	Ratio of basic salary and remuneration of women to men			<p>In the upcoming year, we plan to track and assess the following:</p> <ul style="list-style-type: none"> • Ratio of basic salary and remuneration of women to men (Gender pay gap) • Diversity of governance bodies (gender and age group)

GRI STANDARD	DISCLOSURE	CHAPTER	PAGE NUMBER	COMMENT
406-1	Incidents of discrimination and corrective actions taken	5.3	48	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	5.4	49	
408-1	Operations and suppliers at significant risk for incidents of child labor	6.8	66	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	6.7	65	
416-1	Assessment of the health and safety impacts of product and service categories	4.2	30	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	4.2	30	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	6.9	67	
419-1	Non-compliance with laws and regulations in the social and economic area	6.3	61	

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