vitesco TECHNOLOGIES

# DRIVER OF SUSTAINABILITY

## SUSTAINABILITY REPORT 2022

The Vitesco Technologies Group is a supplier of modern drive technologies and electrification solutions for sustainable vehicles. Its product portfolio comprises electric drive units, electronic controls, sensors, actuators, and solutions for treating exhaust gases. With more than ten years' experience in electric vehicles, Vitesco Technologies offers trailblazing solutions for all the possible steps to electrification that will be taken for all the drive technology developments in the future. The Company has production and development sites in all growing markets (China, Europe, and North America). In the 2022 fiscal year, the Group achieved sales of €9.1 billion and had 38,043 employees at approximately 50 sites. Vitesco Technologies Group AG is the parent company and has been based in Regensburg, Germany since September 30, 2021.

www.vitesco-technologies.com

# TABLE OF CONTENTS

# FOREWORD BY ANDREAS WOLF

## TO OUR STAKEHOLDERS

Andreas Wolf, Chief Executive Officer

GRI 2-22, -23

During the past fiscal year, the world around us changed to an unimaginable extent. At the beginning of the year, we thought we would soon have overcome the biggest crisis of our time with the ending of the COVID-19 pandemic. Russia's war of aggression on Ukraine and its repercussions pose immense challenges for the economy. I am therefore all the more grateful to experience how we at Vitesco Technologies stand together and continue to pursue our sustainability goals, even in difficult times!

We made a lot of progress during our first year as a listed company. We demonstrated that we are on the right track: By creating innovative and efficient technologies for the electrification of all vehicles, we are making a significant contribution to the transformation of the automotive industry. We stand for a sustainable future with a corporate mission that points the way forward for our portfolio: "Powering Clean Mobility".

Our goal is clean, sustainable mobility for today and for the generations that follow us. In our ambition to reduce the environmental impact of the automotive industry worldwide and promote zero-emission mobility, we also see the best opportunities for success and growth for our company. We want to seize these – for the benefit of our employees, our investors, our business partners, and society at large.

In our second sustainability report, we present how we implement sustainability at Vitesco Technologies on an environmental, social, and societal level. Our reporting is guided by the leading standards and frameworks: the Global Reporting Initiative (GRI) standards, the Sustainable Development Goals (SDGs), the United Nations Global Compact (UNGC), the Sustainability Accounting Standards Boards (SASB), and the standards of the Taskforce on Climate-related Financial Disclosures (TCFD).

I wish you a stimulating and informative read.

**Andreas Wolf, Chief Executive Officer**

# FOREWORD BY INGO HOLSTEIN

## TO OUR STAKEHOLDERS

Ingo Holstein, Chief Human Resources Officer

GRI 2-23

Sustainability is at the core of our strategy and business model. Our innovative and efficient solutions reduce the environmental impact of mobility, thus fulfilling our mission: “Powering Clean Mobility”.

In addition, we must ensure that sustainability is taken into account in all our business activities. A key aspect here is the decarbonization of the entire value chain by eliminating greenhouse gas emissions wherever possible, or at least reducing or substituting them.

Life Cycle Engineering (LCE) plays a central role for us on the road to climate neutrality. LCE is a sustainability-oriented method that takes into account all of the technical, environmental and economic impacts across the entire product life cycle. It is to be applied to all new products at Vitesco Technologies by no later than 2030.

We are aware that we have a significant influence on emissions in our value chain, both upstream and downstream, through our product design, the materials we use, and our choice of suppliers. We want to use this influence in a meaningful way and help reduce the environmental impact along the value chain.

We can only achieve this goal in cooperation with our partners, and are working with them to overcome the challenges of data quality and availability. We have joined the Catena-X network, which aims to create a global data ecosystem for the automotive industry. The reason is that LCE is highly complex and requires the involvement of all stakeholders. We are on the right track, but still have a lot of work ahead of us.

The social aspects of sustainability are also deeply anchored in our day-to-day business. In fiscal 2022, the focus was on developing and implementing a management system for compliance with human rights due diligence obligations. Our Code of Conduct and our Human Rights Policy, which we published back in 2021, served as important foundations for this. The Responsible Business Alliance, an industry initiative for social responsibility of which we are a member, provided us with information, tools and services as we implemented the management system. An audit of the management system by an external law firm showed that we meet our human rights due diligence obligations in an appropriate way.

As you can see, we are on an exciting journey toward sustainability – and I’m happy you’re on board.

**Ingo Holstein, Chief Human Resources Officer**

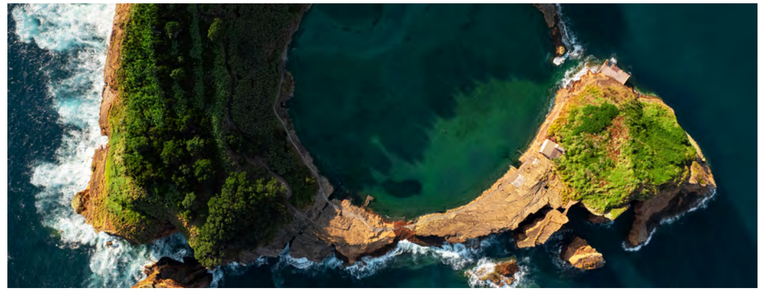
# VITESCO TECHNOLOGIES SUSTAINABILITY AGENDA 2022

## CLEAN MOBILITY

„Powering clean mobility“ is our mission. As electronics champion we are leading the transition of automotive powertrain suppliers towards e-mobility. By providing innovative electrification solutions, we do our part for reducing the environmental impacts of the automotive industry and promote emission-free mobility worldwide.

## CLIMATE PROTECTION

With technologies and measures to protect the climate, we proactively counteract global warming and promote the reduction of greenhouse gas emissions in our business activities and product life cycle. We aim for climate neutrality in our production, development and administration sites, and step by step along the entire value chain.



## RESOURCE EFFICIENCY AND CIRCULARITY

We are committed to the efficient use of natural resources and prevent pollution such as emissions to soil, air, and water and reduce waste. We decrease the consumption of energy, water, raw materials and operation materials and strive for closed resource and production cycles.

## FAIR WORK AND DIVERSITY

Passionate, Partnering, Pioneering. Based on these Values, we offer our employees fair and attractive working conditions with personal freedom and empowerment, opportunities for training and career, and a special focus on diversity, equity, inclusion and flexibility.

## RESPONSIBLE SOURCING AND PARTNERSHIPS

Socially and environmentally responsible action does not end at our plant gates. We are actively committed to ethical business practices, sustainability and human rights due diligence in our business relationships and stand for responsible sourcing and considerate collaboration with our suppliers.

## OCCUPATIONAL HEALTH AND SAFETY

Safety and Health Protection are essential elements of our corporate culture. We undertake preventative measures, eliminate hazards, reduce risks and protect all persons in our company from accidents and work-related illnesses. We actively foster the health of our employees and conduct operational support emergency management to avoid damage to people, asset, and the environment.

# SUSTAINABILITY SCORECARD 2022

## TARGETS AND KEY PERFORMANCE INDICATORS AT A GLANCE[1]

| Material Topics | Key Performance Indicators | 2022 | 2021 | Targets |
|---|---|---|---|---|
| Clean Mobility | Share of business with electric and electrified solutions in Group revenues in % | **11.9** | 10.6 | Play a leading role in the transformation of powertrain technologies towards electrification and emission-free mobility |
| | Electrification Investments per total Investments in % | **18.1** | – | Increasing share of electrification investments in business with electric and electrified solutions |
| Climate Protection | Climate neutrality rate of total own $CO_2e$ emissions in % | **91.9** | 90.6 | 100% climate neutrality of own operational activities ($CO_2e$ emissions Scope 1 and 2) by 2030 |
| | Share of external electricity procurement from renewable energies in % | **100.0** | 100.0 | Maintain 100% purchased renewable electricity, including power purchase agreements (PPAs) and the purchase of energy attribute certificates (EACs) |
| Resource Efficiency and Circularity | Certifications for environmental management systems (ISO 14001) employee coverage (as of Dec. 31) in % | **93.5** | 91.4 | Increase and maintain the proportion of employees covered by certifications for environmental management systems (ISO 14001) to over 95% by 2030 |
| | Certifications for energy management systems (ISO 50001) employee coverage (as of Dec. 31) in % | **85.7** | 81.8 | Increase and maintain the proportion of employees covered by certifications for energy management systems (ISO 50001) to over 95% by 2030 |
| | Waste recovery quota in % | **94.6** | 92.6 | Increase and maintain the waste recovery quota – defined as the proportion of waste that has been recycled or sent for material recycling, waste-to-energy technologies or other use – to 95% by 2030 |
| Fair Work and Diversity | Share of women in management positions (executives and senior executives; as of Dec. 31) in % | **15.4** | 13.6 | Raise share of women in Executive and Senior Executive positions to 21% by 2026 |
| | Employee Net Promoter Score, eNPS | **24** | 19 | Increase the Employee Net Promoter Score as an indicator of employee satisfaction to a value of 25 by 2026 |
| Responsible Sourcing and Partnerships | Share of strategic suppliers covered by Business Partner Code of Conduct (as of Dec. 31) in % | **92.6** | 90.0 | Increase and maintain the percentage of strategic suppliers covered by the Code of Conduct for Business Partners to 100% by 2023 |
| | Share of high-risk production material suppliers which conducted a self-assessment in % | **27.8** | – | Increase and maintain the percentage of high-risk production material suppliers which conducted a self-assessment to 50% by end of 2023 |
| Occupational Health and Safety | Certifications for occupational health and safety management systems (ISO 45001) employee coverage (as of Dec. 31) in % | **91.5** | 91.2 | Increase and maintain percentage of employees covered by certifications for occupational health and safety management systems (ISO 45001) to over 95% by 2030 |
| | Accident rate (number of accidents per million hours worked) | **1.7** | 1.9 | Reduce accident rate to 1.4 by 2026 |

[1]Detailed information on the targets and key performance indicators can be found in the respective chapters.

# INSIGHTS

## BEHIND THE SCENES – MAKERS AND MOTIVATION

**Dear readers,**

We are proud and excited to present Vitesco Technologies' second Sustainability Report. As sustainability is an integral part of our business model and strategy, we are committed to continually improving our environmental and social performance. As the head of Sustainability, I am truly happy and motivated by the progress we have made so far in matters of sustainability.

This year's report contains detailed information about the progress we have made in fiscal 2022 towards reaching the sustainability goals and targets we have set. This includes – but is not limited to – our efforts to achieve carbon neutrality, promote diversity and inclusion, and becoming a first-choice employer. We hope that this report will provide valuable insights into our sustainability efforts and inspire you to join us in our commitment to a better and more sustainable future.

Our Sustainability team at Vitesco Technologies keeps growing. We gained more experience in our first reporting cycle and have streamlined our capacities to cope with the latest regulatory changes and our responsibilities as a global company. I would like to take this opportunity to express my appreciation to the many people who have contributed data at Vitesco Technologies, and especially to our sustainability team, who have worked tirelessly to drive results; their dedication and passion is nothing short of inspiring. I am proud to have a team that is professionally tackling our sustainability-related opportunities as well as challenges. A team that already possesses expertise in specific topics while growing further into their roles and serving as trailblazers on the journey to sustainability.

> „I am proud to have a team that is professionally tackling our sustainability-related opportunities as well as challenges."

And finally, many thanks also to you, our stakeholders, for your support and interest in our sustainability journey. We look forward greatly to continuing to share our yearly progress with you.

Sincerely yours,

**Anja Rivera de la Cruz, Global Head of Sustainability & Security**

Anja Rivera de la Cruz, Global Head of Sustainability & Security

Maxim Safieh, Global Sustainability Data Manager
and Laura Blechschmitt, Global Sustainability Strategy Manager

## “WHAT MOTIVATES ME? QUITE SIMPLY: A PASSION FOR CHANGE”

**Maxim Safieh, Global Sustainability Data Manager**

Producing a sustainability report is a complex, multi-dimensional project management task. It requires not only curiosity and motivation, but also an eye for detail and reliable, high-quality data. The process involves a long list of data contributors from different fields of expertise, backgrounds, and departments, as well as external consultants.

What we call the “hot phase” of our reporting process lasts about six months of the year. The rest of the year, we are busy improving our processes, advancing our sustainability projects, and preparing for the next round of reporting. And none of it is getting any easier, especially given the latest regulatory changes of the European Union (EU) that need to be integrated to our processes, such as the Corporate Sustainability Reporting Directive (CSRD).

As a Global Sustainability Data Manager, I am becoming accustomed to wearing a variety of hats and venturing – in many cases – out of my comfort zone: entering uncharted territory, far from any well-worn paths, and with few role models to serve as fingerposts. So, it is hardly surprising that I am often asked: what motivates you? Why are you getting so involved in this? My answer is simple, it is: “a passion for change”.

And my colleagues feel very much the same way. Our motivation as a team goes beyond merely reporting on our sustainability progress. We strongly believe that by being transparent about our actions, we will inspire others to join us on the journey towards sustainability. We also want to show that it is possible for a company to prioritize sustainability topics while at the same time being successful in business.

It should, however, be clear to everyone that sustainability is not an easy process, and there will always be bumps and unexpected challenges along the way. Nevertheless, I am deeply grateful for the opportunity to work on the Vitesco Technologies’ Sustainability Report and to contribute to the company’s efforts in this regard. I am also confident that through my continued dedication at work (and beyond), I can make at least a tiny contribution to achieving meaningful change in the world. In the end, sustainability is not just the work I do; it is also a mindset that permeates every aspect of my personal life. It is my responsibility as a global citizen to be mindful of my impact on the environment and communities around me, and my job gives me an excellent chance to extend this responsibility further through a professional lens.

## “IT IS IMPORTANT TO JOIN FORCES AND LEARN FROM EACH OTHER”

**Laura Blechschmitt, Global Sustainability Strategy Manager**

Sustainability is a complex and comprehensive topic, covering environmental, social and governance related aspects that often go beyond the borders of our own company. Many of the challenges we face cannot be solved or addressed by us as a single company. Sustainability needs to be seen across the value chain and we as a company need to understand and work on our impact along our value chain accordingly. This means that we need to work closely with both our customers and suppliers.

Some aspects of sustainability management are still open, and some uncertainties not yet resolved. So, it is even more important for us as a company to be open-minded and curious and to keep learning and developing. This is the reason why Vitesco Technologies has joined leading organizations and is active in a number of associations and initiatives including econsense, RE100 Climate Group, CDP, Responsible Business Alliance (RBA), and Catena-X. We are also a signatory to the UN Global Compact (UNGC). This gives us the opportunity to state our position, join forces, and also learn from others.

Our efforts in these associations are carried out by various colleagues in our Sustainability organization, depending on a given association’s focus and objectives.

I am for example engaged in the econsense cluster on “Finance & Reporting,” which focuses on market developments and regulatory changes

relating to sustainable finance, sustainability reporting, and rating activities. Our interaction takes place in the form of monthly meetings, at which econsense experts report on the latest developments in the field of sustainability.

These meetings are very helpful and beneficial for us as a company. They help us break down, summarise, and report complex topics in such a way that we as a company can discern their potential impact on us. For example, our meetings in 2022 put a strong focus on the complex and comprehensive developments and upcoming changes of the EU legislation in connection with the CRSD, which will result in a significant increase and extension of our own sustainability reporting in the near future.

I believe that creating a sustainable future will be a challenge, although it also opens up great opportunities! I am happy to see our company pursuing a path of sustainability and am thankful to be part of this exciting journey!

**Anja Rivera de la Cruz, Global Head of Sustainability & Security
Maxim Safieh, Global Sustainability Data Manager,
and Laura Blechschmitt, Global Sustainability Strategy Manager**

# “SUSTAINABILITY PAYS OFF FOR US”

## INTERVIEW WITH WERNER VOLZ

**How can you strengthen sustainability at Vitesco Technologies in your role as Chief Financial Officer (CFO)?**

Even if the close connection is not immediately obvious at first glance, we can of course make a lot happen in matters of sustainability in my area of responsibility as well. I’m an active member of our Sustainability Steering Committee at Vitesco Technologies and am therefore involved in numerous projects – either by setting the financial framework for it, or by making available a range of expertise from my teams.

Werner Volz, Chief Financial Officer

**What kind of expertise from the field of finance is needed in matters of sustainability?**

There are many aspects to this, starting with financial planning. We have set ourselves the target of being 100% climate-neutral in all processes within the company – also known as Scope 1 and 2 – by 2030 at the latest. For the entire value chain, we want to have achieved this by no later than 2040. This involves extensive measures, all of which also have a financial component – and many of which require major investment. All this needs to be carefully planned. Also, there is a growing need for finance expertise in matters of carbon pricing and in connection with power purchase agreements (PPAs).

**Why is this so important for Vitesco Technologies?**

PPAs are very interesting for us because they enable us to ensure that we can continue to purchase sufficient renewable energy at calculable prices in the long term, thereby securing our climate targets. By purchasing renewable energy, we are already achieving a reduction in greenhouse gas emissions of around 90% in Scope 1 and 2.

**This is presumably associated with risks?**

Correct. Spot market prices for Energy Attribute Certificates (EACs), which show that 1 MWh comes from renewable energy sources, are very volatile, and we have to expect them to rise even further due to increasing demand. In order not to jeopardize our climate neutrality targets, we must hedge this risk by implementing long-term contracts for certificates and PPAs as well as continuing to advance our on-site projects.

**And PPAs can be part of the solution here?**

Yes, by buying shares in sources of renewable energy, for example wind farms or solar parks. This is a complex matter that our colleagues in Finance and Operations have been working on intensively for some time.

**So is sustainability just a cost factor?**

There’s no getting around it: To really make a difference in matters of sustainability and not just scratch the surface, you have to make far-reaching financial decisions. But it is also a fact that sustainability is already paying off for us today. The best example is our new attractive line of credit, which is contingent on specific sustainability accomplishments. If we achieve our targets here, which we firmly expect to do, this will lower the premiums even further. Shareholders will also increasingly base their investment behavior on how we implement sustainability at our company. Future financing will be judged by this and will probably be more expensive if we do not calculate our ESG targets correctly or fail to meet them. As you can see, Finance is very closely interwoven with sustainability in the company: on the one hand because we make active contributions to it, and on the other hand because our company also indirectly leverages sustainability for financial purposes.

**Thank you for the interview!**

# HOW DO WE ACHIEVE COMPLETE CLIMATE NEUTRALITY?

## AN INTERVIEW WITH OUR EXPERTS ON CARBON FOOTPRINT, GLOBAL TRAVEL AND CORPORATE REWARDS

At the beginning of 2022, Vitesco Technologies announced its intention to become completely climate neutral by no later than 2040. From “Scope 1 to Scope 3” – that is the technical terminology. But what does that actually mean in specific terms? And how does the company plan to achieve its ambitious goal? Benjamin Fuchs, Carbon Footprint Manager, Renee Willhuber, Head of Compensation & Benefits, and Philipp Fahrenkrog, Global Travel Manager, give us some insight into the matter.

**What does a carbon footprint manager do, Mr Fuchs?**

Benjamin Fuchs: Our job in Carbon Footprint Management is to calculate the carbon footprint of the Vitesco Technologies Group on the one hand, and to develop the Group’s decarbonisation strategy on the other.

The Greenhouse Gas (GHG) Protocol standards provide companies with rules for calculating their footprint. Beyond the direct emissions from the combustion of fossil fuels and the purchase of energy, Vitesco Technologies’ carbon footprint comprises all upstream and downstream value creation processes. This also includes emissions generated during the production of the production materials we purchase, or during the use of products we have sold.

Besides product-related emissions, the carbon footprint also includes emissions from business travel and employee commutes between home and the workplace. The GHG Protocol recognises a total of 15 different emission categories, all of which we calculate and report in full.

**Is it even possible to check all processes in the company for their impact on the climate? Who can possibly keep track of that?**

BF: In Carbon Footprint Management we get the overview by analysing our financial data. Upstream value creation processes cause costs, downstream value creation processes lead to revenues. The costs and revenues can in turn be allocated to the various categories of the GHG Protocol.

In addition to our internal financial data, we also use other internal and external databases that have compiled further information, e.g. energy consumption and weights, depending on our processes and activities. To calculate the exact greenhouse gas emissions, we would need a carbon footprint for every activity in the company. But industry is still a long way from that.

For some activities, such as the freight transports we commission, we receive calculated greenhouse gas emissions from our service providers. For other activities, we lack this information, so we use a variety of calculation methods. For example, for purchased production material we use modelled carbon footprints, and for emissions in the use phase we rely on market data and assumptions about usage behaviour. We usually start by estimating the emissions using simple calculation methods, and then gradually improving the calculation methodology.

**And what does “completely climate neutral” look like? What requirements must be met for this?**

BF: Climate neutrality can be achieved by eliminating, reducing, or substituting emission sources within our value chain. In addition, the avoidance and neutralization of emissions beyond the value chain can also contribute to climate neutrality. However, our focus is clearly on measures within our value chain.

The most important thing is therefore to become aware of what causes greenhouse gas emissions. Apart from the burning of fossil fuels, greenhouse gas emissions are also caused by, for instance, chemical processes in industry.

One of the keys is thus to switch to electrical energy using renewable sources. This goes for us ourselves, for our suppliers, our customers, and for the end users of our products. Another key is to continuously develop our products with a view to their impact on the climate. Our DIRECTION 2030 corporate strategy addresses both of these issues in the field of sustainability. By 2030, we want to firstly introduce lifecycle engineering for all new products, secondly, to have climate neutral operations in place at all Vitesco Technologies sites. To achieve this, it is important that we create the necessary awareness in our workforce and train and sensitise them.

**What role do monetary incentives play in this connection?**

Renee Willhuber: Sustainability goals are strategically integrated into our remuneration system both for our Executive Board and our approximately 700 top managers.

**How does the remuneration system work?**

RW: The Vitesco Technologies Long-Term Incentive Plan (LTIP), i. e. our long-term bonus plan with a term of three to four years, makes up a significant part of our managers' variable remuneration, depending on their hierarchical level. Each year, ambitious targets are defined and reviewed for this plan as part of a sustainability scoring. If the targets are achieved, this influences the amount of the pay-out based on a multiplier. In this way, in addition to the share price development, we also systematically create monetary incentives for sustainability.

The plan currently includes five core performance indicators from our sustainability scorecard. In the area of climate protection, this is the climate neutrality rate of our own $CO_2e$ emissions, i. e. the environmental impact of our internal company activities. The goal here is 100% climate neutrality of our own business activities ($CO_2e$ emissions Scope 1 and 2) by the year 2030. Here, Global Travel Management plays a role that should not be underestimated.

**What options do you have as a company here?**

Philipp Fahrenkrog: We definitely have quite a lot of variables we can influence here. Take flying, for example: compared to other means of transport such as rail, but also long-distance buses or driving a car, it is the most climate-damaging option for getting around – at least for short distances. While international air connections are unfortunately difficult to replace in some places, within Germany this is easily possible by switching to rail. And so, as of this year, domestic German flights are no longer eligible for approval. Instead, we offer rail travel, including in first class.

**What kind of sustainability effect can be achieved through this?**

PF: Quite a considerable effect, actually. For instance, the amount of greenhouse gases emitted per person on the London-Marseille train route is 36 kg, while the per capita for an equivalent flight is 311 kg of greenhouse gases – nearly ten times as much.

BF: In a company of our size, company cars also play a rather significant role in the carbon footprint. They account for about 16% of our Scope 1 emissions. So, in addition to converting to electric heating systems, electrifying our vehicle fleet is a central lever in the decarbonisation of our sites.

**What about the many factors that lie outside the company – i. e. in the upstream supply chain and at the customer? Here, you cannot reduce the environmental impact as relatively easily as with your own global travel management. After all, it's beyond your control ...**

BF: Here we are still at the beginning of our journey. Even today, we have some customers who set clear decarbonisation requirements for new products, such as the use of green electricity throughout the value chain or the use of recycled materials. Together with our suppliers and service providers, we are working to meet these requirements. Going forward, Catena X will provide the automotive industry, too, with an ecosystem for data exchange and analysis.

**Is Vitesco Technologies itself also affected by climate change?**

BF: Absolutely yes. Climate change affects us all and Vitesco Technologies is no exception. As part of climate risk analyses, we have analysed our own and rented buildings with regard to the consequences of climate change. If global emissions do not decrease significantly and global warming is not limited to well below 2 °C, climate change will have a significant negative impact on Vitesco Technologies. Our buildings, our suppliers, our customers and infrastructure will be at risk from more and stronger extremeweather events, such as heavy rain, floods or forest fires. We also have sites that are at risk from rising sea levels. This goes to show, once again, how sustainability really affects all of us – and why each and every one of us must do their part.

Philipp Fahrenkrog, Global Travel Manager, Benjamin Fuchs, Global Carbon Footprint Manager, and Renee Willhuber, Head of Compensation & Benefits

# THE EVERYDAY LIFE OF A PIONEER

## POONAM NARKHEDE STANDS FOR A NEW GENERATION OF WOMEN IN INDIA

Hello everyone, my name is Poonam Narkhede. I am an electrical engineering graduate and work at Vitesco Technologies India in Pune as a Junior Engineer in Manufacturing.

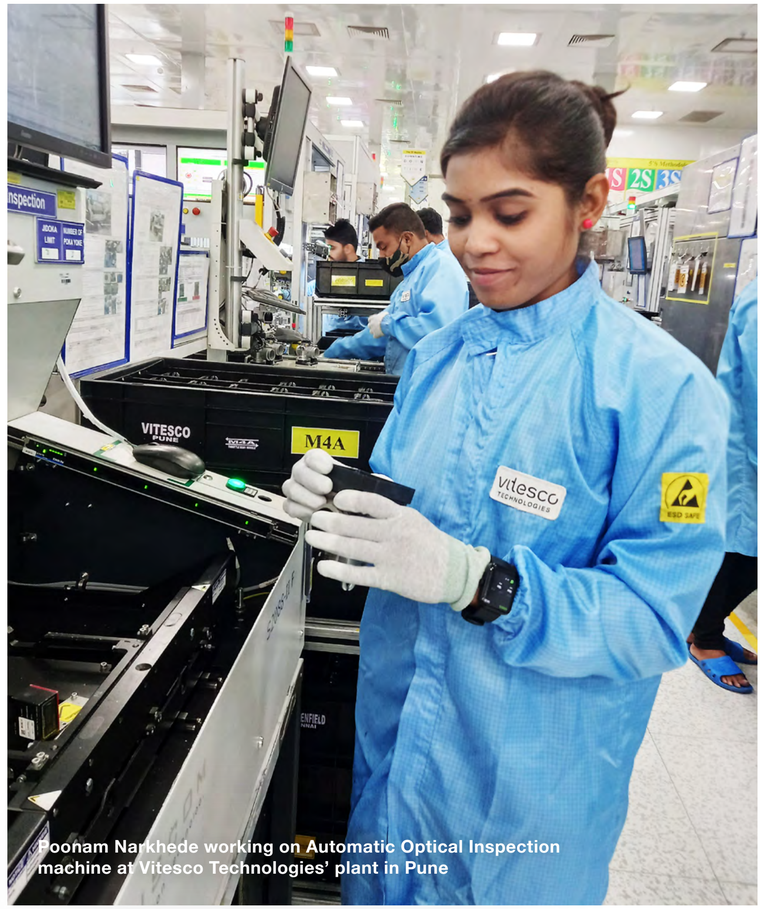
Passion gives you more energy, so I always start my day with a lot of enthusiasm and a smile. Usually, my workday starts with a five-minute warm-up exercise in the factory, followed by the daily morning meeting where we go through the most important issues of the day. Then we head to our respective work areas. When working on the production line, I make sure to follow all safety guidelines.

As the coordinator for women on the production floor, I regularly spend time with female co-workers during breaks. I support them by listening to their concerns and bringing them to the attention of our HR business partners and leaders in the company. We also have regular exchanges with colleagues from HR, where my co-workers can share any challenges and concerns and receive a lot of support.

I participate in brainstorming sessions and contribute my ideas whenever we are faced with production-related challenges; this gives me the good feeling that my opinion is valued. I also really appreciate the workshops on our company values that the HR department regularly hosts.

I am a pilot trainer in our training centre and regularly take time to train new staff on mandatory topics. I know how important it is to constantly expand my knowledge and so I make sure to attend all trainings in the time allotted.

At the end of my working day, I submit my shift report to the coordinator: We work in three shifts. When I work the night shift, I – like my other female colleagues – am taken home by the office taxi. A female security guard accompanies us to the front door. This gives me additional security and great confidence in Vitesco Technologies as an employer.




Poonam Narkhede working on Automatic Optical Inspection machine at Vitesco Technologies' plant in Pune

## WOMEN IN PRODUCTION – NOT A MATTER OF COURSE IN INDIA

We take diversity and equality very seriously at Vitesco Technologies India. People from a wide variety of backgrounds, with a broad range of skills and perspectives, form a strong team here. We firmly believe that the more inclusive we are, the more comfortable our employees will feel and the more efficient and effective we become.

To promote gender diversity, we have been additionally hiring women in Production since 2020 – something that is still far from common in India. It is therefore particularly important for us to create an environment in Production where diversity is respected and valued. As for most of our male colleagues in Production, this was the first time that they would be working with women, we took a wide range of measures to strengthen an inclusive mindset.

We hosted diversity trainings and conducted various workshops to help managers and employees internalise and exemplify the company values – “Passionate, Partnering, Pioneering.”

We hold regular discussion rounds specifically for our female employees to give them a platform of their own where they can get involved and voice concerns – and where they are also heard. We want them to feel safe and valued at all times with us – in a healthy environment, in our operations in particular and at our company in general.

**Neha Pawar, Head of Human Relations India**

Neha Pewar, Head of Human Relations India

# LIFE CYCLE ENGINEERING

## CLIMATE NEUTRALITY ONE STEP AT A TIME

Minimising the environmental impact of our products requires – in a first step – a comprehensive analysis: Life Cycle Assessments (LCA) make it possible to assess the carbon footprint of our products, taking into account all environmental impacts across the value chain. In a second step, we apply a Design for Environment (DfE), which means: we reduce the environmental impact of the identified hotspots, e. g. by replacing the relevant materials. Finally, in a third step, Design for Circularity (DfC), we ensure the reusability of our products. This not only encourages their recycling, but often also extends the life of our products.

The measures and consequences of Life Cycle Engineering can be especially well illustrated using the example of the EMR4, the latest generation of our integrated electric axle drive: 70 percent of the EMR4's Global Warming Potential (GWP) is created before its actual production process at Vitesco Technologies. But we are nevertheless in a position to influence this portion of the GWP as well, through a conscious choice of raw materials and production partners along the value chain. Likewise, we can influence the GWP that arises downstream from our production process.

In the case of the EMR4, we identified a major GWP lever in the form of Externally Excited Synchronous Machines (EESM): Unlike conventional Permanent Magnet Synchronous Machines (PSM) technology, we see that EESM provides an efficiency advantage at high speeds and hence at high RPMs. PSM technology, which once became popular in battery electric vehicles, is optimised for a specific operating point. In other words, a PSM is more of a specialist for short and medium distances – especially in urban traffic situations.

Even taking into account that the EESMs require a slightly larger aluminium housing with a correspondingly greater impact on the global warming potential, the GWP is lower overall for EESMs than for PSMs. This is because the rare earth magnets in the PSM rotor have such a huge impact on the GWP of the entire drive system that this more than offsets the GWP impact of EESMs' copper windings, larger housing, and additional excitation module.

And even when the driving profile involves greater dynamics, i. e. alternating acceleration and high-speed driving, the strengths of an "all-rounder" electric machine are still evident.

And so, as a result of Life Cycle Engineering, we were able to reduce the GWP of our EMR4 by six per cent – just through choosing the optimal technology. And that's just the beginning.

### AIMING FOR THE COMPLETELY CLIMATE-NEUTRAL VEHICLE

Vitesco Technologies has joined the "Polestar 0 Project": an auto industry initiative to create the world's first completely climate-neutral vehicle. As an expert in its field, Vitesco Technologies has been selected as a collaboration partner to develop the power electronics with the target to achieve a zero-carbon emissions inverter for the production vehicle application in 2030.

"Vitesco Technologies with its know-how will be able to make a major contribution to this ambitious goal for moving the industry toward complete carbon-neutrality," explains Andreas Wolf, CEO of Vitesco Technologies: "At the same time, we see the 'Polestar 0 Project' as far more than just a milestone on the road to climate neutrality. In our eyes, it is also an exciting pilot project for entirely new forms of collaboration in open networks."

Vitesco Technologies has set the goal of being carbon neutral across its entire value chain by 2040. This means, not least, making all products climate neutral step by step. Vitesco Technologies already has more than eight years of experience in the field of LCA. The company will share this extensive know-how through the "Polestar 0 Project."

