



Non-financial Group report 2023



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1 - INTRODUCTION

Since the 2018 financial year, STS Group¹ has published a non-financial statement in accordance with the CSR Directive Implementation Act (CSR-RUG) as a separate sustainability report. STS Group has not used a framework as defined by Section 289d of the German Commercial Code (HGB) to prepare this non-financial statement, as the company is convinced that an individualised reporting format is better suited to reporting on the key factors behind STS Group's actions with regard to non-financial aspects. From the STS Group's perspective, the orientation towards the legal requirements of the HGB and DRS 20 is sufficient. The Group follows all legal and regulatory developments relating to the preparation and disclosure of non-financial information, including the EU Taxonomy Regulation. Two new delegated acts on the EU Taxonomy came into force in December 2023:

- The Delegated Regulation (EU) 2023/2486 ("Environmental Delegated Act") on the changes to reporting and the new technical assessment criteria for economic activities of the four environmental objectives "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".
- Delegated Regulation (EU) 2023/2485 on the amendments to Delegated Regulation (EU) 2021/2139 ("Climate Delegated Act") with the inclusion of new technical assessment criteria for additional economic activities and for the two climate-related objectives "climate change mitigation" and "climate change adaptation".

For this reason, the STS Group has once again scrutinised its business activities using the EU taxonomy analysis in order to check the taxonomy eligibility based on the newly disclosed economic activities and the taxonomy compliance of the already identified eligible activities and to collect the corresponding key figures (revenue, CapEx and Opex) for the reporting year.

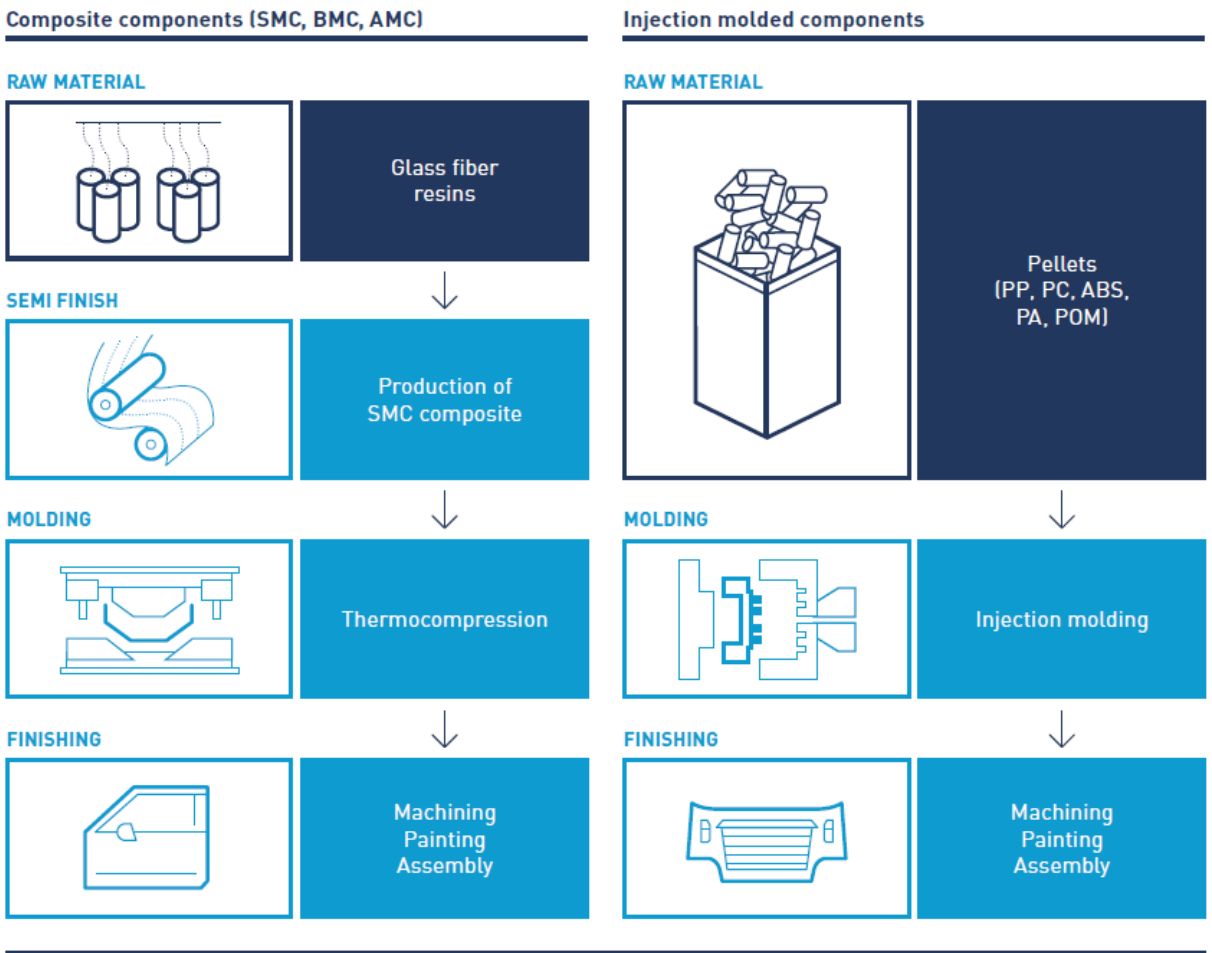
The contents of the report were reviewed by the Supervisory Board.

¹ **STS Group** refers to STS Group AG and all its subsidiaries.

For reasons of readability, this report refrains from using female, male and diverse language forms simultaneously and uses the generic masculine. All personal designations apply equally to all genders.

