

Non-financial Group report

2022



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1. INTRODUCTION

In accordance with the CSR Directive Implementation Act (CSR-RUG), the STS Group publishes a separate non-financial statement at Group level for the fiscal year 2022 pursuant to Section 315b (3) of the German Commercial Code (HGB). The contents of the non-financial statement are closely aligned with the business model of the STS Group and the legal requirements. To meet the requirements of the EU Taxonomy Regulation 2020/852, STS Group has reviewed the taxonomy-eligible business activities already identified in 2021 for timeliness, subjected them to a thorough analysis for eligibility and alignment, and reported on the corresponding results as well as key figures (revenues, CapEx and OpEx). For the preparation of this non-financial report, STS Group continued not to adopt a specific reporting framework as defined in Section 289d of the German Commercial Code (HGB), as the company is convinced that an individual reporting format is better suited to report on the material factors relating to STS Group's actions with regard to non-financial aspects. In the view of the STS Group, orientation towards the legal requirements of the HGB and DRS 20 (Deutscher Rechnungslegungs Standard Nr. 20) is sufficient. The contents of the report were reviewed by the Supervisory Board.

1.1 BUSINESS MODEL

STS offers its customers a wide range of systems and solutions for the interior and exterior trim of trucks, commercial vehicles and passenger cars. STS Group develops and manufactures vehicle components with SMC technology (*Sheet Molding Compound*), which efficiently replaces metal components while contributing to the reduction of greenhouse gas emissions from vehicles by reducing their overall weight. Indeed, parts made of SMC are significantly lighter (up to 50%) than components made of metal. At the same time, STS components visually enhance the vehicle design, contribute to the aerodynamics of the vehicle and provide significant weight reduction due to their lightweight construction.

Due to its high vertical integration, STS is able to map the complete manufacturing process of each component from the idea to the finished product. STS combines the manufacturing technologies of injection molding as well as hot and compression molding of composites, manufactures the semi-finished product, the composites itself and can thus react flexibly to customer-specific requirements. The customer base includes in particular well-known commercial vehicle manufacturers as well as automotive manufacturers, including many market leaders. Numerous manufacturers also rely on the expertise of the STS Group in the rapidly growing market for electric vehicles.

Headquartered in Germany, the Group operates a global network of twelve plants on three continents, including two R&D centers in France and one in China. STS production facilities are located close to the respective sites of customer plants. This makes all aspects of collaboration easier, more efficient and more sustainable.

OVERVIEW LOCATIONS



The business activities of the STS Group are managed partly by product type and partly by location and are divided into corresponding segments:

Plastics: The 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 molding and composites such as SMC (Sheet Molding Compound), glass fiber 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. For example, it frequently replaces structural parts made of metal and makes an important contribution in covering battery systems in electric vehicles. The Plastics segment has production sites in Europe and Mexico. Customers in North America are supplied from Mexico. Hard trim systems are used for commercial vehicles, e.g. for exterior parts (e.g. front modules, roof modules and other aerodynamic trim) or interior modules ("bunk box" under the driver's bed and shelf elements), and for passenger cars, e.g. for structural parts (tailgate). In addition, the segment has its own capacities for painting plastics.

China: This segment combines activities in the Chinese market. These comprise the supply of

customers with plastic parts for the exterior trim of vehicles, predominantly for the cabins of commercial vehicles, but increasingly also for those of passenger cars. The product range offers solutions and components for commercial vehicles such as bumpers, front panels, deflectors, roofs, fenders and entrances, as well as parts for passenger cars such as the battery cover for electric vehicles through to complex structural parts, for example the tailgate for SUVs. Composite molding processes and injection molding technology are used. 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), fiber molding compounds (Bulk Molding Compound - BMC) and advanced fiber molding compounds (Advanced Molding Compound - AMC). The semi-finished products are used both internally within the Group for hard trim applications and supplied to external third parties. During 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 growth strategy of the STS Group is based on the one hand on process optimization through increased automation of manufacturing processes, but also on the other hand on addressing technological trends such as autonomous driving or e-mobility. The Group's mission is to manufacture and deliver innovative system solutions for smart transportation and sustainable growth. To expand its competitive position and make it sustainably profitable, the Group focuses on four strategic pillars:

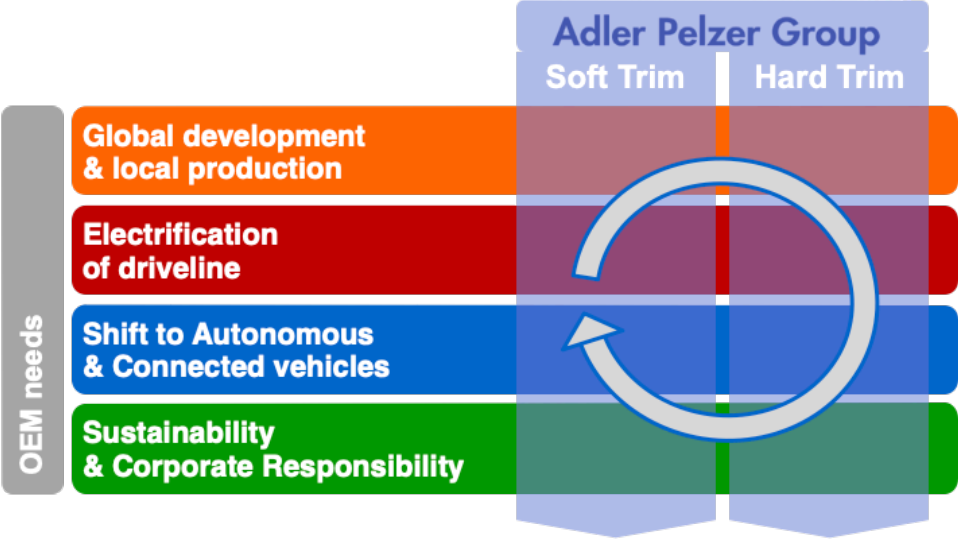
- Market leadership
- Technology leadership
- Customer proximity
- Operational excellence

In 2020, STS decided to focus on the core technologies of injection molding and composite technologies. This was followed by the sale of the Acoustics segment to the Adler Pelzer Group. This marked the beginning of a realignment with the aim of further expanding the promising lightweight solutions for commercial and electric vehicles. The strategic realignment was further advanced in fiscal years 2021 and 2022. As of December 31, 2022, the Adler Pelzer Group

holds 74.42% of the shares in STS Group AG. As part of the new strategic direction, the STS Executive Board decided in October 2022 to introduce and implement all Adler Pelzer Group policies relating to CSR (Corporate Social Responsibility) and ESG (Environment, Social & Governance) issues at STS. This decision reflected the STS Group's need for strategic alignment with its majority shareholder from a sustainability perspective, and was in response to increasing demands from customers and suppliers for certain standards in relation to the Group's sustainability strategy. The CSR guidelines are in fact STS's new basis for the further development of its sustainability concept, for the definition of feasible sustainability goals and the concrete integration of measures to achieve these goals. The implementation of the new guidelines in line with the Adler Pelzer Group's CSR strategy was initiated at the end of last year and will be completed in the current financial year. Accordingly, STS is aligning its sustainability targets and the processes for collecting non-financial performance indicators with the requirements of its majority shareholder in the current year.

The sustainability concept is an integral part of the corporate strategy and its implementation is derived from the Group's core business. For the STS Group, economic and ecological responsibility means not only resource efficiency, but also long-term economic success and growth. STS wants the mobility of the future to be digital, electric and, above all, environmentally friendly. At the end of 2022, the sustainability concept of STS was merged with the comprehensive CSR strategy of the Adler Pelzer Group. Under the motto "*Think Sustainable, Act Responsible*", STS has set out to pursue the goals of a more sustainable business model in order to make its contribution to the environment.