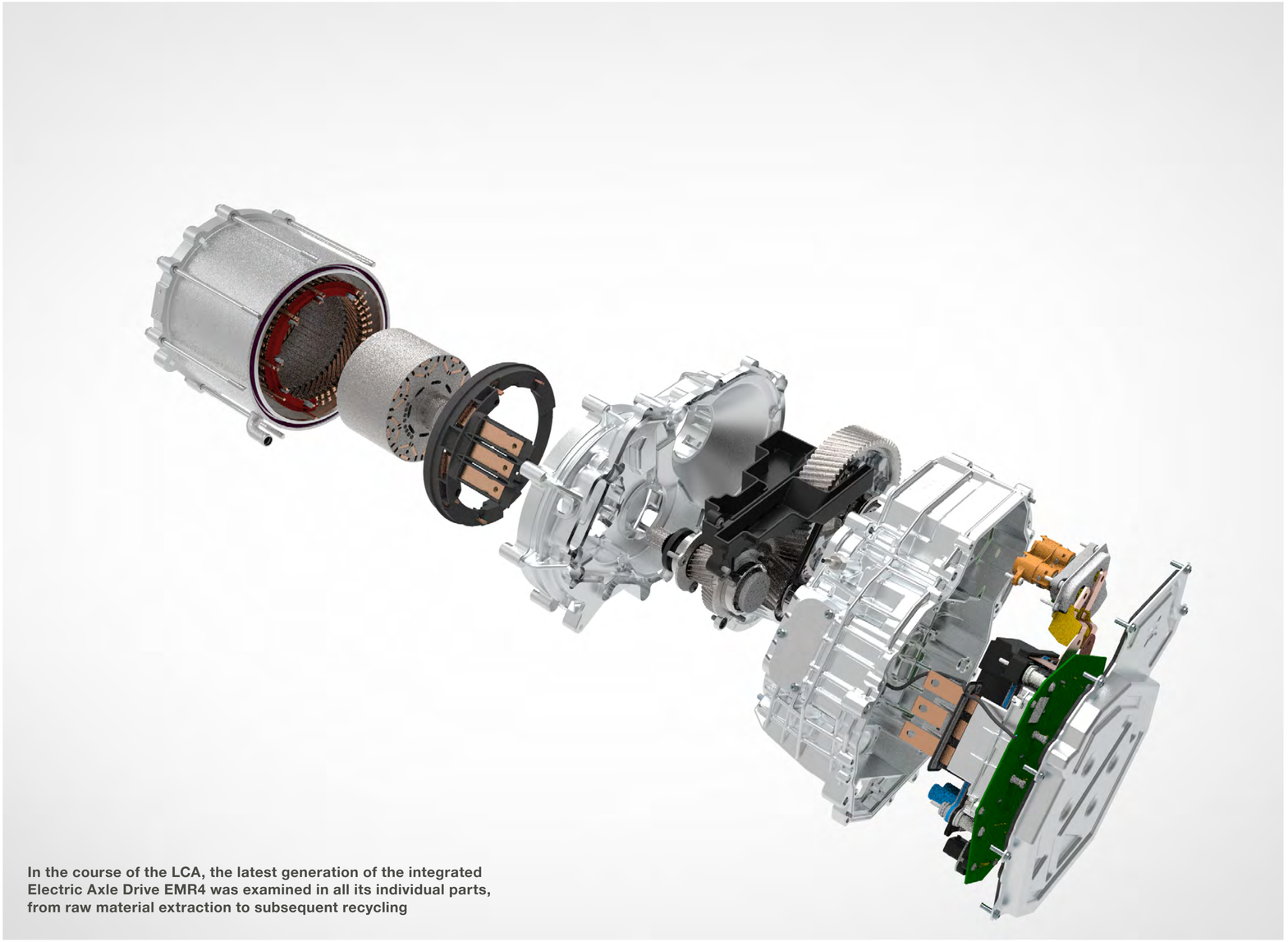
A wide range of institutions are collaborating together in an unprecedented open network to support this initiative: Research institutes, investors, government organizations and companies – large automotive groups and suppliers as well as small start-ups. Together, they aim to identify and eliminate all climate-damaging factors in the lifecycle without exception: from raw material extraction, material processing and production to transport and product disposal.

## “AN EXCELLENT MATCH FOR POLESTAR”

“We are delighted to publicly announce Vitesco Technologies as a partner to the ‘Polestar 0 Project’”, said Hans Pehrson, Head of the project at Polestar, a Swedish premium electric vehicle manufacturer founded by Volvo Cars AB and Zhejiang Geely Holding Group Ltd. “A fully sustainable society requires us to work together in unprecedented ways, and we are joining forces with those who are equally determined to make that vision a reality. Vitesco Technologies, with their extensive electrification experience combined with their commitment to sustainability, is an excellent match for Polestar in this project.”

Vitesco Technologies has several projects already underway in which cross-functional teams are developing appropriate processes, structures, methods, tools and use cases for specific products and components. One example is the Circular Electronics project to achieve complete recyclability of electronic components.

“For the power electronics in the ‘Polestar 0 Project’ alone, we are analyzing around ten sub-assemblies with more than 1,000 components,” explains Mike Brighton, the responsible project manager at Vitesco Technologies. “Furthermore, we are examining the use of natural fibers and biologically produced plastics, to name just one of the many aspects of this research project. We are very confident that Vitesco Technologies will be able to make a significant contribution to the “Polestar 0 Project” and derive a key benefit of this collaboration by enhancing our development and manufacturing capabilities. We will continue to take leading and decisive actions on sustainability within our design, manufacturing, value chain and products.”



**In the course of the LCA, the latest generation of the integrated Electric Axle Drive EMR4 was examined in all its individual parts, from raw material extraction to subsequent recycling**

# SOCIAL SUSTAINABILITY AT VITESCO TECHNOLOGIES CHINA

## PRODUCTION IN TIMES OF LOCKDOWN – A SPECIAL CHALLENGE FOR PEOPLE AND COMPANIES

In 2022, many places in China suffered greatly from a renewed outbreak of the COVID-19 pandemic – including Vitesco Technologies sites. The cities of Shanghai, Wuhu, Tianjin, and Changchun, like many others, were gradually sealed off starting at the end of March to prevent a further spread of the virus. Production at Vitesco Technologies – as at all other companies in the affected regions – was only allowed to continue under strict conditions and in the form of closed loops, i. e. with employees staying, living and sleeping at the plant even between their work sessions.

About 1,500 employees volunteered to do so. Thanks to them, the company was able to maintain production operations in China for the duration of the lockdown, even for a period of one to two months depending on the location. For us at Vitesco Technologies, it was clear from the beginning that when we take such extreme measures, strict rules are to be followed and measures taken to ensure that our employees can endure the situation.

This presented the people in charge with new and unprecedented challenges: How to ensure that so many people remain not only healthy and fit for work, but also generally in a good shape, over a longer period of time and in a confined space? We took our cue from the government and the union and set the following prerequisites: First, all participants had to be in good health and have volunteered for the closed loop assignment; second, everyone had to do daily nucleic acid or antigen self-tests; third, sufficient food supplies and accommodation conditions that are as good as possible; fourth, transparent communication between management level, government, employees, and the various sites; fifth, reliable monitoring of working time and good nutritional support.

A separate team handled the physical and mental health of the employees in the closed-loop production of Vitesco Technologies, offering a range of

Wuhu Plant management team's office setup during closed-loop production period in China

Juying Zhang, Head of Sustainability & Security China

information and assistance as well as a 24/7 hotline for the employees. Because: for all employees, the situation also meant stress, being separated from their loved ones, relatives and friends for so long. But together we did it.

The team succeeded in establishing privacy for the staff under particularly difficult conditions, in ensuring a separation of work and leisure phases, and in showing the people the well-deserved appreciation for what they achieved there, going far beyond the call of duty.

**Juying Zhang, Head of Sustainability & Security China**

## FROM THE PERSPECTIVE OF THE GLOBAL HUMAN RIGHTS & CSR MANAGER

The comprehensive lockdowns during the COVID-19 pandemic are quite critical from a human rights perspective, as they severely restricted people's individual rights, such as personal freedom of movement, access to education, social contacts, and leisure activities. These had to be weighed against other essential interests and rights of societies and individuals, such as the maintenance of medical care, the protection of certain vulnerable populations, and the reduction of COVID-19-related mortality. For Vitesco Technologies, it was clear from the outset that the health of our employees and the greatest possible protection of their individual rights has top priority.

Our corporate value of "partnering" was our guiding star throughout the pandemic and especially during the lockdowns in China. We guaranteed this by consistently involving our staff in the COVID-19 response. This ensured that affected employees were informed and involved in decisions that affected them and they could reassure themselves that the measures taken were necessary, appropriate, and proportionate. This is how we as a company, together with our employees, managed to cope well with the crisis.

**Thilo Schneider, Global Human Rights & CSR Manager**

# COMPANY PORTRAIT

## STRUCTURE OF THE GROUP

**Source:** Annual Report 2022 > Management Report > Corporate Profile > starting p. 69
**Notes:** The chapter has been adopted in excerpts. The text has been adjusted for page references.

### ORGANIZATIONAL STRUCTURE

GRI 2-1

The Vitesco Technologies Group concentrates on the development and production of components and system solutions for drivetrains in hybrid vehicles, electric vehicles, and combustion engines. Its portfolio comprises 48-volt electrification solutions, electric drive systems, and power electronics for hybrid electric and battery electric vehicles. Furthermore, its product palette includes electronic controls, sensors, actuators, turbochargers, hydraulic components, and pumps as well as exhaust-gas solutions.

Up until December 31, 2022, the business operations of the Vitesco Technologies Group have been run in four business units: Electrification Technology, Electronic Controls, Sensing & Actuation, and Contract Manufacturing.

### EXCECUTIVE BOARD

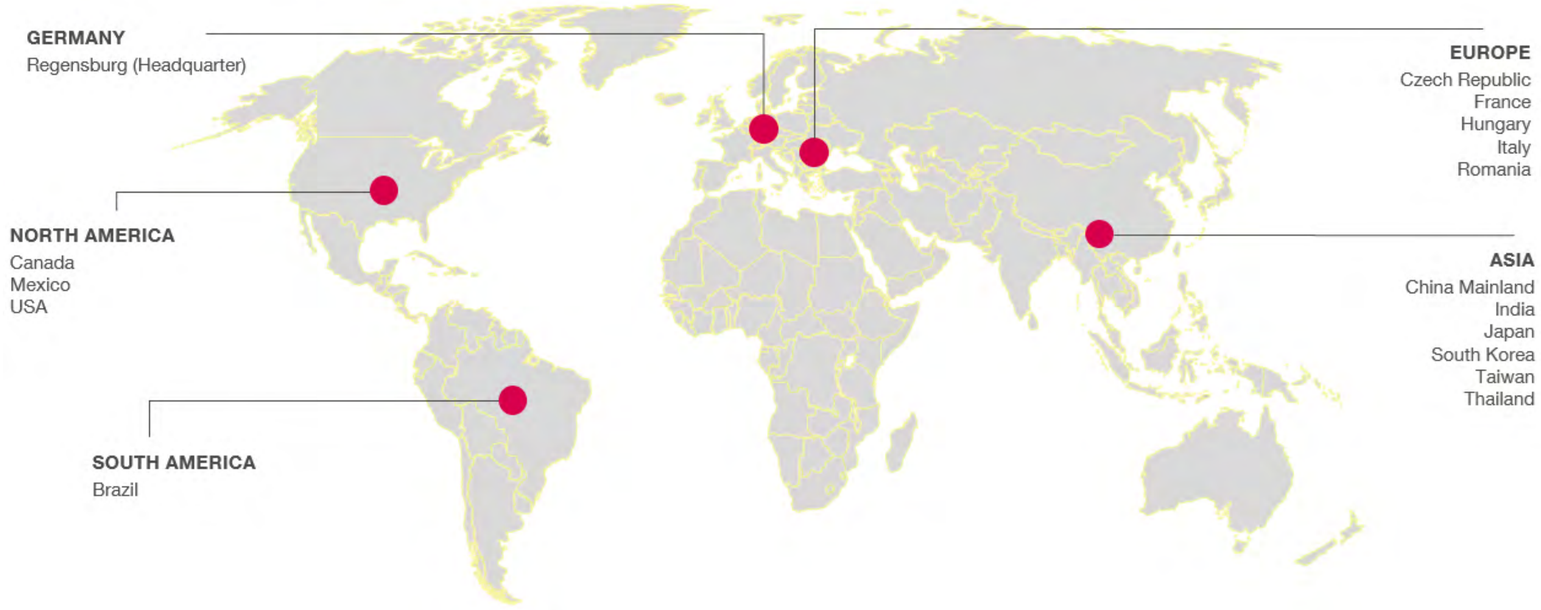
The Executive Board of Vitesco Technologies Group AG currently consists of five members:

> Andreas Wolf, Chief Executive Officer
> Werner Volz, Chief Financial Officer
> Ingo Holstein, Chief Human Resources Officer
> Klaus Hau, Executive Board member
> Thomas Stierle, Executive Board member

### SITES

GRI 2-1

The Vitesco Technologies Group is represented at approximately 50 locations worldwide. The following is an overview of the key regions and countries:



## OVERVIEW OF GROUP STRUCTURE

**Vitesco Technologies Group:**
Sales: €9,070.0 million; employees: 38,043

| **Electrification Technology**<br>Sales: €691.9 million<br>Employees: 4,811 | **Electronic Controls**<br>Sales: €3,930.7 million<br>Employees: 15,224 | **Sensing & Actuation**<br>Sales: €3,474.1 million<br>Employees: 15,641 | **Contract Manufacturing**<br>Sales: €1,053.4 million<br>Employees: 2,311 |
|---|---|---|---|
| > High-Voltage Electronics<br>> High-Voltage Drive<br>> Mild Hybrid Drive<br>> Battery | > Drivetrain<br>> Electronics<br>> Hydraulics<br>> Nonautomotive<br>> Turbocharger | > Exhaust & Emission Sensors<br>> Transmission & Engine Sensors<br>> Actuators<br>> Fluid Control Systems<br>> Catalysts & Filters<br>> Aftermarket | > Contract manufacturing for the Continental Group |

## CORPORATE GOVERNANCE

GRI 2-9, -11, -23, -24

**Source:** Annual Report 2022 > Our Shareholders > Corporate Governance > starting p. 23
**Notes:** The chapter has been adopted in excerpts. The text has been adjusted for page references.

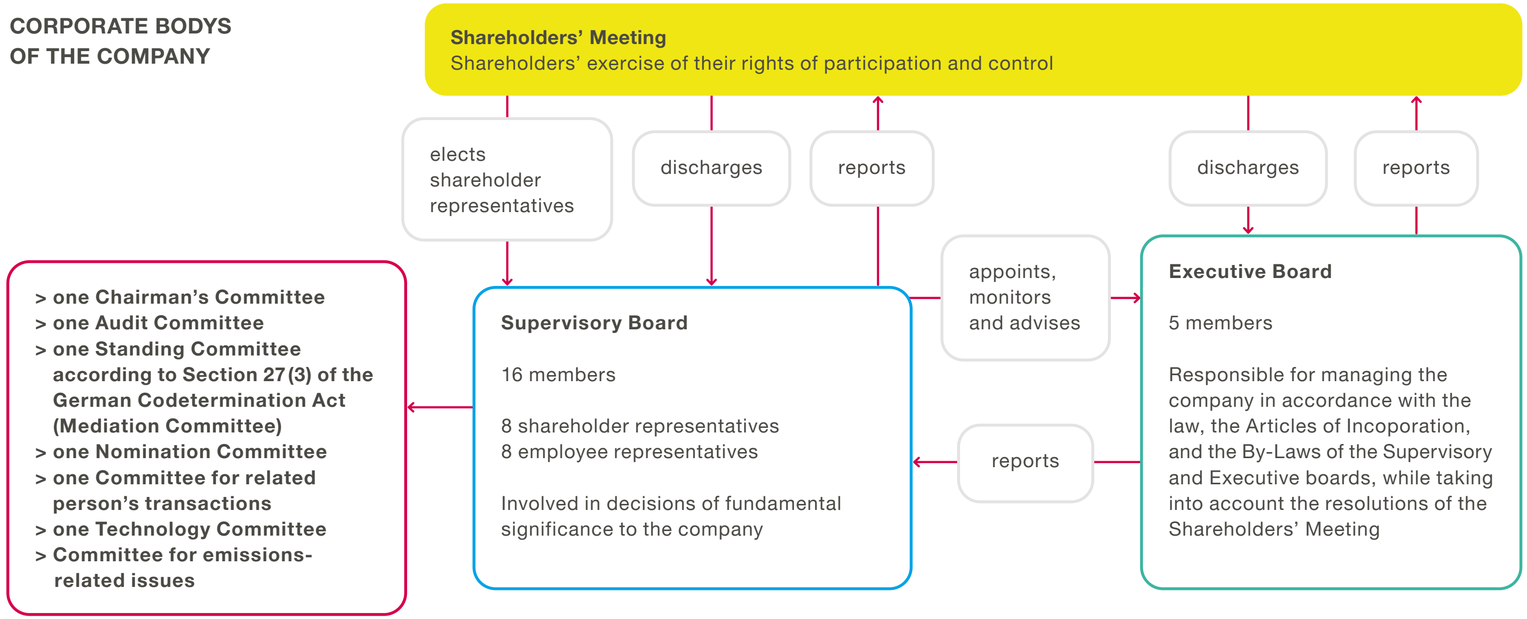
The basis of the actions of the Vitesco Technologies Group AG Executive and Supervisory Boards is responsible corporate governance that seeks to create value sustainably and meet the interests of all stakeholder groups connected to the Company. The following report presents the corporate governance at Vitesco Technologies.

The following documents are key foundations of our sustainable and responsible corporate governance:

> Passionate, partnering, and pioneering are the corporate values of Vitesco Technologies Group AG. Our mission, vision, corporate values, and actions based on them are the foundation of our corporate culture.
> The Vitesco Technologies mission and vision are published on the Company's website in the "Company" section (ir.vitesco-technologies.com), while our corporate values are in the "Careers" section (ir.vitesco-technologies.com).
> The Corporate Human Rights Policy can be found in the "Sustainability" section of the Company's website (ir.vitesco-technologies.com).
> Code of Conduct and Business Partner Code of Conduct. The Group publishes these codes of conduct in the "Company" section on its website (ir.vitesco-technologies.com). They define the conduct that is expected of the Group's employees and business partners in relation to ethical and legal matters. More information about compliance can be found in the Compliance chapter and online in the "Company" section of the Company's website (ir.vitesco-technologies.com).

In accordance with statute law and its Articles of Incorporation, the governing bodies of Vitesco Technologies Group AG are its Executive Board, its Supervisory Board, and its shareholders acting at its Annual General Meeting. As a German stock corporation, Vitesco Technologies Group AG has a dual-management system characterized by a strict personnel division between the Executive Board as the management body and the Supervisory Board as the monitoring body. The graphical overview describes how the Executive Board, Supervisory Board, and shareholders at the Annual General Meeting interact.

### CORPORATE BODYS OF THE COMPANY



## SHAREHOLDER STRUCTURE

**Source:** Annual Report 2022 > Our Shareholders > Vitesco Technologies Shares > starting p. 13
**Notes:** The chapter has been adopted in excerpts. The text has been adjusted for page references.

The Group's free float, as defined by Deutsche Börse AG, Frankfurt was at 45.1% at year-end 2022 after initially running up to 54.0% with the initial listing on September 16. The most recent change occurred through IHO Holding during the month of August after an announcement was made on July 4, 2022, that IHO Holding was going to increase its stake by up to 1.586 million shares by December 30, 2022. The conclusion of the transaction increased the total share of voting rights held by IHO companies to 49.9%. ASW Privatstiftung has held an unchanged share of 5% since December 3, 2021. Ever since it crossed the 5% threshold, ASW Privatstiftung is considered a major shareholder of Vitesco Technologies as per the Deutsche Börse AG definition. Its common-stock holding is therefore not classified as free float.

Vitesco Technologies' market capitalization was €2,171 million at the end of the 2022 stock market year. Accordingly, the free-float market cap at year-end was €979 million. An average of roughly 89,170 shares were traded on XETRA per day of trading during the 2022 fiscal year, equivalent to about 0.2% of the shares outstanding. Among the 70 SDAX stocks, Vitesco Technologies' was ranked 10th by free-float market cap at year-end 2022.

Vitesco Technologies identified the regional distribution of its free float owners at year-end by analyzing the shareholder list. Of the free float of 18.0 million shares, 12.2 million of them held in the form of shares or alternatively as American depositary receipts (ADRs) in the US were able to be matched with the 50 largest shareholders.

The stakes held by shareholders from the UK and Ireland, as calculated based on the shareholder list, accounted for 12.3% of the total share. Shareholders originating from the US were deemed to hold 9.8%, whereas the proportion of shareholders from Germany was 2.5%, followed by Norway (1.8%) and Italy (1.6%).

The 49.9% interest held by the IHO Group and the 5.0% interest of ASW Privatstiftung are not considered part of the free float.

# BUSINESS MODEL AND VALUE CREATION

**Source:** Annual Report 2022 > Management Report > Corporate Profile > starting p. 72
**Notes:** The chapter has been adopted in excerpts. The text has been adjusted for page references.

## GROUP STRATEGY DIRECTION 2030

GRI 2-6

The effects of climate change are becoming increasingly noticeable and can be seen in natural catastrophes such as droughts, storms, or heat waves. Accordingly, the demand for environmentally friendly and socially responsible products and transportation solutions is growing larger and getting more important. There is increasing regulatory pressure to reduce emissions, too.

To pursue a clear direction in these volatile times and contribute to cleaner mobility, Vitesco Technologies has created DIRECTION 2030, a strategic framework that provides orientation for the organization on its journey to the year 2030. Based on the projects successfully completed in the past, the topics for the 2022 fiscal year have been refined and expanded again.

The Company, its employees, and other Vitesco Technologies stakeholder groups can orient and align themselves with this initiative. It lets arising opportunities be used strategically to ensure sustainable growth while also increasing the Company's value.

The strategy falls under the umbrella of the Company's "Electrified. Emotion. Everywhere." vision, which represents Vitesco Technologies' ambition to pave the way to clean transportation through electrification. It is powered by Vitesco Technologies' development of intelligent and reliable solutions that put the emotion in motion. The intention behind it is to enable electric transportation everywhere, for any market, any architecture, and any person.

Our mission of "Powering Clean Mobility" was declared to provide daily motivation for the journey to an electrified world. The actions of Vitesco Technologies are based on a clear commitment to reducing emissions. By developing these solutions, the Company is shaping the future of clean mobility and transportation and fulfilling its corporate social responsibility, acting as a dependable partner for its customers, and making profitable choices for its investors.

To enable the practical implementation of this ambitious vision by 2030 and review it on a regular basis, the Company has defined five focus areas which each have qualitative and quantitative targets:

> Leader in Electrified Solutions
> Business Excellence
> Great People, Great Company
> Driver of Sustainability
> Investors' Choice

The focus on being a "Leader in Electrified Solutions" is underpinned by a conviction that all drivetrains will be electrified in the future. Vitesco Technologies has the goal of being a leading supplier of battery-electric vehicle drive systems. Accordingly, it aims to generate most of its sales from electrification by 2030.

**DIRECTION 2030**

“Business Excellence” is the foundation for accomplishing the transition from combustion engine drive to electrified drive systems. A focus on customer satisfaction, and efficient production, are essential for meeting or even exceeding the requirements of our customers. They are also a foundation for gaining new business contracts. By focusing strongly on its cost structure and on modularity, Vitesco Technologies ensures high profitability to finance future growth and safeguard competitiveness in a volatile market environment.

Vitesco Technologies believes that its employees are the key to lasting business success in the future. Its focus on “Great People, Great Company” is based on this belief and involves setting strategic targets to support the right employees with the right motivation in the right environment. The aim of this focus is to increase employee satisfaction and boost the long-term loyalty that skilled workers feel toward Vitesco Technologies. This is also connected to the strategic focus on developing a strong corporate brand.

Sustainability is a fundamental element of Vitesco Technologies and a key requirement for its future commercial success. The focus on being a “Driver of Sustainability” centers things such as the Group’s carbon footprint. Vitesco Technologies has made it its objective to make its in-house production operations 100% carbon-neutral by no later than 2030. Moreover, it aims to achieve full carbon neutrality throughout its value chain by no later than 2040. In terms of its products and their impact on the environment, it intends to employ life-cycle engineering throughout the product life cycle, from resource extraction to recycling, in order to optimize their emissions reduction.

All these focus areas are also reflected in an ambition of being the “Investors’ Choice”. Planning provides for progressively increasing profitability thanks to a focus on core activities. This profitability will simultaneously allow the Group to finance its future growth. It can also have a positive effect on the stock price, which will develop lastingly and more strongly in comparison to relevant benchmark indexes.

## BUSINESS UNITS

GRI 2-6

**Source:** Annual Report 2022 > Management Report > Corporate Profile > starting p. 70
**Notes:** The chapter has been adopted in excerpts. The text has been adjusted for page references.

### Electrification Technology

The Electrification Technology business unit is a pioneer in electrifying vehicle drive systems and has more than ten years’ experience in this field. Electrification Technology provides systems and components for electrified drivetrains and serves all key electrification architectures such as those used in plug-in hybrid and battery-electric vehicles. Its electric drive systems can be used in vehicles with an internal-combustion engine, battery, or fuel cell. Its portfolio applies a strict platform-based approach, including modularity, integration, and scalability, with a focus on a deep understanding of systems. Electrification Technology is divided into four specific product lines:

> High-Voltage Electronics
> High-Voltage Drive
> Mild Hybrid Drive
> Battery

### Electronic Controls

The Electronic Controls business unit of the Vitesco Technologies Group provides electronic, mechatronic, and software-based solutions for drivetrains in battery-electric vehicles, hybrid vehicles, and vehicles with an internal-combustion engine. These solutions are installed in cars, commercial vehicles, and two-wheel vehicles. Electronic Controls is divided into the following five product lines:

> Drivetrain
> Electronics
> Hydraulics
> Nonautomotive
> Turbocharger

### Sensing & Actuation

The Sensing & Actuation business unit develops components that enable clean and safe transportation. Its product portfolio comprises various types of sensors, actuators, and pumps as well as components for treating exhaust gases. These solutions are used in pure-electric vehicles (battery or fuel cell), hybrid vehicles, and vehicles with an internal-combustion engine, and the business unit can serve all vehicle types, from two-wheelers to cars and heavy trucks. Sensing & Actuation is divided into the following six product lines:

> Exhaust & Emission Sensors
> Transmission & Engine Sensors
> Actuators
> Fluid Control Systems
> Catalysts & Filters
> Aftermarket

### Contract Manufacturing

The Contract Manufacturing business unit comprises the Vitesco Technologies Group’s contract-manufacturing operations for Continental AG. Products are currently produced for Continental AG at a total of six Vitesco Technologies Group production sites. These operations stem from customer orders that began life at formerly shared production sites (Vitesco Technologies/Continental). To ensure that production continues without interruption for the customer, these sites will keep manufacturing for Continental AG until the end of the relevant contracts or until production moves to the earmarked sites within the Continental Group.

## CUSTOMER STRUCTURE

The Vitesco Technologies Group sells its products to customers in more than 40 countries and is a partner of almost all major OEMs worldwide. The top seven customers of the Vitesco Technologies Group are the Ford Motor Company, the General Motors Company, the Hyundai Motor Group, the Mercedes-Benz Group, the Renault-Nissan-Mitsubishi Alliance, Stellantis, and the Volkswagen Group.

The Vitesco Technologies Group has achieved strong market penetration among major OEMs in Asia, Europe, and North America. In addition, the Vitesco Technologies Group has a broad customer base in key emerging markets such as Mexico and India.

In the 2022 fiscal year, 18.2% of the Vitesco Technologies Group's sales came from Germany. The Group's top three customers in Germany were the BMW Group, the Mercedes-Benz Group, and the Volkswagen Group. In the remaining European countries, the Group generated 26.9% of its total sales. The three most important customers here were the Ford Group, the Renault-Nissan-Mitsubishi Alliance, and the Stellantis corporation.

North America accounted for 26.0% of total sales in this fiscal year, with the top three customers as follows: Cummins, the General Motors Company, and Stellantis.

Asia is the Company's largest sales market, accounting for 27.6% of the total, with the General Motors Company, Hyundai Motor Group, and the Volkswagen Group as its three most important customers in this region. The remaining 1.3% of total sales was spread over various other countries.

The above illustration lists customers in alphabetical order.

# RISK AND OPPORTUNITY MANAGEMENT

**Source:** Annual Report 2022 > Management Report > Risk and Opportunity Report > starting p. 156
**Notes:** The chaper has been adopted in excerpts. The text has been adjusted for page references.

Risk and opportunity management is practiced to analyze and manage the overall situation across the Group. Business management at Vitesco Technologies is done in such a way that it aims for sustainable growth and permanent increases in the Group's value. We evaluate risks and opportunities responsibly and on an ongoing basis in order to achieve our goal of adding value.

We define risk as the possibility of internal or external events occurring that can have a negative influence on the attainment of our strategic and operational targets. As a global corporation, Vitesco Technologies is exposed to a number of different risks that could impair business and, in extreme cases, threaten the Company's existence. At the same time, there are also opportunities that we intend to consistently seize, as described in the Group Strategy chapter. We accept manageable risks if the resulting opportunities are expected to result in sustainable growth in value. For us, growth in value means achieving a permanent return on capital employed that exceeds the weighted average cost of capital.

## RISK AND OPPORTUNITY MANAGEMENT AND INTERNAL CONTROL SYSTEM

In order to operate successfully as a company in a complex business environment and to ensure the effectiveness and efficiency of operational business activities (business processes), the effectiveness, efficiency, and propriety of accounting, and compliance with applicable legal and sublegislative provisions, Vitesco Technologies has created a governance system that encompasses all relevant business processes. The governance system comprises the internal control system, the risk management system, and the compliance management system, which is described in detail in the corporate governance statement. The risk management system in turn also includes the early risk detection system in accordance with AktG § 91(2).

The Executive Board is responsible for the governance system, which also covers all subsidiaries. The Supervisory Board and its Audit Committee monitor its effectiveness.

Vitesco Technologies strives for a risk culture that is practiced actively and shaped by an open response to risk, transparency regarding the risk situation, and targeted risk management. Vitesco Technologies' business management and the risk strategy derived from it are designed to ensure the Company's long-term viability and increase the Company's value in a sustainable manner. The primary objective of risk management is not to prevent all risks, but rather to respond to them in a controlled and effective way in day-to-day operations. The priority in risk management is to create levels of freedom that enable a conscious acceptance of risk based on extensive knowledge of the risk and its context. A coordinated, controlled response to risk is intended to contribute to the achievement of our Company's strategic and operational targets and increase the Company's value.

The internal control system, being the total of all systematically defined controls and monitoring activities, aims to ensure security and efficiency of operational processes, the reliability of financial and non-financial reporting, and compliance with the law and guidelines in all activities. An effective and efficient internal control system is critical in order to manage risks in our business processes successfully. The internal control system at Vitesco Technologies is designed to incorporate all material business processes and extends beyond controls in the financial reporting.

Key elements of the Group-wide control systems are the clear allocation of responsibilities and controls inherent in the system. The two-person rule and separation of functions are fundamental principles of this organization.

An organizational structure with clearly defined interfaces, roles, and responsibilities is vitally important for the success of control systems. At Vitesco Technologies, this structure is supported by a concept with three "lines of defense." Continuously faced with business risks, operations management forms the first line of defense. It is responsible for identifying and analyzing these risks at the earliest possible stage and for setting up effective control measures in the value creation process that are designed to manage the risks. The second line of defense is formed by central management and is designed to control and supervise the first line of defense for optimum effectiveness. And finally, Group Audit forms the third line of defense in its role as an objective and independent auditing and advisory body. It supports the Executive Board in the performance of its supervisory role and monitors the regularity, safety, appropriateness, and effectiveness of the implemented processes and the internal controls.

In addition, the executive management at Vitesco Technologies ensures accounting that complies with the requirements of law by issuing guidelines on the preparation of financial statements and on accounting, access authorizations for IT systems, and regulations on the involvement of internal and external specialists.

The effectiveness of the financial-reporting internal control system (financial-reporting ICS) is assessed in key areas of the business by means of quarterly process-independent effectiveness tests of the reporting units; the test results for the reporting units are supervised and evaluated at Group level. If any weaknesses are identified, the Group's management initiates the necessary measures.