1.1 BUSINESS MODEL

The STS Group offers its customers a wide range of system solutions and components for the interior and exterior panelling of trucks, commercial vehicles and cars. STS components enhance the visual appearance of the vehicle design, contribute to the aerodynamics of the vehicle and ensure a significant reduction in weight thanks to their lightweight construction. The STS Group develops and produces vehicle components with SMC (*Sheet Moulding Compound*) technology, which efficiently replaces metal components and contributes to the reduction of greenhouse gas emissions from vehicles by reducing the overall weight of these vehicles.



Due to its high level of vertical integration, STS is able to map the complete manufacturing process of each component from the idea to the finished product. As a one-stop-shop provider with many years of expertise, the Executive Board sees weight-optimised plastic solutions, such as those increasingly found in the passenger car sector, as a clear competitive advantage. Production facilities and logistics are mainly designed for small and medium-sized series, as is typical for light to heavy commercial vehicles, but also for special models and electromobility or weight-optimised plastic solutions, as is increasingly the case in the passenger car sector.

The STS production facilities are located close to the respective customer plant sites. This makes all aspects of co-operation simpler, more efficient and more sustainable. Headquartered in Germany, the Group operates a global network in all key markets. At the end of the financial year, the STS Group had twelve plants in five countries on three continents.

OVERVIEW LOCATIONS



The STS Group combines the production technologies of injection moulding and hot and compression moulding of composites. It manufactures the semi-finished products and composite materials itself and can therefore react flexibly to customer-specific requirements.

STS Group's business activities are managed partly according to product types and partly according to geographical aspects. This principle is reflected in the following segmentation of business activities:

Plastics: This segment manufactures a wide range of exterior body parts and interior modules for trucks, other commercial vehicles and passenger cars. It includes hard trim products made from injection moulding and composite materials such as SMC (sheet moulding compound) or glass fibre-reinforced thermoset semi-finished products. The semi-finished product plays an important role in automotive production thanks to its numerous positive properties, such as high rigidity and heat resistance. It often replaces metal structural parts and makes an important contribution to covering battery systems in electric vehicles. The Plastics segment has production facilities in Europe and Mexico. Customers in North America are supplied from Mexico and the USA. Hard trim systems are used in commercial vehicles, e.g. for exterior parts (e.g. front modules, roof modules and other aerodynamic panelling) or interior modules ("bunk box" under the driver's bed and shelving elements) and in passenger cars, e.g. for structural parts (tailgate). The segment also has its own capacities for painting plastics.

China: Activities in the Chinese market are bundled in this segment. These include supplying customers with plastic parts for the exterior panelling of vehicles, primarily for the cabins of commercial vehicles, but increasingly also for passenger cars. The product range offers solutions and components for commercial vehicles such as bumpers, front panelling, deflectors, roofs, mudguards and entrances as well as parts for passenger cars such as battery covers for electric vehicles and complex structural parts such as tailgates for SUVs. Composite moulding processes and injection moulding technology are used here. The segment also has its own capacities for painting plastics.

Materials: This segment comprises the development and production of semi-finished products (Sheet Molding Compound - SMC), fibre molding compounds (Bulk Molding Compound - BMC) and advanced fibre molding compounds (Advanced Molding Compound - AMC). The semi-finished products are used both within the Group for hard trim applications and supplied to external third parties. As part of the development of these base materials, it is already possible to influence key parameters of the end product.

1.2 CORPORATE STRATEGY AND SUSTAINABILITY CONCEPT

The STS Group is pursuing the strategic goal of further expanding its promising lightweight solutions for commercial and electric vehicles. The focus of the corporate strategy is therefore on the future markets of lightweight components and e-mobility. As one of the leading suppliers of components and systems for the automotive industry, the STS Group focuses on components made of composite materials and injection moulding from the initial idea to the finished product. STS products are designed to make vehicles fit for the future by making significant contributions to reducing weight and thus CO₂ emissions. In addition, STS Group products improve the look, feel and functionality of vehicles.

STS Group's growth strategy is based on process optimisation through increased automation of manufacturing processes on the one hand, and on addressing technological trends such as autonomous driving and e-mobility on the other. The Group's mission is to manufacture and supply innovative system solutions for smart transport and sustainable growth. In order to expand its competitive position and achieve sustainable profitability, the Group is focussing on four strategic pillars:

- Market leadership
- Technology leadership
- Customer proximity
- Effective production systems

In 2020, the STS Group decided to focus on the core technologies of injection moulding and composite technologies. This was followed by the sale of the Acoustics segment to the Adler Pelzer Group². This marked the start of a strategic realignment with the aim of further expanding the promising lightweight solutions for commercial and electric vehicles. As at 31 December 2023, the Adler Pelzer Group holds 74.42% of the shares in STS Group AG. In the 2023 financial year, the process of implementing the Adler Pelzer Group's CSR strategy, which had already begun at STS in 2022, was driven forward. The aim is to strategically align the STS Group with the Adler Pelzer Group in terms of sustainability in order to best fulfil the requirements of customers and suppliers according to certain sustainability standards. The CSR strategy forms the basis of the STS Group for the further development of its sustainability

² **Adler Pelzer Group** is the name given to Adler Pelzer Holding GmbH and all its subsidiaries.

concept, for the definition of realisable sustainability goals and the concrete integration of measures to achieve these goals. The sustainability targets and the processes for collecting non-financial performance indicators were also harmonised with the requirements of the Adler Pelzer Group.

