

# The Management Board of ElringKlinger AG

» For us on the Management Board, it is essential that the Group is properly positioned for the future. This aspect is at the center of our day-to-day decision-making.«

Dr. Stefan Wolf, CEO of ElringKlinger AG





from left to right

**REINER DREWS**  
COO

**DR. STEFAN WOLF**  
Chairman of the  
Management Board

**THOMAS JESSULAT**  
CFO



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## Letter to Shareholders

Dear Shareholders,  
Ladies and gentlemen,

The 2022 financial year just ended, much like the years that preceded it, was not an easy one. Despite adverse conditions, however, we at ElringKlinger managed to bring the annual period to a satisfactory conclusion.

Our initial assumption had been that this would be a year of recovery. Having experienced the disruptions to the global economy and the many challenges afflicting the world as a whole in the wake of the coronavirus pandemic, we all longed for the transition toward normality and endemic containment. These hopes were dashed by the advent of war in Europe, which further exacerbated an already dire situation: commodity prices and energy costs spiraled, the availability of materials was again restricted, and supply chains were anything but stable. It gradually became evident that neither the war nor its repercussions would be short-lived. Today, the outcome remains shrouded in uncertainty.

What is certain, however, is that those affected have endured immeasurable suffering. Tens of thousands of people have lost their lives, thousands upon thousands their homes. Families have been separated, fears have been stoked. We shall remember the victims, while hoping that this terrible conflict will soon come to an end.

Looking toward the longer term, it is difficult to discern the possible consequences of the war, especially at a political level. Geopolitical tensions are becoming increasingly evident around the globe. The situation in the Middle East and further afield may deteriorate rapidly, as is the case in the Western Pacific. At the same time, it seems that the era of globalization and a common economic world order is being called into question. Resources, and limited accessibility to them in some cases, will be a key factor when it comes to future growth and innovation. The prospect of crises and recession looms large.

In a world awash with uncertainty, the manner in which one positions oneself as a company will become all the more important. For us in the automotive sector, a factor specific to our industry now also plays a pivotal role: the far-reaching process of transformation is progressing at pace. The figures speak for themselves: last year, around 21.8 million hybrid and all-electric vehicles rolled off the production lines. Compared to the pre-covid year of 2019, this represents a significant increase in both absolute and relative terms: while 7.4 million vehicles with new drive technologies were produced in 2019, accounting for 8.4% of total light-vehicle production, the 21.8 million vehicles manufactured in the financial year just ended represent 26.4% of total output in this market segment.

We at ElringKlinger have benefited from this trend, precisely because we positioned ourselves accordingly at a very early stage. The subsidiary EKPO Fuel Cell Technologies (EKPO), for example, has already been supplying stacks for logistics vehicles and for fuel cell applications in the aviation sector. Committed to further market cultivation, EKPO opened a facility in China in 2022. In Suzhou near Shanghai, the first locally produced stack has already left the factory premises. We also secured further contracts in the

field of Battery Technology, including, for example, battery systems for fast-charging stations. In addition, the Group is making preparations for a large-scale production order that is scheduled to ramp up in 2023: a global battery manufacturer will be supplied with cell contact systems destined for the series platform of a European carmaker. And last but not least, our business centered around electric drive units continues to generate revenue from the series production order placed by a high-end sports car manufacturer. As you can see, business in the area of new technologies is brisk.

At ElringKlinger, however, the process of transformation toward next-generation mobility is by no means limited to the E-Mobility business unit. Our long-standing areas of business – still strongly focused on the combustion engine ten years ago – have also evolved. The Metal Sealing Systems & Drivetrain Components business unit, whose focus formerly was on gaskets, for example, has now turned to mass-manufacturing products such as disk carriers for all-electric vehicles. In parallel, the unit is pressing ahead with R&D in an effort to apply the company's far-reaching expertise in metal processing to other fields of innovation, especially in the area of rotor/stator technology. Similarly, the Lightweighting/Elastomer Technology business unit is already generating substantial revenue from innovative solutions for all-electric vehicles. The new plant for lightweight components in Texas provides a springboard for sustained growth in the future. As you can see, our business centered around new technologies is also progressing well in an area formerly dedicated to conventional forms of transport. ElringKlinger lives and breathes transformation. However, this also means that we have to adapt to declining demand in certain product groups focused on the combustion engine.