As part of our opportunity-management activities, we assess market and economic analyses and changes in legal requirements (e.g., with regard to fuel consumption and emission standards). In addition, we deal with the corresponding effects on the automotive sector and relevant markets, our production factors, and the composition and further development of our product portfolio.

## GOVERNANCE, RISK & COMPLIANCE (GRC)

In its Governance, Risk & Compliance (GRC) Group Policy, Vitesco Technologies defines the general conditions for integrated GRC as a key element of the risk management system, which regulates the identification, assessment, reporting, and documentation of risks. In addition, this also further increases Group-wide risk awareness and establishes the framework for a consistent risk culture. The GRC Committee ensures that this policy is adhered to and implemented.

The GRC system incorporates all components of risk reporting and the examination of the effectiveness of the financial-reporting ICS. Risks are identified, assessed, and reported at the organizational level that is also responsible for managing the identified risks. A multistage assessment process is used to involve the higher-level organizational units as well. The GRC system thus includes all reporting levels, from the Company level to the top Group level.

## RISK REPORTING

At Group level, the responsibilities of the GRC Committee – chaired by the Chief Financial Officer – include identifying material risks for the Group. The GRC Committee regularly informs the Executive Board and the Audit Committee of the Supervisory Board of the material risks, any weaknesses in the control system, and measures taken. Moreover, the auditor is required to report to the Audit Committee of the Supervisory Board regarding any material weaknesses in the financial-reporting ICS that they identified as part of their audit activities.

## RISK ASSESSMENT AND REPORTING

GRI 2-25

An observation period of one year is always applied when evaluating risks and opportunities. The risks and their effects are assessed primarily according to quantitative criteria and assigned to different categories in line with the net principle, i.e., after risk-mitigation measures. If a risk cannot be assessed quantitatively, then it is assessed qualitatively based on the potential negative effects its occurrence would have on achieving corporate goals and based on other qualitative criteria such as the impact on Vitesco Technologies' reputation.

Material risks for the Group are identified from all the reported risks based on the probability of occurrence and the amount of damage that would be caused during the observation period.

The individual risks that Vitesco Technologies has classified as material and the aggregated risks that have been assigned to risk categories are all described in the risk and opportunity report, provided the potential negative profit effect of an individual risk or of the sum of individual risks included in a category exceeds €20.0 million in the observation period or there is a significant negative impact on the Group's targets.

To evaluate the risk to the Group as a going concern, the risks are aggregated every six months, taking into account any correlation effects, and compared with the Group's risk bearing capacity. Vitesco Technologies uses a method of expected loss addition including adjustment factors to aggregate risk. Risk bearing capacity is calculated using a liquidity-based approach.

Local management can utilize various instruments for risk assessment, such as centrally defined, Group-wide risk categories (e.g., exchange rate risks, product-liability risks, and legal risks) and assessment criteria as well as the process and control descriptions in the financial-reporting ICS. The key controls in business processes (purchase to pay, order to cash, asset management, human relations, authorization, and closing the books) are thus tested with respect to their effectiveness.

### RISK REPORTING

Business-related risks are assessed by all major subsidiaries and organizational units in the GRC system's IT-aided risk management application every six months. Any quality or legal cases that have actually occurred are also taken into account when assessing these risks. The financial-reporting ICS is conducted every quarter.

Furthermore, the GRC Committee identifies and assesses strategic risks, for example as part of a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats). Any new material risks arising unexpectedly between regular reporting dates have to be reported immediately and considered by the GRC Committee.

Vitesco Technologies has set up a global whistleblower system (Integrity Line) to give employees and third parties outside the Vitesco Technologies Group the opportunity to report violations of legal regulations, its fundamental values, and ethical standards. Information on any kind of potential violations, such as bribery or antitrust behavior, as well as accounting manipulations, can be reported anonymously, where permissible by law, using this line. Tips received through the system are examined, pursued, and dealt with by the Group Audit and Compliance departments, as required, with the assistance of other departments.

## RISK MANAGEMENT

The responsible management initiates suitable countermeasures that are also documented in the GRC system for each risk identified and assessed as material. The GRC Committee monitors and consolidates the identified risks and suitable countermeasures at Group level. It regularly reports to the Executive Board and recommends further measures if needed. The Executive Board discusses and decides on the measures, and reports to the Supervisory Board's Audit Committee. The responsible bodies continually monitor the development of all identified risks and the progress of actions initiated. Group Audit regularly audits the risk management process and, in doing so, continually monitors its effectiveness and further development.

## MATERIAL RISKS

GRI 201-2

Material risks are classified according to their likelihood of occurrence and their possible negative effects. The risks are presented and evaluated according to net principle – i. e., after risk-mitigation measures. The evaluation is based on an observation period of one year. The order in which the risk categories and individual risks are presented within the four risk groups reflects the current assessment of the relative risk exposure for Vitesco Technologies and thus provides an indication of the current significance of these risks. The relative risk exposure is based on the likelihood of occurrence and the possible negative effects during the observation period. The risks pertain to all organizational units unless otherwise stated explicitly.

**For classification of the likelihood of occurrence, the following categories apply:**

| Class | Percentage range |
|---|---|
| Very low | Below 10 percent |
| Low | 10 to 20 percent |
| Medium | Above 20 to 50 percent |
| High | Above 50 percent |

**The possible negative effects of quantitatively evaluated risks are divided into categories as follows:**

| Class | Amount of damage |
|---|---|
| Minor | < €50 million |
| Moderate | €50 – 100 million |
| Major | > €100 – 200 million |
| Substantial | > €200 million |

**Qualitatively evaluated risks are classified as follows on the basis of their possible negative effects upon occurring on factors such as the attainment of corporate goals and the reputation of the Company:**

| Class |
|---|
| Low |
| Medium |
| High |
| Very High |

The following table sets out our estimates of the likelihood of occurrence of risks and their possible effects in the event of occurrence.

| | | Likelihood of occurrence | Possible effect |
|---|---|---|---|
| **Financial risks** | Default risks in connection with cash and cash equivalents | Very low | Substantial |
| | Exchange rate changes and hedging | Low | Minor |
| | Financing agreements | Very low | Medium |
| **Market risks** | Global financial and economic crisis | Medium | Substantial |
| | Cyclical industry and customer dependence | Medium | Major |
| | Geopolitical volatility and political upheaval | High | High |
| | Accelerated change within the automotive industry | Medium | Moderate |
| | Ongoing negative impacts of COVID-19 pandemic | Medium | Minor |
| **Operational risks** | Passing on costs to customers | Medium | Substantial |
| | IT risks | Medium | Major |
| | Recruitment and turnover | Medium | Minor |
| | Loss of property, plant, and equipment and business interruption | Medium | High |
| | Climate change | High | Medium |
| | Additional onerous environmental or safety regulations | Medium | Medium |
| **Legal and tax risks** | Compensation payments and costs from official investigations | Medium | Moderate |
| | Warranty and product-liability claims | Low | Moderate |
| | Fines and claims for damages due to unlawful conduct | Medium | High |
| | Legal disputes | Low | High |
| | Tax returns | Very low | Moderate |
| | Sufficient protection of intellectual property and technical expertise | Low | Minor |
| | Infringement of third-party industrial property rights | Low | Minor |
| | Changes in tax laws or their application | Very low | Minor |

Detailed descriptions of the listed risks can be found in Vitesco Technologies' Annual Report 2022 in the chapter Risk and Opportunity Report (see ir.vitesco-technologies.com).

## MATERIAL OPPORTUNITIES

**Source:** Annual Report 2022 > Management Report > Risk and Opportunity Report > starting p. 169
**Notes:** The chaper has been adopted in excerpts. Only selected opportunities related to sustainability are presented. A complete list can be found in the Risk and Opportunity Report. The text has been adjusted for page references.

Unless there is an emphasis placed on a specific business unit, the opportunities apply to all business units. The Contract Manufacturing business unit was not included in this assessment due to the nature of its business doing purely contract manufacturing for Continental AG and due to its decreasing volumes.

**There would be opportunities for Vitesco Technologies if there were changes in legal frameworks.**

A further tightening of the regulatory provisions for fuel consumption and emission standards for motor vehicles could trigger higher demand for products from Vitesco Technologies. With our comprehensive portfolio, we already provide solutions that enable compliance with these changes in legal frameworks. Our portfolio includes in particular systems and components for hybrid and electric drive systems and for clean and more efficient combustion engines. Any rise in installation rates for these products due to increased regulatory provisions would have a positive influence on our sales and earnings.

**Vitesco Technologies would have opportunities if vehicles worldwide were to become electrified more quickly.**

Not only the number of vehicles manufactured worldwide, but also the mix of electrification in this vehicle production is what determines Vitesco Technologies' potential sales. Electrified vehicles offer greater potential sales than vehicles fitted with an internal-combustion engine. Accordingly, a stronger penetration of electrified drive systems in the world's vehicles would provide a potential opportunity for extra growth in Vitesco Technologies' sales.

**Vitesco Technologies has opportunities from the electrification of commercial vehicles.**

Increasing regulation in the truck market means that drivetrains for commercial vehicles increasingly need to be made more efficient and less polluting. The electrification of truck drive systems could make a contribution to this and this would simultaneously offer greater potential sales for Vitesco Technologies.

## STATEMENT ON OVERALL RISK AND OPPORTUNITIES SITUATION

In the Executive Board's assessment, the risk faced by the Vitesco Technologies Group has increased slightly compared to the previous year.

However, the current analysis in the Group-wide risk management system has still not identified any risks that would pose a threat to the Company as a going concern either individually or in combination with other risks. In the opinion of the Executive Board, there are also no discernible risks to the Group as a going concern in the foreseeable future.

When considering the material opportunities, which remain unchanged since the previous year, there appears to be an appropriate overall risk and opportunities situation with which the risk-mitigating measures and Group strategy of Vitesco Technologies are aligned accordingly.

# SUSTAINABILITY MANAGEMENT

## STRATEGIC ANCHORING AND ORGANIZATION

**Source:** Annual Report 2022 > Management Report > Corporate Profile > Sustainability and Consolidated Non-Financial Statement > starting p. 81
**Notes:** The chapter has been adopted in excerpts. The text has been adjusted for page references.

### STRATEGIC ANCHORING

GRI 2-12

Sustainability is an integral part of Vitesco Technologies' business model and at the heart of its mission: "Powering Clean Mobility". With innovative and efficient solutions, the company aims to help reduce the environmental impact of the automotive industry worldwide and promote emission-free mobility in the long term. Vitesco Technologies' management is actively driving this transformation and aligning the portfolio to the electrified future – while striving for profitable growth and operational strength.

Beyond its products, Vitesco Technologies pursues the goal of driving sustainability in all business activities along the value chain. The DIRECTION 2030 strategy described in the Group Strategy chapter formulates this in the claim "Driver of Sustainability" and thus identifies sustainability as one of five strategic focus areas. A Sustainability Agenda adopted at Executive Board level with clearly defined targets and key performance indicators provides the framework for the strategic further development, management and implementation of the issues identified as material for this focus area.

The company also takes account of the strategic importance of sustainability by integrating selected performance indicators from the Sustainability Agenda into the long-term incentive plans for Executive Board members and senior executives.

More information on this can be found in the Annual Report in the Remuneration Report chapter (see ir.vitesco-technologies.com).

### SUSTAINABILITY ORGANIZATION

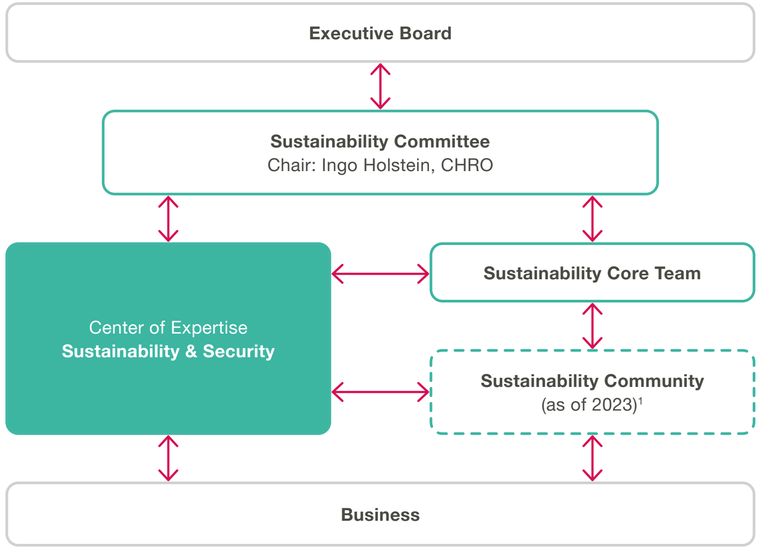
GRI 2-12, -13

In fiscal 2022, Vitesco Technologies further evolved its sustainability organization. In September, the company's Sustainability, Security, Safety & Health department was expanded to include Environmental Protection, which until then had been assigned to the Quality & Environment department. Under its new name Sustainability & Security, the department now bundles all key sustainability topics (occupational health and safety, corporate environmental protection, human rights due diligence, climate protection and decarbonization) and coordinates the requisite cross-functional strategy development and implementation. Its responsibilities also include organizing Vitesco Technologies' Sustainability Steering Committee and Sustainability Core Team, as well as the company's sustainability and non-financial reporting.

The Vitesco Technologies' Sustainability Steering Committee chaired by the Chief Human Resources Officer operates at the highest level of management and is comprised of permanent members of management (including the Chief Financial Officer and several heads of business units) as well as in-house experts. It manages and monitors the implementation of the Sustainability Agenda and makes decisions regarding sustainability targets, indicators, projects, and measures. In addition, the committee advises the Sustainability Core Team and the Executive Board and, if necessary, prepares Executive Board decisions. It meets at least four times a year.

At the operational level, a Sustainability Core Team comprised of sustainability experts from various Group functions and business units (e. g., Technology & Innovation, Sales, Purchasing & Supplier Quality

**SUSTAINABILITY ORGANIZATION AT VITESCO TECHNOLOGIES**




[1]The launch of the sustainability community has been delayed from 2022 to Q1 2023.

Management, and Engineering) is responsible for implementing the Sustainability Agenda along the value chain. In addition to the global Sustainability Core Team, in 2022 Vitesco Technologies established a first country-level Sustainability Core Team in China to implement specific national requirements.

Beyond this, sustainability activities and accompanying measures are planned and implemented in the thematically responsible specialist departments, as part of the business units' product development activities, and decentrally by country coordinators or directly at the individual Vitesco Technologies sites.

## STAKEHOLDER INVOLVEMENT

GRI 2-29

Vitesco Technologies regularly interacts with various stakeholder groups. The stakeholders are identified and selected according to their relevance to the company's business activities. Dialogs with these relevant stakeholders address topics and expectations related to the company's social and environmental responsibility as well. Vitesco Technologies takes the findings from this into account in its strategic further development of sustainability along the value chain. The following table shows the key stakeholders for Vitesco Technologies and the dialog formats that are relevant for the respective groups.

| **Stakeholder involvement** | Dialog formats (selection) |
|---|---|
| Employees | e.g. regular development meetings, PulseChecks, central live webcasts, intranet, newsletter, online magazine "#we are electrified", social media |
| Customers | e.g. key account management, cooperations, trade fairs |
| Shareholders and investors | e.g. conferences, annual general meeting, roadshows, capital market days |
| Suppliers | e.g. training, surveys, interviews |
| Research and science | e.g. trade fairs, university events, congresses, talks with scientific institutions, interviews and publications in print media |
| Trade unions and civil society | e.g. dialog with employer associations, discussions, supervisory board meetings, invitations to committee meetings |
| Media and public | e.g. interviews, press releases, financial reporting, information events, media round tables |

## MEMBERSHIPS

GRI 2-28

Besides engaging in direct exchange with the relevant stakeholders, Vitesco Technologies engages with them through various memberships and initiatives. The following table provides an overview of our significant memberships in the fields of environment, social affairs, and corporate governance.

| Significant Memberships | | Further information |
|---|---|---|
| Catena-X Automotive Network | Catena-X Automotive Network | https://catena-x.net/de |
| CDP | CDP | https://www.cdp.net/en |
| **CEO Water Mandate** | CEO Water Mandate | https://ceowatermandate.org |
| charta der vielfalt UNTERZEICHNET | Charta der Vielfalt | https://www.charta-der-vielfalt.de |
| econsense | econsense - Forum for Sustainable Development of German Business e. V. | https://econsense.de |
| RE100 CLIMATE GROUP \| CDP | RE100 | https://www.there100.org |
| Responsible Business Alliance Affiliate Member | Responsible Business Alliance | https://www.responsiblebusiness.org |
| **UN Global Compact** | UN Global Compact | https://www.globalcompact.de |
| In support of WOMEN'S EMPOWERMENT PRINCIPLES Established by UN Women and the UN Global Compact Office | Women's Empowerment Principles | https://www.weps.org |

# MATERIALITY ANALYSIS AND FURTHER RELEVANT TOPICS

**Source:** Annual Report 2022 > Management Report > Corporate Profile > Sustainability and Consolidated Non-Financial Statement > starting p. 80
**Notes:** The chapter has been adopted in excerpts. The text has been adjusted for page references.

## SUSTAINABILITY AGENDA AND MATERIAL TOPICS

GRI 2-14, -23, -24, 3-1, -2

The Vitesco Technologies' Sustainability Agenda provides the framework for managing business activities with a view to social and environmental concerns as well as issues of responsible corporate governance. It is codified in the company's Sustainability Policy. The Sustainability Agenda is based on an internal materiality analysis and was developed by the Sustainability & Security department and the Sustainability Core Team. It was adopted by the Sustainability Steering Committee in 2021.

In fiscal 2022, an extensive materiality analysis was carried out in accordance with the anticipated requirements of the European Corporate Sustainability Reporting Directive (CSRD) based on the exposure drafts of the European Sustainability Reporting Standards (ESRS) published in April 2022. In the course of this, the Sustainability Agenda was updated in accordance with the results of the analysis and in consultation with the Sustainability Steering Committee.

Besides legal requirements and customers' demands, business partners, the capital market, employees, and the public, the sustainability agenda also reflects Vitesco Technologies' commitment to respect external frameworks. These include, in particular, the United Nations Sustainable Development Goals, the principles of the UN Global Compact of which Vitesco Technologies is a signatory, the United Nations Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the United Nations Convention against Corruption. In addition, the core conventions of the International Labor Organization (ILO Declaration on Fundamental Principles and Rights at Work), the OECD Guidelines for Multinational Enterprises, the Paris Agreement on Climate Change, and other topic-specific guidelines and standards are considered.

Vitesco Technologies' own guidelines relating to the material sustainability topics include the Code of Conduct for employees and Business Partner Code of Conduct, the Human Rights Policy and the Environment, Safety and Health and Energy Management Policies. There is also a claim of conformance with the standards of the Responsible Business Alliance, of which Vitesco Technologies has been a member since 2021.

The topics and objectives in Vitesco Technologies' Sustainability Agenda tie in with these guidelines and directives and successively expands on and further develops them in accordance with the company's strategic claim to be a "Driver of Sustainability".

The material topics are characterized by a high level of relevance for customers and investors, a strong presence in the public debate, and an accordingly fast-changing and dense regulatory environment.

Based on the results of the analysis, the following topics were identified as material for our sustainability reporting and therefore constitute the sustainability agenda of Vitesco Technologies:

| Material Topics for Sustainability Reporting | Correspondence to section 289c HGB |
|---|---|
| Clean Mobility | Environment, Product |
| Climate Protection | Environment |
| Resource Efficiency and Circularity | Environment |
| Fair Work and Diversity | Employees, Human Rights |
| Responsible Sourcing and Partnerships | Environment, Social Affairs, Combating Corruption and Bribery, Product |
| Occupational Health and Safety | Employees, Human Rights |

## FURTHER RELEVANT TOPICS

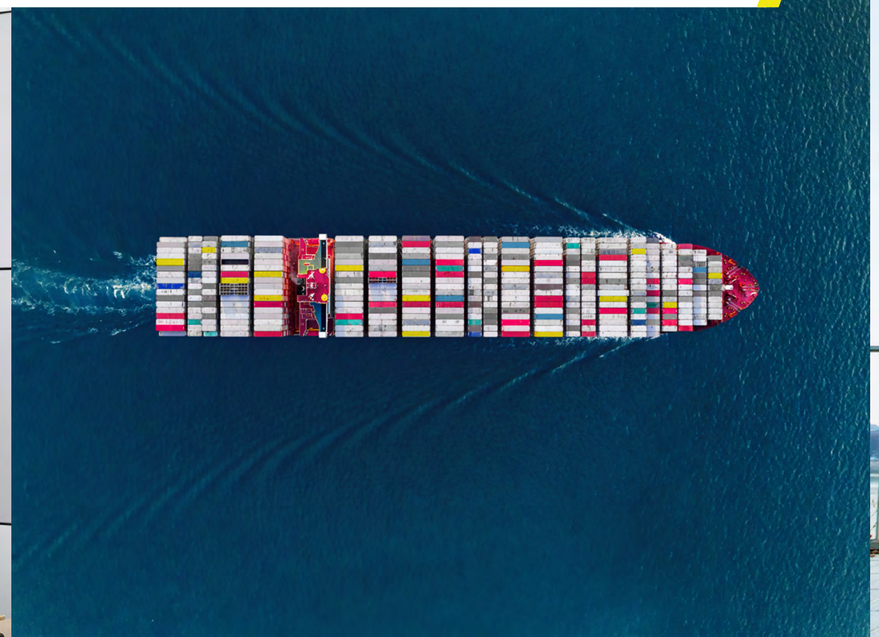
In addition, we report on two further topics that are of key importance to Vitesco Technologies irrespective of the results of the materiality analysis:

> Product Compliance and Quality
> Business Ethics and Compliance

The ambitions associated with the material topics as well as the further relevant topics are reported on in the following chapters, along with specific quantitative targets and key performance indicators[2].

[2]This Sustainability Report uses rounded figures. For this reason, rounding differences may occur in some cases when the values rounded within tables are added up.

# MATERIAL REPORTING TOPICS



# CLEAN MOBILITY

# CLEAN MOBILITY

## MANAGEMENT APPROACH

**Source:** Annual Report 2022 > Management Report > Corporate Profile > Sustainability and Consolidated Non-Financial Statement > starting p. 83
**Note:** The text has been adjusted for page references.

GRI 3-3

### OBJECTIVE

The motto “Powering Clean Mobility” sums up the Vitesco Technologies’ mission. Promoting clean and climate-neutral mobility is the company’s declared goal and an integral part of its corporate strategy. Linked to this is the ambition, as an automotive supplier, to play a leading role in the market in the transformation of powertrain technologies toward electrification and zero-emission mobility.

### CONCEPT

Fundamental to the topic of Clean Mobility is the Executive Board’s strategic decision to phase out technologies that, in line with the objectives described above, are not part of the core business and have no long-term strategic perspective. For one, the phase-out of contract manufacturing is to be completed by 2026. Secondly, more than 50% of the combustion engine technologies that are not part of the core business are to be phased out by then. This is accompanied by a decision to focus increasingly on the electrification business across all business units. Recent changes in the automotive industry and relevant regulations confirm the path taken.

In the transformation process, Vitesco Technologies is focusing both on products and technologies for the electric powertrain and on electrification solutions for hybrid vehicles. While electric drive implies zero emissions, improving engine efficiency, enabling fuel savings, and reducing emissions of pollutants and greenhouse gases are focus topics in the electrification of hybrids.

For further information, please refer to the Group Strategy chapter, Research and Development chapter, and the Risk and Opportunity Report in the Annual Report.

### RESULTS

The first key performance indicator (KPI) for the topic of Clean Mobility is the revenue generated by Vitesco Technologies’ electric and electrified solutions business. This revenue is comprised of two factors in line with the company’s portfolio orientation described above. First, from the business with purely electric products, components, and solutions; these are required for the operation of electric drive systems. Secondly, from the business with products, components, and solutions for electrification in hybrid drive systems; these are key components for the construction of hybrid drives. Revenues generated with electric and electrified solutions amounted to €1,082.0 million in fiscal 2022, up by €193.9 million year-on-year (previous year: €888.1 million). This corresponds to a share of Group revenues of 11.9% (previous year: 10.6%). The consistent strategic focus on generating revenues in the area of electrification has led to this increase.

In fiscal 2022, a second KPI was introduced for the Clean Mobility topic: Vitesco Technologies’ Electrification Investments per total investments. This indicator measures the amount of investment that is made in connection with the future production of purely electric products as well as components and solutions for the electrification of hybrid drive systems. The methodological calculation is based on the CapEx definition as defined in the Taxonomy Regulation. In fiscal 2022, these investments amounted to €102.7 million, which corresponds to 18.1% of the Group’s total investments.

| **Key Performance Indicators for Clean Mobility** | **2022** | 2021 |
|---|---|---|
| Revenue from electric and electrified solutions in € million | **1,082.0** | 888.1 |
| Share of business with electric and electrified solutions in Group revenues in % | **11.9** | 10.6 |
| Electrification Investments in € million[1] | **102.7** | – |
| Electrification Investments per total Investments in %[1] | **18.1** | – |

[1]The key performance indicator was newly introduced in fiscal 2022. For this reason, no prior-year value is available.

Further information on the topic of Clean Mobility and the relevant key indicators can be found in the chapter EU Taxonomy Regulation Disclosures.

## INCREASING INVESTMENT IN PRODUCTION CAPACITY

Electrification on the global vehicle market continues to gather momentum, and Vitesco Technologies is a driver and winner of this trend in equal measure. In fiscal 2022, the company again received numerous orders for its electrification components, totaling €10.4 billion. This more than doubled the prior-year figure of €5.1 billion. At the same time Vitesco Technologies plans to expand its global production: The high-voltage inverter including power module is to be produced in North America from early 2025.

Due to the positive market environment for electromobility, the company expects increasing investments in this area in the future.

## BUSINESS UNITS

In fiscal 2022, Vitesco Technologies was structured into three business units: Electrification Technology, Electronic Controls, and Sensing & Actuation.

As of January 1, 2023, the reorganization of the company into two completely restructured business units took effect with a view to further sharpening Vitesco Technologies' strategic focus on the electrification of vehicle propulsion. As this report was written retrospectively for the fiscal 2022, the presentation of the company's Clean Mobility activities reflects the organizational structure applicable in 2022, which has since changed.

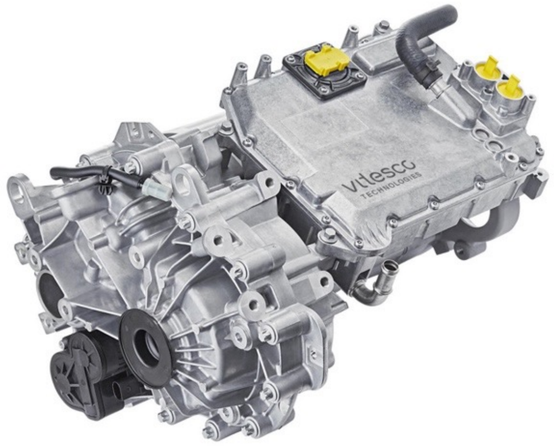
## ELECTRIFICATION TECHNOLOGY

Vitesco Technologies is a pioneer of electrification technology, with more than ten years of experience. The business unit develops and produces electric motors, integrated axle drives, power electronics, battery management systems, and 48-volt systems. It follows a strict platform approach based on modularity, integration, scalability, and system understanding.

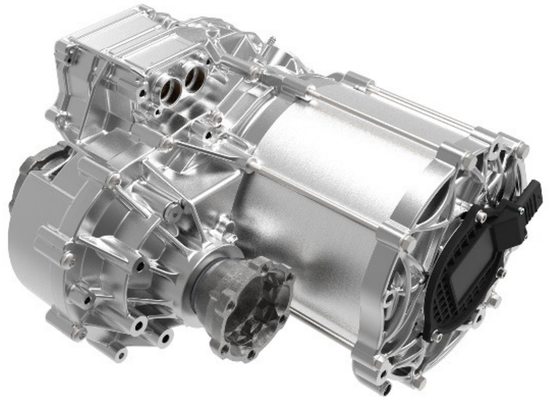
### Examples of Electrification Technology Products: EMR3 and EMR4

The Electronics Motor Reducer, 3rd Generation (EMR3), a high-voltage axle drive by Vitesco Technologies, is an integrated electric drive system developed for the electric vehicle mass market. It consists of a permanent-magnet synchronous motor, an inverter and a reducer, and features high power density, low weight, and a compact design. It also incorporates a parking lock directly in the reducer. Designed as an all-in-one solution, the axle drive requires no connecting plugs or cables between the motor and the inverter. The advantage for vehicle manufacturers here is that they have less work with integration, procurement and validation. Vitesco Technologies produces the EMR3 for more than five brands and for over ten different vehicle models. It has been produced in series since 2019.

The Electronics Motor Reducer, 4th Generation (EMR4) is the latest generation of Vitesco Technologies' integrated electric axle drive. It is scheduled for market launch in 2024. The experience gained with the successful predecessor models has been incorporated into its development. The new axle drive features a high level of integration: The modularized, standardized, and scalable drive platform allows vehicle manufacturers to offer different performance levels for a given car model worldwide, without having to adapt interfaces or assembly points. Compared with the EMR3, which is already used in multi-award-winning vehicles, the EMR4 is even more energy-efficient. The axle drive weighs 25% less for the same output and is cost-optimized by around 30%.




**High-Voltage Axle Drive EMR3**



**High-Voltage Axle Drive EMR4**

## ELECTRONIC CONTROLS

The portfolio of the Electronic Controls business unit includes solutions for transmissions and integrated high-voltage boxes as well as for various electronic architectures and control units, including software for electric, hybrid, and combustion drives.

### Example of an Electronic Controls Product: High-Voltage Battery Management System

The High-Voltage Battery Management System (BMS) protects the battery, and thus the most expensive component of an electric vehicle, against overload and damage. Used in electric cars and plug-in hybrids, the BMS extends battery life and ensures constant availability. The BMS acts as the brain of the battery by controlling the charging and discharging processes of the individual battery cells, including charge equalization among the cells. In addition, it provides precise diagnostic data and ensures electrical safety under all circumstances. The BMS includes algorithms that continuously monitor for and detect any undesirable operating conditions and take corrective action to maximize range and battery life. The BMS also determines the amount of electrical energy that the battery can safely absorb, thus not only contributing significantly to a more favorable overall cost, but also limiting the greenhouse gas footprint over the life of the vehicle.

## SENSING & ACTUATION

The Sensing & Actuation business division develops clean, powerful, safe, and cost-efficient solutions for the powertrain. The product portfolio includes intelligent solutions for precise measurement and control of all drive systems, e. g. in thermal and energy management.

### Example of a Sensing & Actuation Product: Thermal Management Module

The Thermal Management Module integrates numerous individual components, such as pumps, valves and sensors, in a module that is easy for manufacturers to assemble. This high degree of integration saves 7% installation space in a sample configuration, reduces the number of individual components to be assembled by 75%, and can cut costs by up to around 10%, depending on the application. At its core, the added value of smart thermal management lies in flexibly distributing heat flows in the vehicle in such a way that all systems can operate at optimum efficiency. In addition, our product solutions support long service life and customer comfort when driving and charging the vehicle.

Another way in which Vitesco Technologies makes an important contribution to Clean Mobility is through its lifecycle-optimized product development. You can find more information on this in the chapter on Climate Protection.

**High-Voltage Battery Management System**

**Thermal Management Module**

# CLIMATE PROTECTION

# CLIMATE PROTECTION

## MANAGEMENT APPROACH

**Source:** Annual Report 2022 > Management Report > Corporate Profile > Sustainability and Consolidated Non-Financial Statement > starting p. 84
**Note:** The text has been adjusted for page references.

GRI 3-3

### OBJECTIVE

In accordance with the Paris Climate Agreement, Vitesco Technologies has committed to working towards limiting global warming to 1.5 °C and a ctively taking measures to avoid, reduce and, where necessary, offset greenhouse gas emissions (GHG emissions). The goal is net carbon neutrality of the company's own operational activities and, step by step, across the entire value chain.

The following stages were defined for achieving the objective:

> Since 2020: Zero GHG emissions (Scope 2) from external electricity purchases at the relevant production sites and research and development sites by completely switching to renewable energy, e. g. through Power Purchase Agreements (PPAs), the purchase of Energy Attribute Certificates (EACs), and self-generated renewable energy.
> By 2030: 100% climate neutrality of own operational activities (GHG emissions Scope 1 and 2).
> By no later than 2040: 100% climate neutrality of the entire value chain (GHG emissions Scope 1 to 3).