Sustainability is an integral part of the corporate strategy and its implementation is derived from the Group's core business. As part of the Adler Pelzer Group's global corporate strategy, four megatrends in the automotive industry were identified, which were integrated by the STS Group as a guide for implementing ESG measures and achieving sustainability goals. At the same time, the four megatrends also represent opportunities and risks for the Group's business activities:

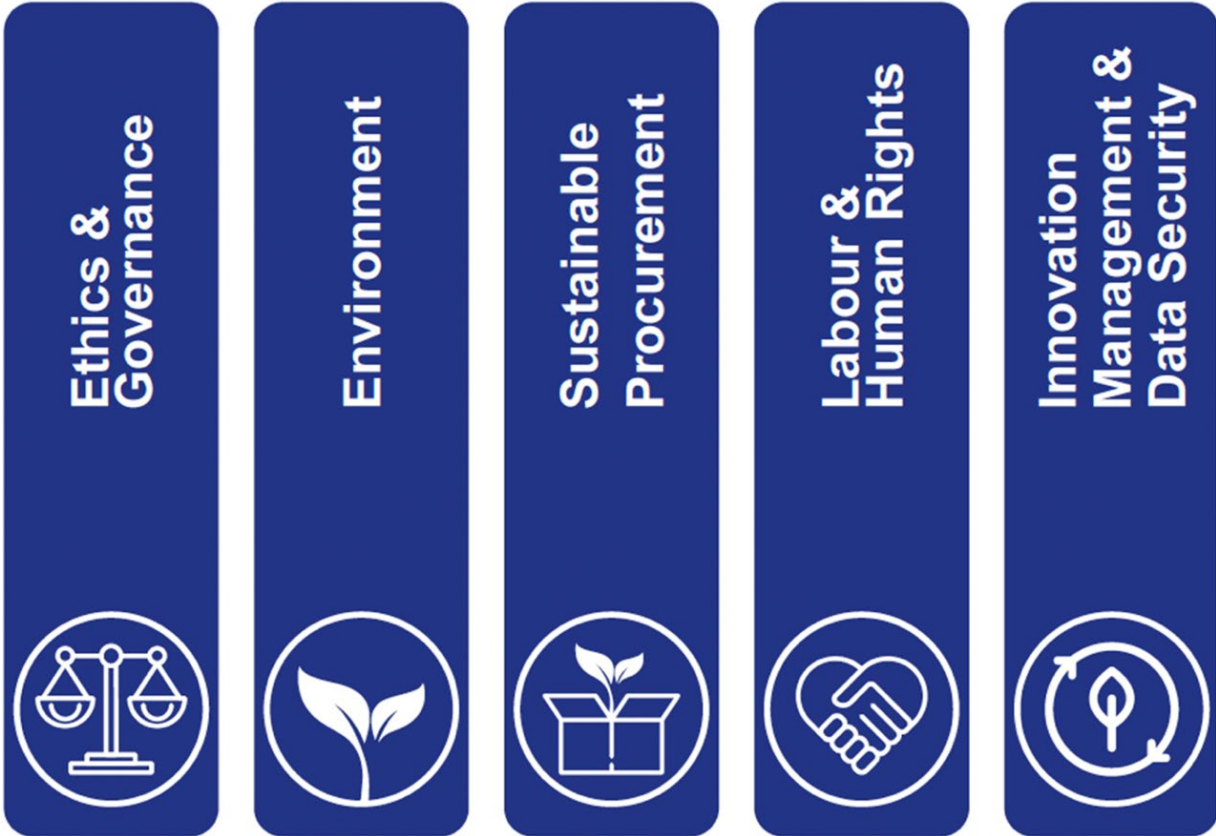
Automotive Mega Trends Captured In STS Sustainability Strategy



Under the motto "*Think Sustainable, Act Responsible*", the STS Group is pursuing the goals of a more sustainable business model in order to make its contribution to the environment. In the reporting year, a further principle was added to the existing four pillars of its sustainability concept as part of the strategic realignment: Innovation management and data security.

The Group's sustainability management is therefore based on five pillars that determine the identification of key sustainability issues:

5 Pillars of Sustainability



1.3 MATERIAL SUSTAINABILITY TOPICS AND RESPONSIBILITY

The STS Group had already identified the material sustainability topics in 2018 based on the reportable aspects - environmental concerns, employee and social concerns, respect for human rights and combating bribery and corruption. Following the introduction of the Adler Pelzer Group's new CSR strategy, the materiality of the identified sustainability topics was discussed and reviewed internally. The material topics were determined in consultation with the Executive Board and those responsible for the specialist departments at Group level, in particular Human Resources, Purchasing, Quality and Sales, as they are in regular dialogue with relevant interest groups. In addition to the reportable aspects, supplier relationships are of particular importance to the STS Group as a result of the materiality analysis. Supplier relationships are an important part of the value chain and are closely linked to the course of business. They are therefore reported on as a separate aspect in the non-financial statement. In 2023, the Executive Board of the STS Group began to align the existing material topics with the CSR strategy and the expectations and requirements of the Adler Pelzer Group's key stakeholders. Following the entry into force of the Corporate Sustainability Reporting Directive (CSRD) in 2023, the Executive Board of STS Group decided to carry out the materiality analysis in the course of 2024 in accordance with the requirements of the European Sustainability Reporting Standards (ESRS). The perspective of the Adler Pelzer Group will also be taken into account when conducting the materiality analysis for the STS Group.

STS Group's sustainability mission statement is derived from the UN Sustainable Development Goals (SDGs). The SDGs are 17 political goals that are essentially intended to enable global sustainable development by 2030.