Given the influencing factors outlined above, the 2022 financial year can indeed be considered encouraging. We recorded organic revenue growth of 7.4%, thus outpacing the global market, which expanded by just 6.7%. As a result, revenue surged to an all-time high of EUR 1,798 million. Earnings performance, by contrast, was severely impacted by a key external factor: spiraling interest rates in the second quarter as a result of inflationary pressures prompted impairments of goodwill of EUR 86 million at the end of the first half. Overall, exceptional items totaling EUR 103 million had an adverse effect on our earnings performance in 2022, resulting in a loss before interest and taxes of EUR -42.2 million. From an operational perspective, i. e., adjusted for these exceptional items, we recorded positive EBIT of EUR 61.0 million, which corresponds to a margin of 3.4%. On this basis, we slightly exceeded the updated guidance presented in our report on the first half of the year – an encouraging achievement when viewed against the backdrop of surging commodity, energy, and transport prices. Against this background, the Management Board and the Supervisory Board have jointly decided to propose to the Annual General Meeting a dividend payment of EUR 0.15 per share. In this context, both Boards take the view that the Group has an earnings structure that is fundamentally positive; performance has merely been obscured by non-recurring exceptional items.

We also met our guidance presented in the first-half report when it came to the other key financial indicators. Despite a prudent approach to inventory management that saw us focus on safeguarding production in response to the limited availability of raw materials and issues within the supply chain, we managed to restore our net working capital ratio to 25.1% in the course of the year – very close to the initial level. What is more, positive operating free cash flow of EUR 14.8 million provided a basis for reducing net financial liabilities again slightly year on year to EUR 364 million despite difficult underlying conditions.

Building on these fundamentals, we are powerfully positioned to embark on the next stage of transformation. Indeed, our strategy is geared toward taking this step forward. The financial year ahead will see the ramp-up of series production for incoming orders in the strategic fields of the future centered around e-mobility and lightweighting. We will continue to grow. Our plan is to generate revenue of more than EUR 3 billion in 2030. The innovative alignment of our product portfolio provides a suitable platform for

growth. In supplying components such as cell contact systems or bipolar plates, we are able to address the needs of manufacturers who are keen to retain system expertise in the field of new drive technology within their own companies. At the same time, our product range includes battery modules and fuel cell stacks. And last but not least, we are also in a position to supply entire battery systems or electric drive units if a customer is in search of end-to-end concepts. We offer solutions tailored to any requirement – not just in terms of technology but also when it comes to the degree of vertical integration.

Having said that, innovative products are by no means our only key to success as we move forward. We will continue to establish optimal vantage points in other areas, too, with a view to propelling ElringKlinger to the next level. First and foremost, I would like to mention our employees, whose ideas and dedication help to underpin the success of our company on a daily basis. I would like to thank them for their contribution, also on behalf of my colleagues on the Management Board. A healthy corporate culture is integral to a Group striving for success, and we are keen to refine this culture continuously. Quite simply because ElringKlinger wants to remain a modern, attractive employer well into the future. At the same time, we have geared ourselves up structurally as a Group for further growth by standardizing and – where necessary – honing certain processes. It is not only in this context that we intend to unleash the tremendous potential of digitalization in an effort to operate more effectively and efficiently as a Group.