In addition, targets for the reduction or climate-neutralization of GHG emissions from the company's own operating activities (Scope 1 and 2) are part of the long-term incentive plans for managers and are thus strategically integrated into Vitesco Technologies' remuneration system.

The company is also committed to improving the carbon footprint of its products during their life cycle. To this end, all new products and part numbers are to be developed with 100% life-cycle orientation by 2030, based on certified life-cycle analyses. One important element here is the automation of the analyses. For example, the recording and evaluation of data from internal processes and processes in the supply chain is to be automated by 2024. By 2025, it should be possible to collect production-related data from the supply chain and make it available in an automated manner.

### CONCEPT

The development of Vitesco Technologies' Climate Protection concept is the responsibility of the Sustainability Steering Committee and the Sustainability Core Team described in the Sustainability Management section, as well as of the specialist departments represented in both committees. The above-mentioned objectives have been approved by the Executive Board. The corporate functions Technology & Innovation, Operations (including Facility Management and Logistics), Purchasing & Supplier Quality Management, and the Sustainability & Security department are of particular importance in ensuring their operational implementation.

Climate neutrality is to be achieved in the company's own activities and in the value chain primarily by eliminating, reducing, and substituting processes, activities, and materials, that is, for example, by using renewable energies from external sources (e. g., through EACs or PPAs) and the company's own sources (e. g., photovoltaic systems), as well as through efficiency improvements, electrification, and the development of new technologies.

The automation of life-cycle analyses plays a crucial role in reducing GHG emissions in the life cycle of new products. The external standards ISO 14040, 14044 and 14067 are applied for this purpose. The company also focuses on building awareness for the topic among its workforce, conveying skills and competencies, and establishing processes and tools. Another key factor lies in making it possible for supply chain partners to provide life cycle and climate-relevant product data.

In fiscal 2022, Vitesco Technologies for the first time completed the CDP (formerly Carbon Disclosure Project) questionnaires on climate change and water security as an independent company. The CDP is an international non-profit organization that uses special questionnaires to encourage companies and governments to disclose their environmental data, which is then rated on a scale from A (top grade) to D-. Vitesco Technologies scored a grade of B- in the climate change category, thus achieving "Management" status straightaway in this area. In the water safety category, the company received a grade of C for its efforts, which corresponds to the "Awareness" status.

A climate scenario analysis based on the requirements of the Task Force on Climate-related Financial Disclosures was also carried out in fiscal 2022, to identify significant climate-related opportunities and risks in the company's own business activities.

Further information on this can be found in the chapter TCFD Reporting.

## RESULTS

GRI 305-1, -2

The essential KPI for the implementation of Vitesco Technologies' Climate Protection concept are its own greenhouse gas emissions according to Scope 1 and 2 of the GHG Protocol. These include direct GHG emissions from fossil fuels (Scope 1) and indirect GHG emissions from the purchase of electricity, steam, and heat (Scope 2, according to market-based calculation method[3]). Vitesco Technologies' own GHG emissions (Scope 1 and 2) in fiscal 2022 totaled 0.027 million t $CO_2e$ (market-based). This is 0.005 million t $CO_2e$ less than in the previous year (previous year: 0.032 million t $CO_2e$). The reasons for this are successfully implemented energy efficiency projects and the reduced consumption of energy from fossil fuels (especially in the second half of 2022) due to Russia's war of aggression on Ukraine.

Vitesco Technologies is a member of the RE100 initiative, a global alliance of companies committed to sourcing 100% of their electricity from renewable energies by 2050. This goal has already been achieved at the relevant production and research and development sites. This means that in fiscal 2022 no market-based GHG emissions were incurred for external electricity purchases at these sites. Direct GHG emissions were reduced through the purchase of biomethane. Energy efficiency was also increased with additional measures (see section on Resource Efficiency and Circularity). All this contributed to the fact that Vitesco Technologies' own operating activities were already 91.9% climate neutral in fiscal 2022 according to its own calculation methodology, a year-on-year improvement of 1.3 percentage points (previous year: 90.6%).

In the area of lifecycle-optimized product development, the focus in fiscal 2022 was on building up expertise, automation and piloting further lifecycle analyses.

[3] Definitions according to GHG Protocol Scope 2 Guidance.

| Key Performance Indicators for Climate Protection | 2022 | 2021 |
|---|---|---|
| Direct GHG emissions (Scope 1) in million t $CO_2e$ [1,2,4] | **0.023** | 0.028 |
| Indirect GHG emissions (Scope 2 location-based) in million t $CO_2e$ [1,2,3] | **0.292** | 0.311 |
| Indirect GHG emissions (Scope 2 market-based) in million t $CO_2e$ [1,2,3] | **0.004** | 0.003 |
| Own GHG emissions (Scope 1 and 2 location-based) total in million t $CO_2e$ [1,2,3,4] | **0.316** | 0.340 |
| Own GHG emissions (Scope 1 and 2 market-based) total in million t $CO_2e$ [1,2,3,4] | **0.027** | 0.032 |
| Share of external electricity procurement from renewable energies in % [1,2,3] | **100.0** | 100.0 |
| Climate neutrality rate of total own $CO_2e$ emissions in % [1,2,3,4] | **91.9** | 90.6 |

[1] Definitions according to GHG Protocol Corporate Standard and GHG Protocol Scope 2 Guidance.
[2] Coverage of the relevant production and relevant research and development sites.
[3] Calculated using the market-based method of the GHG Protocol. Where no contract-specific emission factors were available, the default emission factors from Defra (09/2021), IEA (11/2021) or GHG Protocol were used.
[4] Includes the purchase of biomethane.

## GREENHOUSE GAS EMISSIONS IN THE UPSTREAM AND DOWNSTREAM VALUE CHAIN (SCOPE 3)

GRI 305-3

**Note:** The following sections and key performance indicators have been subjected to a separate auditing on limited assurance level (see Appendix > Report Profile)

Vitesco Technologies calculates its greenhouse gas emissions along the entire value chain. In addition to the greenhouse gas emissions caused directly by its own business activities (Scope 1) and the indirect greenhouse gas emissions from purchased energy (Scope 2), the company also takes into account its indirect greenhouse gas emissions, which occur in the upstream and downstream value chain (Scope 3).

Scope 3 emissions are calculated in accordance with the Scope 3 Standard and the Scope 3 Calculation Guidance of the GHG Protocol. Vitesco Technologies uses emission data from suppliers as well as mathematical calculation models in which activity data are multiplied by emission factors and global warming potentials. Business figures such as environmental, purchasing and production data, as well as assumptions made by Vitesco Technologies, are used as activity data. The emission factors used for modeling are usually taken from public sources, such as the UK Department for Environment, Food and Rural Affairs (Defra) database, or are calculated using the GaBi life cycle assessment software.

In fiscal 2022, greenhouse gas emissions in the upstream and downstream value chain (Scope 3) amounted to 13.4 million t $CO_2$e. Due to the update of activity data, emission factors and calculation methods, Vitesco Technologies recalculated the greenhouse gas emissions for the previous year at 13.1 million t $CO_2$e. Previously, these had been calculated as 11.6 million t $CO_2$e. Scope 3 emissions were mainly incurred in the production of purchased goods and the provision of purchased services, as well as from the use of products sold by Vitesco Technologies.

A detailed description of the calculation methodology for all 15 categories of Scope 3 emissions can be found in the Appendix Methodology Used for Calculating Greenhouse Gas Emissions.

| **Total greenhouse gas emissions along the value chain (Scope 3) in thousands of t $CO_2$e[1,17,24] by GHG Protocol Category** | **2022** | 2021 |
|---|---|---|
| 1 – Purchased goods and services[2,11,13,14,15,18,20] | **4,795** | 4,529 |
| 2 – Capital goods[3,11,20] | **153** | 148 |
| 3 – Fuel- and energy-related emissions (not included in Scope 1 or 2)[4,11,21] | **88** | 91 |
| 4 – Upstream transportation and distribution[3,5,11,12,15,18,20] | **229** | 237 |
| 5 – Waste generated in operations[6,11,14] | **2** | 2 |
| 6 – Business travel[7,11,12,15] | **8** | 2 |
| 7 – Employee commuting[8,11,20] | **66** | 64 |
| 8 – Upstream leased assets[9,20] | **0** | 0 |
| 9 – Downstream transportation and distribution[5,15,18,20,22] | **65** | 67 |
| 10 – Processing of sold products[16,18,20] | **58** | 63 |
| 11 – Use of sold products[3,10,18,20] | **7,935** | 7,856 |
| 12 – End-of-life treatment of sold products[13,18,20] | **38** | 37 |
| 13 – Downstream leased assets[9] | **0** | 0 |
| 14 – Franchises[3] | **0** | 0 |
| 15 – Investments[3,20,23] | **2** | 2 |
| **Total**[19,20,24] | **13,439** | 13,098 |

[1]Calculated in accordance with the Scope 3 Standard and the Scope 3 Calculation Guidance of the GHG Protocol Initiative.
[2]Based on purchase weights, purchase quantities and expenditures.
[3]Based on financial data (costs, sales, etc.).
[4]Based on fuel and energy consumption.
[5]Based on shipment reports.
[6]Based on waste and wastewater data.
[7]Based on travel reports.
[8]Based on a representative employee survey.
[9]Based on leases.
[10]Based on market data on vehicle and powertrain types (including ICCT).
[11]Using Defra emission factors.
[12]Using greenhouse gas emission calculations from business partners.
[13]Emission factors calculated with the GaBi software.
[14]Using calculated emission factors.
[15]Based on expert estimates, among others.
[16]Emission factor based on pro-rata market-based Scope 2 emissions of selected Vitesco Technologies customers.
[17]In some cases, proxy methods (e.g., scaling) were used to fill data gaps.
[18]Based on product weights.
[19]Total based on rounded values.
[20]Vitesco Technologies has recalculated greenhouse gas emissions based on updated data and/or methodologies.
[21]Using IEA emission factors.
[22]Emission factor based on pro-rata Scope 3 emissions (upstream transportation and distribution) of selected Vitesco Technologies customers.
[23]Emission factor based on pro-rata Scope 1 and market-based Scope 2 emissions of investees.
[24]For the fiscal year 2021, Vitesco Technologies has recalculated its greenhouse gas emissions. In the last Sustainability Report, a total of 11,619 thousands of tons of $CO_2$e were reported.

## GREENHOUSE GAS BALANCE (SCOPE 1 TO 3)

GRI 305-4

The company's total greenhouse gas emissions (Scope 1 to 3) in fiscal 2022 were 13.8 million t $CO_2e$ (location-based) and 13.5 million t $CO_2e$ (market-based). In the previous year, Vitesco Technologies' total greenhouse gas emissions were 13.4 million t $CO_2e$ (location-based) and 13.1 million t $CO_2e$ (market-based).

## SCIENCE BASED TARGETS SUBMITTED

The latest climate science scenarios assume that climate neutrality must be achieved before 2040, but no later than 2050, to keep average global warming below 1.5 °C. Vitesco Technologies takes these findings into account in its sustainability ambitions and therefore aims for completely climate-neutral business operations by 2040 at the latest.

To underpin this, Vitesco Technologies joined the Science Based Targets initiative (SBTi) in December 2021, which involves committing to binding science-based targets to reduce its greenhouse gas emissions. The company submitted its near-term climate targets to SBTi for validation in August 2022 and expects them to be confirmed sometime in 2023.

The SBTi was launched by CDP, the UN Global Compact, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF). It helps companies set science-based greenhouse gas reduction targets that are in line with the 2015 Paris Climate Agreement. Under the agreement, global warming is to be limited to well below 2 °C, or better yet 1.5 °C, compared to pre-industrial levels.

| **Total greenhouse gas emissions (Scope 1-3)**[1] | **2022** | 2021 |
|---|---|---|
| Own greenhouse gas emissions (Scope 1 and 2 location-based) total in million t $CO_2e$ | **0.316** | 0.340 |
| Own greenhouse gas emissions (Scope 1 and 2 market-based) total in million t $CO_2e$ | **0.027** | 0.032 |
| Greenhouse gas emissions Scope 3 in million t $CO_2e$ | **13.439** | 13.098 |
| Total greenhouse gas emissions (Scope 1-3 location-based) in million t $CO_2e$ | **13.8** | 13.4 |
| Total greenhouse gas emissions (Scope 1-3 market-based) in million t $CO_2e$ | **13.5** | 13.1 |
| Greenhouse gas intensity (Scope 1-3 location-based) in kg $CO_2e$ per € | **1.5** | 1.6 |
| Greenhouse gas intensity (Scope 1-3 market-based) in kg $CO_2e$ per € | **1.5** | 1.6 |

[1]For the fiscal year 2021, Vitesco Technologies has recalculated the greenhouse gas emissions. In the last Sustainability Report, 12.0 million t $CO_2e$ (location-based) and 11.7 million t $CO_2e$ (market-based) were reported for total greenhouse gas emissions and 1.4 kg $CO_2e$ per € each for greenhouse gas intensity.

## FOCUS: LIFE CYCLE-ORIENTED PRODUCT DEVELOPMENT

Vitesco Technologies has set itself the goal of improving the greenhouse gas footprint of its products along the entire value chain – and thus also significantly reducing the greenhouse gas emissions of vehicles. To achieve this, the company intends to gradually move toward designing and developing new products and product variants in the most environmentally friendly way possible. Both upstream and downstream activities in the value chain are taken into account: the selection of materials and suppliers, the origin of raw materials and components, the production of supplied parts, transportation and logistics, and utilization and recycling. This holistic approach is referred to as Life Cycle Engineering (LCE).

### Greenhouse Gas Footprinting through Life Cycle Assessments

The basis for the LCE are Life Cycle Assessments (LCAs), which make the greenhouse gas emissions of a product measurable and transparent along its entire life cycle. Vitesco Technologies aims to prepare such LCAs for all new products and product variants by 2030. This is also increasingly requested and demanded by customers.

In 2021, Vitesco Technologies developed the LCA framework, a concept that will allow a highly automated, mathematically optimized creation of life cycle analyses in the future. The basis for this was the LCA of a high-voltage inverter – a particularly complex product with many components. This pilot project involved recording and analyzing around 400 individual components and every step in the value chain. In fiscal 2022, four further life cycle analyses were carried out as pilot projects, so that a solid database is now available for a total of five products. This LCA framework will be continuously developed in the company and gradually rolled-out. After the test phase, it will be introduced into the development, production and business processes. It is expected to be fully operational in 2025.

### Life Cycle Assessments as a Basis for Optimizing the Environmental Footprint

One thing is certain: if precise information about a product's greenhouse gas footprint is available, additional measures can be taken to reduce negative environmental impacts. Vitesco Technologies can draw on years of experience in the field of life cycle analysis, extensive databases, and highly specialized tools developed in-house. For a product made up of many components, there are countless possibilities for composition and design: with different materials from different suppliers, each using different supply routes, design concepts, and manufacturing methods. Going forward, LCE will enable Vitesco Technologies to automatically determine which combinations can be used to optimize a product's life cycle assessment – while maintaining the same high quality and minimizing costs.

### Joined the Catena-X Automotive Network initiative

In fiscal 2022, Vitesco Technologies joined Catena-X, a global network with the goal of creating the first open and collaborative data ecosystem along the entire automotive value chain. The company sees great added value in this network launched by the automotive industry, e. g. in areas such as material compliance and social sustainability, but also and especially in LCE.

For calculating a Product Carbon Footprint (PCF), data from all phases of the life cycle are required – i. e. from the extraction of raw materials from the environment through the production and use phase, to the end of a product's life. Data exchange in the automotive value chain is difficult at this time because there is no harmonized method for calculating PCFs, which means that PCFs from different companies cannot be compared. Furthermore, there is no standardized data format for the exchange of PCF data that would ensure the companies' data sovereignty. Also, there was no standardized interface for the exchange of PCF data to date.

As a member of Catena-X Automotive Network, Vitesco Technologies can now access extensive data material on the one hand, and contribute to the database itself on the other. This means that from now on, the company's own products can be examined even more closely in terms of their greenhouse gas footprint. Based on the findings and identified hotspots, suitable measures for greenhouse gas reduction can then be derived.

## FURTHER MEASURES TO REDUCE GREENHOUSE GAS EMISSIONS

GRI 305-5

In order to move closer to the goal of climate neutrality, in July 2022 the company committed to no longer procuring any new equipment that causes Scope 1 emissions. This means that only new systems that generate heat, electricity, or kinetic energy without fossil fuels will be installed.

In order to avoid Scope 1 emissions in all areas, Vitesco Technologies is also focusing on improving general energy efficiency, e. g. by using waste heat. Also, biogenic energy sources (biofuel and biogas), green hydrogen, and geothermal energy are to be increasingly used.

A first example of this is the Trutnov site (Czech Republic), where the gas heating system was replaced by a greenhouse gas-neutral district heating connection in fiscal 2022. As the district heating is generated from renewable biomass, the company will save around 2,000 t $CO_2$e per year in this way. This also significantly reduces its dependence on natural gas and the cost of its energy supply.

Furthermore, a new photovoltaic plant was commissioned at the Wuhu site (China) in fiscal 2022. It generates close to 1.5 GWh of electricity per year, thus saving 1,250 t $CO_2$e per year. A photovoltaic system was also installed and commissioned at the Tianjin site (China) in 2022. It produces 275 MWh of electricity per year, for annual savings of 310 t $CO_2$e.

In all, during fiscal 2022, Vitesco Technologies carried out 170 projects to reduce its Scope 1 and 2 emissions. As a result, 8,000 t $CO_2$e were saved.

The goal of eliminating Scope 1 and 2 emissions at the relevant sites by no later than 2030 was formulated using absolute figures for each specific site. Accompanying technical analyses are currently being carried out and concepts developed.

# RESOURCE EFFICIENCY AND CIRCULARITY

# RESOURCE EFFICIENCY AND CIRCULARITY

## MANAGEMENT APPROACH

**Source:** Annual Report 2022 > Management Report > Corporate Profile > Sustainability and Consolidated Non-Financial Statement > starting p. 87
**Note:** The text has been adjusted for page references.

GRI 3-3

### OBJECTIVE

GRI 306-2

Vitesco Technologies relies on globally established management systems to ensure an efficient use of natural resources and to reduce or avoid waste and environmental pollution, such as emissions to the soil, air, and water. In addition to savings in the consumption of water, raw materials and operating supplies, the company aims in particular to reduce energy requirements. This is closely related to Vitesco Technologies' climate protection goals (see section on Climate Protection). Other important focal points are increasing the waste recovery quota, reducing plastic and increasing the use of recycled materials.

The company has set itself the following medium-term goals in achieving resource efficiency and circularity:

> Increase and maintain the proportion of employees covered by certifications for environmental management systems (ISO 14001 or equivalent) and energy management systems (ISO 50001 or equivalent) to over 95% by 2030.[4]
> Increase the waste recovery quota – defined as the proportion of waste that has been recycled or sent for material recycling, waste-to-energy technologies or other use – to 95% by 2030.

[4]The target was adjusted in fiscal 2022. Previously, the target value decided for 2030 was 90%.

The goal to increase the waste recovery quota is part of Vitesco Technologies' long-term incentive plans for executives and is therefore strategically integrated.

### CONCEPT

The corporate policies for Environment, Safety & Health (ESH) and Energy Management provide the framework for resource efficiency measures, waste management and operational environmental protection. Local management systems drive the implementation of the principles formulated therein. Corresponding organizational and technical specifications are contained in the respective ESH management manuals.

The Environmental Protection department within the Human Relations & Sustainability Group function is responsible for strategic, Group-wide environmental management, including monitoring and reporting on environment-related key performance indicators and other key indicators. It is supplemented by ESH functions in the individual countries. Operational environmental protection on site is the responsibility of site management and is coordinated by local ESH managers and supported by energy managers.

In the transformation to circularity, Purchasing and the Technology & Innovation corporate function play an important role in cooperation with the business units' product development. Based on the findings of the life-cycle analysis and life-cycle optimization (see section on Climate Protection), they are successively integrating approaches to circular product design. Further initiatives and projects in this area are happening at various levels within the company.

### RESULTS

GRI 306-2

The major KPIs for the above-mentioned goals in the area of Resource Efficiency and Circularity developed as follows in fiscal 2022:

| Key Performance Indicators for Resource Efficiency and Circularity | 2022 | 2021 |
|---|---|---|
| Certifications for environmental management systems (ISO 14001) employee coverage (as of Dec. 31) in % | **93.5** | 91.4 |
| Certifications for energy management systems (ISO 50001) employee coverage (as of Dec. 31) in % | **85.7** | 81.8 |
| Waste recovery quota in %[1,2] | **94.6** | 92.6 |

[1]Definition: Proportion of waste that has been recycled or sent for material recycling, waste-to-energy technologies or other use.
[2]Coverage of relevant production sites and relevant research and development sites.

In fiscal 2022, the majority of Vitesco Technologies' employees were covered by certified management systems for environmental and energy management. The degree of coverage by certifications for environmental management systems according to ISO 14001 was 93.5% at December 31, 2022. The figure improved by 2.1 percentage points compared with the previous year (previous year: 91.4%), as two new sites were certified and there were changes in the number of employees.

Regarding certifications for energy management systems in accordance with ISO 50001, 85.7% of employees were covered as of December 31, 2022. This represents a year-on-year improvement of 3.9 percentage points (previous year: 81.8%), and was due to the fact that a new site was certified and the number of employees changed.

The waste recovery quota, the third KPI for Resource Efficiency and Circularity, was at 94.6% for fiscal 2022, exceeding the previous year's value by 2.0 percentage points (previous year: 92.6%). Vitesco Technologies achieved this progress through local campaigns that raised awareness among the workforce about resource conservation and waste avoidance and motivated them to participate. Waste efficiency projects also contributed to the success.

## STRATEGY FOR OPERATIONAL ENVIRONMENTAL PROTECTION

GRI 2-27

Beyond the general management approach for Resource Efficiency and Circularity described above, Vitesco Technologies pursues an integrated strategy for environmental protection in our operations. It is based on the company's ESH policy and the anchoring of the topics of Resource Efficiency and Circularity in the corporate organization.

In accordance with applicable laws and regulations, environmental responsibility in the company is organized according to the top-down principle. The process ensures that the organizational structure and responsibilities relating to environmental protection are clearly defined and comply with statutory requirements. A defined delegation process ensures that legal responsibilities are assigned at all levels of the organization. Compliance with environmental regulatory requirements is managed through Vitesco Technologies' integrated ESH management system. In fiscal 2022, there were no violations of environmental laws or regulations that Vitesco Technologies is aware of. Compliance with product-related environmental legal requirements is managed and controlled via the Technical Compliance Management System (TCMS) (see chapter on Product Compliance and Quality).

In addition to the key performance indicators in the area of Resource Efficiency and Circularity already described, the ESH policy takes a look at further focus topics and key figures, which are listed below.

## FOCUS TOPIC: ENERGY

GRI 302-1, -3, -4

Vitesco Technologies obtains 100% of its electricity from renewable energy sources. This is an important contribution to achieving the company's ambitious decarbonization goals. Therefore, only greenhouse gas-neutral electricity will continue to be purchased in the future. The company ensures this, for example, by purchasing Energy Attributable Certifications (EACs) that prove from which sources and from which location the electricity originates. Vitesco Technologies uses an internal process audited by independent third parties to ensure both the quality and the quantity of the EACs.

Electricity is purchased centrally and according to uniformly defined criteria based on the quality criteria of the RE100 initiative. Vitesco Technologies has been a member of RE100 since June 2021. Led by the Climate Group and in partnership with CDP, the initiative has set itself the goal of accelerating the expansion of greenhouse gas-neutral grids. More than 380 influential companies have now joined RE100 and have committed to sourcing 100% of their electricity from renewable energy sources by 2050 at the latest.

In addition to purchasing greenhouse gas-neutral electricity, Vitesco Technologies uses other levers to achieve its decarbonization goals: These range from expanding the company's own renewable energy generation to increasing energy efficiency, electrifying heat generation and using biogenic energy sources.

Various electrification projects were launched in fiscal 2022. At the Tianjin site (China), for example, all 27 commuter shuttle buses are to be replaced by electrically powered vehicles by the end of 2023. The first new bus was put into service in fiscal 2022.

Other projects, such as the installation of photovoltaic systems at several sites, are described in the section Further Measures to Reduce Greenhouse Gas Emissions of the chapter Climate Protection.

| **Performance Indicators for Energy**[1] | **2022** | 2021 |
|---|---|---|
| Total energy consumption in TWh | **0.73** | 0.76 |
| Total energy consumption by energy source in % | | |
| Electricity | **78.4** | 74.8 |
| Natural gas | **10.5** | 13.6 |
| Biogas | **4.0** | 6.0 |
| Diesel | **2.0** | 2.0 |
| District heat | **2.0** | 1.0 |
| Steam | **1.1** | 1.0 |
| Other | **2.0** | 1.6 |
| Energy intensity in MWh by Group sales in € million | **80.5** | 91.6 |
| Energy reduction achieved from efficiency projects in GWh[2] | **20.5** | 10.5 |

[1] Coverage of the relevant production and relevant research and development sites.
[2] The performance indicator has been subjected to a separate auditing on limited assurance level (see Appendix > Report Profile)

## FOCUS TOPIC: WATER

GRI 303-1, -3, -4

In the fight against water scarcity, Vitesco Technologies takes a risk-based approach and focuses its measures specifically on those regions of the world where the issue is of particular importance. As an operator of sites in high water risk areas (mainly in Mexico and the U.S.), the company is aware of its responsibility and therefore works to continuously improve its water management. Vitesco Technologies has set a target to reduce its water demand in high water risk areas by 4% per year (based on revenues) by 2030. In medium water risk areas, water demand is to be reduced by 2% annually (based on revenues). This is to be achieved primarily through efficiency projects focused on avoiding water use or using the resource more than once.

For example, it is planned to implement several efficiency projects at the Ciudad Juárez (Mexico) site by 2024. In 2021, the sanitary areas were already equipped with water-saving technologies. After equipping the sanitary areas with water-saving technologies in 2021, further measures were implemented in fiscal 2022: rainwater, reversed osmosis residual, humidifier purging and air-condition unit condensation are now collected, filtered and then reused for sanitary facilities. In addition, the outside green areas have been replaced with endemic vegetation to eliminate irrigation needs. In 2023, it is planned to equip the in-house work coat washing room with a graywater treatment plant to eliminate waste water going to the sewage.

To identify the risk of water scarcity, all Vitesco Technologies sites are systematically and regularly evaluated using the World Resources Institute's updated risk assessment tools, the Aqueduct tools. By doing so, the company ensures that existing water resources are being used in a targeted and efficient way. The most recent analysis was carried out in 2021.

Beyond this, Vitesco Technologies was one of the first representatives of the automotive supply industry to join the UN CEO Water Mandate initiative in fiscal 2022. Under the umbrella of the UN Global Compact, the initiative aims to develop sustainable solutions to the looming global water crisis. By joining, the company has committed to a responsible use of the scarce resource water. Through the initiative, Vitesco Technologies can enter into a regular exchange with stakeholders and other companies on best-practice solutions as well as opportunities and risks in the field of water management.

In fiscal 2022, a total of 1.28 million $m^3$ of water was consumed. This is 0.02 million $m^3$ more than in the previous year (previous year: 1.26 million $m^3$). At the same time, water intensity was reduced to 140.9 $m^3$ of water consumption per million € of Group sales (previous year 151.5 $m^3$/million € of Group sales). Consumption was mainly made up of drinking water from public suppliers and surface water withdrawals. The withdrawals were approved by the authorities, taking into account the maximum withdrawal volumes. Some of the sources are located on the edge of groundwater protection zones. No negative impacts on biodiversity or local communities were identified during regular inspections by Vitesco Technologies and the authorities.

| **Performance Indicators for Water**[1] | **2022** | 2021 |
|---|---|---|
| Total water withdrawal in million $m^3$ | **1.28** | 1.26 |
| Total water withdrawal by source in % | | |
| Drinking water | **93.6** | 93.0 |
| Groundwater | **5.0** | 5.5 |
| Rainwater | **0.4** | 0.5 |
| Other external sources | **1.0** | 1.0 |
| Water intensity in $m^3$ by Group sales in € million | **140.9** | 151.5 |
| Wastewater in $m^3$ million | **0.88** | 0.87 |
| Wastewater by destination in % | | |
| Sewerage | **92.0** | 90.0 |
| Surface water | **6.0** | 8.0 |
| Groundwater | **2.0** | 2.0 |

[1]Coverage of the relevant production and relevant research and development sites.

## FOCUS TOPIC: WASTE

GRI 306-1, -2, -3

Recycling and the avoidance of waste are important topics for Vitesco Technologies, therefore a systematic and rigorous waste management is already an integral part of its waste logistics. The company has set itself the goal of reducing its waste volume by 2% per year (based on sales) by 2030. In addition, the waste recovery quota at all sites is to be increased to at least 95% by 2030. This rate indicates the proportion of waste that has been recycled or sent for material, thermal or other recovery.

To achieve its recycling and waste reduction goals, the company implemented and continues to implement several projects, such as the “Waste Recycling Boost Project,” which was completed in fiscal 2022. The project involved selecting nine Vitesco Technologies sites that had the highest volume of non-recyclable and recyclable waste. During the course of the project, the composition of this waste was analyzed in detail to uncover potential recycling opportunities. The project made a valuable contribution to the positive development of the waste recovery quota as, among other things, general waste separation and sorting was improved at the sites. In addition, new recycling opportunities emerged for canteen and kitchen waste.

In addition to such projects, Vitesco Technologies is involved in the German Association of the Automotive Industry’s (VDA) working group on disposal controls, which develops standards for the inspection and testing of waste disposal companies.

Besides practicing effective waste management, waste can also be avoided through more environmentally friendly product design. Therefore, the internal requirement at Vitesco Technologies is that the proportion of recycled materials must be steadily increased in the development of new products. If recycled materials are suitable for the intended application, they are to be preferred. Also, the base material of new products must be easy to recycle.

The company is also working on optimizing its packaging and is running a variety of projects to this end. In packaging design, the focus is on maximizing efficiency and minimizing waste. Another important factor is the use of reusable packaging. In China, for example, the proportion of such packaging has increased by 10% in the past two years. Suppliers to Vitesco Technologies are required to use recyclable packaging only. Through its waste management and recycling processes, Vitesco Technologies ensures that all packaging is 100% recycled at the end of its life.

The waste generated by Vitesco Technologies in fiscal 2022 amounted to 29,188 t (previous year: 32,169 t ). The share of hazardous waste was 14.5% (previous year: 14.5%). The company commissions officially approved and certified waste disposal companies to dispose of its waste properly.

| **Performance Indicators for Waste[1]** | **2022** | 2021 |
|---|---|---|
| Total waste volume in t | **29,188** | 32,169 |
| Waste generated by category in % | | |
| Hazardous | **14.5** | 14.5 |
| Non-hazardous | **85.5** | 85.5 |
| Waste intensity in t by Group sales in € million | **3.2** | 3.9 |

[1]Coverage of the relevant production and relevant research and development sites.

## SELECTED MEASURES TO PROMOTE RESOURCE EFFICIENCY AND CIRCULARITY

### Green Plant Label

Vitesco Technologies has awarded its in-house “Green Plant Label” for outstanding environmental performance to its production and development sites since 2016. This initiative encourages the sites to keep improving their environmental performance and resource efficiency, as they are systematically analyzed and evaluated based on the standards and projects implemented. The focus is on strategy and long-term planning, management systems, reduction of Scope 1 to 3 greenhouse gas emissions, as well as energy efficiency, water, and waste.

First, the sites complete a self-assessment analyzing the various topics. This provides them not only with information on the status quo, but also with action guidelines to keep systematically improving their environmental performance and resource efficiency. The results are then verified by internal audits. If verification is successful, the sites receive the “Green Plant Label” in the bronze, silver or gold category. The label is valid for three years and must then be renewed. The catalog of requirements for the “Green Plant Label” is continuously developed and adapted annually. In this way, Vitesco Technologies wants to ensure that the sites develop sustainably.

In fiscal 2022, eleven sites were awarded the “Green Plant Label,” seven in the silver category and four in bronze. The Regensburg and Debrecen (Hungary) sites deserve special mention. Regensburg is only the second development site to achieve the “Green Plant Label” in bronze, while Debrecen was able to improve its result to silver after bronze the previous year.

### Project “Circular Electronics”

IIn line with its DIRECTION 2030 strategy and the goal of achieving climate neutrality by 2040, as well as expectations concerning future legislation on circularity, Vitesco Technologies has initiated the strategic “Circular Electronics” project. The main objective is to define and develop a next generation of electronics that will enable the transformation to a circular economy and pave the way to climate neutrality. The project builds on ongoing sustainability activities, and the “Circular Electronics” team collaborates with the respective other project teams.