From these goals, Adler Pelzer Group identified 11 that serve as orientation for the further development and implementation of the sustainability strategy and as a starting point for the definition of ESG goals for the entire STS Group:

Environment:



Social:



Governance:



Updating the previous materiality analysis and dialogue with the relevant stakeholder groups - customers, investors, suppliers and employees - has resulted in the following material sustainability topics for the STS Group:

E	Climate change	Reduction of CO2 emissions
		Energy efficiency
	RESOURCE EFFICIENCY	Recyclability in product design
S	EMPLOYEES	Health and safety
		Advanced training
	SOCIETY	Advancing society through innovation
	DELIVERY CHAIN	Supplier management
G	BUSINESS ETHIK	Compliance and human rights
		Combating corruption
		Risk Management

Ultimate responsibility for sustainability issues lies with the Executive Board, which is also responsible for monitoring the implementation of the sustainability concept and the achievement of targets. Together with the Supervisory Board, the Executive Board is regularly informed about progress and new sustainability issues by the divisional managers.

1.4 RISK ANALYSIS

The Executive Board of the STS Group has installed an early risk detection system so that developments that could potentially jeopardise the continued existence of the company are identified, monitored and managed at an early stage without having to forego entrepreneurial opportunities. All critical business developments and liability risks are scrutinised and reported on regularly in the reviews of the subsidiaries as well as in the Executive Board and Supervisory Board meetings. In addition, risk management was expanded and extended in the previous year, particularly with regard to risk aggregation and risk-bearing capacity. Risk management was further professionalised in the reporting year with the introduction of a risk management tool. As part of risk management, only risks that exceed a threshold value of EUR 0.1 million net and EUR 1 million gross in terms of their impact on EBIT are considered. The risks are assessed according to their monetary impact (extent of damage) and their probability of occurrence. When assessing the monetary impact, a distinction is made between four categories: very low, low, medium and high. The assessment is based on the extent of damage in relation to one year. The probability of occurrence is assessed on a percentage scale and divided into four categories: unlikely, possible, likely and very likely. The combination of the extent of damage and the probability of occurrence defines the risk class, which is categorised as low, medium or high in terms of its impact on the net assets, financial position and results of operations. Current risks are regularly reported to the Executive Board. The Management Board is responsible for establishing the system within its respective area of responsibility and has overall responsibility for the process.

1.5 NON-FINANCIAL RISKS

No specific climate-related risks were identified in the STS Group's risk inventory for the 2023 financial year. However, STS is aware that both physical and transitory risks can arise as a result of climate change. For the future, however, there are plans to integrate non-financial risks and, in particular, climate-related risks into the Group's risk assessment system and evaluate them accordingly.

As part of the classification of the STS Group's business activities as making a significant contribution to the climate goal of "adapting to climate change", the climate-related risks from climate change for the production site in France were identified and assessed. The assessment was fundamentally based on the risk reports on the buildings of the insurance company's production site, the risk exposure of the production site and previous experience. The following

risks were identified as a result of the risk assessment: Temperature fluctuations, heat stress with water shortages and flooding, particularly for the production sites in St Desirat and Tournon.

The following risk minimisation measures against flooding have already been implemented: creation of structural solutions, including barriers and water tanks. The barrier and the retention system to protect against flooding are also used to generate electricity for the production facilities. Risk minimisation measures such as air-conditioned rooms, extra breaks for employees and free bottles of water have been implemented to combat the heat.

Further information on risk management can be found in the opportunity and risk report within the management report for the 2023 financial year.

As part of the strategic alignment with Adler Pelzer Group, STS Group will align its risk assessment system with that of its majority shareholder in the course of the 2024 financial year.

2 - REPORTABLE ASPECTS

2.1 ENVIRONMENT - Environmental issues

Climate change is becoming more noticeable by the day. Greenhouse gases are causing global warming and climate risks are being integrated into companies' risk management systems. Against this backdrop, the European Union (EU) has set itself the goal of becoming climate-neutral by 2050 and drastically reducing CO₂ emissions by 2040. To this end, ambitious targets for reducing greenhouse gas emissions in the automotive sector have been introduced. From 2035, only locally emission-free new vehicles (cars and light vehicles) may be brought onto the EU market. Commercial vehicle manufacturers are also to ensure that new lorries registered in the EU in 2040 emit 90 % less carbon dioxide than in 2019, while CO₂ emissions are to be reduced by 30 % by 2030. This target is to be increased and by 2035 it should be 65%.

2.1.1 Climate change and resource efficiency

The STS Group's commitment to reducing CO₂ emissions is part of its corporate strategy; the Group wants to be part of the mobility of the future. Above all, this means offering customers environmentally friendly alternatives. As a supplier to the global commercial vehicle and automotive industry, STS endeavours to offer products that make a concrete contribution to reducing environmental pollution. The company's ecological responsibility is therefore anchored in the Group's product concept: manufacturing vehicle components which, thanks to their lightweight construction and design, contribute to reducing overall weight, improving aerodynamics and thereby reducing CO₂ emissions from vehicles. For the STS Group, compliance with all environmentally relevant legal and administrative regulations and fulfilment of the requirements for the international environmental management standard ISO 14001:2015 are key measures for protecting the environment. In order to manufacture and supply products that fulfil the legal regulations, the STS Group uses established processes and carries out regular process reviews. The review of the processes essentially relates to the regular internal and external audits as part of the ISO 14001 certifications for all production plants. The results of internal and external audits are communicated and necessary improvements are introduced. The STS Group sites are also certified in accordance with the IATF 16949 standard, which is recognised in the automotive industry. Compliance with the requirements is ensured both by internal audits and audits by the certification companies. Based on the results, continuous improvement programmes are pursued and the results communicated.