As part of the Adler Pelzer Group's comprehensive CSR strategy, four megatrends were identified that also represent both an opportunity and a risk for the STS Group's business activities:



The STS Group's sustainability concept is based on four pillars that form the foundation of the Group's sustainability management. The identification of the material sustainability topics is derived from this:



1.3 MATERIAL SUSTAINABILITY TOPICS AND RESPONSIBILITY

STS Group already identified the material sustainability topics in 2018 based on the reportable aspects - environmental concerns, employee concerns, compliance with human rights, and fighting bribery and corruption. Following the introduction of the new CSR guidelines, the materiality of the identified sustainability topics was discussed and reviewed internally. Subsequently, the Executive Board planned an adjustment of the materiality analysis for the

year 2023 based on the CSR strategy and the expectations and requirements of Adler Pelzer Group's key stakeholders. In the course of 2023, it will thus be necessary to align the existing materiality analysis with the sustainability topics that are essential for the Adler Pelzer Group, as the majority shareholder has started a comprehensive materiality analysis for all areas of the Group in 2023. The 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 goals. Together with the Supervisory Board, the Executive Board is regularly informed about progress and new sustainability topics by the business division managers. The main topics were determined in an exchange with the Executive Board, the persons responsible for the specialist departments at Group level, in particular Human Resources, Purchasing, Quality and Sales, as they are in regular dialog with relevant stakeholders.

Based on the current status of the materiality analysis and the exchange with the relevant stakeholder groups, the following material sustainability topics emerge for the STS Group:



In addition to the reportable aspects, supplier relationships are of particular importance for 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 business performance. They are therefore reported on as a separate aspect in the non-financial Group report.

For STS, the UN Sustainable Development Goals (SDGs) serve as guidelines for the Group's operations and daily activities. The SDGs are 17 policy goals that essentially aim to enable global sustainable development by 2030. They encompass economic, social and environmental levels. Among these goals, nine have been identified by the Adler Pelzer Group to also serve as guidance for the STS Group in further developing and adapting its sustainability concept and as a starting point for setting future goals:



1.4 RISK ANALYSIS

The Executive Board of STS has installed an early risk detection system so that developments potentially jeopardizing the continued existence of the company can be identified, monitored and managed at an early stage without having to forego entrepreneurial opportunities. All critical business developments and liability risks are subjected to a critical review and regularly reported in the reviews of the subsidiaries and 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. At the end of the current fiscal year, risk management was further professionalized by the introduction of a risk management tool. Only risks that exceed a threshold of EUR 0.1 million net and EUR 1 million gross in terms of their impact on EBIT are considered as part of risk management. 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 extent of damage in relation to one year is decisive for the assessment. The probability of occurrence is assessed on a percentage scale and divided into the four categories unlikely, possible, likely and very likely. The combination of extent of damage and probability of occurrence defines the risk class, which is classified as low, medium and high in terms of its effect on the net assets, financial position and results of operations. Current risks are regularly reported to the Board of Management. Within its respective area of responsibility, the Board of Management is responsible for establishing the system and has overall responsibility for the process.

1.5 NON-FINANCIAL RISKS

No specific climate-related risks have been identified in the STS Group risk inventory for fiscal year 2022. However, STS is aware that both physical and transitory risks can arise from climate change. For the future, however, it is planned to integrate non-financial risks and especially climate-related risks into the Group's risk assessment system and to evaluate them accordingly.

As part of the classification of STS Group's business activities as significantly contributing to the climate change adaptation goal, climate-related risks from climate change were identified and assessed for the production facility in France. The assessment was basically based on the risk reports on the buildings of the insurance company's production facility, the risk exposure of the production facility, and past experience. As a result of the risk assessment, the following risks were identified: temperature fluctuations, heat stress with water scarcity and flooding mainly for the production site in St. Desirat, Tournon and Feline.

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

Further information on risk management can be found in the opportunities and risks report within the management report for the 2022 financial year.