The project focus is on design that eliminates emissions along the entire value chain and throughout the product life cycle. Aspects of reducing, reusing, and recycling materials are to be an inherent part of the design wherever possible. This affects, e. g., the selection of materials, manufacturing, and the overall architecture of a product.

During the initiation phase of the project at the end of fiscal 2022, a cursory evaluation of the entire value chain was completed. In addition, it was determined what data is available internally at Vitesco Technologies and externally in the automotive and electronics industries. As government regulations are yet to be finalized and global standards are in progress, the exact requirements on materials, components, systems and even the vehicles are not yet clear. With this in mind, the project team set priorities and defined focus areas for 2023:

> Complete feasibility investigations on potential solutions for priority components with clear requirements and targets.
> Analyze upcoming potential regulations and translate them into specific technical requirements for electronics and their components.
> Determine, understand, and potentially influence, how industry leaders plan to implement circular economy. To this end, the company will establish targeted sustainability partnerships with key customers and suppliers.

### Energy Efficiency Campaign

Rising energy costs, the availability of energy, the need for rapid and consistent action against global warming – these are all issues that Vitesco Technologies and its employees deal with on a daily basis. After all, they are directly related to the company’s production and value creation. Against this background, an interdisciplinary team from the areas of environmental protection and communications has developed a campaign on energy efficiency and climate neutrality. It informs employees about Vitesco Technologies’ strategies, goals and measures in this topic area. The aim is to motivate employees and enable them to play an active role. The campaign’s guiding principle “Tomorrow Takes Teamwork” takes up this basic idea.

The campaign deals with three areas: 1. Goals of the company, 2. Measures for energy saving and energy efficiency, and 3. Measures to achieve climate neutrality. Training is provided on each area. Posters or flyers will also be used to inform employees at company sites. These materials are to be adapted locally and supplemented with site-specific information. In addition, various advertising materials are available to help establish the campaign sustainably and make it tangible for employees.

### Green Week Campaign

In fiscal 2022, the Debrecen site again took part in “Green Week,” a campaign that seeks to motivate employees to behave in an environmentally friendly way in their personal lives. Challenges were issued to encourage employees in Debrecen to implement small changes in their daily lives and make more environmentally friendly choices. These included, for example, shopping at a package-free shop or zero-waste store to save on plastic packaging, or riding their bicycle to work instead of taking the car.

Participation in Green Week increased year-on-year: in 2021, 33% of employees in Debrecen took part, and by 2022 the figure had risen to 42%. The campaign also achieved considerable reach on social media, with almost 1,000 posts under the hashtag #vtzöldhét (Green Week). Campaigns like this are important for raising employee awareness of the need to use finite resources responsibly.


# FAIR WORK AND DIVERSITY

# FAIR WORK AND DIVERSITY

## MANAGEMENT APPROACH

**Source:** Annual Report 2022 > Management Report > Corporate Profile > Sustainability and Consolidated Non-Financial Statement > starting p. 88
**Note:** The text has been adjusted for page references.

GRI 3-3

### OBJECTIVE

“Passionate, Partnering, Pioneering.” Based on its corporate values, Vitesco Technologies pursues the goal of ensuring fair and attractive working conditions for its employees. This includes personal freedom, opportunities for further training and career development, flexibility, and a special focus on diversity, equity, and inclusion. This aspiration also forms a supporting pillar of the Group’s DIRECTION 2030 strategy in the focus area “Great People, Great Company.” It is based on the conviction that happy employees in a fair and diverse working environment are a key factor for Vitesco Technologies’ lasting success.

Against the backdrop of the technology shift toward electrification, HR work now has an additional task: to manage the transfer of resources and the development of expertise, and to accompany employees through the transformation with appropriate measures. Upskilling and personal development, as well as cultivating a dialog in a spirit of partnership with employees and their representatives, all play a crucial role here. The company also seeks to attract and retain talent by convincingly positioning itself as an attractive employer.

When it comes to diversity, Vitesco Technologies places a particular focus on internationality and the empowerment of women in the workplace. Information on the objectives of the diversity concept at the level of the Supervisory Board and Executive Board, as well as at the management level below the Executive Board, can be found in the Corporate Governance chapter.

As part of its Sustainability Agenda, the company pursues two main objectives in promoting Fair Work and Diversity:

> Raise the share of women in executive and senior executive positions across the Group to 21% by 2026.[5]
> Increase the Employee Net Promoter Score (eNPS) as an indicator of employee satisfaction to a value of 25 by 2026.[6] To determine the eNPS, employees rate the statement “I would recommend Vitesco Technologies as an employer to friends or family members” in a regularly conducted survey.

Reliable labor standards and the protection of human rights in all corporate activities form an essential basis of Vitesco Technologies’ HR work. This includes the principle of freedom of association and the right to collective bargaining, clear regulations on working hours, wages, and social benefits, as well as a zero-tolerance strategy towards child labor, forced labor, modern slavery, and any form of violence, harassment, or discrimination. By the beginning of 2023, existing processes for monitoring and implementing labor standards and human rights due diligence are to be systematically expanded in the HR management systems as well.

For more information on human rights due diligence, please see the Responsible Sourcing and Partnerships chapter.

[5] The target was set as part of the target definition for the 2023-2026 long-term incentive tranche in fiscal 2022. Previously, the adopted target was 20% and related to the year 2025.
[6] The target was adjusted in the course of defining the target for the 2023-2026 long-term incentive tranche in fiscal 2022. Previously, the adopted target value was 20 and referred to the year 2030.

### CONCEPT

GRI 2-23, -24

The Code of Conduct adopted by the Executive Board and the Human Rights Policy codify the cornerstones for creating fair working conditions and promoting diversity. Both the Code of Conduct and the Human Rights Policy comply with the standards of the Responsible Business Alliance. Employees receive regular training on the Code of Conduct. The Human Rights Management System, which ensures and monitors compliance with human rights due diligence, will be implemented by the beginning of 2023, to be followed by regular standardized employee training on human rights.

The strategic HR work of Vitesco Technologies is coordinated and managed by the Human Relations & Sustainability Group function under the leadership of the Chief Human Resources Officer (as defined in the HR&S Manual). All activities of the strategic HR work are embedded in the DIRECTION 2030 corporate strategy and are based on the corporate values. The strategic contribution made by the Human Relations & Sustainability corporate function focuses on efficient processes, a sustainable organization, and a successful transformation. In terms of methodology and processes, the implementation of the HR strategy is supported by two main instruments:

> A target business model. The model describes and defines the different roles and responsibilities within the global Human Relations & Sustainability Group function, and the way it works.
> An HR management system, set up to document and manage HR-related policies, standards, processes, forms, and instructions. The system controls business processes and identifies and minimizes process-related risks. The establishment of this system was completed at the end of 2022.

The Human Relations & Sustainability Group function comprises seven cross-company Centers of Expertise (CoE) that report directly to the Chief HR Officer: 1. Talent Management, Organizational Development, Employer Branding & Recruiting; 2. Group Reward, Global Mobility & Business Travel; 3. Labor Relations; 4. Global People Services; 5. People Analytics & Technology; 6. Sustainability & Security; and 7. Diversity, Equity & Inclusion.

Regional HR managers for the countries as well as HR managers with responsibility for Vitesco Technologies' business units are functionally subordinate to the Chief HR Officer. When staffing and implementing projects, care is taken to ensure a balanced involvement of all HR managers, so as to give equal consideration to the individual perspectives of the business units, specialist departments, and countries.

The central steering and decision-making body within the Human Relations & Sustainability Group function is the monthly Human Relations & Sustainability Management team meeting. All heads of specialist departments and the functional HR managers in the countries and business units meet there to report on the progress of ongoing projects, activities and initiatives.

Progress in increasing the share of women in management positions is regularly reviewed by means of quarterly reporting to the Executive Board. Besides the current figures, reporting also includes a forecast of future developments and the measures defined to achieve the targets set. The share of women in management positions is also integrated as a KPI in the long-term incentive plans for executives.

To monitor employee satisfaction and incorporate their concerns, Vitesco Technologies regularly conducts employee surveys. In addition, there is regular exchange with trade unions and employee representatives at various levels of the company. In Germany, there are local works councils at all Vitesco Technologies GmbH, Vitesco Technologies Germany GmbH and Vitesco Technologies Emitec GmbH operations. Furthermore, these companies all have general works councils as well as co-determined supervisory boards. Local works councils exist at all Vitesco Technologies Roding GmbH plants. Vitesco Technologies Group AG, too, has a co-determined supervisory board.

In 2021, in connection with the spin-off from Continental AG, a European Works Council was also established.

## RESULTS

GRI 404-2, 405-1

The KPIs defined for the topic of Fair Work and Diversity developed as follows in fiscal 2022:

| Key Performance Indicators for Fair Work and Diversity | 2022 | 2021 |
|---|---|---|
| Share of women in management positions (executives and senior executives; as of Dec. 31) in % | **15.4** | 13.6 |
| Employee Net Promoter Score, eNPS[1,2,3] | **24** | 19 |

[1] To survey the eNPS, employees are asked to rate the statement: "I would recommend Vitesco Technologies as an employer to friends or family members" using an eleven-point scale. The eNPS is calculated by subtracting the proportion of "critics" (detractors) from the proportion of "supporters" (promoters). Detractors answer the above question with a value between 0 and 6 (very unlikely to unlikely), while promoters respond with a 9 or 10 (very likely). People who give a value of 7 or 8 are referred to as "passives" and are not included in the calculation. As a result, values between –100 and +100 are possible.
[2] The reported value for 2022 was collected as part of a 2022 global employee survey to which all Vitesco Technologies employees (except temporary workers) were invited.
[3] The reported value for 2021 is the average value from two short employee surveys ('Pulse Checks') conducted in 2021, to which all Vitesco Technologies employees with valid email addresses were invited.

The share of women in management positions (executives and senior executives) was 15.4% across the Group in fiscal 2022, up 1.8 percentage points compared to fiscal 2021 (previous year: 13.6%). Two measures contributed to this: Firstly, the Female Talents focus group is given special consideration and support in internal talent management. Secondly, there is a mandatory requirement in the recruitment process that at least one woman and one person from another diversity dimension must be interviewed during every selection process. Furthermore, Vitesco Technologies has introduced gender-sensitive job postings and places a special focus on directly addressing women in certain career fields. To reaffirm its commitment to gender diversity and equal opportunity, the company had signed the United Nations Women's Empowerment Principles and the Diversity Charter in 2021. The second KPI for this focus topic, the Employee Net Promoter Score, was at 24 points in fiscal 2022, an increase of 5 points compared with the previous year (previous year: 19 points). The eNPS for fiscal 2022 was determined by means of a global employee survey to which all employees in Production were also invited for the first time. This meant that 100% of employees worldwide (excluding temporary workers) were eligible to participate, which meant that the global sentiment could be comprehensively surveyed for the first time. The average response rate was 71%. It is a positive signal for the satisfaction of the workforce and the attractiveness of Vitesco Technologies as an employer that the explicitly positively minded employees (promoters) were in a clear majority over the negatively minded (detractors).

When it comes to the HR topics of flexibility and personnel development, Vitesco Technologies offers its employees a wide range of options. They can take time off to care for a sick child, take parental leave, grandparental leave, or educational leave, or a sabbatical. Depending on local laws at the various sites, part-time work, bridge part-time, and flextime arrangements are also possible. In addition, the option to work from home has been available since 2020. Vitesco Technologies was thus able to master the challenges of flexible working conditions, especially in the wake of the COVID-19 pandemic, in fiscal 2022 as well.

To support employees in the transformation process to electrification and e-mobility, and offer them the opportunity for further development, Vitesco Technologies continued its upskilling offensive launched in 2019. In fiscal

2022, the offering for individual learning was expanded worldwide. It includes training courses developed jointly with universities, learning units with in-house trainers, and upskilling directly at the workplace. In the fiscal year, e. g., the part-time training program Electrification Program I was again carried out with in-house experts and in collaboration with German universities. For the first time, employees were able to take part in all Electrification Program I modules online and thus from anywhere in the world.

Information on personnel expenses in fiscal 2022, i. e. wages and salaries, social security contributions, and pension expenses, can be found in the Annual Report in the Notes to the Consolidated Financial Statements in the section Personnel Expenses. Employee benefits, such as pensions, retirement benefits and long-term bonuses, are broken down in the Notes to the Consolidated Financial Statements in the section Employee Benefits.

## FURTHER EMPLOYEE FIGURES IN DETAIL

GRI 2-7, -8, 401-1, 405-1

In fiscal 2022, Vitesco Technologies employed 38,043 people worldwide. The following table shows a breakdown of employees by various categories.

| Number of employees by category (as of Dec. 31) in %[1] | 2022 | 2021 |
|---|---|---|
| Share of employees by region | | |
| Germany | **25.1** | 26.4 |
| Europe without Germany | **29.1** | 27.6 |
| Asia | **24.5** | 24.1 |
| North America | **21.0** | 21.6 |
| Other countries | **0.3** | 0.3 |
| Share of employees by tenure | | |
| > 15 years | **27.0** | 26.4 |
| 10–14 years | **14.6** | 15.1 |
| 6–9 years | **15.9** | 15.8 |
| 3–5 years | **16.0** | 19.4 |
| 1–2 years | **12.1** | 11.9 |
| < 1 year | **14.5** | 11.4 |
| Share of employees by employment contract | | |
| Temporary | **49.3** | 49.7 |
| Permanent | **50.7** | 50.2 |
| Share of employees by employment type | | |
| Full-time | **95.5** | 95.6 |
| Part-time | **4.5** | 4.4 |
| Ratio of leasing employees | **5.4** | 4.5 |
| Share of employees by gender | | |
| Female | **35.2** | 35.0 |
| Male | **64.8** | 65.0 |
| Share of employees by age group | | |
| < 30 years | **19.5** | 19.4 |
| 30–50 years | **58.5** | 58.9 |
| > 50 years | **22.0** | 21.7 |
| Share of employees with disabilities[2] | **5.4** | 5.5 |
| Rate of unforced fluctuation in %[3] | **8.3** | 7.7 |

[1] Counting by heads. All employees were taken into account with the exception of trainees and interns.
[2] With regard to jobs in Germany within the meaning of §§ 156 et seq. of SGB IX.
[3] Definition: voluntary departure of employees from the company in relation to the average number of employees.

## FOCUS TOPIC: DIVERSITY, EQUITY AND INCLUSION

As outlined in the management approach to Fair Work and Diversity, the topic of diversity, equity and inclusion (DE&I) is of particular importance in HR work. Vitesco Technologies believes that diverse teams offer a strategic advantage. Accordingly, the company relies on strong, diverse teams in all areas and at all levels.

In fiscal 2022, Vitesco Technologies expanded its cross-company DE&I center of expertise within Human Resources. In addition to a global DE&I leadership position directly under the Chief Human Resources Officer, another DE&I leadership position was created with responsibility for Europe. Additional DE&I leadership positions are planned in North America and Asia. In addition, Vitesco Technologies has established DE&I councils in North America and in the Czech Republic, Romania and France. They are consulted on important DE&I decisions. The establishment of further DE&I councils is planned.

### Promotion of Women

It is important to Vitesco Technologies to increase the proportion of women in management positions (executives and senior executives) each year, beyond the statutory requirements. The goal is a Group-wide increase from currently 15.4% to 21% by 2026. To achieve this, the company is carrying out numerous measures. In fiscal 2022, for example, female talent was promoted by adding participant slots to mentoring and sponsorship programs. Vitesco Technologies also increasingly relied on special employer branding campaigns for this target group. Gender-neutral language in job listings is designed to help attract and recruit more women. In fiscal 2022, women accounted for 19.9% of applications for specialist positions and 20.2% of applications for management positions. Compared to this, the proportion of women newly hired was significantly higher: 26.5% of the specialist staff recruited and 23% of the managers recruited were women.

The company also intends to offer more part-time positions in the future in order to become more attractive to female employees and retain them long-term. In fiscal 2022, 13% of all positions in Germany were already advertised as “part-time available”. The figure for specialist positions was 12.9% and for management positions, 15.4%.

To raise awareness for the issue of women’s promoting in the company, especially among managers, measures for further developing female talent are explicitly discussed at in-house development conferences. In addition, the share of women, along with other diversity dimensions such as age and nationality, is a fixed component of succession planning in all functions and at all levels. The diversity dimensions are continuously monitored and managed in the development programs.

A women’s network called the Female Talent Community has been established at Vitesco Technologies. Among other things, the initiative offers female employees access to specific and exclusive learning opportunities, as well as opportunities to exchange ideas at keynote lectures and networking events.

### Building Awareness for Diversity, Equity and Inclusion

Vitesco Technologies raises employee awareness of diversity, equal opportunity, and inclusion through education and training to ensure these issues are embedded in the corporate culture. In fiscal 2022, mandatory DE&I training was introduced for employees in North America, Canada, and Mexico. Basic DE&I training, which was already offered to employees in North America in 2021, will be available to all employees worldwide as an e-learning course via the internal learning management system (LMS) from 2023.

In addition, in 2023, the company will specifically incorporate further aspects of DE&I, e. g. raising awareness of unconscious biases and thought patterns, into leadership programs to provide managers with inclusive competencies. The content will also be made available to employees in the HR departments so that they can be trained in DE&I to better address related employee concerns.

### Employee Resource Groups

There are several Employee Resource Groups (ERGs) in the company, and Vitesco Technologies actively promotes their establishment and efforts. The ERGs, which are organized and run by employees, work to ensure an inclusive working atmosphere, and each focus on different dimensions of diversity. As part of its DE&I strategy, Vitesco Technologies has supported the establishment of eight ERGs to date.

Four of these groups operate globally: The “PRIDE” ERG for the company’s internal LGBTQI+ community and the “Women of Vitesco Technologies” ERG, which promotes the interests of women, have existed for several years. In 2021, the “AGES” (Alliance of Generations for Employee Success) ERG took up its work to promote successful intergenerational cooperation. And finally, the “ABLE” (Employees Beyond Limits & Expectations) ERG was recently established to focus on the needs of people with various types of disabilities.

Four other ERGs are active in North America: The “REACH” (Resources for Employees of African Culture and Heritage) ERG aims to open up more opportunities in working life for employees with African roots. The “LEAD” (LatinX Employees Advocating for Diversity) ERG advocates for the community of people of Latin American origin outside Vitesco Technologies as well. The “ASIA” (Asian-Pacific Society for Innovation and Achievement) ERG represents the interests of employees of Asian descent. And the “LIVE” (League of International Vitesco Technologies Employees) ERG aims to strengthen cultural sensitivity toward different nationalities.

As an international Group, Vitesco Technologies employs people of different nationalities. Therefore, the company strives to place more of a focus on the nationality dimension of diversity alongside the proportion of women, and to regularly monitor its development.

| Performance Indicator for Diversity, Equity & Inclusion | 2022 | 2021 |
|---|---|---|
| Number of nationalities (as of Dec. 31)[1] | **101** | 93 |

[1]All employees were taken into account, except trainees and interns.

## Equal Pay

Vitesco Technologies is committed to providing its employees with a workplace that is free from discrimination. This includes a fair, transparent salary system and appropriate compensation for all employees.

The compensation structures are in line with the company's Human Rights Policy and the relevant national laws and agreements with trade unions and employee representatives. They are also geared to the respective local market. The wage rates are generally above the applicable minimum wages.

Each position at Vitesco Technologies is evaluated according to factual criteria such as tasks, expertise, scope of action, and management, sales, and earnings responsibility. Personal characteristics of employees such as skin color, age, gender, sexual orientation, gender identity and gender expression play no role in the evaluation, classification, and compensation of positions.

Vitesco Technologies offers its employees performance-related and market-oriented remuneration. In positions that fall under collective agreements, this is based on the position evaluation; in non-collectively agreed cases, it is additionally based on the employee's performance. Accordingly, a distinction is made in the non-tariff area between a basic salary and a performance-related remuneration component.

## EDUCATION AND DEVELOPMENT

GRI 404-2, -3

Vitesco Technologies is committed to lifelong learning. The basis for this is the in-house competence model (Vitesco Technologies Capability Model), which firmly integrates behavioral anchors such as "I keep learning every day" into the workaday routine. Beyond this, opportunities for further training are offered in various formats, e. g. as part-time study at universities, as in-house training by experts, or as short, digital learning units at the workplace. The portfolio was further expanded in fiscal 2022, with a focus on extending the e-learning range so as to enable individual learning independent of time and location.

Vitesco Technologies' training strategy reflects its ambition to play an active role in shaping technological change in the automotive industry. To prepare its employees worldwide for the transformation to e-mobility, the company launched a qualification campaign in 2019 with a focus on electrification and software, which will be successively expanded.

The Electrification Program was particularly popular in fiscal 2022. It is targeted at employees with a degree in mechanical engineering and employees working on e-mobility projects. In fiscal 2022, 202 employees successfully completed the more than 90 units of Electrification Program I. Also, in fiscal 2022 the more advanced Electrification Program II with more than 30 teaching units was established globally. Two runs are planned for 2023 and will be offered worldwide. Since 2020, a total of 672 employees have participated in three global and 13 local Electrification Program training runs. The Talent Management, Organizational Development, Employer Branding & Recruiting department also worked on digitizing the qualification program. At the end of fiscal 2022, a 75% digitized pilot run of Electrification Program I was successfully carried out. The fully digitized program will be offered worldwide from the beginning of 2023, with employees being able to complete both individual modules and the entire training program.

The training offering is supplemented by specific training courses on e-mobility, which took place virtually worldwide in fiscal 2022. In addition, central Group functions and specialist departments such as Engineering, Compliance, Sales, Purchasing & Supplier Quality Management, Quality & LEAN, Supply Chain Management and Product Management offer function-specific learning content.

In the context of leadership development, Vitesco Technologies works with a global Leadership Development Map in which programs are offered for different target groups. There is training for managers who are new to their role (e. g. Explore Leadership Program 1), as well as for experienced employees who have taken on more responsibility and a larger team (e. g. Explore Leadership Program 2) or want to refresh their leadership knowledge (e. g. Advanced Leadership Program). For junior talent, the company's Global Management Talent Program provides a platform for company-wide networking and collaborative project work, with high visibility with the Vitesco Technologies management team. A similar program for junior management talent is under development, as is a Development Center to provide orientation for entry-level employees. In addition, a new leadership development program for Vitesco Technologies' top management will be developed and piloted in 2023.

In fiscal 2022, preparations were also made for the introduction of the learning campus (VT Learning Campus), which is planned for 2023. This virtual platform will provide employees with general information on learning, as well as access to the in-house learning management system, including learning opportunities offered by various function-specific academies (e. g. Engineering, Purchasing). The learning campus is designed to form the basis for a company-wide learning culture, and better collaboration within the learning network and the function-specific academies. In this way, Vitesco Technologies ensures uniform quality and learning standards in continuing education.

To train its employees in the area of sustainability as well, Vitesco Technologies offers a Sustainability Awareness e-learning course. The approximately 30-minute voluntary tutorial is available to all employees and covers various aspects of sustainability with a particular focus on life cycle assessments. In 2021, when the course was first offered and advertised on a larger scale, 2,866 employees participated. In fiscal 2022, 2,290 employees completed the training. The fact that the number of participants was only around 20% lower in fiscal 2022 shows the high demand for basic know-how on the subject of sustainability and testifies to the success of

the introductory campaign in 2021. The number of participants in a training course will naturally decrease from year to year until the entire employee base has completed it.

In fiscal 2022, the Vitesco Technologies Career Map was successfully introduced at four additional sites, and is now available at 18 locations worldwide. It provides an overview of possible career paths in production and logistics. Employees can find out what qualifications they need and what other requirements they must meet to move up to the next higher positions. Additional information on training and upskilling shows them how to meet the respective requirements. At the Brasov site, a digital version of the Career Map has been piloted since 2022: In the in-house learning management system, employees can find out about the various career paths and also view stored curricula.

| Performance Indicators for Training and Development | 2022 | 2021 |
|---|---|---|
| Share of employees receiving regular performance and career development reviews[1] in % | **94.3** | 94.8 |
| Total development and training costs in € million[2] | **9.8** | 6.7 |

[1]Assessment either supported by a digital performance and career development tool or via a paper interview form.
[2]Definition: Annual costs incurred for development and training activities.

## ATTRACTIVENESS AS AN EMPLOYER

Vitesco Technologies reviews its attractiveness as an employer both internally and externally. Employer ranking portals such as Glassdoor are used for external evaluation. Glassdoor is a global platform where job candidates as well as existing and former employees can rate companies. On a scale of 1 to 5, with 5 being the highest rating, Vitesco Technologies achieved a score of 3.9, which is very good for the industry.

In Romania, Catalyst determines the most desirable employers (Most Desired Employers). Vitesco Technologies was number five in the automotive sector in 2022, making it one of the companies that showed the greatest year-on-year improvement.

## LABOR-MANAGEMENT RELATIONS

GRI 2-30

Vitesco Technologies has a trustful and cooperative working relationship with all employee representatives such as trade unions and works councils. Statutory, collective bargaining, and company regulations are implemented in cooperation with employee representatives. In Germany, 75.6% of employees were covered by collective agreements in fiscal 2022. The collective agreements themselves exclude certain contractual groups.

Employee co-determination has a high priority in the company. In fiscal 2022, 99.8% of employees at sites in Germany were represented by works councils. Only due to legal regulations are certain contract groups excluded from representation. Currently, there are local works councils at all eleven German sites of Vitesco Technologies and, in addition, three general works councils, one Group works council, and one European works council. The works council is involved in almost all decisions made by Vitesco Technologies, including the supervisory boards, on which it is represented.

In accordance with the defined co-determination and other participation rights, Vitesco Technologies informs the employee representatives in good time about all relevant issues, obtains their opinions and reaches agreements with them. Their representatives have seats on numerous bodies such as the IT Committee and the Logistics Committee. Operational changes are discussed jointly at an early stage.

## HUMAN RIGHTS DUE DILIGENCE

GRI 2-23, -24, -25

With the increasing globalization of value chains, the importance of human rights due diligence for companies is growing. There are more and more laws and regulatory requirements that demand effective processes to prevent and stop human rights violations in supply chains. Vitesco Technologies has a special social responsibility in this regard as a global company, as outlined respectively in the Management Approach section of this chapter and the Responsible Sourcing and Partnerships chapter.

In order to meet its human rights due diligence obligations, in 2023 Vitesco Technologies will establish an overarching management system that will scrutinize its own operational activities as well as direct and indirect business relationships, especially with suppliers and sub-suppliers. The overarching management system will link existing management systems, including:

> HR Management System,
> Occupational Health and Safety Management System,
> Environmental Management System as well as Energy Management System,
> Legal Compliance Management System,
> Management System for Responsible Sourcing including Conflict Minerals.

Based on these management systems, Vitesco Technologies identifies and minimizes potential human rights risks in its operations and works to continuously improve the global human rights situation along its supply chains. Through the management systems, the company ensures that legal provisions and guidelines as well as internal rules, regulations, and stakeholder requirements on human rights and responsible business are complied with worldwide. The Sustainability & Security department coordinates the continuous development of the overarching management system, of which the Human Rights Policy is a central component.

Through its overarching management system, Vitesco Technologies also ensures compliance with the Responsible Business Alliance's (RBA) Code of Conduct, which sets standards for responsible corporate governance and is based on internationally recognized frameworks such as the United Nations Universal Declaration of Human Rights and the ILO Core Conventions. As a member of the RBA, Vitesco Technologies has committed itself to this Code of Conduct. It also applies to all of the company's suppliers.

For more information on human rights due diligence, please see the chapter Responsible Sourcing and Partnerships.

# RESPONSIBLE SOURCING AND PARTNERSHIPS

# RESPONSIBLE SOURCING AND PARTNERSHIPS

## MANAGEMENT APPROACH

**Source:** Annual Report 2022 > Management Report > Corporate Profile > Sustainability and Consolidated Non-Financial Statement > starting p. 92
**Note:** The text has been adjusted for page references.

GRI 3-3

### OBJECTIVE

GRI 2-23, -24

Vitesco Technologies strives to ensure socially and environmentally responsible conduct along its entire value chain. Ethical business practices, sustainability, and human rights due diligence are therefore guiding principles in the company's business relationships. Particular attention is paid to responsible sourcing processes. Transparency, risk analyses, and appropriate control mechanisms in cooperation with direct and selected indirect suppliers are of central importance in this connection. Vitesco Technologies is pursuing the following goals in further improving its responsible sourcing and partnerships:

> Increase and maintain the percentage of strategic suppliers covered by the Code of Conduct for Business Partners to 100% by 2023.
> Expand the Human Rights Management system in the supply chain in accordance with internal and external standards and legal requirements by 2023.
> Implement an audit system for high-risk suppliers[7] by 2023.
> Increase and maintain the percentage of high-risk production material suppliers which conducted a self-assessment to 50% by end of 2023.

[7]Definition and methodology for determining high-risk suppliers available at: https://www.responsiblebusiness.org/tools/risk-assessment/

### CONCEPT

GRI 2-23, -24, -25, -26

Responsible action in the value chain begins with specific requirements that Vitesco Technologies already places on its direct suppliers and stipulates in contracts. The Business Partner Code of Conduct specifies the requirements that apply, as a matter of principle, to suppliers and their upstream supply chains with regard to working conditions, human rights, environmental protection, anti-corruption, and other aspects.

Since June 2021, Vitesco Technologies has been a member of the Responsible Business Alliance (RBA), a non-profit industry association dedicated to improving social, environmental and ethical conditions in global supply chains. Membership makes the RBA Code of Conduct binding for Vitesco Technologies and its business partners. Accordingly, the Codes of Conduct for employees and business partners and the company's policy on human rights reflect the standards of the RBA. At the same time, as part of its RBA membership, Vitesco Technologies is revising and expanding its existing risk and control management for suppliers and developing comprehensive training measures. A particular focus here is on human rights due diligence.

To identify high-risk suppliers, Vitesco Technologies uses RBA's Risk Assessment: For this purpose, the company first enters its strategic supplier and product data into the tool, which then calculates a corresponding risk for each of the suppliers based on external information. The resulting high-risk suppliers are contacted by Vitesco Technologies and asked to complete the Self-Assessment Questionnaire (SAQ). Vitesco Technologies will only enter into business relationships with potential strategic suppliers if, according to this self-assessment, there is no high risk of violations of the Code of Conduct.

Violations of corporate standards in existing business relationships can be reported at any time via the globally accessible Integrity Line. Reports are followed up and investigated. On-site inspections are carried out in specific cases of suspicion. If violations are identified, Vitesco Technologies requests the supplier to take improvement measures and reserves the right to terminate the business relationship.

Responsibility for Responsible Sourcing and Partnerships lies with the Purchasing & Supplier Quality Management Group function, which is organized by business unit and product group with teams in the various countries. In its handling of ethical issues and standards, Purchasing works closely with the Compliance and Sustainability & Security departments and with the Human Relations & Sustainability and Quality & LEAN corporate functions. The head of the Purchasing & Supplier Quality Management Group function reports directly to the Chief Executive Officer.

Vitesco Technologies procures a wide range of production materials from a worldwide supplier base. The main primary products and raw materials used are steel, aluminum, precious metals, copper, and plastics. To create transparency in the supply chain of cobalt and "conflict minerals" as defined in the U.S. Dodd-Frank Act, and to monitor compliance with human rights standards, Vitesco Technologies uses two reporting templates from the Responsible Minerals Initiative (RMI): the Conflict Minerals Reporting Template (CMRT) and the Extended Minerals Reporting Template (EMRT). The company uses these templates to annually request information from its suppliers on the countries of origin of minerals, processing smelters, and refineries, and their certification status with regard to recognized social and environmental criteria.

## RESULTS

GRI 2-23, -24

One key performance indicator for Responsible Sourcing and Partnerships is the proportion of strategic suppliers covered by the Business Partner Code of Conduct. It indicates the proportion of strategic suppliers who contractually commit to complying with the Business Partner Code of Conduct – either by signing the Code of Conduct as part of their supplier contract or by providing evidence of an equivalent commitment.

In fiscal 2022, the coverage rate was 92.8%. Compared with the previous year, this KPI increased slightly by 2.8 percentage points (previous year: 90.0%), as the number of strategic suppliers was lower in fiscal 2022. This is because the list of strategic suppliers was initially taken over unchanged following the spin-off of Continental. Suppliers that are not relevant for Vitesco Technologies are now gradually being removed from the list. The share of strategic suppliers in the total purchasing volume of production materials is 65%.