In line with the Adler Pelzer Group's CSR strategy, STS Group aims to reduce its Scope 1 and 2 emissions by 50% by 2026 (compared to 2021) and to become carbon neutral in the long term₂. In order to achieve the climate target, the calculation of Scope 1 and 2 emissions was also introduced for the STS Group from the 2021 financial year as part of the Adler Pelzer Group's CDP score report (Carbon Disclosure Project). The CDP report helps the Adler Pelzer Group, including the STS Group, to assess its environmental impact and improve its environmental policy accordingly. So far, emissions have been recorded for the years 2021 and 2022. The latest CDP score report covers emissions for the 2022 financial year and was finalised in summer 2023. CDP reviewed and published the report in February 2024. The report for 2023 is still being prepared at the time of writing and will be finalised in the course of 2024. In 2022, the STS Group caused 25,186 MT (metric tonnes) of CO₂ emissions. In the previous year, this figure was 28,437 MT. This corresponds to a reduction in Scope 1 and 2 emissions of 11.4 %. The Adler Pelzer Group and the STS Group are aware that the ecological footprint of their suppliers is significant and must also be included in the CO₂ accounting. For this reason, planning for the calculation of Scope 3 emissions has already begun in the current year.

In its day-to-day business, the STS Group endeavours to improve the energy efficiency of its production processes and sites and to achieve a more efficient and economical use of resources. The STS Group strives to continuously improve its processes in order to maximise the recyclability of the raw materials produced in-house and thus minimise the environmental impact of its products. All STS Group production plants have an environmental management system that is certified in accordance with the international ISO 14001 standard. The environmental management system regulates the responsibilities and processes of operational environmental protection in order to comply with legal requirements and to support the sustainable environmental compatibility of operational processes and products in conjunction with the responsible use of resources by employees.

In the CSR strategy adopted by the Adler Pelzer Group, the concept of environmental management and protection is reaffirmed several times, in the Code of Conduct for Employees, in the Code of Conduct for Business Partners and in the Environmental Guidelines for Suppliers. With the introduction of this internal set of rules, the STS Group is demonstrating its commitment to environmentally conscious corporate management, in particular:

- To consider the environmental impact of new activities and new production processes.
- For the responsible and conscious use of natural resources.
- To develop constructive cooperation based on maximum transparency and trust, both internally and with the external community and institutions.
- To ensure a high standard of safety and environmental protection through the

introduction of effective management systems.

To achieve the net zero target, the STS Group has adopted and implemented certain measures from the Adler Pelzer Group since 2021 that contribute to making the company, production processes and products of both groups of companies more sustainable.

- Use of renewable energy: switch to "Green Energy" contracts; projects for photovoltaic systems in the plants, construction of a wind power plant (measures relate to the entire Adler Pelzer Group);
- New production processes: APG ECO Line, among others
- Circular economy / recycling: E.g. APG REC Line; use of recycled material in production processes
- Fuel Switch: Reducing the consumption of conventional fuel, among other things,
- Avoidance of business trips

2.2 SOCIAL - Employee and social matters

For the STS Group, sustainability not only includes environmental issues, but also social and ethical aspects. A safe working environment and the opportunity for employees to develop and grow personally and contribute to the success of the company with their ideas are key components of the STS work culture. For the STS Group, sustainability also means being a sustainable employer.

2.2.1 Employees

The STS Group attaches great importance to promoting the health of its employees and preventing accidents. STS observes all applicable health and safety requirements in the respective working environment. The individual companies are also certified in accordance with ISO 45001 (occupational health and safety management system). To prevent accidents, certain measures such as occupational health and safety training, safety audits, cross-location exchange of best practices and improved process monitoring are implemented. In addition, the STS Group promotes the health and well-being of its employees through a variety of local initiatives. Ensuring a safe and healthy workplace is a commitment for the STS Group and all Adler Pelzer Group companies. As part of the strategic realignment, STS Group has adopted the Adler Pelzer Group's targets and corresponding key figures as a tool for sustainability management in relation to employee health and safety from the 2022 financial year:

- Accident rate
- Fire protection audit
- Health and safety audit
- 5S audit

These four KPIs are collected for all of the Group's production plants, including the STS Plastics China sites. The site in Mexico, Ramos, is not included in the consolidated calculation of these KPIs; it is included in BU Mexico. The corresponding KPIs are therefore collected separately³.

The accident rate (LPM - lost time per million) is calculated as the number of hours lost due to accidents at work in relation to total working hours per month and is calculated and presented on a rolling basis over the past six months. This indicator reflects the degree of workplace safety and the impact of accidents on work performance. In 2023, an accident rate of less than

³ The Felines site was merged with the site in Saint Désirat at the end of Q3/2023. Therefore, all key figures were only recorded until August in the reporting year.

550 LPM (previous year: less than 600) was set as the target value, which is not to be exceeded. The STS Group's key figure for the reporting year is 1,638 LPM. Corresponding improvement measures have been defined and are currently being implemented. Ramos' accident rate was zero in 2023.

The fire protection audit (as a percentage) measures the current status of the fire protection measures implemented at the business premises with the aim of identifying business premises where optimisation measures are required. The target set for 2023 with regard to the fire safety audit was a degree of fulfilment of at least 85% (previous year: at least 85%). The STS Group achieved a value of 80% in the reporting year. Corresponding measures were defined and are currently being implemented. For Ramos, the value for the fire protection audit in 2023 was 84%.

For the results of the health and safety audit, a target of at least 85% compliance was set for the 2023 financial year (previous year: at least 80%). STS achieved a value of 78% in the reporting year. Corresponding measures were defined and are currently being implemented. Ramos reports a compliance rate of 89% for 2023.

The 5S principle describes the design of an efficient workplace. An audit result of at least 80% was set as the target for the 2023 financial year (previous year: at least 80%). The STS Group's key figure for the reporting year is 85% and for Ramos: 89%.