As part of the strategic alignment with the Adler Pelzer Group, STS will align its risk assessment system with that of its majority shareholder in the course of the 2023 financial year.

2. ASPECTS SUBJECT TO REPORTING REQUIREMENTS

2.1 ENVIRONMENT

Protecting our environment is the greatest challenge of our time. Against this background, the European Union (EU) has introduced ambitious targets for reducing greenhouse gas emissions in the automotive sector. In the EU, only zero-emission new vehicles (passenger cars and light vehicles) are to be allowed on the market from 2035. In addition, commercial vehicle manufacturers are to ensure that new trucks registered in the EU in 2040 emit 90% less carbon dioxide than in 2019, and CO₂ emissions are to be reduced by 30% by 2030. This target is to be raised and by 2035 it should be 65%.

2.1.1 Reducing CO₂ emissions through innovative solutions

STS is therefore committed to supporting the achievement of these goals. As a supplier to the global commercial vehicle and automotive industries, STS strives to offer products that make a concrete contribution to reducing environmental impact. The Group's environmental responsibility is therefore anchored in its product concept: to manufacture vehicle components that, thanks to lightweight construction and design, contribute to reducing the overall weight, improving aerodynamics and thereby CO₂ emissions of vehicles. For STS, compliance with all environmental legislation and regulations, as well as meeting the requirements for the international environmental management standard ISO 14001:2015, are essential measures to protect the environment. In order to manufacture and supply products that comply with legal regulations, STS Group uses already established processes and conducts regular reviews of the processes. The review of the processes mainly refers to the regular internal and external audits as part of the ISO 14001 certifications for the production plants. The results of internal and external audits are reported and necessary improvements are implemented. In addition, the STS Group sites are certified in accordance with the IATF 16949 standard, which is recognized in the automotive industry. Compliance with the requirements is ensured through internal audits and audits by the certification companies. Based on the results, continuous improvement programs are pursued and the results communicated.

Reducing greenhouse gas emissions is essential, so in line with the Adler Pelzer Group CSR strategy, STS aims to reduce its Scope 1 and 2 emissions by 50% by 2026 and to become CO₂-neutral in the long term (> 10 years). To achieve the climate target, the calculation of Scope 1 and 2 emissions has also been introduced for the STS Group from fiscal year 2022. In addition,

the results are documented annually in the CDP score report (Carbon Disclosure Project) of the Adler Pelzer Group. The CDP report helps companies to evaluate their environmental impact and according to the environmental policy and to improve the subsequent actions. In 2022, STS Group generated 117,992.78 MT (metric tons) of CO₂ emissions. In the current fiscal year, the Group is also working hard to introduce systemic and regular monitoring of Scope 3 emissions.

2.1.2 Energy and resource efficiency

Environmental protection is not only an integral part of STS's product management. The Group also strives in its day-to-day business to improve the energy efficiency of its production processes and sites and to achieve a more efficient and economical use of resources. STS Group seeks to continuously improve its processes to maximize the recyclability of raw materials produced in-house, thus minimizing the environmental impact of its products. All STS Group production plants have an environmental management system certified to the international standard ISO 14001. The environmental management system regulates the responsibilities and procedures of in-house environmental protection to comply with legal requirements and to support sustainable environmental compatibility of the company's processes and products in conjunction with responsible use of resources by employees.

Among the policies adopted by STS from Adler Pelzer Group in 2022, the concept of environmental management and protection is reiterated several times, especially in the CSR strategy, the Code of Conduct for Employees, the Code of Conduct for Business Partners and the Environmental Guidelines for Suppliers. With the introduction of this internal set of rules, the STS Group demonstrates its commitment to environmentally conscious corporate management, in particular:

- To consider the environmental impact of new activities and new production processes
- On 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 implementation of effective management systems

Specific targets were set for the entire Adler Pelzer Group in the reporting year to improve energy and resource efficiency. These targets were also adopted by STS. The alignment of measures to achieve the environmental targets of the entire Group has not yet been completed and is expected to be completed in 2023. An alignment and tightening of the environmental targets for the entire Group is planned for 2023.