Until 2021, Vitesco Technologies obtained the mandatory self-disclosures for strategic suppliers through the industry platform NQC. Once it joined the RBA, this process was replaced with the corresponding RBA self-disclosures, risk assessments, and audits. Therefore, a second KPI for Responsible Sourcing and Partnerships was introduced in fiscal 2022: the proportion of high-risk production material suppliers which conducted a self-assessment. This share amounted to 27.8% in fiscal 2022.

| **Key Performance Indicators for Responsible Sourcing and Partnerships** | **2022** | 2021 |
|---|---|---|
| Share of strategic supplier covered by Business Partner Code of Conduct (as of Dec. 31) in %[1] | **92.8** | 90.0 |
| Share of high-risk production material suppliers which conducted a self-assessment in %[2] | **27.8** | – |

[1]Basis: Strategic Supplier List (SSL). Suppliers must meet various requirements to be listed as strategic.
[2]The key performance indicator was newly introduced in fiscal 2022. For this reason, no prior-year value is available.

## FOCUS TOPIC: CONFLICT MINERALS

GRI 2-23, -24

Tin, tantalum, tungsten, and gold (abbreviated to 3TG after their English initials) are so-called conflict minerals, as their mining and trade in some regions of the world serves to finance armed conflicts that are accompanied by the most serious violations of human rights and international law.

Vitesco Technologies is aware of its special responsibility for human rights due diligence in its procurement processes. Therefore, once a year a supplier survey is carried out to determine whether the primary products that the company procures contain 3TG and where these minerals come from. In addition, it is recorded in which smelters and refineries the raw materials were further processed and whether the companies are certified for recognized social and environmental criteria. Vitesco Technologies uses RMI's Conflict Minerals Reporting Template (CMRT) as a template for the survey.

The number of smelters and refineries in the supply chain that are non-compliant with the RMI's Responsible Minerals Assurance Process (RMAP) (i. e. have been independently audited but do not meet the requirements of the RMAP standard), as determined by the survey, is an important performance indicator for Responsible Sourcing and Partnerships. In fiscal 2022, a total of 20 smelters and refiners in the conflict minerals supply chain were reported as non-compliant.

| **Performance Indicator for Conflict Minerals** | **2022** | 2021 |
|---|---|---|
| Number of non-RMAP compliant smelters and refineries in the conflict minerals supply chain (as of Dec. 31)[1] | **20** | 105[2] |

[1]The data basis is formed by the smelters and refineries reported by suppliers via the CMRT in the fiscal year 2022 in the upstream chain of all products supplied to Vitesco Technologies. The indicator represents the smelters and refineries that are not RMAP-compliant (compliance status as of Dec. 31).
[2]In contrast to the fiscal 2022, the 2021 figure included smelters that are not RMAP-compliant as well as those whose status is unclear or for which information is missing (status as of Dec. 31).

As part of its RMI membership, Vitesco Technologies aims to work with its suppliers to minimize the number of non-RMAP-compliant smelters and refineries – and thus prevent human rights violations in the deeper supply chain. To this end, the company conducts awareness-raising activities and training for those suppliers who have reported many non-RMAP-compliant smelters and refineries, among other things, and provides them with support and RMI training videos. For example, five trainings were conducted with suppliers at Vitesco Technologies sites in fiscal 2022.

## EVALUATION AND MONITORING OF SUPPLIERS

GRI 308-2, 414-1

Before Vitesco Technologies enters into business relationships with new suppliers, they are thoroughly evaluated according to various business-relevant criteria.

Existing strategic suppliers are subjected to an annual evaluation (Basic Annual Supplier Evaluation, BASE). Vitesco Technologies evaluates them based on various key performance indicators (KPIs); besides prices, quality indicators and delivery performance, these also include sustainability criteria. The results of the supplier survey using the Conflict Minerals Reporting Template are also included in the evaluation.

If a supplier is suspected of violating sustainability standards, or if specific incidents become known, Vitesco Technologies has sustainability audits carried out on site and initiates improvement measures as needed. Starting in 2023, audits are to be conducted at suppliers that have been classified as high-risk suppliers based on their RBA self-disclosure.

# OCCUPATIONAL HEALTH AND SAFETY

# OCCUPATIONAL HEALTH AND SAFETY

## MANAGEMENT APPROACH

**Source:** Annual Report 2022 > Management Report > Corporate Profile > Sustainability and Consolidated Non-Financial Statement > starting p. 94
**Note:** The text has been adjusted for page references.

GRI 3-3

### OBJECTIVE

Occupational Health and Safety is an essential component of the corporate culture at Vitesco Technologies. Associated with this is the aspiration to prevent harm to people, goods and the environment and to actively promote the health of all persons in the company. Two specific goals have been defined for this purpose:

> Increase and maintain the percentage of employees covered by certifications for occupational health and safety management systems (ISO 45001) to over 95% by 2030.[8]
> Reduce the accident rate, defined as the number of accidents per million hours worked, to 1.4 by 2026.[9]

By integrating the accident rate as a KPI in the long-term incentive plans for managers as well as into the targets for sites, Vitesco Technologies sets strategic incentives for achieving the associated objective.

[8]The target was adjusted in fiscal 2022. Previously, the target value decided for 2030 was 90%.
[9]The target was set as part of the target definition for the 2023-2026 long-term incentive tranche in fiscal 2022. Previously, the target value adopted was 1.4 and related to the year 2025.

### CONCEPT

GRI 403-1, -2, -3, -4, -5, -7

The implementation of occupational health and safety is ensured worldwide by a global management system (ISO 45001 or comparable). The system is managed by the certified Sustainability & Security department under the supervision of the Chief Human Resources Officer and validated by matrix certification and local individual certifications. In this way, Vitesco Technologies seeks to improve protection against accidents and work-related illnesses. Preventive measures are designed to reduce hazards and minimize risks. In particular, these include risk assessments, external audits, and remedial and training measures. The management system also includes procedures and preventive measures for handling hazardous substances.

The Group-wide guideline on occupational health and safety is the corporate policy on Environment, Safety & Health. Its technical and organizational requirements in the area of occupational health and safety are described in the Safety and Health Manual (SH Manual). Incidents can be reported via an ESH hotline. In the event of an incident, employees receive support under a globally established emergency and crisis management system.

Strategic responsibility for occupational health and safety as well as responsibility for the global management system lies with the Sustainability & Security department. ESH functions in the countries complement the central structure. Local ESH managers, who report to the site management, as well as committees for occupational health and safety coordinate and support operational occupational health and safety on site.

Through its own occupational health management system, the company also promotes a physically, mentally and socially healthy working environment. Strategic decisions and the planning of instruments and measures at Group, country and business unit level are prepared and coordinated by the Sustainability & Security department. Implementation and monitoring tasks are the responsibility of local health managers and committees. In addition, in accordance with local legal requirements for occupational health and safety, company medical services are available at many sites and may also be represented on local occupational health and safety committees. Regular assessment of the mental health risk situation is also integrated into the occupational health and safety management system.

### RESULTS

GRI 403-1, -2, -3, -5, -8, -9

One key performance indicator for Occupational Health and Safety is the proportion of employees covered by certifications for occupational health and safety management systems (ISO 45001) as of December 31, 2022. This was 91.5% and could thus be increased by 0.3 percentage points (previous year: 91.2%), as three new sites were certified and there were changes in the number of employees.

The second key performance indicator is the accident rate in the company. In fiscal 2022, there were 1.7 accidents per million hours worked. Compared with the previous year, this represents a reduction by 0.2 points (previous year: 1.9). This was achieved through occupational health and safety campaigns at the sites (see below), visits by managers from the Safety & Health department to sites with particularly high accident rates, and by holding an accident workshop.

| Key Performance Indicators for Occupational Health and Safety | 2022 | 2021 |
|---|---|---|
| Certifications for occupational health and safety management systems (ISO 45001), employee coverage (as of Dec. 31) in % | **91.5** | 91.2 |
| Accident rate (number of accidents per million hours worked)[1,2] | **1.7** | 1.9 |

[1]Definition: Number of accidents during working hours per million paid working hours. Counted from more than one day lost, i. e. with at least one day lost beyond the day of the accident.
[2]Excludes interns, thesis writers, doctoral students, apprentices, dual students, temporary workers, contractors, excludes commuting accidents.

In the area of occupational safety, a safety campaign focusing on hand and finger safety was carried out at Vitesco Technologies sites worldwide in fiscal 2022. The company also worked on the implementation of an ESH software solution that will be used in the future for accident event reporting, risk assessment, and internal audits, among other things. A successful pilot project for digitally monitoring Environment, Health, Safety & Sustainability (EHS&S) compliance was run in China and Germany, on the basis of which a more robust EHS&S compliance management can gradually be introduced at all sites starting in 2023. Furthermore, as part of an in-depth accident analysis at corporate level, Vitesco Technologies adopted technical guidelines for focus areas to further reduce the occupational accident rate.

In occupational health management, Vitesco Technologies worked on several projects in fiscal 2022. The mindfulness and resilience program “Resilient Mind” was redeveloped and its roll-out prepared. Meanwhile, the online leadership development program “Healthy Leadership” was redesigned and introduced, and the roll-out of the stress management program “Stress Control @ Home” was prepared. The company also worked on defining further key performance indicators to improve the recording of employee health. Both the global psychosocial risk assessment and the measures to deal with the COVID-19 pandemic (psychoeducational and occupational health support) were continued in the fiscal year.

## FOCUS TOPIC: OCCUPATIONAL SAFETY

GRI 403-2, -4, -5, -9

Occupational safety is a central component of Vitesco Technologies' corporate culture – which is why, in addition to the Group ESH Policy, other Group-wide guidelines apply to protect employees from hazards in the workplace.

These include, for example, the guideline on Assessing Risks to Occupational Health and Safety. It defines procedures for identifying possible hazards, classifying them into different hazard factors depending on their nature, and evaluating them. Possible hazard factors can include physical stress, mechanical hazards, psychosocical factors, or the handling of hazardous substances. The guideline describes preventive measures for each of these hazard factors and defines a process that employees should follow when a hazard occurs.

In the event of workplace accidents, another Group standard – the Accident and Incident Investigation Standard – regulates responsibilities and specifies necessary measures as well as timeframes for their implementation.

All Vitesco Technologies employees are regularly given training as part of mandatory required instruction on hazards and protective measures in the workplace. This training must be repeated every twelve months. In addition, there is mandatory training for managers, including on crisis and emergency management and incident investigation.

At its sites in Germany, North America, and Romania, the company works with the above-mentioned ESH software solution, which enables local ESH managers and employees to provide or carry out the necessary documentation and analysis in occupational health & safety management. Using the software, they can quickly and easily document incidents directly online. They can also keep track of risk assessments and safety inspections, view their results, keep a hazardous substances register, document when employees are exposed to particularly critical hazardous substances, and easily evaluate this documentation.

In principle, employees can always actively participate in the development and implementation of the occupational health and safety management system through the local ESH committees.

Vitesco Technologies has set itself the goal of digitizing the ESH management system worldwide by no later than 2025. In addition, the company wants to collect relevant data on occupational safety, including self-assessments by employees, via the newly launched employee survey questionnaire.

| **Performance Indicator for Occupational Safety** | **2022** | 2021 |
|---|---|---|
| Number of deaths[1] | **0** | 0 |

[1]Definition: Number of deaths resulting from occupational accidents.

## FOCUS TOPIC: HEALTH

GRI 403-3, -6

Vitesco Technologies aims to maintain and promote the long-term health of its employees through its occupational health management system. To achieve this, the company is developing appropriate basic conditions, structures and processes. In doing so, Vitesco Technologies focuses primarily on health-promoting organizational structures and working conditions as well as on measures for health-promoting behavior on the part of employees.

In its health management program, Vitesco Technologies pursues the following objectives :

> Systematic prevention of work-related health risks
> Promoting the physical, mental and social well-being and performance of all employees
> Establishment of safe, health-promoting and motivating working conditions
> Promotion of health-conscious behavior and health literacy among all employees, taking into account individual characteristics
> Enabling long-term employability and healthy aging of all employees
> Promoting work-life balance
> Support of a respectful and appreciative togetherness
> Promoting the establishment and maintenance of social networks and social support within the company

In 2022, Vitesco Technologies placed a focus on providing and maintaining effective health management measures at a global level. To this end, the company further expanded the structures already in place, defined requirements and action steps, and allocated resources in a binding manner.

In addition to traditional occupational medicine, Vitesco Technologies offers all employees at executive level and above the opportunity to have comprehensive health checks carried out on a regular basis. There are also a large number of additional health promotion measures at country and site level, such as colon cancer screening or heart rate variability measurements. The company provides appropriate budgets for these, which can be accessed by local managers. In addition, an Employee Assistance Program is available at many sites. It offers employees low-threshold access to short-term counseling on health, professional and personal issues.

| **Performance Indicator for Health Protection** | **2022** | 2021 |
|---|---|---|
| Illness rate[1] in % | **3.7** | 3.5 |

[1]Definition: Absence due to illness in relation to the contractually agreed working time.

# FURTHER RELEVANT REPORTING TOPICS



# PRODUCT COMPLIANCE AND QUALITY

# PRODUCT COMPLIANCE AND QUALITY

## MANAGEMENT APPROACH

GRI 3-3

Vitesco Technologies' corporate responsibility includes ensuring technical compliance and high product quality. Technical Compliance is defined as adherence to regulatory requirements, laws, and national and international industry standards for technology, as well as voluntary internal commitments. To ensure the technical compliance of products (also called product compliance), technical compliance at Vitesco Technologies includes product safety and product conformity as aspects of product integrity.

Vitesco Technologies aims to provide high quality products and services worldwide that meet both customer and technical compliance requirements. The objective is to avoid risks such as product recalls, product liabilities, and lawsuits and to keep improving customer satisfaction.

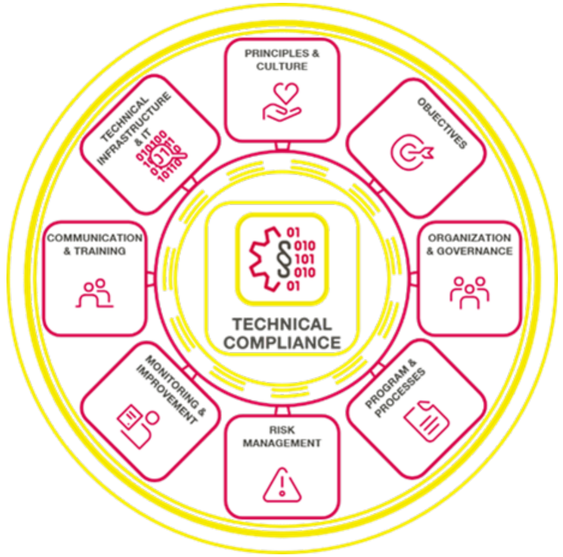
This strategy is entirely in line with the sustainability mindset and, on the one hand, helps to ensure the company's business success. On the other, it prevents the waste of resources that can arise, for example, as a result of product defects and associated product recalls.

### TECHNICAL COMPLIANCE

**Source:** Annual Report 2022 > Our Shareholders > Corporate Governance > Technical Compliance > p. 39

To ensure compliance with regulatory requirements for technology, with legislation, and with national, international, and industry standards, we at Vitesco Technologies have put a special focus on technical compliance and set up a technical-compliance management system (TCMS) that is closely coordinated with the compliance management system (CMS). The TCMS, like the CMS, is based on the seven basic elements provided in IDW PS 980 and ISO 37301. However, the TCMS also adds another dimension – technical infrastructure and IT – to complement the existing ones effectively and efficiently and to integrate them into the development cycle.

The TCMS incorporates products, product-related services, and software and hardware across the entire product life cycle, from a product's development to the end of its life cycle. Our employees are given certainty with clear definitions of the responsibilities of business areas and individual employees, corresponding professional development and training, clear orientation from the "I use my voice" conduct motto, and the firm integration of factors related to technical compliance into our programs, processes, and tools. Vitesco Technologies has established a clearing house to resolve issues with interpretation. If needed, an internal Integrity Line can also be used anonymously. The TCMS is extensively integrated with the Company thanks to its systematic organizational structure. The department's independence and significance is ensured through a dedicated reporting line between the Head of Technical Compliance and Chief Executive Officer. The effectiveness and efficiency of the TCMS is continuously monitored, audited by an independent entity, and developed.



### Technical Compliance Training for Employees and Suppliers

Various training formats for building awareness for technical compliance among employees as well as suppliers were introduced in fiscal 2022.

In Technical Compliance Awareness Training, employees learn the basics of Technical Compliance and TCMS. They learn why the topic is important, how it is handled in the company, what everyone needs to pay attention to and what responsibilities and procedures exist at Vitesco Technologies. The e-learning was introduced in June 2022 and is mandatory for all employees with computer access at all hierarchical levels (approximately 20,000 people). As of December 31, 2022, the training rate was around 96%.

In addition, the training offered has been expanded to include courses that teach employees about task- and process-specific aspects of technical compliance. One example is Technical Compliance Basic Training, which is mandatory for around 3,000 employees. As of December 31, 2022, around 95% of these employees had completed the training.

In August 2022, Technical Compliance Awareness Training for Suppliers was introduced for Vitesco Technologies' suppliers. All strategic suppliers (approximately 550 companies) will receive an invitation. The training aims to ensure that suppliers behave in a compliant manner and know who to contact in case of questions and uncertainties.

### Monitoring of Suppliers in Relation to the REACh Regulation

Vitesco Technologies continuously monitors compliance with chemicals legislation, in particular with the EU REACh Regulation (Regulation (EC) No. 1907/2006). The company is mainly affected by the regulation as a user, producer, and importer of articles and complex products.

Proactive processes have been established to ensure compliance with Annex XIV (List of Substances Subject to Authorization) and Annex XVII (List of Restricted Substances) of the REACh Regulation as well as with the communication requirements under Article 33 (1). For example, there are internal committees and working groups whose activities are based on internal standards (Design for Environment / Technical Compliance Management System) and contractual agreements with suppliers (Quality Process Requirements for Design for Environment of Contract Products).

## QUALITY STRATEGY AND QUALITY MANAGEMENT

Vitesco Technologies applies a high quality standard to its products and services. The quality policy under the guiding principle "Passionate for Quality" sets the direction for quality management in the company. It is applied to all operational and strategic activities and thus forms the basis for Vitesco Technologies' quality strategy.

The quality strategy essentially focuses on the continuous improvement of customer satisfaction through:

> Optimization of processes
> Design of robust products
> Establishment of an efficient quality organization
> Improving employee satisfaction

Employees play an important role in this: They are responsible for complying with the quality policy and implementing the quality strategy.

Vitesco Technologies is steadily evolving its quality strategy while keeping an eye on internal and external framework conditions. This includes, for example, legal requirements as well as market and customer requirements.

The framework implementing the quality policy and quality strategy is provided by the externally validated ISO 9001 (or comparable) quality management system. It is supplemented by local management systems at the sites, whose concrete organizational and technical specifications are defined in the respective quality management manuals.

Responsibility for strategic, Group-wide quality management lies with the Quality & LEAN management team, which is led by the head of the Quality & LEAN corporate function, and quality functions at various levels of the Group, all of which work together in a global network.

The key performance indicator for Product Compliance and Quality is the Group-wide degree of coverage of employees by certified local quality management systems. As part of its quality strategy, Vitesco Technologies has set itself the goal of maintaining a coverage rate of at least 94%. In fiscal 2022, the figure was 99.5% (previous year: 99.2%). This meant that certified quality management systems were in place for almost all employees throughout the Group.

| **Performance Indicator for Product Compliance and Quality** | **2022** | 2021 |
|---|---|---|
| Certifications for quality management systems (ISO 9001 or comparable), degree of employee coverage (as of Dec. 31) in % | **99.5** | 99.2 |

Vitesco Technologies suppliers and service providers are subject to high requirements. The company ensures that externally provided processes, products and services meet these requirements. For example, suppliers and service providers must introduce and keep developing a quality management system and demonstrate its conformity with ISO 9001 through regularly renewed third-party certifications.

## Quality Training for Employees

Vitesco Technologies requires all individuals whose activities affect the performance and effectiveness of the Quality Management System and the quality of products and services to acquire and demonstrate the required competencies.

By systematically determining the competencies required for all roles and functions and conducting an annual review of the effectiveness of the measures taken, the company ensures that all employees are qualified for their tasks.

Vitesco Technologies also strengthens employees' quality awareness through regular training. This way, all employees understand how their work influences product quality, and the importance of their activities with regard to achieving, maintaining and improving quality. This also means that they are aware of customer requirements as well as the risks associated with non-conforming products.

## Business Continuity and Obsolescence Management

The goal of business continuity and obsolescence management at Vitesco Technologies is to ensure sustainable supply chains for our customers. Obsolescence is managed as an integral part of design, development, production and in-service support to minimize costs and adverse impacts throughout the product lifecycle. In this, the following aspects are taken into account, e. g.:

> Procurement strategy for suppliers and service providers (dual source instead of single source, use local sources, etc.)
> Procurement strategy for production equipment (modularity concepts, interchangeability of modules/lines, use of multiple production sites, etc.)
> Harmonized design guidelines for components and subcomponents (off-the-shelf, design for manufacturing, etc.)
> Security strategy for IT structure and equipment
> Contingency plans (locations, staff, management of bottlenecks, fair share, etc.)
> Selection criteria for manufacturing and production sites
> Continuous monitoring and risk mitigation
> Open and early customer communications and involvement

# BUSINESS ETHICS AND COMPLIANCE

# BUSINESS ETHICS AND COMPLIANCE

## MANAGEMENT APPROACH

**Source:** Annual Report 2022 > Our Shareholders > Corporate Governance > Legal Compliance > starting p. 38

GRI 2-23, -24, -25, -26, 3-3

Vitesco Technologies is shaped by its corporate values of “passionate,” “partnering,” and “pioneering,” which demand honest and responsible actions toward our stakeholders such as customers and the Company. Its management’s and employees’ compliance with all the requirements that apply to Vitesco Technologies Group AG and its subsidiaries and its internal regulations is therefore an unshakable principle of the Company’s conduct and an integral part of its corporate culture. This is not only expressed in the binding code of conduct, but also in the actions of management and all employees. The Executive Board is explicitly committed to the principles and zero-tolerance approach laid out in the code of conduct.

In particular, the Legal Compliance team is responsible for corruption prevention, money laundering prevention, antitrust law, data protection, and the management of conflicts of interest. Other departments and/or roles work together closely on other compliance issues such as technical compliance, capital market compliance, environmental protection, health and safety, IT security, cybersecurity, supply chain obligations, and trade sanctions.

The structure of Vitesco Technologies’ legal-compliance management system (legal CMS) is based on Germany’s IDW PS 980 CMS audit standard and is described in detail in a dedicated Group-wide guideline. It is divided into these seven basic elements: culture, objectives, risks, program, organization, communication, and monitoring/improvement.

In terms of the compliance culture, which is the most important element, Vitesco Technologies makes sure that all employees practice it and give it their consistent support. This outcome is achieved with a clearly formulated “tone from the top,” a “tone from the middle,” and zero-tolerance policies as well as by creating a trust-based culture that allows any employee to speak openly about compliance-related issues. For instance, tips about potential deficiencies in any governance- or compliance-related issue not only can be reported to those in governance roles, but can also be registered through an anonymous Integrity Line which is accessible internally and externally; there is a transparent guideline that governs the responsibilities and processes for responding to such tips in compliance with data-protection law.

The objective of the legal CMS is to boost the compliance culture consistently and on an ongoing basis, to identify compliance risks, and to avoid or mitigate compliance risks with appropriate measures. The Legal Compliance team develops and publishes guidelines and relevant compliance standards in accordance with this objective to foster rule-abiding conduct. This work includes anticorruption, antitrust, donation and sponsorship, and quick-savings guidelines and a code of conduct for business partners.

The Vitesco Technologies legal CMS involves an organizational structure for compliance roles that is adapted to the Company and combines centralized elements (a Corporate Compliance Office) with decentralized ones (regional compliance officers and compliance champions). The main responsibility for the legal CMS is
held by the Chief Financial Officer as part of his/her responsibility for the Legal, Compliance, and IP organizational unit. The Head of Compliance is in charge of managing the operations of the legal CMS and receives support for this from compliance officers, compliance experts, and compliance champions. The compliance champions are employees from other departments who are available locally as a first point of contact for compliance issues and are closely involved with the work done by the Compliance department. The Head of Compliance is overseen by the Chief Compliance Officer, who reports directly to the Chief Financial Officer and the Supervisory Board’s Audit Committee and determines the strategy of the Company’s Compliance areas.

Additional clearly defined channels for reporting and communication ensure the necessary transparency of roles and responsibilities. Every employee can easily find all the information about all elements of the legal CMS on the global intranet and access it at any time.

The compliance culture is made even stronger through regular training on compliance issues that are defined in a detailed learning program. Employees receive proactive support for legal and compliance-related matters from a central compliance help desk that can be contacted by e-mail and from the compliance officers. Legal Compliance also monitors adherence to compliance requirements regularly and on an event-specific basis. This monitoring focuses on the adequacy and effectiveness of the legal CMS. Additionally, the legal CMS is continuously enhanced in line with any vulnerabilities that are detected and in line with the risks that are identified through compliance-risk analyses.

## CODE OF CONDUCT AND TRAINING

GRI 205-2

In its Code of Conduct, Vitesco Technologies defines the principles by which the company acts – they are immutable and apply to all employees. Topics covered by the Code of Conduct include respect for human rights, sustainable conduct, technical compliance, as well as corporate security, prevention of corruption, and antitrust law. The zero-tolerance principle for violations of legal and internal requirements is also codified here.

| Performance Indicators for Business Ethics and Compliance | 2022 | 2021 |
|---|---|---|
| **Proportion of employees trained on Business Ethics and Compliance, in %** | | |
| Old: E-learning on Corruption Prevention | – | 86 |
| Old: E-learning on Antitrust Law | – | 84 |
| Old: E-learning on Spin-Off Compliance | – | 88 |
| E-learning on the Code of Conduct | **84** | 80 |
| E-learning on Compliance Basics | **89** | – |
| Live training on corruption prevention | **82** | – |
| Live training on antitrust law | **78** | – |
| Live training on fraud prevention | **82** | – |
| Contract Manufacturing – The Compliance Perspective | **100** | – |
| Code of Conduct for Employees in Manufacturing | **77** | – |

Vitesco Technologies regularly trains its employees using a multi-stage training concept, on topics including the Code of Conduct, compliance basics, corruption prevention, and antitrust law, and fraud prevention. There are also separate training courses for specific departments as needed. For instance, fraud prevention training was offered and conducted for specific target groups in fiscal 2022 to increase employee awareness of various forms of fraud. The trainings are conducted as e-learnings, in-person classes, or virtual classes. In fiscal 2022, about 85% of employees completed compliance training, i. e. as many as in the previous year. The fact that the figure didn't increase was partly due to the lack of an escalation concept in the event that employees do not complete the training. However, such a concept is to be introduced in 2023. The aim is to increase participation to at least 93% by 2024.

In 2021, there were still several e-learnings and spin-off trainings that were taken over from the former parent company Continental. These were no longer continued in fiscal 2022. The company has developed a completely new training concept that differentiates more strongly according to target groups and risk focus areas. For this reason, a direct comparison with the previous year's participation rate is not possible for some training courses.

The Legal Compliance department also makes regular appearances at local, regional and global onboarding events for new employees and in other development programs. At these events, it encourages employees to acquire a comprehensive understanding of the processes, structures, and interfaces of product development at Vitesco Technologies. Furthermore, it is involved in various other communication measures by the company – e. g. knowledge slam events as a local offering for employees who wish to learn more about departments and projects.

## CONTINUOUS DEVELOPMENT IN THE AREA OF BUSINESS ETHICS AND COMPLIANCE

GRI 2-26

### Conducting a Comprehensive Compliance Risk Assessment

Ongoing compliance risk assessment is an integral part of any effective and modern compliance management system. For this reason, a standard for compliance risk assessments was drawn up at the beginning of fiscal 2022, taking into account applicable legal standards, and implemented by the Legal Compliance department. For this first-time recording and evaluation of all relevant risk scenarios with a view to the individual action areas in business ethics and compliance, between February and August 2022 the Legal Compliance department surveyed more than 150 managers worldwide on their individual risk assessment. In 2023, the results of this first compliance risk assessment will be incorporated into a regular annual process for ongoing early risk identification and to increase the degree of maturity of the Group-wide Legal CMS.

### Codification and Reinforcement of Vitesco Technologies' Business Ethics Ideals

In fiscal 2022, various initiatives were carried out aimed at effectively strengthening the ethical conduct of Vitesco Technologies and its employees, taking into account the latest socio-political developments. For example, the Business Partner Code of Conduct was revised based on new regulatory requirements and proven best practices. A particular focus was placed on the requirements of the German Supply Chain Due Diligence Act. In addition, mandatory legal compliance training was introduced in the onboarding process for new employees. Other new compliance requirements arising from the changed regulatory and sociopolitical environment were taken into account in the general HR processes.

The Legal Compliance organization was further expanded and strengthened on a risk basis in the fiscal 2022, among other things by creating new positions and providing additional resources. In addition, the global network of Compliance Champions was expanded. Compliance Champions are part of various organizational functions and serve as the first point of contact and local ambassadors for all matters of business ethics and compliance at sites that don't have a compliance officer. They also support the compliance organization with on-site organizational and administrative measures. The cooperation between Compliance Officers and Compliance Champions, ensures that employees at all locations worldwide have contacts for issues involving business ethics and compliance.

### Data Protection

Overall responsibility for data protection in the company lies with the Executive Board and the heads of the business units. Data Protection is part of the remit of the Legal Compliance department. The Group Data Privacy Officer advises Vitesco Technologies and monitors compliance with applicable data privacy regulations. Data protection coordinators as local contacts form a global network and are the link between the sites or the business units and the central data protection organization.

Vitesco Technologies continuously develops its data protection management to ensure that it always complies with the latest legal requirements. Processes, guidelines, and instructions are reviewed annually and revised as needed.

Employees can report potential data privacy violations using a central reporting procedure; an in-house reporting portal is available to them for this purpose. In addition, they, as well as external persons, can use the Integrity Line as a reporting channel. The Case Management Committee, consisting of representatives from the Legal Compliance, Internal Auditing, and Group Security departments, analyzes each reported incident and determines the steps necessary to contain any risk and restore data security. Vitesco Technologies regularly raises employee awareness of data protection issues through training.

## TAX COMPLIANCE

GRI 2-27, 207-1, -2

Vitesco Technologies is aware of its social responsibility in fulfilling its tax obligations (tax compliance). In the spirit of sustainable corporate governance, the company explicitly commits itself to complying with national and international tax regulations in its Code of Conduct. There were no tax compliance violations in fiscal 2022.

With the tax strategy implemented throughout the company, Vitesco Technologies ensures a legally compliant and tax-optimized implementation of circumstances arising in Germany and abroad. Tax considerations are based on business necessities. The company pays taxes where it creates value. Open and transparent communications promote a professional relationship with the tax authorities. In this way, Vitesco Technologies ensures that it fully complies with its duty to cooperate.

The Group Tax Policy, reviewed and issued by the Head of Tax and the Chief Financial Officer, ensures that tax-related activities are conducted properly, reliably, effectively and economically throughout the Group. It also regulates responsibilities and tasks as well as the involvement of the Group Tax department. The policy also defines the framework for organizing Group-wide tax risk management (identification, assessment, reporting and monitoring), which is an integral part of general risk management. In addition, the Group Tax Policy specifies that the responsible parties must establish effective sanctioning and escalation processes. These are designed to ensure that violations of the policy and tax regulations are not tolerated.

Vitesco Technologies is currently implementing a Tax Compliance Management System (Tax CMS). It follows the standard for auditing Compliance Management Systems IDW PS 980 and IDW Practice Note 1/2016 "Design and Audit of a Tax Compliance Management System according to IDW PS 980." The Tax CMS is intended to ensure compliance with the tax declaration obligations as well as the legal requirements applicable to the companies.

As required by law, Vitesco Technologies annually reports tax data, e. g. income tax payments, for all Group companies to the German Federal Central Tax Office ("country-by-country reporting"). The tax data reported in country-by-country reporting is always based on consolidated financial statements certified by an independent auditor.

## TECHNICAL COMPLIANCE

In addition to Legal Compliance and Tax Compliance, Technical Compliance plays a crucial role in Vitesco Technologies' strategy. For more information, please refer to the Product Compliance and Quality chapter in the section on Technical Compliance.

# TCFD REPORTING

## ANALYSIS OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

GRI 201-2

Vitesco Technologies actively contributes to mitigating climate change with climate-protecting technologies and measures. At the same time, the company acknowledges that climate change can have both positive and negative effects on its current business. To make these opportunities and risks transparent, Vitesco Technologies has been reporting in the context of the disclosure requirements of the Task Force on Climate-related Financial Disclosures (TCFD) since 2021.