Employees are one of the most important stakeholder groups for the STS Group. Qualified and motivated employees are the basis for the long-term success of the company. Due to the wide range of HR requirements and laws, HR work is managed at country level and implemented locally as required. The dialogue with employees takes the form of regular appraisal interviews with the relevant managers and surveys. Regular dialogue ensures that employees are more motivated and identify with the company. The results of the employee appraisals are supported by regular performance reviews, which help to harmonise employees' self-assessments and external assessments and define appropriate measures to develop their skills. The dialogue with employees worldwide has shown that the opportunity for further training and development is an essential part of employee satisfaction. The Group is therefore committed to the continuous development and promotion of its employees and offers further training opportunities and courses to expand their skills and thus position itself for the future. The results of these discussions form the basis for individual development plans and the further training measures derived from them. The Adler Pelzer Group offers its employees the e-learning platform "APG Academy". This will also be integrated into the STS Group. This will expand the range of training and further education opportunities and thus promote the

professional development of competent employees. In addition, sustainability issues are discussed with managers as part of regular employee appraisals, actively involving employees in the development of the Group's sustainability concept. This is also intended to strengthen employee loyalty.

2.2.2 Company

In line with the motto "Be a good neighbour", the STS Group works every day to make a positive contribution to the further development of society. It develops innovative solutions for its customers, which in turn are used to promote a more sustainable society. To achieve this, committed, competent and qualified specialists are needed to manufacture high-quality products. Therefore, creating and securing jobs are important aspects of social responsibility for the STS Group. In addition, production processes must meet the high standards for environmental protection and respect for human rights set out in the Group's codes of conduct. For the STS Group, respect for human rights is a fundamental element of its corporate policy. The company always ensures a fair and healthy working environment and requires its employees to respect human rights and treat each other with respect.

2.2.3 Suppliers

The STS Group also pursues its quality approach with regard to suppliers. When selecting procurement markets, the STS Group has an international focus in line with its business model. Within Europe, cost optimisation in purchasing is pursued by selecting the regional procurement market while ensuring quality standards. In North America, Mexico and China, the focus is on local suppliers. Suppliers are among the most important stakeholders. For this reason, their active involvement in STS Group's environmental management is a key element in the effective implementation of the company's environmental policy. Planning for the calculation of Scope 3 emissions therefore began in the current year. The STS Group expects its suppliers to comply with the "Supplier Code of Conduct". This forms the basis of a trusting and long-term business relationship for the company. The STS Group is aware of the challenges of a global supply chain. With this in mind, it carries out regular audits of suppliers with the aim of checking their quality, compliance and ability to act. Regular qualitative and quantitative supplier evaluation procedures are carried out. Criteria such as quality and logistics requirements, adherence to quantities and deadlines and price stability are assessed. The existing processes are continuously developed in the course of procedural adjustments to the Supply Chain Duty of Care Act with the aim of establishing a uniform Group standard. Suppliers are asked about key sustainability aspects in the self-disclosure form and assessed accordingly. The survey is conducted on the Supplier Assurance Platform, which enables

suppliers to provide answers to the SAQ (Self-Assessment Questionnaire). As a result of the review, measures and action plans for improving the supplier relationship are defined and their compliance is systematically analysed afterwards. Currently, the approx. 300 major suppliers of the Adler Pelzer Group are undergoing this survey. The suppliers of the STS Group are gradually being included in this review process. It is also intended to further intensify the monitoring of suppliers, particularly with regard to non-financial aspects. In the reporting year, the Adler Pelzer Group began implementing defined due diligence obligations in accordance with the Supply Chain Due Diligence Act. In 2023, the Adler Pelzer Group's purchasing department introduced software for real-time monitoring of suppliers. The software uses AI technology to analyse data from social media and news media about suppliers in order to warn the company of risks in its supply chain in good time. The implementation of this software is also planned for the STS Group.

2.3 GOVERNANCE - Respect for human rights, combating bribery and corruption

Good corporate governance is the foundation for the implementation of all measures to achieve the defined sustainability goals. Under the keywords "*governance*" and "*compliance*", a set of rules is applied in the company that defines the processes, organisation and responsibilities within a company. The corporate culture is also based on this set of rules.

2.3.1 Business ethics

Behaviour in accordance with national and international laws and guidelines is regarded by the STS Group as the foundation of its corporate values. Each company in the Group is subject to various laws and regulations in each country in which it operates, which affect different areas such as the protection of free competition, consumer protection, labour rights and environmental protection. However, non-compliance with these laws can lead to serious damage to the Group's assets and reputation. The STS Group is therefore committed to complying with all laws and regulations that affect its business activities. Employees worldwide support the principle of compliant behaviour and thus enable the implementation of good corporate governance.

Since the end of 2022, the STS Group has adopted the Adler Pelzer Group's codes of conduct and therefore has a code of conduct for employees and one for business partners/suppliers. Both codes set out the principles and expectations for employees and business partners with regard to responsible raw material sourcing, the Group's commitments to human rights, the environment, health and safety, business ethics and the development of a sustainable supply

chain. The STS Group's Code of Conduct for Employees provides clear guidance for employees in their daily work. It regulates the conformity of corporate behaviour with national and international laws as well as social, cultural and societal standards. It provides clear guidelines for compliant and ethical behaviour by all employees towards each other and external stakeholders. The codes of conduct are an integral part of the Group's compliance structure. The STS Group expects managers to set an example by observing the behavioural guidelines and to actively support their further implementation as part of their management duties. In addition to monitoring the guidelines, this also includes active cooperation in the further development of behavioural instructions and processes to ensure that everyday life complies with the rules in all areas of the company. In addition to the principles of conduct set out in the two codes of conduct, the STS Group is also clearly committed to diversity and inclusion, the prohibition of child and forced labour, freedom of association and the right to employee representation, as well as binding regulations on fair working hours and remuneration.