2.2 EMPLOYEES

Sustainability for STS Group includes not only environmental issues, but also social and ethical aspects. A safe working environment and the opportunity for employees to develop personally and contribute to the company's success with their ideas are essential components of STS work culture.

2.2.1 Health and safety

STS Group gives great importance to the health promotion of its employees and accident prevention. STS observes all applicable health and safety requirements in the respective work environment. The major subsidiaries also have certifications in accordance with ISO 45001 (occupational health and safety management system). Certain measures are implemented to prevent accidents, such as technical training, safety audits, cross-site exchange of "best practices" and improved process monitoring. In addition, STS Group promotes the health and well-being of its employees through a variety of local initiatives. STS has a "Health & Safety" policy detailing the company's approach to ensuring a safe and healthy workplace, which applies equally to all Adler Pelzer Group companies.

As part of the strategic realignment, the STS Group adopted the Adler Pelzer Group's targets and corresponding key performance indicators in fiscal year 2022 as a tool for sustainability management in relation to employee safety and health:

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

The accident rate (LPM - Lost Time per Million) is calculated by adding the resulting lost hours from work accidents to the total working hours of the past six months. The purpose of this indicator is to map the degree of workplace safety and its consequences for work performance. In 2022, 600 was set as a value target not to be exceeded.

The fire protection audit (as a percentage) measures the current status of the production site's fire safety measures with the aim of identifying the site where optimization measures are necessary. The target set for 2022 regarding the fire protection audit was at least 85%.

A target of at least 80% was set for health and safety audit results in fiscal 2022.

The 5S principle describes the design of an efficient workplace. An audit result of at least 80% has been set as a target for fiscal 2022.

In fiscal year 2022, part of the STS Group production site was included in the data collection of the above KPIs: all production sites in France and Asia. However, the sites in Italy, in Central Eastern Europe and in Mexico were missing. In the future, STS intends to introduce the same control measures for safety and health management for all sites and also the same collection method for the required data.

2.2.2 Employee satisfaction and training

For STS, employees are among the most important stakeholder groups. Qualified and motivated employees are the basis for the long-term success of STS. Due to the wide range of HR requirements and laws, HR work is the responsibility of the individual countries and implemented locally as required. The exchange of information with employees takes the form of regular appraisal interviews with the relevant managers and surveys. Regular dialog ensures that employees are more motivated and identify with the company. The results of the appraisal interviews are supported by regular performance reviews, which are intended to help reconcile employees' self-assessment and the assessment of others and to define appropriate measures for developing competencies. Dialog with employees worldwide has revealed that the opportunity for further training and development within the company is an essential part of employee satisfaction. For this reason, the Group is committed to the continuous development and advancement of its employees and offers further education opportunities and training courses to enhance their skills and thus make itself fit for the future market. The results of these discussions form the basis for individual development plans and further training measures derived from them. The Adler Pelzer Group offers its employees the e-learning platform "APG Academy". In the future, STS plans to expand its range of training and development opportunities thanks to this platform, thereby promoting the professional development of competent employees. In addition, sustainability topics are discussed with managers as part of regular employee appraisals, thus actively involving employees in the development of the Group's sustainability concept. This should also lead to a strengthening of employee loyalty.

2.3 SOCIAL ASPECTS AND HUMAN RIGHTS

Sustainability also means being a sustainable player in and for the society. Only with "social consensus" can a company operate profitably on the market in the long term.

2.3.1 Be a good neighbour / Zero tolerance policy

Under the motto "Be a good neighbour", STS Group works every day to make a positive contribution to the further development of society. STS develops innovative solutions for its customers, which in turn are used to contribute to a more sustainable society. In order for this to be achieved, dedicated, competent and qualified professionals are needed to produce high quality products. Therefore, creating and securing jobs are important aspects of social responsibility for STS. 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 STS, respect for human rights is a fundamental element of its corporate policy. This is first reflected in the design of working conditions for employees. STS always ensures a fair and healthy working environment and requires its employees to respect human rights and treat each other with respect.