This chapter follows the structure of the TCFD recommendations and describes progress, processes, and results based on the four TCFD pillars of governance, strategy, risk management, and metrics and targets. Vitesco Technologies strives to continuously improve its reporting and to keep increasing its implementation of the TCFD recommendations.

### GOVERNANCE

#### Disclosure of the comany’s governance structures for climate-related risks and opportunities

Vitesco Technologies has clear governance structures for sustainability and climate protection activities, which enable the company to continuously improve its efforts. The Sustainability Core Team, part of the Sustainability & Security department, pools all of the company’s sustainability-related activities and coordinates necessary cross-functional strategy processes. This also includes all activities relating to climate change, emissions reduction, and climate-related opportunities and risks.

At the highest management level, responsibility for climate-related issues lies with the Sustainability Steering Committee, chaired by the Chief Human Resources Officer. It is made up of permanent members of the Executive Board and management. Technical experts are regularly consulted to support decision-making at the highest management level. The Sustainability Steering Committee steers and monitors the implementation of the climate strategy, adopts emission reduction targets, and monitors progress in pursuing the targets. It meets at least four times a year for this purpose. In addition, the Sustainability Steering Committee advises the Sustainability Core Team and the Executive Board, which decide on necessary steps to improve Vitesco Technologies’ climate strategy based on the results and action plans presented.

**Further information:**

Sustainability Report > Sustainability Management > Strategic Anchoring and Organisation
Sustainability Report > Company Portrait > Structure of the Group > Corporate Governance
CDP questionnaire 2021 > C1.1a, C1.1b, C1.2, C1.2a

## STRATEGY

### Disclosure of actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning

In its climate risk process, Vitesco Technologies identified six material physical climate risks, eight transition risks, and five opportunities that could have a significant impact on the company's operations, strategy, and financial planning:

In order to identify and assess opportunities and risks that may arise from climate change, various climate scenarios were applied. This approach enables Vitesco Technologies to adapt to various developments at an early stage.

For the analysis of physical risks, selected scenarios of the Fifth Assessment Report (AR5) of the Intergovernmental Panel on Climate Change (IPCC) were used. In this report, so-called Representative Concentration Pathways (RCPs) describe different levels of global greenhouse gas concentrations and radiative forcing. The concentration pathways can be assigned global temperature increases that can be expected up to the year 2100. This results in a sub-2-degree scenario (RCP 2.6), a 2.5-degree scenario (RCP 4.5), and a 4-degree scenario (RCP 8.5).

To analyze transition opportunities and risks, Vitesco Technologies focused on a below-2-degree scenario of the International Energy Agency (IEA), the so-called Sustainable Development Scenario (SDS). It assumes that innovation and the development of new energy technologies will be accelerated by concentrated policy efforts. Based on the SDS, Vitesco Technologies was able to make assumptions about developments in its markets.

**Further information:**
Sustainability Report > Climate Protection > Management Approach
Sustainability Report > Clean Mobility
CDP questionnaire 2021 > C2.1a, C2.3a, C2.4a, C3.2

| Category | Influence | Risk/Opportunity |
|---|---|---|
| **Physical risks** | More frequent and severe extreme weather events (floods, forest and bush fires, droughts, heat, heavy rains, etc.) and sea level rise | Damage to the energy infrastructure and interruption of the energy supply |
| | | Damage to assets (buildings, machinery, etc.) |
| | | Higher energy demand for air conditioning |
| | | Risks to the well-being and health of employees |
| | | Rising energy and maintenance costs |
| | | Interruptions of production and administration processes |
| **Transition risks** | Risks associated with the transition to a climate-neutral economy | Introduction of (cross-border) $CO_2$ taxes and levies |
| | | Increased requirements from customers and end users |
| | | Higher costs and investments in more climate-friendly technologies and mitigation measures |
| | | Negative impact on reputation |
| | | Increasing sustainability requirements for products and reporting |
| | | Unpredictability of the market |
| | | Changing preferences of customers and end consumers |
| | | Increased market intervention and regulation |
| **Opportunities** | Opportunities related to the transition to a carbon-neutral economy and mitigation and adaptation measures | Supply chain diversification |
| | | Expansion of the product portfolio |
| | | Use of renewable energies and low-emission energy sources |
| | | Faster increase in demand for products for electrification |
| | | Changing preferences of customers and end consumers |

## RISK MANAGEMENT

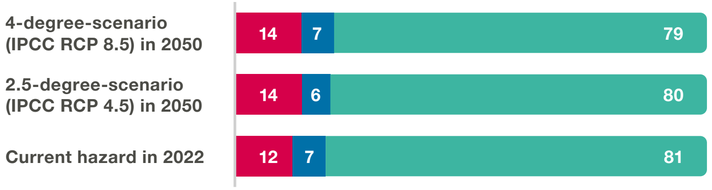
### Disclosure of the organization's processes for identifying, assessing, and managing climate-related risks

Vitesco Technologies has a comprehensive Governance, Risk & Compliance process that governs the identification, assessment and documentation of risks as well as reporting. In addition, the company carried out an independent process for identifying climate-related opportunities and risks in the fiscal 2022, which was based on the recommendations of the TCFD and the risk terminologies defined therein. The aim is to incorporate climate risk analysis into corporate risk management in the long term.

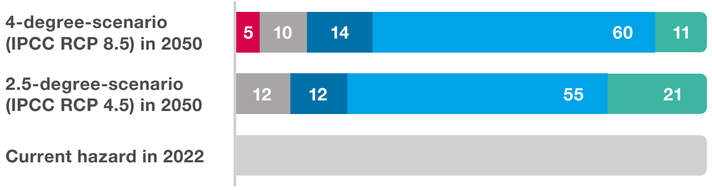
In fiscal 2022, the main climate-related opportunities and risks for Vitesco Technologies were defined in a workshop with in-house risk management, purchasing, energy management, strategy, and sustainability experts. The focus here was on the company's own business processes and locations. The basis was the climate-related opportunities and risks identified in the scenario analysis, which were analyzed and qualitatively weighted during the workshop. The workshop participants considered the physical impact of advancing climate change on the company's business activities based on a 4-degree scenario, in which physical climate risks have the greatest impact. To assess transition risks, participants analyzed political, technological, societal, and market developments under the 2-degree scenario. The results of the workshop were discussed with the Sustainability Core Team and subsequently approved by the Sustainability Steering Committee.

To analyze physical risks, Vitesco Technologies conducted Munich Re's Climate Portfolio Assessment for the company's 100 most important owned and leased buildings. The tool accurately assesses the physical hazard situation in different climate scenarios and time horizons, enabling precise statements to be made about the expected climate hazards at individual locations. It is based on the scientific findings of the IPCC and the RCPs from the fifth IPCC Assessment Report.

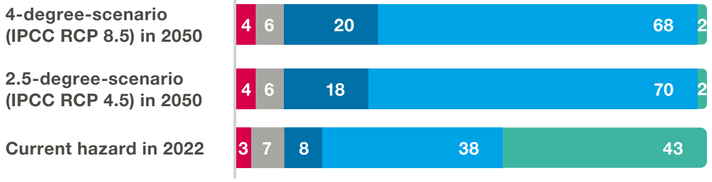
**River flood**[1]
Global warming poses the risk of river flooding in areas where flood control systems or facilities (e.g., dams) are not in place. Under a 4-degree scenario, 14% of sites will have a 100-year return period of flooding in 2050, which is the highest risk category.



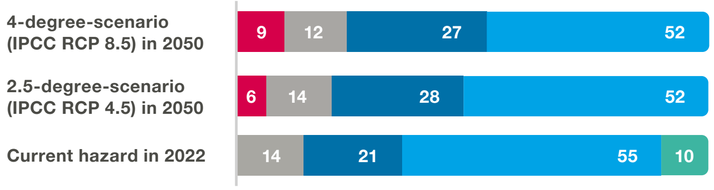

**Drought**[1,2]
Rising temperatures combined with changes in precipitation patterns could lead to drier weather and both more frequent and more severe droughts, which would have serious economic, environmental, and societal impacts. Under a 4-degree scenario, 85% of sites will be at low to moderate risk of drought in 2050. 15% of sites will have a medium-high or high risk.



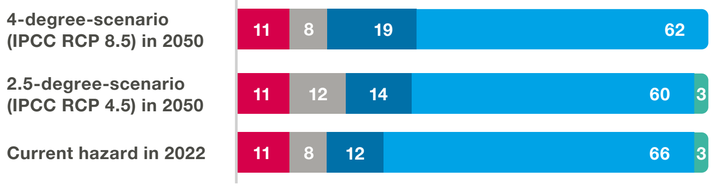

**Fire weather**[1]
Forest or bush fires can be caused by natural events as well as by humans. They not only destroy vegetation, but equally destroy infrastructure and economic resources. The proportion of low-risk sites will decrease in all scenarios. In 2100, nearly 50% of sites will face a medium-high to very high risk of wildfire under the 4-degree scenario.




**Heat**[1]
Global warming is causing rising temperatures and more severe and frequent heat waves. Heat stress puts a strain on people, infrastructures, and ecosystems. By 2050, the number of medium- to high-risk sites will increase. Under a 4-degree scenario, 9% of sites will be at high risk in 2050.




**Heavy precipitation**[1]
Due to global warming and the rise in ocean temperature, the air contains more moisture, resulting in increased heavy precipitation. Heavy rainfall increases the risk of flooding, which often destroys infrastructure. The number of low-risk sites will decrease from 69% to 62% by 2050 under a 4-degree scenario. At the same time, there will be more medium-risk sites, while the number of high-risk sites will remain the same.




**Legend**
High risk — Low risk

[1]All figures in %. Due to rounding, the sum of the percentages may differ from 100%.
[2]No current hazard data is available for this index.

Based on the analysis, the climate hazards of river floods, drought, fire weather, heat, and heavy precipitation were identified as risks.

**Further information:**
Sustainability Report > Company Portrait > Risk and Opportunity Management
CDP questionnaire 2021 > C2.1b, C2.2, C2.3a, C2.4a, C3.2

## INDICATORS AND TARGETS

### Disclosure of indicators and targets for assessing and managing relevant climate-related risks and opportunities, where this information is material

In accordance with the Paris Climate Agreement, Vitesco Technologies has committed to working towards limiting global warming to 1.5 °C and actively taking measures to avoid, reduce and, where necessary, offset greenhouse gas emissions. The goal is to achieve climate neutrality for its own operational activities by 2030 and for the entire value chain by no later than 2040. In addition, the company submitted its short-term interim targets for 2030 to the Science Based Targets initiative in the 2022 fiscal year, and expects confirmation in 2023.

To monitor the extent to which targets are being met, Vitesco Technologies reports key key performance indicators, such as its own greenhouse gas emissions according to Scope 1 and 2 of the GHG Protocol and Scope 3 emissions in the upstream and downstream value chain. Targets for reducing Scope 1 and Scope 2 emissions are also part of the long-term incentive plans of the Executive Board and executives.

**Further information:**
Sustainability Report > Climate Protection > Greenhouse Gas Emissions in the Upstream and Downstream Value Chain (Scope 3), Greenhouse Gas Balance (Scope 1 to 3), Science Based Targets Submitted
Sustainability Report > Resource Efficiency and Circularity > Focus Topic: Energy, Focus Topic: Water, Focus Topic: Waste
CDP questionnaire 2021 > C4.1a, C4.2, C5.2, C5.3, C6.1–3, C6.5, C6.7, C7.2, C7.5, C8.2a–d, C2.8g

# EU TAXONOMY REGULATION DISCLOSURES

**Source:** Annual Report 2022 > Management Report > Corporate Profile > Sustainability and Consolidated Non-Financial Statement > starting p. 96
**Note:** The text has been adjusted for page references.

According to Article 8 of the Taxonomy Regulation, Vitesco Technologies is required to disclose how and to what extent its own business activities are linked to economic activities that can be classified as environmentally sustainable economic activities according to Article 3 and Article 9 of the Taxonomy Regulation.

The Taxonomy Regulation requires companies to analyze their business activities with regard to the environmental goals of climate change mitigation, climate change adaption, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

In accordance with Art. 8 of the Taxonomy Regulation, reporting companies must disclose the share of their economic activities that are taxonomy-aligned and their taxonomy-aligned in the company's total turnover as well as in the company's capital and operating expenditures for the two environmental goals of climate change mitigation and climate change adaption for the fiscal 2022.

## OPPORTUNITIES AND CHALLENGES

In accordance with the publication of the European Securities and Markets Authority (ESMA) dated October 29, 2021, we would like to point out that the Taxonomy Regulation remains dynamic in nature, and that the following disclosures are provided in accordance with the current state of interpretation.

The Taxonomy Regulation entails various uncertainties of interpretation and, according to current understanding, goes beyond the regulations to be applied by companies. For locations outside the European Union, this leads to further challenges, as the applicable legal situation may differ from the regulations referenced in the Taxonomy Regulation.

The products and technologies for electric powertrains as well as electrification solutions for hybrid vehicles developed and manufactured by Vitesco Technologies contribute significantly to expanding clean or climate-neutral mobility as set out in Art. 10 (1) c of the Taxonomy Regulation. According to the current state of interpretation of the activities defined by the Taxonomy Regulation, it is still unclear to what extent companies in the automotive supply industry - even if, like Vitesco Technologies, they have a significant share in the upcoming transformation processes of the transport and mobility sector – may report under the Taxonomy Regulation. We assume that the regulator will provide clarity here and that Vitesco Technologies could then report the revenues and investments shown in the Clean Mobility section in full, as part of a corresponding activity under the Taxonomy Regulation.

## PROJECT APPROACH FOR DETERMINING THE REPORTING INFORMATION

The taxonomy-eligible activities identified in fiscal 2021 were subjected to a critical review in the current fiscal.

The corresponding taxonomy-eligible activities were determined for Vitesco Technologies in accordance with the methodology applied in fiscal 2021, using the accounting policies described below:

> A taxonomy-eligible economic activity is defined in Delegated Regulation (EU) 2021/2178 Art. 1, Nos. 5 and 6, as an economic activity described in the delegated acts adopted pursuant to the Taxonomy Regulation, irrespective of whether such economic activity meets all the technical test criteria set out in those delegated acts. A taxonomy non-eligible economic activity means an economic activity that is not described in the delegated acts adopted.
> Double counting in the calculation of key indicators across economic activities is excluded by the uniformly used population per key indicator.
> We took into account the draft FAQs on interpreting the EU taxonomy as published by the EU Commission on December 19, 2022, ("FAQ Climate Delegated Acts on the interpretation and implementation of legal provisions of the EU," "FAQ Climate Delegated Acts on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8") as part of preparing the EU Taxonomy Regulation Disclosures for fiscal 2022.
> Of the economic activities described in the EU Commission Delegated Regulation 2022/1214 and in Annex XII, Vitesco Technologies only operates its own cogeneration plants to a minor extent; therefore, for reasons of materiality, the reporting according to Annex XII of the EU Commission Delegated Regulation 2021/2178 was not performed.

## TAXONOMY ELIGIBILITY

In accordance with Annex I of Delegated Regulation (EU) 2021/2139 (Climate Change), the following economic activities by Vitesco Technologies have been identified as eligible for taxonomy:

> Category 3.4: Manufacture of batteries

Annex I of the Delegated Regulation defines this economic activity as the "manufacture of rechargeable batteries, battery packs and accumulators for transport, stationary and distributed energy storage and other industrial applications" and the "manufacture of related components (active materials for batteries, battery cells, casings and electronic components)." The manufacture of components for batteries and battery management systems can be clearly assigned to this activity.

Beyond the above product-related economic activities, Vitesco Technologies performs other taxonomy-eligible activities that are not directly related to its product portfolio. These include:

> Activity 6.5 Transport by passenger and commercial vehicles
> Activity 7.3 Installation, maintenance, and repair of energy-efficient equipment
> Activity 7.6 Installation, maintenance, and repair of renewable energy technologies
> Activity 7.7 Acquisition and ownership of buildings

## TAXONOMY ALIGNMENT

The following criteria were reviewed to determine taxonomy alignment:

> Evidence that the requirements for making a substantial contribution to the environmental goal of climate change mitigation are met by Activity 3.4 Production of batteries: The requirements call for the production of rechargeable batteries that result in greenhouse gas emission savings in the transportation sector, e. g. The battery components manufactured by Vitesco Technologies are intended for the transport sector and are part of the "electrification solutions" product portfolio described above. Where technically possible, preference is given to the use of secondary raw materials in production. The criteria of a substantial contribution are thus fulfilled.
> Compliance with the DNSH (Do No Significant Harm) criteria to avoid negative effects on the other five environmental targets. The verification of compliance with the DNSH criteria was carried out for the sites relevant to battery production:
  - For the environmental goal "climate change mitigation," a climate risk analysis was carried out to identify possible negative impacts of climate change on the battery production sites. No significant climate risks were identified in the climate risk analysis.
  - For the environmental objective "sustainable use and protection of water and marine resources," it must be ensured that the activity does not pose a risk to water quality or promote water scarcity. The analysis was mainly based on the existing ISO 14001 certificates, as well as external analyses with regard to regions with increased water stress, and – where relevant – official documents.
  - For the environmental goal "transition to a circular economy," the possibility, as well as the actual use of secondary raw materials, the recyclability and durability of the product, and the traceability of substances of concern were evaluated based on Vitesco Technologies' internal guideline "Design for Environment."
  - For the environmental goal "pollution prevention and control," compliance with the REAChRegulation and the applicable sustainability regulations for the marketing of batteries is required. In addition, substances on the candidate list for the REACh Regulation may only be used within the scope of the essential benefit to society. Through the production of battery components necessary for the clean mobility explicitly formulated as a goal by the EU taxonomy, these products of Vitesco Technologies fulfill the requirements for the declaration obligation according to Article 33(1) REACh. In the context of product development, the use of alternative substances is also weighed and thus the benefit-harm ratio is discussed. The existing requirements of the automotive sector as well as the management processes implemented by Vitesco Technologies to comply with these environmental requirements ensure conformity with the REACh Regulation. Substances from the candidate list, which are transferred to the authorization list Annex XIV REACh, are consistently removed from the program.
  - For the environmental goal "protection and restoration of biodiversity and ecosystems," a possible impact of battery production sites on biodiversity areas was analyzed. Besides the Natura 2000 database, ISO 14001 certifications and existing impact assessments were used for this purpose.
> Compliance with the requirements of the frameworks listed in the Minimum Social Standards: Verification is carried out through the in-house management concept for risk analysis and addressing identified risks.

Activity 3.4. Manufacture of batteries meets the requirements for taxonomy alignment for Vitesco's own production sites. In the following, the turnover, investments and operating expenses related to these production sites are reported as taxonomy-aligned.

The share of taxonomy-eligible but taxonomy non-aligned turnover of Activity 3.4. Manufacture of batteries relates to contract manufacturing. Contract Manufacturing is to be considered in the reporting according to the EU Commission's FAQ published on December 19, 2022. Due to the short-term nature of its inclusion in the EU taxonomy reporting, a review of the technical assessment criteria could not be carried out, as this requires close coordination with the contract manufacturer. Vitesco Technologies alone cannot perform a review of the criteria.

The taxonomy-aligned, non-turnover activities described above fall under the definition of 1.1.2.2 (c) and 1.1.3.2. (c), respectively, in Annex I of Delegated Regulation (EU) 2021/2178, and are thus deemed to be acquisitions of products from taxonomy-aligned or -eligible economic activities provided by other companies. According to the current interpretation of the Taxonomy Regulation, the proof of taxonomy alignment in these cases cannot be provided by Vitesco Technologies itself, but only by the supplier of the service. And only by means of proof provided by the supplier can these investments or operating expenses be reported as taxonomy-aligned at Vitesco Technologies. Due to this provision of information along the supply chain, which is not yet customary and has not been carried out, these activities cannot be reported as taxonomy-aligned in the current fiscal.

## REPORT DETAILS

The turnover associated with the identified taxonomy-eligible, product-related economic activities (eligible turnover) was determined using a turnover classification by product group from the existing financial accounting systems. The share of all taxonomy-eligible economic activities in total turnover in fiscal 2022 was thus 0.22%. The share of all taxonomy-aligned economic activities in total turnover amounted to 0.07% in fiscal 2022. The total turnover used for the calculation corresponds to the net revenues according to IFRS reported in the Annual Report.

| Share of taxonomy-aligned and taxonomy non-aligned economic activities in total turnover | Revenues in € millions (2022) | Share in % (2022) |
|---|---|---|
| Turnover from taxonomy-aligned economic activities | 6.1 | 0.07 |
| Turnover from taxonomy-aligned, taxonomy non-aligned economic activities | 13.7 | 0.15 |
| Turnover from taxonomy non-eligible activities | 9,050.2 | 99.78 |
| **Total** | **9,070.0** | **100.00** |

Capital expenditures related to assets or processes associated with taxonomy-eligible economic activities (eligible CapEx) were identified by breaking down Vitesco Technologies' total capital expenditures by type of cost. Among production-related capital expenditures, only those related to the products of the economic activity identified as taxonomy-eligible above, 3.4 Manufacturing of Batteries, were considered. In this context, investments in integrated production facilities that could not be clearly attributed to the business activities included under Activity 3.4 were distributed according to a key. The revenues of the relevant production sites were used to determine the distribution key. In the case of integrated production sites, the percentage share of taxonomy-eligible investments thus corresponds to the percentage share of taxonomy-eligible turnover. The same procedure was used to determine the taxonomy-aligned investments.

Among the supplementary investments, a differentiation was made along asset classes. Included, for example, were capital expenditures for the company's own vehicle fleet and the acquisition of buildings.

The share of taxonomy-eligible capital expenditures in total capital expenditures in fiscal 2022 amounted to 10.54%. The share of taxonomy-aligned capital expenditures in total capital expenditures was 2.06% in fiscal 2022. The total capital expenditure taken as a basis corresponds to the gross additions to intangible and tangible assets, as well as the right-of-use assets recognized in accordance with IFRS 16.

| Share of capital expenditures related to taxonomy-aligned and taxonomy non-aligned economic activities in total capital expenditures | Capital expenditure in € million (2022) | Share in % (2022) |
|---|---|---|
| Capital expenditures related to taxonomy-aligned economic activities | 11.7 | 2.06 |
| Capital expenditures related to taxonomy-eligible, taxonomy non-aligned economic activities | 48.2 | 8.48 |
| Capital expenditures related to taxonomy non-eligible economic activities | 508.5 | 89.46 |
| **Total** | **568.4** | **100.00** |

Operating expenses relating to assets or processes in connection with taxonomy-eligible economic activities (eligible OpEx) were determined for Activity 3.4 Manufacture of batteries, which was identified as taxonomy-eligible, again using the allocation key described for capital expenditures. The operating expenses for the identified non-product-related activities could be allocated directly. In accordance with the definition in the Taxonomy Regulation, the following types of costs were used as a basis:

> Research and development costs
> Maintenance and repair costs
> Current leases

The same procedure was used to determine taxonomy-aligned operating expenses.

The share of taxonomy-eligible operating expenses as defined in the Taxonomy Regulation in total operating expenses in fiscal 2022 was 8.10%. Taxonomy-aligned operating expenses as a percentage of total operating expenses was 5.10% in fiscal 2022. The taxonomy-eligible and taxonomy-aligned shares of operating expenses can be seen in the "of which" notes below.

| Share of operating expenses related to taxonomy-aligned and taxonomy non-aligned economic activities in total operating expenses | Operating expenses in € millions (2022) | Share in % (2022) |
|---|---|---|
| Operating expenses in connection with taxonomy-aligned economic activities | 37.4 | 5.10 |
| of which operating expenses for research and development | 37.1 | 5.05 |
| of which operating expenses for maintenance and repair | 0.3 | 0.05 |
| Operating expenses in connection with taxonomy-eligible, taxonomy non-aligned economic activities | 22.1 | 3.00 |
| Operating expenses related to taxonomy non-eligible economic activities | 675.2 | 91.90 |
| **Total** | **734.7** | **100.00** |

The mandatory tables on the ratios of taxonomy-eligible and taxonomy-aligned economic activities can be found in the appendix below.

# APPENDIX

## TEMPLATE: PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2022

| | | | | Substantial contribution criteria | | | | | | DNSH criteria | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic activities | Code(s) | Absolute turnover | Proportion of turnover | Climate change mitigation | Climate change adaptation | Water and marine resources | Circular economy | Pollution | Biodiversity and ecosystems | Climate change mitigation | Climate change adaptation | Water and marine resources | Circular economy | Pollution | Biodiversity and ecosystems | Minimum safeguards | Taxonomy-aligned proportion of turnover year N | Taxonomy-aligned proportion of turnover year N-1 | Category (enabling activity) | Category (transitional activity) |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) | (16) | (17) | (18) | (19) | (20) | (21) |
| | | **kEUR** | % | % | % | % | % | % | % | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | % | **E** | **T** |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | | | | | | | |
| Manufacture of batteries | 3.4 | 6,100 | 0.07% | 100.00% | – | – | – | – | – | Y | Y | Y | Y | Y | Y | Y | 0.07% | – | E | – |
| **Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | 6,100 | 0.07% | 100.00% | | | | | | | | | | | | | 0.07% | | | |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | | |
| Manufacture of batteries | 3.4 | 13,709 | 0.15% | | | | | | | | | | | | | | | | | |
| **Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | 13,709 | 0.15% | | | | | | | | | | | | | | | | | |
| **Total (A.1+A.2)** | | **19,809** | 0.22% | | | | | | | | | | | | | | | | | |
| **B. TAXONOMY-NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | | |
| **Turnover of Taxonomy-non-eligible activities (B)** | | 9,050,200 | 99.78% | | | | | | | | | | | | | | | | | |
| **Total (A+B)** | | **9,070,009** | 100.00% | | | | | | | | | | | | | | | | | |

## TEMPLATE: PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2022

| | | | | Substantial contribution criteria | | | | | | | DNSH criteria | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic activities | Code(s) | Absolute CapEx | Proportion of CapEx | Climate change mitigation | Climate change adaptation | Water and marine resources | Circular economy | Pollution | Biodiversity and ecosystems | Climate change mitigation | Climate change adaptation | Water and marine resources | Circular economy | Pollution | Biodiversity and ecosystems | Minimum safeguards | Taxonomy-aligned proportion of CapEx year N | Taxonomy-aligned proportion of CapEx year N-1 | Category (enabling activity) | Category (transitional activity) |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) | (16) | (17) | (18) | (19) | (20) | (21) |
| | | **kEUR** | % | % | % | % | % | % | % | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | % | **E** | **T** |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | | | | | | | |
| Manufacture of batteries | 3.4 | 11,682 | 2.06 % | 100.00 % | 0 | – | – | – | – | Y | Y | Y | Y | Y | Y | Y | 2.06 % | – | E | – |
| **CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | **11,682** | **2.06 %** | | | | | | | | | | | | | | | | | |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | | |
| Acquisition and ownership of buildings | 7.7 | 39,645 | 6.97 % | | | | | | | | | | | | | | | | | |
| Transport by motorbikes, passenger cars and light commercial vehicles | 6.5 | 5,520 | 0.97 % | | | | | | | | | | | | | | | | | |
| Installation, maintenance and repair of energy efficiency equipment | 7.3 | 1,552 | 0.27 % | | | | | | | | | | | | | | | | | |
| Installation, maintenance and repair of renewable energy technologies | 7.6 | 1,507 | 0.27 % | | | | | | | | | | | | | | | | | |
| **CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | 48,224 | 8.48 % | | | | | | | | | | | | | | | | | |
| **Total (A.1+A.2)** | | **59,906** | 10.54 % | | | | | | | | | | | | | | | | | |
| **B. TAXONOMY-NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | | |
| **CapEx of Taxonomy-non-eligible activities (B)** | | 508,483 | 89.46 % | | | | | | | | | | | | | | | | | |
| **Total (A+B)** | | **568,389** | 100.00 % | | | | | | | | | | | | | | | | | |

## TEMPLATE: PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2022

| | | | | Substantial contribution criteria | | | | | | | | DNSH criteria | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic activities | Code(s) | Absolute OpEx | Proportion of OpEx | Climate change mitigation | Climate change adaptation | Water and marine resources | Circular economy | Pollution | Biodiversity and ecosystems | Climate change mitigation | Climate change adaptation | Water and marine resources | Circular economy | Pollution | Biodiversity and ecosystems | Minimum safeguards | Taxonomy-aligned proportion of OpEx year N | Taxonomy-aligned proportion of OpEx year N-1 | Category (enabling activity) | Category (transitional activity) |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) | (16) | (17) | (18) | (19) | (20) | (21) |
| | | **kEUR** | % | % | % | % | % | % | % | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | % | **E** | **T** |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | | | | | | | |
| Manufacture of batteries | 3.4 | 37,441 | 5.10 % | 100.00 % | 0 | – | – | – | – | Y | Y | Y | Y | Y | Y | Y | 5.10 % | – | E | – |
| **OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | **37,441** | 5.10 % | | | | | | | | | | | | | | | | | |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | | |
| Acquisition and ownership of buildings | 7.7 | 22,068 | 3.00 % | | | | | | | | | | | | | | | | | |
| **OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | 22,068 | 3.00 % | | | | | | | | | | | | | | | | | |
| **Total (A.1+A.2)** | | **59,509** | 8.10 % | | | | | | | | | | | | | | | | | |
| **B. TAXONOMY-NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | | |
| **OpEx of Taxonomy-non-eligible activities (B)** | | 675,165 | 91.90 % | | | | | | | | | | | | | | | | | |
| **Total (A+B)** | | **734,674** | 100.00 % | | | | | | | | | | | | | | | | | |

# APPENDIX

## REPORT PROFILE

This report represents the separate Sustainability Report of Vitesco Technologies.

### MODULAR REPORTING AND FRAMEWORKS

GRI 2-5, -14

The Sustainability Report has a modular structure and is approved by the Chief Human Resources Officer, who is responsible for sustainability at Executive Board level. It brings together the sustainability information from the Annual Report 2022 - including the Consolidated Non-Financial Statement, parts of the Corporate Governance Report, and parts of the Management Report and the Consolidated Financial Statements - and supplements it with information with reference to the 2021 standards of the Global Reporting Initiative (GRI), the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB).

The indices in the appendix show the allocation of this report's content to these standards and also include an overview of report content in terms of the Sustainable Development Goals (SDGs). In addition, the report reflects information requested by customers and investors in the areas of environment, social and governance.

The framework for the preparation of the Consolidated Non-Financial Statement contained in the Sustainability Report is the German Commercial Code (HGB). In accordance with sections 315b and 315c of the German Commercial Code in conjunction with sections 289b to 289e of the German Commercial Code, the Non-Financial Statement contains disclosures on environmental, employee-related, and social issues, as well as on the topics of respect for human rights and combating corruption and bribery, to the extent that these are necessary for an understanding of the company's business performance, results, and situation, as well as the company's impact on the aforementioned aspects. For specific disclosures on the share of environmentally sustainable business activities in Vitesco Technologies' total turnover, capital expenditures and operating expenses, the Taxonomy Regulation and the related delegated acts of the EU Commission serve as a framework.

### ACCOUNTING FRAMEWORK AND REPORTING PERIOD

GRI 2-2, -3, -4

Analogous to the financial reporting, the Sustainability Report relates to all fully consolidated companies of the company (see Annual Report 2022 on p. 215). The report covers the fiscal year from January 1 to December 31, 2022, and includes current developments up to the editorial deadline of March 20, 2023. The editorial deadline for the contents of the Annual Report presented in this report was March 6, 2023.

Since the last Sustainability Report, Vitesco Technologies has improved some calculation models for emission factors on the one hand and the calculation methodology on the other hand. For this reason, Vitesco Technologies has recalculated the greenhouse gas emissions for fiscal 2021 (see chapter Climate Protection).

## TEXT AND ASSURANCE MARKINGS

GRI 2-5

The main contents of this Sustainability Report have been assured by an independent auditor. The externally assured contents are marked according to the following overview.