The STS Group does not tolerate any form of bribery or corruption. The Group's employees and authorised representatives are obliged to avoid any form of corruption. The Group also complies with the relevant country-specific anti-bribery and anti-corruption laws, guidelines and regulations.

While the Company Compliance Officer is responsible for the compliance issues of antitrust law, money laundering and anti-corruption, other departments are responsible for data protection, export control, environmental protection, risk management, accounting, taxes and capital market law. Risk management is one of the pillars of corporate governance at STS Group. Since 2022, the STS Group's risk management system has been undergoing an adjustment phase with the introduction of a new risk management tool and the harmonisation of the Group's risk model with that of the Adler Pelzer Group. The STS Group was still in a transition phase in the reporting year and will also add data on non-financial risks to the risk management system in the future. Further information on the STS Group's risk analysis can be found on page 9 of this report.

An IT-supported compliance management system has been in use at the STS Group since the 2020 financial year, which also includes communication of the Code of Conduct and a global anonymous system. This enables all employees and external whistleblowers to report suspected cases and unlawful activities while maintaining the confidentiality of their identity. No cases were reported to STS in the 2023 reporting year.

3 - INFORMATION ON EU TAXONOMY

On 18 June 2020, the European Union adopted the EU Taxonomy Regulation (Regulation (EU) 2020/852) as part of the Green Deal to steer financial flows towards environmentally sustainable economic activities. The regulation provides for a classification and assessment system according to which an economic activity can be categorised as environmentally sustainable. According to Articles 3 and 9 of the EU Taxonomy Regulation, an economic activity is environmentally sustainable if it:

- a. makes a substantial contribution to at least one of the six environmental objectives defined in the EU Taxonomy Regulation ("Substantial contribution"),
- b. does not lead to a significant impairment of one or more of these environmental objectives ("Do no significant harm" - DNSH) and
- c. is carried out in compliance with minimum social standards ("minimum safeguards").

The six environmental objectives under Article 9 of the EU Taxonomy Regulation are: climate protection, adaptation to climate change, the sustainable use of water resources, the transition to a circular economy, the prevention of pollution and the protection of ecosystems and biodiversity.

Delegated Regulation (EU) 2021/2178 defines that information on so-called taxonomy-eligible and taxonomy-aligned economic activities must be disclosed. A taxonomy-eligible economic activity is an activity that is described in the Delegated Regulations of the EU Taxonomy Regulation, while a taxonomy-aligned economic activity is an economic activity that is taxonomy-eligible, fulfils the requirements of the "substantial contribution" and DNSH requirements and is implemented in compliance with minimum social standards. Accordingly, eligibility is a necessary, but not a sufficient and alignment is a sufficient condition for an economic activity to be declared as environmentally sustainable. In addition, the EU Taxonomy Regulation defines enabling and transitional activities in Articles 10 and 16. Enabling activities are those activities that make it possible for another economic activity to be carried out sustainably without leading to a lock-in effect. Transitional activities, on the other hand, are economic activities that are in line with the goals of the Paris Climate Agreement and for which there is no technologically and economically feasible low-carbon alternative.²

In order to measure the degree of sustainability of a company, the shares of

- a. sales (turnover),
- b. Capital expenditure (CapEx) and
- c. Operating expenses (OpEx)

of taxonomy-eligible and taxonomy-compliant economic activities in terms of total revenue, total capital expenditure and total operating expenses. With Delegated Regulation (EU) 2023/2486 ANNEX II, the European Commission has updated the reporting template for the detailed presentation of key figures relevant to turnover.

3.1 APPROACH

STS Group's business activities were already identified as taxonomy-compliant in the 2022 reporting year and, building on this, the analyses for the 2023 reporting year were further refined, taking into account regulatory updates such as (EU) 2023/2486, and the taxonomy compliance check was carried out. A team spanning the entire group of companies was put together at STS Group to carry out the analyses, bringing together expertise from all levels of business activity. The economic activities identified as relevant for us under the EU Taxonomy Regulation are

- Production of other low-carbon technologies,
- Production of batteries,
- Production of automotive and mobility components,
- Production of plastics in primary form and
- Market-orientated research, development and innovation.

The STS Group focuses on the production of vehicle components using SMC (*Sheet Moulding Compound*) technology, which efficiently replaces metal components and contributes to the reduction of greenhouse gas emissions from vehicles by reducing the overall weight of these vehicles. For this reason, "climate protection" was chosen as the environmental objective. The procedure for the conformity test is explained below.

3.2 RELEVANT AREAS OF THE EU TAXONOMY REGULATION

Production of other low-carbon technologies is an enabling activity and is defined as the production of technologies that aim to significantly reduce greenhouse gas emissions in other economic sectors not explicitly described in the Delegated Regulations of the EU Taxonomy Regulation. STS Group's core competence is the production of particularly lightweight vehicle components. The use of a composite material made of plastic - produced at the MCR (Mixed Composites Recyclables) site - instead of metal, as is usually the case, enables a reduction in weight, greater freedom of design and customisation of the production parts and improved aerodynamics, thus leading to a reduction in greenhouse gas emissions during use. These and other particularly lightweight technologies are manufactured by STS Group using the sheet moulding compounds (SMC) process.

The manufacture of batteries is an enabling activity and is defined as the manufacture of rechargeable batteries, battery packs and accumulators for transport, stationary and off-grid energy storage and other industrial applications, the manufacture of the corresponding components (active battery materials, battery cells, housings and electronic components) and the recycling of used batteries. The STS Group produces battery compartment covers for electric vehicles. These battery covers are characterised by a lightweight composite material that is specially designed for extremely high temperatures. This material also offers greater design freedom and a lower weight.