STS has adopted the Adler Pelzer Group Codes of Conduct since the end of 2022 and therefore has one Code of Conduct for employees and one for business partners/suppliers. Both codes set out the principles and expectations for employees and business partners regarding responsible sourcing of raw materials, 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 Employee Code of Conduct provides clear guidance to employees in their daily work. It regulates the conformity of corporate actions with national and international laws as well as with societal, cultural and social norms. It provides clear guidelines for rule-compliant behavior of all employees with integrity towards each other and with external stakeholders. The Codes of Conduct are an integral part of the Group's compliance structure. STS also expects managers to set an example by observing the Code of Conduct and to actively support its further implementation as part of their management duties. In addition to monitoring the guidelines, this also includes active cooperation in the further development of behavioral instructions and processes to ensure that day-to-day operations in all areas of the company comply with the rules. In addition, STS is clearly committed to diversity and inclusion, the prohibition of child labor and forced labor, freedom of association and the right to employee representation, as well as binding regulations on fair working hours and remuneration, over and above the principles of conduct set out in the two codes of conduct.

2.4 GOVERNANCE AND CORRUPTION FIGHTING

Good corporate governance is the foundation for implementing all measures to achieve the defined sustainability goals. The governance of a company represents an internal set of rules that defines the processes, organization and responsibilities within a company. This set of rules also includes the corporate culture. For this reason, the development of a sustainability strategy already begins with the company's culture and is implemented through defined governance structures.

2.4.1 Excellent corporate governance and business ethics

Behaving in compliance with national and international laws and regulations is considered by STS to be 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, covering different areas such as the protection of free competition, consumer protection, employee rights and environmental protection. However, failure to comply with these laws may result in serious damage to STS's assets and reputation. STS is therefore committed to complying with all laws and regulations affecting its business. Employees worldwide support the principle of compliant behavior, thereby enabling the implementation of good corporate governance.

STS does not tolerate any form of bribery and corruption. The Group's employees and authorized representatives are committed to avoiding any form of corruption. In addition, the Group also complies with relevant country-specific anti-bribery and anti-corruption laws, policies and regulations.

While the Company Compliance Officer is responsible for the compliance issues of antitrust law, money laundering and anti-corruption, other specialist departments are responsible for data protection, export control, environmental protection, risk management, accounting, taxes and capital market law.

Since fiscal 2020, the STS Group has been using an IT-based compliance management system, which also includes the communication of behavioral guidelines and a global anonymous system. This enables all employees as well as external whistleblowers to report suspicious cases and unlawful transactions while maintaining the confidentiality of their identity. No cases were reported to STS in the reporting year 2022.

2.5 SUPPLIER RELATIONSHIPS

STS Group also pursues its quality approach with regard to suppliers. The STS Group is internationally positioned in the selection of procurement markets in accordance with its

business model. Within Europe, the choice of regional procurement market is aimed at optimizing costs in purchasing while ensuring quality standards. In North America, Mexico and China, the focus is on local suppliers. Suppliers are among STS's most important stakeholders. For this reason, their active involvement in STS's environmental management is a key element in the effective implementation of the Group's environmental policy. STS Group expects its suppliers to comply with the "Supplier Code of Conduct". For the STS Group, this forms the basis of a trusting and long-term business relationship. STS Group is aware of the challenges of a global supply chain. Against this background, the STS Group conducts regular audits of suppliers with the aim of checking quality, compliance with regulations 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 evaluated. The existing processes are being continuously developed in the course of procedural adjustments to comply with the Supply Chain Sourcing Obligations 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 NQC platform, which enables suppliers to provide answers on the so-called SAQ - Self-Assessment Questionnaire. As a result of the review, measures and action plans are defined to improve the supplier relationship and their compliance is systematically analyzed in the follow-up. Currently, the approximately 300 major suppliers of the Adler Pelzer Group are undergoing this survey. The suppliers from the STS Group will gradually be included in this review process. In addition, it is intended to further intensify the monitoring of suppliers, particularly with regard to non-financial aspects.