## NOTE ON ROUNDING DIFFERENCES

This Sustainability Report uses rounded figures. For this reason, rounding differences may occur in some cases when the values rounded within tables are added up.

| Marking | Text content | Valid audit opinion | Date of the audit opinion | Reference |
|---|---|---|---|---|
| Content that has been assured by an independent auditor is marked by a yellow line on the left-hand edge of the column | Content from the Consolidated Financial Statements and the Management Report (except the Consolidated Non-Financial Statement) | Independent auditor's report on the Audit of the Consolidated Financial Statements and the Combined Management Report | March 10, 2023 | Annual Report 2022, p. 292 |
| | Content from the Consolidated Non-Financial Statement (reasonable assurance) | Independent auditor's report on a review of the Consolidated Non-Financial Statement | March 10, 2023 | Annual Report 2022, p. 292 |
| | Content from the EU Taxonomy Regulation Disclosures (limited assurance) | | March 10, 2023 | Annual Report 2022, p. 105 |
| | Selected key figures from the Sustainability Report:<br>• Greenhouse gas emissions Scope 3 in million t $CO_2e$<br>• Greenhouse gas intensity (Scope 1-3) in kg $CO_2e$ per €<br>• Energy reduction achieved from efficiency projects in GWh<br>(limited assurance) | Independent auditor's report on an independent audit to obtain limited assurance review on selected key performance indicators in the Sustainability Report | March 23, 2023 | Link |
| Content that has not been assured by an independent auditor | All content other than that mentioned above | – | – | – |

# METHODOLOGY USED FOR CALCULATING GREENHOUSE GAS EMISSIONS

Vitesco Technologies calculates and reports greenhouse gas emissions in accordance with the Corporate Accounting and Reporting Standard 2004 and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard 2011 of the Greenhouse Gas Protocol. Included in the reporting are all direct greenhouse gas emissions from company-owned emission sources (Scope 1), indirect greenhouse gas emissions from the generation of purchased electricity and energy (Scope 2), and greenhouse gas emissions from the upstream and downstream value chain (Scope 3). The reporting covers all 15 Scope 3 categories of the GHG Protocol. Operational control was chosen as the consolidation approach. Greenhouse gas emissions from companies over which Vitesco Technologies has no operational control are reported in Scope 3 category 15. Vitesco Technologies has generally calculated greenhouse gas emissions at the site level in the Sphera Cloud for Sustainability software. A few calculations were also performed at the country or group level. The following documentation includes a description of the data basis, calculation approaches, and assumptions used in the calculation of Scope 3 emissions.

## CATEGORY 1: PURCHASED GOODS AND SERVICES

Vitesco Technologies uses three calculation approaches in this category: one for purchased production materials, one for purchased finished goods in the context of contract manufacturing, and one for other purchased goods and services. The calculation approach for purchased production materials is based on internal purchasing data. In addition to data on the quantity and expenditure of production materials, weight data was used. Vitesco Technologies calculated the purchased weight per material group from the purchase quanities and the material weights. For production materials for which weight information was not available, Vitesco Technologies estimated weight based on expenses. For this purpose, average weights were calculated for each material group. Vitesco Technologies also used a scaling approach to ensure that all weights of sold products were included in the calculation approach. Vitesco Technologies worked with Sphera Solutions GmbH to calculate weight-based emission factors using GaBi software. Besides the materials mix, some of the calculation models also included qualified estimates for manufacturing procedures, scrap rates, energy mixes, and parameters for regionalization. To calculate greenhouse gas emissions, Vitesco Technologies assigned a corresponding emission factor to each product group. Vitesco Technologies calculated greenhouse gas emissions from the purchase of finished goods in the context of contract manufacturing based on the expenses incurred. Vitesco Technologies used the average greenhouse gas emissions from the purchase of production materials from selected company-owned sites as the emission factor. For greenhouse gas emissions associated with the purchase of other purchased goods and services, Vitesco Technologies used the expenditures from its internal purchasing system, and assigned the corresponding expenditures to a commodity group. Each commodity group has been assigned a Defra cradle-to-gate emission factor (Table 13 - Indirect Emissions from Supply Chain, Version 2.0, March 2014). Vitesco Technologies updated the Defra emission factors (as of September 2021) by the latest inflation and exchange rates. Greenhouse gas emissions in this category were calculated using the average spend-based methodology and the average-data methodology described in the GHG Protocol “Technical Guidance for Calculating Scope 3 Emissions (version 1.0)” (Scope 3 Calculation Guidance). Due to the varying timeliness of emission factors, global warming potentials from different status reports were used. Since the last Sustainability Report, Vitesco Technologies has improved some calculation models for emission factors on the one hand and the calculation methodology on the other hand. For this reason, Vitesco Technologies has recalculated the greenhouse gas emissions for fiscal 2021.

## CATEGORY 2: CAPITAL GOODS

Greenhouse gas emissions in this category include emissions from the purchase of capital goods. For the calculation, Vitesco Technologies determined expenditures for capital goods from its internal purchasing system. Vitesco Technologies grouped the expenditures into eight capital goods groups. Each capital goods group is assigned a Defra cradle-to-gate emission factor (Table 13 - Indirect Emissions from Supply Chain, Version 2.0, March 2014). Vitesco Technologies has updated the Defra emission factors (as of September 2021) by the latest inflation and exchange rates. Greenhouse gas emissions in this category were calculated using the spend-based methodology described in the Scope 3 Calculation Guidance. Global warming potenials were used from the IPCC Second Assessment Report. Vitesco Technologies has changed the method used to calculate emissions for this category since the last Sustainability Report. Vitesco Technologies has recalculated its greenhouse gas emissions for 2021.

## CATEGORY 3: FUEL- AND ENERGY-RELATED ACTIVITIES (NOT INCLUDED IN SCOPE 1 OR 2)

Vitesco Technologies, in line with Scope 1 and Scope 2 reporting, has used the energy consumption of all sourced energy at relevant production and development sites to calculate greenhouse gas emissions for this category. For the calculation, Vitesco Technologies used well-to-tank emission factors from Defra (as of September 2021), the GHG Protocol (Cross Sector Tool, August 2012), and the IEA (November 2021). Vitesco Technologies also assigned a transportation and distribution emission factor to pipeline-based fuels and grid connected electricity in addition to the well-to-tank emission factor. Greenhouse gas emissions in this category were calculated using the average data method described in the Scope 3 Calculation Guidance. Global warming potentials from the IPCC Fourth Assessment Report were used.

## CATEGORY 4: UPSTREAM TRANSPORTATION AND DISTRIBUTION

Greenhouse gas emissions in this category include shipments of production materials between suppliers and Vitesco Technologies, shipments to customers paid for by Vitesco Technologies, and expenditure on distribution services. For their calculation, Vitesco Technologies evaluated shipment reports from freight service providers at each site. The shipment reports include greenhouse gas emissions calculated by the service providers on the one hand and expenditures, weight, and geographic information on the other. In the case of shipments for which calculated emissions were not available, Vitesco Technologies assigned appropriate Defra emission factors (as of September 2021; well-to-wheel; excluding cloud formation for air freight). For shipments paid for by Vitesco Technologies that were not included in the shipping reports evaluated, Vitesco Technologies used the expenses incurred. These were multiplied by a weighted emission factor determined from the shipping reports. For shipments paid for by suppliers, Vitesco Technologies used the material weight that was not covered by the transportation paid for by Vitesco Technologies. For this calculation, Vitesco Technologies used a qualified estimate to convert between gross and net weights. In addition, Vitesco Technologies used distribution services expenditures to calculate emissions. Expenditure has been assigned a cradle-to-gate emissions factor from Defra (Table 13 - Indirect Emissions from Supply Chain, Version 2.0, March 2014). Vitesco Technologies has updated the Defra emission factors (as of September 2021) by latest inflation and exchange rates. Greenhouse gas emissions for this category were calculated using the distance-based and spend-based methodologies described in the Scope 3 Calculation Guidance. Due to the different timeliness of emission factors, global warming potentials from different IPCC Assessment Reports were used. Vitesco Technologies has changed the methodology used to calculate emissions for this category since the last Sustainability Report. Vitesco Technologies has recalculated its greenhouse gas emissions for 2021.

## CATEGORY 5: WASTE

To calculate greenhouse gas emissions for this category, Vitesco Technologies used waste and wastewater data reported by relevant production and development sites. Waste volumes were grouped into different waste categories. Vitesco Technologies assigned a Defra emission factor (as of September 2021) to each waste category and to the wastewater volumes. For non-relevant production and development sites, Vitesco Technologies used the average emissions per employee from relevant development sites. Greenhouse gas emissions from this category are calculated using the waste-type-specific method described in the Scope 3 Calculation Guidance. Global warming potentials from the IPCC Fourth Assessment Report were used.

## CATEGORY 6: BUSINESS TRAVEL

The greenhouse gas emissions in this category represent global emissions from business travel. Vitesco Technologies obtained previously calculated greenhouse gas emissions for flights and rail travel at the country level from travel agencies.

From the data, Vitesco Technologies also determined the number of hotel nights. In addition, greenhouse gas emissions calculated by vehicle rental agencies were provided. For hotel nights, Vitesco Technologies calculated its own emission factor based on Defra emission factors (as of September 2021). For flights, rail travel, car hire and hotel stays, the share of total travel activity provided by service providers was estimated. These factors were used to scale emissions. For countries without data availability, Vitesco Technologies calculated an average emission factor and multiplied it by the number of employees in each country. Emissions provided by service providers were based on the fuel-based and distance-based methods, as well as the average-data method described in the Scope 3 Calculation Guidance. The calculation of greenhouse gas emissions from hotel stays and emissions in countries without data availability is based on the average data method. The global warming potential from the IPCC's Fourth Assessment Report was used.

## CATEGORY 7: EMPLOYEE COMMUTING

This category comprises greenhouse gas emissions from employees commuting between home and work. To determine employee commuting patterns, Vitesco Technologies conducted a representative global survey in December 2022. From the results of the survey, commute profiles were determined at different levels (global, regional, country-specific and selected sites). Each site was assigned a corresponding commute profile. Each commute profile consists of the average commute per employee and mode of transport (zero-emissions, different vehicles, different public transport and air). Commuting includes both regular commuting between home and work and regular additional commuting (e. g., for traveling home to the family every week). In calculating the commuting distance, the distances between home and workplace and the average days worked at the site were considered. Employees could choose up to two modes of transportation for their daily commute. By multiplying the average commutes per mode and the number of employees, Vitesco Technologies calculated the total commute distance per mode. Vitesco Technologies used appropriate Defra emission factors (as of September 2021) to calculate emissions. Greenhouse gas emissions from transport use were calculated using the distance-based method described in the Scope 3 Calculation Guidance. The global warming potentials used were from the IPCC's Fourth Assessment Report. Compared to its last Sustainability Report, Vitesco Technologies only calculated Scope 1

and Scope 2 emissions from the transportation modes used. Vitesco Technologies has recalculated its emissions for 2021.

## CATEGORY 8: UPSTREAM LEASED ASSETS

Vitesco Technologies reports greenhouse gas emissions from rented or leased buildings and equipment under Scope 1 and Scope 2 emissions. The calculation method has changed compared to its last Sustainability Report. In fiscal years 2021 and 2022, Vitesco Technologies had no rented or leased buildings and equipments that fall under the scope of Scope 3 reporting. Vitesco Technologies has recalculated its emissions for 2021.

## CATEGORY 9: DOWNSTREAM TRANSPORTATION AND DISTRIBUTION

To calculate greenhouse gas emissions for this category, Vitesco Technologies used the freight weight of transportation paid for by customers. Vitesco Technologies determined the freight weight from the difference between the shipping weights of products sold and the shipping weights of shipments to customers paid for by Vitesco. Vitesco Technologies used a qualified estimate for the packaging weight of shipments. To calculate emissions, Vitesco Technologies determined, from published reports from selected customers, the average emissions from upstream transportation and distribution (Category 4) per vehicle. From this data, Vitesco Technologies calculated a weighted emission factor based on vehicle mass. For the calculation, Vitesco Technologies determined the average vehicle weight based on the International Council on Clean Transportation (ICCT) study “A Global Comparison of the Life-Cycle Greenhouse Gas Emissions of Combustion Engine and Electric Passenger Cars” published in 2021. On a smaller scale, Vitesco Technologies estimated the product weight of non-relevant sites using the average product weights per sales of relevant production sites. In general, the calculated greenhouse gas emissions used are based on the distance-based method. Compared to its last Sustainability Report, Vitesco Technologies has changed the method used to calculate emissions for this category. Vitesco Technologies has recalculated its greenhouse gas emissions for 2021.

## CATEGORY 10: PROCESSING OF SOLD PRODUCTS

To calculate greenhouse gas emissions for this category, Vitesco Technologies used weight quantities of products sold. From published reports of selected customers, Vitesco Technologies determined the average market-based Scope 2 emissions per vehicle. From this data, Vitesco Technologies calculated a weighted emission factor based on vehicle mass. For the calculation, Vitesco Technologies determined the average vehicle weight based on the ICCT study “A Global Comparison of the Life-Cycle Greenhouse Gas Emissions of Combustion Engine and Electric Passenger Cars” published in 2021. On a smaller scale, Vitesco Technologies estimated the product weight of non-relevant sites based on the average product weights per sales of relevant production sites. Compared to its last Sustainability Report, Vitesco Technologies has changed the methodology used to calculate emissions for this category. Vitesco Technologies has recalculated its greenhouse gas emissions for 2021.

## CATEGORY 11: USE OF SOLD PRODUCTS

To calculate greenhouse gas emissions for this category, Vitesco Technologies used weight quantities of products sold. In addition, Vitesco Technologies used sales data from internal systems. From the sales data, Vitesco Technologies determined the product mix per vehicle type (passenger cars, commercial vehicles, etc.), powertrain (internal combustion, hybrid, and battery electric vehicles) and sales regions (Europe, Asia, Americas). From the product mix and weight quantities of sold products, Vitesco Technologies calculated the weight per region and vehicle technology. Vitesco Technologies calculated an emission factor for each product category. To calculate the emission factor for passenger cars and light commercial vehicles, Vitesco Technologies used region- and technology-specific parameters (mileage, weight, average fuel consumption, etc.) from the ICCT study “A Global Comparison of Life-Cycle Greenhouse Gas Emissions of Combustion Engine and Electric Passenger Cars,” published in 2021. From this data, Vitesco Technologies determined a region-specific mileage between 240,000 and 290,000 km, a region-, technology-, and energy carrier-specific average consumption between 3.1 and 8.9 l/100 km, and a region- and technology-specific electricity demand between 0 and 21.3 kWh/km. Region- and energy-specific emission factors for gasoline, diesel, and electricity were also determined from the study. The study uses the International Energy Agency’s STEPS (Stated Policies Scenario) to project emission factors over the total lifetime. Emission factors for electricity range from 199 to 622 g $CO_2$e/kWh over the lifetime of the vehicles, according to the study. For other vehicle technologies, Vitesco Technologies determined qualified estimates for mileage, weights, and average consumption. In addition, Defra emission factors (as of September 2021) were assigned to these vehicle technologies to convert average consumption to emissions. On a smaller scale, Vitesco Technologies estimated the product weight of non-relevant sites using the average product weights per sales of relevant production sites. Global warming potentials from the IPCC Fourth Assessment Report were used. Compared to its last Sustainability Report, Vitesco Technologies has improved the methodology used to calculate emissions for this category. Vitesco Technologies has recalculated its greenhouse gas emissions for 2021.

## CATEGORY 12: END-OF-LIFE TREATMENT OF SOLD PRODUCTS

To calculate the greenhouse gas emissions of this category, Vitesco Technologies used the weight quantities of sold products. The emission factor used by Vitesco Technologies was modeled in cooperation with experts from Sphera Solutions GmbH using GaBi software. The model generally assumes disposal of all materials used in vehicles. For certain materials (e. g. aluminum, copper, steel, etc.), it is assumed that they can be recycled at the end of life of the vehicles. Emissions were calculated by multiplying the product weights by the emission factor. On a smaller scale, Vitesco Technologies estimated the product weight of non-relevant sites using the average product weights per sales of relevant production sites. Global warming potentials from the IPCC Fourth Assessment Report were used. Compared to its last Sustainability Report, Vitesco Technologies has improved the methodology used to calculate emissions for this category. Vitesco Technologies has recalculated its greenhouse gas emissions for 2021.

## CATEGORY 13: DOWNSTREAM LEASED ASSETS

In fiscal 2022, Vitesco Technologies did not rent or lease any buildings and equipment that is not already covered by Scope 1 and 2 reporting.

## CATEGORY 14: FRANCHISES

Vitesco Technologies did not operate franchises in fiscal year 2022.

## CATEGORY 15: INVESTMENTS

The greenhouse gas emissions in this category represent proportional greenhouse gas emissions from relevant associated companies, joint ventures and other investees. Vitesco Technologies has defined the threshold as a shareholding of at least one percent of the capital. For calculating these emissions, Vitesco Technologies determined the revenue as well as the Scope 1 and market-based Scope 2 emissions of the investees from the previous year. Vitesco Technologies allocated the emissions determined for the investee companies on a percentage basis using the share of capital. For investees for which Scope 1 and Scope 2 emissions could not be determined, Vitesco Technologies used the investees' prior-year revenue. Vitesco Technologies multiplied the proportional revenue by the average emissions per revenue of investee companies with the available emissions data. Emissions were calculated using the investment-specific method described in the Scope 3 Calculation Guidance. Global warming potentials from the IPCC Fourth Assessment Report were used. Vitesco Technologies has changed the calculation method compared to its last Sustainability Report. Vitesco Technologies has recalculated its greenhouse gas emissions for 2021.

# GRI CONTENT INDEX

Vitesco Technologies has reported the information cited in this GRI content index for the period from January 1, 2022 to December 31, 2022 with reference to the GRI Standards. For this purpose GRI 1: Foundation 2021 was used.

| GRI Standard and Disclosure | | Reference |
|---|---|---|
| GRI 2: General Disclosures 2021 | | |
| 2-1 | Organizational details | Company Portrait > Structure of the Group > Organizational Structure<br>Company Portrait > Structure of the Group > Sites |
| 2-2 | Entities included in the organization's sustainability reporting | Appendix > Report Profile > Accounting Framework and Reporting Period |
| 2-3 | Reporting period, frequency and contact point | Appendix > Report Profile > Accounting Framework and Reporting Period |
| 2-4 | Restatements of information | Appendix > Report Profile |
| 2-5 | External assurance | Appendix > Report Profile > Modular Reporting and Frameworks<br>Appendix > Report Profile > Text and Assurance Markings |
| 2-6 | Activities, value chain and other business relationships | Company Portrait > Business Model and Value Creation > Group Strategy DIRECTION 2030<br>Company Portrait > Business Model and Value Creation > Business Units |
| 2-7 | Employees | Fair Work and Diversity > Further Employee Figures in Detail |
| 2-8 | Workers who are not employees | Fair Work and Diversity > Further Employee Figures in Detail |
| 2-9 | Governance structure and composition | Company Portrait > Structure of the Group > Corporate Governance |
| 2-10 | Nomination and selection of the highest governance body | Annual Report 2022 > Report of the Supervisory Board |
| 2-11 | Chair of the highest governance body | Company Portrait > Structure of the Group > Corporate Governance<br>Annual Report 2022 > Report of the Supervisory Board |
| 2-12 | Role of the highest governance body in overseeing the management of impacts | Sustainability Management > Strategic Anchoring and Organization > Strategic Anchoring<br>Sustainability Management > Strategic Anchoring and Organization > Sustainability Organization<br>Annual Report 2022 > Report of the Supervisory Board |

| GRI Standard and Disclosure | | Reference |
|---|---|---|
| 2-13 | Delegation of responsibility for managing impacts | Sustainability Management > Strategic Anchoring and Organization > Sustainability Organization |
| 2-14 | Role of the highest governance body in sustainability reporting | Sustainability Management > Materiality Analysis and Further Relevant Topics > Sustainability Agenda and Material Topics<br>Appendix > Report Profile > Modular Reporting and Frameworks |
| 2-15 | Conflicts of interest | Annual Report 2022 > Report of the Supervisory Board |
| 2-16 | Communication of critical concerns | Annual Report 2022 > Report of the Supervisory Board |
| 2-17 | Collective knowledge of the highest governance body | Annual Report 2022 > Report of the Supervisory Board |
| 2-18 | Evaluation of the performance of the highest governance body | Annual Report 2022 > Remuneration Report |
| 2-19 | Remuneration policies | Annual Report 2022 > Remuneration Report |
| 2-20 | Process to determine remuneration | Annual Report 2022 > Remuneration Report |
| 2-22 | Statement on sustainable development strategy | Forewords > Foreword by Andreas Wolf |
| 2-23 | Policy commitments | Forewords > Foreword by Andreas Wolf<br>Forewords > Foreword by Ingo Holstein<br>Company Portrait > Structure of the Group > Corporate Governance<br>Sustainability Management > Materiality Analysis and Further Relevant Topics > Sustainability Agenda and Material Topics<br>Fair Work and Diversity > Management Approach<br>Fair Work and Diversity > Human Rights Due Diligence<br>Responsible Sourcing and Partnerships > Management Approach<br>Responsible Sourcing and Partnerships > Focus Topic: Conflict Minerals<br>Business Ethics and Compliance > Management Approach |

| GRI Standard and Disclosure | | Reference |
|---|---|---|
| 2-24 | Embedding policy commitments | Company Portrait > Structure of the Group > Corporate Governance<br>Sustainability Management > Materiality Analysis and Further Relevant Topics > Sustainability Agenda and Material Topics<br>Fair Work and Diversity > Management Approach<br>Fair Work and Diversity > Human Rights Due Diligence<br>Responsible Sourcing and Partnerships > Management Approach<br>Responsible Sourcing and Partnerships > Focus Topic: Conflict Minerals<br>Business Ethics and Compliance > Management Approach |
| 2-25 | Processes to remediate negative impacts | Company Portrait > Risk and Opportunity Management > Risk Assessment and Reporting<br>Fair Work and Diversity > Human Rights Due Diligence<br>Responsible Sourcing and Partnerships > Management Approach<br>Business Ethics and Compliance > Management Approach |
| 2-26 | Mechanisms for seeking advice and raising concerns | Responsible Sourcing and Partnerships > Management Approach<br>Business Ethics and Compliance > Management Approach<br>Business Ethics and Compliance > Continuous Development in the Area of Business Ethics and Compliance |
| 2-27 | Compliance with laws and regulations | Resource Efficiency and Circularity > Strategy for Operational Environmental Protection<br>Business Ethics and Compliance > Tax Compliance |
| 2-28 | Membership associations | Sustainability Management > Strategic Anchoring and Organization > Memberships |
| 2-29 | Approach to stakeholder engagement | Sustainability Management > Strategic Anchoring and Organization > Stakeholder Involvement |
| 2-30 | Collective bargaining agreements | Fair Work and Diversity > Labor-Management Relations |

| GRI Standard and Disclosure | | Reference |
|---|---|---|
| GRI 3: Material Topics 2021 | | |
| 3-1 | Process to determine material topics | Sustainability Management > Materiality Analysis and Further Relevant Topics > Sustainability Agenda and Material Topics |
| 3-2 | List of material topics | Sustainability Management > Materiality Analysis and Further Relevant Topics > Sustainability Agenda and Material Topics |
| 3-3 | Management of material topics | Clean Mobility > Management Approach<br>Climate Protection > Management Approach<br>Resource Efficiency and Circularity > Management Approach<br>Fair Work and Diversity > Management Approach<br>Responsible Sourcing and Partnerships > Management Approach<br>Occupational Health and Safety > Management Approach |
| GRI 201: Economic Performance 2016 | | |
| 201-1 | Direct economic value generated and distributed | Annual Report 2022 > Economic Report |
| 201-2 | Financial implications and other risks and opportunities due to climate change | Company Portrait > Risk and Opportunity Management > Material Risks and Opportunities<br>TCFD-Reporting |
| 201-3 | Defined benefit plan obligations and other retirement plans | Annual Report 2022 > Remuneration Report |
| 201-4 | Financial assistance received from government | Annual Report 2022 > Consolidated Financial Statements > Notes to Consolidated Financial Statements > Notes to Consolidated Statement of Income > 7. Research and Development Expenses<br>Annual Report 2022 > Consolidated Financial Statements > Notes to Consolidated Financial Statements > Notes to Consolidated Statement of Income > 15. Property, Plant, and Equipment |
| GRI 205: Anti-corruption 2016 | | |
| 205-2 | Communication and training about anti-corruption policies and procedures | Business Ethics and Compliance > Code of Conduct and Training |

| GRI Standard and Disclosure | | Reference |
|---|---|---|
| GRI 207: Tax 2019 | | |
| 207-1 | Approach to tax | Business Ethics and Compliance > Tax Compliance |
| 207-2 | Tax governance, control, and risk management | Business Ethics and Compliance > Tax Compliance |
| GRI 302: Energy 2016 | | |
| 302-1 | Energy consumption within the organization | Resource Efficiency and Circularity > Focus Topic: Energy |
| 302-3 | Energy intensity | Resource Efficiency and Circularity > Focus Topic: Energy |
| 302-4 | Reduction of energy consumption | Resource Efficiency and Circularity > Focus Topic: Energy |
| GRI 303: Water and Effluents 2018 | | |
| 303-1 | Interactions with water as a shared resource | Resource Efficiency and Circularity > Focus Topic: Water |
| 303-3 | Water withdrawal | Resource Efficiency and Circularity > Focus Topic: Water |
| 303-4 | Water discharge | Resource Efficiency and Circularity > Focus Topic: Water |
| GRI 305: Emissions 2016 | | |
| 305-1 | Direct (Scope 1) GHG emissions | Climate Protection > Management Approach |
| 305-2 | Energy indirect (Scope 2) GHG emissions | Climate Protection > Management Approach |
| 305-3 | Other indirect (Scope 3) GHG emissions | Climate Protection > Greenhouse Gas Emissions in the Upstream and Downstream Value Chain (Scope 3) |
| 305-4 | GHG emissions intensity | Climate Protection > Greenhouse Gas Balance (Scope 1 to 3) |
| 305-5 | Reduction of GHG emissions | Climate Protection > Further Measures to Reduce Greenhouse Gas Emissions |

| GRI Standard and Disclosure | | Reference |
|---|---|---|
| GRI 306: Waste 2020 | | |
| 306-1 | Waste generation and significant waste-related impacts | Resource Efficiency and Circularity > Focus Topic: Waste |
| 306-2 | Management of significant waste-related impacts | Resource Efficiency and Circularity > Management Approach<br>Resource Efficiency and Circularity > Focus Topic: Waste |
| 306-3 | Waste generated | Resource Efficiency and Circularity > Focus Topic: Waste |
| 306-4 | Waste diverted from disposal | Resource Efficiency and Circularity > Management Approach |
| 306-5 | Waste directed to disposal | Resource Efficiency and Circularity > Management Approach |
| GRI 308: Supplier Environmental Assessment 2016 | | |
| 308-2 | Negative environmental impacts in the supply chain and actions taken | Responsible Sourcing and Partnerships > Evaluation and Monitoring of Suppliers |
| GRI 401: Employment 2016 | | |
| 401-1 | New employee hires and employee turnover | Fair Work and Diversity > Further Employee Figures in Detail |
| GRI 403: Occupational Health and Safety 2018 | | |
| 403-1 | Occupational health and safety management system | Occupational Health and Safety > Management Approach |
| 403-2 | Hazard identification, risk assessment, and incident investigation | Occupational Health and Safety > Management Approach<br>Occupational Health and Safety > Focus Topic: Occupational Safety |
| 403-3 | Occupational health services | Occupational Health and Safety > Management Approach<br>Occupational Health and Safety > Focus Topic: Health |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | Occupational Health and Safety > Management Approach<br>Occupational Health and Safety > Focus Topic: Occupational Safety |

| GRI Standard and Disclosure | | Reference |
|---|---|---|
| 403-5 | Worker training on occupational health and safety | Occupational Health and Safety > Management Approach<br>Occupational Health and Safety > Focus Topic: Occupational Safety |
| 403-6 | Promotion of worker health | Occupational Health and Safety > Focus Topic: Health |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | Occupational Health and Safety > Management Approach |
| 403-8 | Workers covered by an occupational health and safety management system | Occupational Health and Safety > Management Approach |
| 403-9 | Work-related injuries | Occupational Health and Safety > Management Approach<br>Occupational Health and Safety > Focus Topic: Occupational Safety |
| GRI 404: Training and Education 2016 | | |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | Fair Work and Diversity > Management Approach<br>Fair Work and Diversity > Education and Development |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | Fair Work and Diversity > Education and Development |
| GRI 405: Diversity and Equal Opportunity 2016 | | |
| 405-1 | Diversity of governance bodies and employees | Fair Work and Diversity > Management Approach<br>Fair Work and Diversity > Further Employee Figures in Detail |
| GRI 414: Supplier Social Assessment 2016 | | |
| 414-1 | New suppliers that were screened using social criteria | Responsible Sourcing and Partnerships > Evaluation and Monitoring of Suppliers |

# SASB INDEX

The following index presents the described sustainability activities of Vitesco Technologies in the context of the Sustainability Accounting Standards Board's (SASB) industry-specific reporting standards for automotive suppliers (Automotive Parts).

| SASB-Topic | Accounting Metric | SASB-Code | Reference |
|---|---|---|---|
| Energy management | Total energy consumed | TR-AP-130a.1 | Focus Topic: Energy |
| | Percentage grid electricity | | Focus Topic: Energy |
| | Percentage renewable | | Climate Protection |
| Waste management | Amount of total waste from manufacturing | TR-AP-150a.1 | Focus Topic: Waste |
| | Percentage hazardous | | Focus Topic: Waste |
| | Percentage recycled | | Focus Topic: Waste |
| Product safety | Number of revalls and total units recalled | TR-AP-250a.1 | – |
| Development of fuel econonmy | Sales volumes from products developed to increase fuel efficiency and/or reduce emissions | TR-AP-410a.1 | Clean Mobility<br>EU Taxonomy Regulation Disclosures |
| Materials sourcing | Discussion of the management of risks associated with the use of critical materials | TR-AP-440a.1 | Responsible Sourcing and Partnerships |
| Materials efficiency | Percentage of sold products that are recyclable | TR-AP-440b.2 | – |
| | Percentages of input materials from recycled or reclaimed materials | | – |
| Anticompetitive practices | Total amount of financial loss resulting from legal actions in connection with anticompetitive practices | TR-AP-520a.1 | Annual Report 2022 > Consolidated Financial Statements > Notes to Consolidated General Information > Scope of Consolidation and Information (p. 273) |
| Activity Metric | Number of parts produced | TR-AP-000.A | – |
| | Weight of parts produced (t) | TR-AP-000.B | – |
| | Square meterage of manufacturing plants ($m^2$) | TR-AP-000.C | – |

# SDG INDEX

The following index presents the above-described sustainability activities of Vitesco Technologies in the context of the United Nations Sustainable Development Goals (SDGs).

| SDG | Reference |
|---|---|
|   | Fair Work and Diversity<br>Responsible Sourcing and Partnerships<br>Occupational Health and Safety |
|   | Fair Work and Diversity |
|   | Resource Efficiency and Circularity |
|   | Business Model and Value Creation<br>Fair Work and Diversity |
|   | Clean Mobility<br>Product Compliance and Quality |

| SDG | Reference |
|---|---|
|   | Clean Mobility<br>Climate Protection<br>Resource Efficiency and Circularity |
|   | Clean Mobility<br>Climate Protection<br>Resource Efficiency and Circularity<br>Responsible Sourcing and Partnerships |
|   | Clean Mobility<br>Climate Protection<br>Resource Efficiency and Circularity |
|   | Memberships<br>Stakeholder Involvement<br>Responsible Sourcing and Partnerships |

# PUBLICATION DETAILS

GRI 2-3


## PUBLISHER
Vitesco Technologies Group AG
Siemensstraße 12
93055 Regensburg
Germany

## RESPONSIBLE FOR THE CONTENT
Anja Rivera de la Cruz
Head of Sustainability & Security
Email: sustainability@vitesco.com

## PROFESSIONAL ADVICE
Stakeholder Reporting GmbH & Co. KG, Hamburg

## DESIGN
loved GmbH, Hamburg

## PICTURE CREDITS
graupause | Filmkreation
KUNSTBUILT GmbH & Co. KG
Martin Barraud / Getty Images
max-kegfire / Getty Images
Orbon Alija / Getty Images
Pawinee / Adobe Stock
Soonthorn / Adobe Stock
Spectral-Design / Shutterstock
Vitesco Technologies Group AG
Westend61 / Getty Images
[zerone] KG



## CONTACT DETAILS

### For Media and Journalists
Simone Geldhäuser
Head of Media Relations
Phone: +49 941 2031-61302
Email: simone.geldhaeuser@vitesco.com

Emerenz Magerl-Ziegler
Press Spokesperson Human Relations & Sustainability
Phone: +49 941 2031-90149
Email: emerenz.magerl-ziegler@vitesco.com

### For Investors and Analysts
Heiko Eber
Head of Investor Relations
Phone: +49 941 2031-72348
Email: heiko.eber@vitesco.com

### For Applicants
Recruiting & Employer Branding
E-Mail: careers@vitesco.com


Editorial deadline March 20, 2023


vitesco
TECHNOLOGIES