Manufacture of automotive and mobility components is an enabling activity and is defined as the manufacture, repair, maintenance, retrofitting, reuse and upgrading of mobility components for zero-emission personal mobility aids as well as vehicle and mobility systems, components, separate technical units, parts and spare parts. In 2023, STS Group prepared the production of components in accordance with the requirements of the regulation, which are scheduled to go into series production in 2024.

The production of plastics in primary form is a transitional activity and is defined as the production of resins, plastics and non-vulcanisable thermoplastic elastomers, the mixing and blending of resins on a customer-specific basis and the production of non-customised synthetic resins. In addition to the production of SMCs (Sheet Moulding Compound - SMC), the Mixed Composites Recyclables (MCR) division also focuses on the production of advanced moulding compounds (AMC) and bulk moulding compounds (BMC) and is therefore covered by this business activity. The products are characterised by low weight, high heat resistance, good energy absorption capacity and very good electrical insulating properties.

Market-oriented research, development and innovation is an enabling activity and is defined as conducting research, applied research and experimental development in the field of solutions, processes, technologies, business models and other products for the reduction or avoidance or elimination of greenhouse gas emissions with at least technology readiness level (TRL) 6. Our research activities include activities related to the development of new materials and components with high strength and durability, which enable low weight while maintaining high functionality.

The acquisition and ownership of buildings is defined as the acquisition of real estate and the exercise of ownership of this real estate. The STS Group owns buildings at several business locations.

3.3 RESULTS OF THE EU TAXONOMY ANALYSIS

The scope of consolidation for the taxonomy analysis includes all of the Group's European production sites. The following chart and table show the shares of taxonomy-eligible and taxonomy-compliant business activities in revenue, capital expenditure (CapEx) and operating expenses (OpEx). The key figures relate to the STS Group's European locations:

	Total in EUR million	Shares in per cent		
		Taxonomy-capable and taxonomy-compliant	Taxonomy-capable	Non-taxonomy-capable
Sales revenue*	223,10	3,33 %	17,34 %	82,66 %
Capital expenditure* (CapEx)	6,79	1,52 %	1,99 %	98,01 %
Operating expenses* (OpEx)	16,99	3,40 %	5,77 %	94,23 %

*Sales revenue, CapEx, OpEx and corresponding taxonomy figures relate to the STS Group's EU locations: STS Composites France, STS Composites Germany, STS Plastics, MCR SAS.

Revenue - The total revenue reported in accordance with paragraph 1.1.1. of ANNEX I to Delegated Regulation (EU) 2021/2178 corresponds to the revenue of EUR 223.10 million recognised in the IFRS consolidated financial statements and is the denominator for the revenue performance indicator. Of this total revenue, EUR 7.42 million in taxonomy-compliant revenue was generated in the category "Manufacture of other low-CO₂ technologies" and EUR 31.27 million in taxonomy-compliant revenue only in the category "Manufacture of plastics in primary form".

Capital expenditure (CapEx) - The total capital expenditure reported in accordance with paragraph 1.1.2. ANNEX I of Delegated Regulation (EU) 2021/2178 includes additions to property, plant and equipment and intangible assets and takes into account the following items in the IFRS consolidated financial statements:

- IAS 16 Property, Plant and Equipment,
- IAS 38 Intangible Assets,
- IAS 40 Investment property,
- IAS 40 Investment property and intangible assets
- IFRS 16 Leases.

These are the total amount of investments made in the reporting period totalling EUR 6.79 million. Of these total investments made, TEUR 102.56 were taxonomy-compliant investments in the categories "Manufacture of automotive and mobility components" and "Manufacture of batteries", and TEUR 32.44 were only taxonomy-compliant investments in the category "Acquisition and ownership of buildings".

Operating expenditure (OpEx) - The reported amount of operating expenditure in accordance with paragraph 1.1.3. ANNEX I of Delegated Regulation (EU) 2021/2178 includes the direct, non-capitalised costs related to research and development, building refurbishment, short-term lease expenses, maintenance and repair and all other direct expenses related to the ongoing maintenance and repair of tangible fixed assets.

Total operating expenses in the reporting period totalled EUR 16.99 million and are the denominator for the operating expenses performance indicator. Of this total operating expenditure, EUR 577.97 thousand in taxonomy-compliant operating expenditure was generated in the categories "Production of other low-CO₂ technologies", "Market-related research, development and innovation", "Production of batteries" and "Production of automotive and mobility components". In contrast, only taxonomy-compliant operating expenses of EUR 403.10 thousand were incurred in the categories "Production of plastics in primary form" and "Market-related research, development and innovation".

Table 2: Revenue from taxonomy-eligible and taxonomy-compliant economic activities by environmental objective:

	Proportion of Turnover / Total Turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	3,33%	17,34%
CCA	0%	0%
WTR	0%	0%
PPC	0%	0%
CE	0%	0%
BIO	0%	0%

Table 4: CapEx from taxonomy-eligible and taxonomy-compliant economic activities by environmental objective:

	Proportion of CapEx / Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	1,51%	1,99%
CCA	0%	0%
WTR	0%	0%
PPC	0%	0%
CE	0%	0%
BIO	0%	0%

Table 6: OpEx from taxonomy-eligible and taxonomy-compliant economic activities by environmental objective:

	Proportion of OpEx / Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	3,40%	5,77%
CCA	0%	0%
WTR	0%	0%
PPC	0%	0%
CE	0%	0%
BIO	0%	0%