3. EU TAXONOMY DISCLOSURES

On June 18, 2020, the European Union adopted the so-called 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 classified as environmentally sustainable. Accordingly, an economic activity is environmentally sustainable according to Articles 3 and 9 of the EU Taxonomy Regulation if it:

- a. makes a substantial contribution to at least one of six environmental objectives defined in the EU Taxonomy Regulation ("Substantial contribution"),
- b. Does not result in significant harm to 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 according to Article 9 of the EU Taxonomy Regulation are: climate change mitigation, climate change adaptation, 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.

The Delegated Regulation (EU) 2021/2178 defines that information about the so-called taxonomy-eligible and taxonomy-aligned economic activities must be disclosed. A taxonomy-eligible economic activity is an activity described in the Delegated Regulations of the EU Taxonomy Regulation, while a taxonomy-aligned economic activity is an economic activity that is taxonomy-eligible, meets the substantial contribution and DNSH requirements, and is implemented in compliance with minimum social standards. Accordingly, eligibility is a necessary but not a sufficient condition and alignment is a sufficient condition for an economic activity to be declared environmentally sustainable. In addition, the EU Taxonomy Regulation defines enabling and transitional activities in Article 10 and Article 16. Enabling activities are those activities that allow another economic activity to be carried out in a sustainable manner without leading to a lock-in effect. Transitional activities, on the other hand, are economic activities that are consistent with the goals of the Paris Climate Agreement and for which there is no technologically and economically feasible low-CO₂ alternative.

To measure the degree of sustainability of a company, the shares of

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

of taxonomy-eligible as well as taxonomy-aligned economic activities in respective total sales revenues, total capital expenditures and total operating expenses.

3.1 OUR APPROACH

Already in the reporting year 2021, the business activities of the STS Group were identified as eligible for the EU taxonomy and, building on this, the analyses for the reporting year 2022 were further refined and the assessment for taxonomy alignment was carried out for the first time according to the current state of knowledge. For the alignment assessment, STS Group established a team across the Group, which combined competencies from all levels of business activities. The business activities identified as relevant for the Group under the EU Taxonomy Regulation are as follows

- Manufacture of other low carbon technologies,
- Manufacture of plastics in primary form and
- Close to market research, development and innovation.

As our focus is on the manufacture of particularly lightweight and solid technologies and products, and thus reducing greenhouse gas emissions in use, climate change mitigation was chosen as the environmental objective. The procedure for the conformity test is explained below.

3.2 AREAS OF THE EU TAXONOMY REGULATION RELEVANT TO US

Manufacture of other low carbon technologies is an enabling activity and is defined as the production of technologies aimed at significantly reducing greenhouse gas emissions in other sectors of the economy not explicitly described in the Delegated Regulations of the EU Taxonomy Regulation. STS Group's core competence is the production of particularly lightweight components such as the truck roof model "Next Roof", which is a cost-saving and particularly lightweight alternative to other truck roofs. The composite material used, instead of metal as is usually the case, allows for weight reduction, greater design and customization freedom of the manufacturing parts, and improved aerodynamics, leading to greenhouse gas emission reductions in use. We produce these and other particularly lightweight technologies

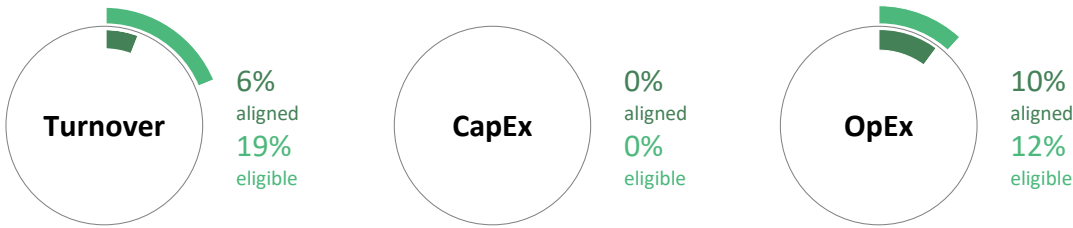
using a plastic injection molding process known as "sheet molding compounds" (SMC). Starting materials for this are produced within the Group at MCR, among others.

Manufacture of plastics in primary form is a transitional activity and is defined as the production of resins, plastics and non-vulcanizable thermoplastic elastomers, the blending and mixing of resins on a custom basis, and the manufacture of non-customized resins. The Mixed Composites Recyclables (MCR)-focused division, in addition to manufacturing SMCs, also manufactures advanced molding compounds (AMCs) and bulk molding compounds (BMCs) and is thus covered by this economic activity. The products are used to manufacture components and technologies in the automotive sector, the rail industry and urban mobility, as installed components in streetcars, subways, trains and track infrastructure, and in the construction and energy sectors. They are characterized by low weight, high heat resistance, good energy absorption capacity and very good electrical insulation properties.

Close to market research, development and innovation is an enabling activity and is defined as conducting research, applied research and experimental development in the area 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 around the development of new materials and components with high strength and durability that enable low weight while maintaining high functionality.

3.3 RESULTS OF THE EU TAXONOMY ANALYSIS

The following chart and table show the shares of taxonomy-eligible and taxonomy-aligned business activities in sales revenue, capital expenditures (CapEx) and operating expenses (OpEx).



	Total in EUR million	Shares in percent		
		Taxonomy-eligible and taxonomy-aligned	Taxonomy-eligible	Non-taxonomy-eligible
Turnover	195.7	5.9%	18.9%	81.1%
Capital expenditure (CapEx)	2.4	-	-	-
Operating expenses (OpEx)	16.0	10.1%	11.8%	88.2%

Turnover- The reported total turnover according to the paragraph 1.1.1. ANNEX I of Delegated Regulation (EU) 2021/2178 corresponds to the sales revenue of EUR 195.7 million reported in the IFRS consolidated financial statements and is the denominator for the performance indicator of "turnover". EUR 11.6 million of the total turnover were taxonomy-aligned and generated in the category "Manufacture of other low carbon technologies".EUR 25.3 million were taxonomy-aligned turnover and were generated in the category "Manufacture of plastics in primary form".

A detailed presentation of the revenue-relevant key figures according to reporting form ANNEX II of Delegated Regulation (EU) 2021/2178 is shown in Table 1.

Capital expenditure (CapEx) - The reported total of capital expenditure 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 of the IFRS consolidated financial statements:

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

These are the total amount of investments made in the reporting period in the amount of EUR 2.4 million, whereby no taxonomy-aligned or taxonomy-eligible investments were made.

A detailed presentation of the revenue-relevant key figures according to reporting form ANNEX II of Delegated Regulation (EU) 2021/2178 is shown in Table 2.

Operating Expenditures (OpEx) - The reported amount of capital expenditures as defined in paragraph 1.1.3. ANNEX I of Delegated Regulation (EU) 2021/2178 includes the direct, non-capitalized costs related to research and development, building renovation, short-term lease expenses, maintenance and repair, and all other direct expenditures related to the ongoing maintenance and repair of property, plant, and equipment assets.

Total operating expenses in the reporting period amount to EUR 16.0 million and are the denominator for the operating expenses performance indicator. Of these total operating expenses, EUR 148k were taxonomy-compliant operating expenses in the categories "Production of other low carbon technologies" and "Close to market research, development and innovation" and EUR 1.5 million were taxonomy-aligned operating expenses only and in the category "Manufacture of plastics in primary form".

A detailed presentation of the revenue-relevant key figures according to reporting form ANNEX II of Delegated Regulation (EU) 2021/2178 is shown in Table 3.