As a player within the economic and social arena, however, ElringKlinger also accepts its corporate responsibility. For us, sustainability is a priority. Our products have always reflected our focus on sustainable mobility. We are now determined to reach the next milestone and reduce our environmental footprint. The Group has already achieved net carbon neutrality for its German manufacturing operations, and this will also be implemented worldwide by 2030. The wind turbine operated at the UK site in Redcar has been complemented by photovoltaic systems in Germany, India, and China. We also cover part of our electricity requirements by operating our own combined heat and power units. We are fully committed to continuing on this path.

But sustainability goes far beyond environmental awareness. For us, sustainability also means clearly defined governance structures and a commitment to engaging with the community as a whole, especially at the various sites operated by the Group. At the heart of this awareness, of course, also lies a commitment to the socially disadvantaged – in keeping with the values embraced by our company founder Paul Lechler.

Dear Shareholders, ElringKlinger's route has been charted. We have mapped out a clear path to help shape the mobility of tomorrow. ElringKlinger will use this transformation to its advantage. Please explore for yourself the tremendous potential of the ElringKlinger Group. With this in mind, I hope you enjoy reading our annual report. At the same time, I would like to thank you for the trust you have placed in ElringKlinger.

Dettingen/Erms, March 2023

Yours sincerely,



**Dr. Stefan Wolf**  
**Chairman of the Management Board**



## Report by the Supervisory Board 2022

Any hope of 2022 being seen as a year of recovery in the aftermath of the coronavirus pandemic was dashed by the invasion of Ukraine by Russian troops in February 2022. As a result of the war, the financial year was in fact marked by a sharp rise in energy and commodity prices. In parallel, global vehicle production continued to be affected by the limited availability of certain raw materials and components. While vehicle manufacturers were able to generate solid profits thanks to the high retail prices of their models, it was primarily the suppliers, and therefore ElringKlinger, who initially had to shoulder the burden of spiraling prices for materials and energy. Nevertheless, ElringKlinger succeeded in implementing price adjustments and leveraging efficiencies over the course of the financial year. As a result, it managed to achieve a satisfactory operating profit in the face of persistently challenging circumstances. ElringKlinger has thus proven itself to be a robust company that is well positioned for the future and suitably equipped to embrace the process of transformation within the automotive industry.

In the financial year just ended, the Supervisory Board of ElringKlinger AG again discharged in full the duties incumbent on it according to the law, the Articles of Association, the rules of procedure, and the German Corporate Governance Code. It supervised the Management Board and acted in an advisory capacity with regard to issues of material importance. The Supervisory Board received appropriate monthly reports from the Management Board on key figures, matters of business, and events. In addition, the Chairman of the Supervisory Board and the Chairman of the Management Board (CEO) were in regular and ongoing contact and exchanged information in particular on the economic situation, important business developments, and other significant events. The Chairman of the Supervisory Board informed the other members of the Supervisory Board about significant occurrences. The Chairman of the Supervisory Board and the entire Supervisory Board were therefore able to form a sufficient picture of the business policies, corporate planning, profitability, and situation relating to the company and the Group. In line with statutory requirements, the Supervisory Board was involved in all decision-making processes of material importance. In particular, strategically important decisions were discussed in detail with the Management Board and debated at Supervisory

Board meetings. In those cases in which decisions or measures taken by the Management Board required the approval of the Supervisory Board, such approval was obtained accordingly.

The Supervisory Board convened for four scheduled meetings in the reporting period. At the meetings, the Management Board regularly provided a detailed overview of business developments, particularly as regards the direction taken by revenue and earnings as well as the cash flows and financial performance of the Group, ElringKlinger AG, and its subsidiaries. The Management Board presented its latest projections together with its evaluation of the economic, market, and competitive situation. In addition, the Management Board supplied regular information on the current risk situation at ElringKlinger and, where necessary, relevant compliance-related issues, significant legal disputes, and other matters of fundamental importance. Other points covered at the meetings included strategic orientation and associated projects, especially with regard to the dynamic transformation of the automotive industry. In addition, the Supervisory Board focused on the increasingly important topics of sustainability and IT security. The issues were presented and discussed during the sessions of the full Supervisory Board. Another regular item on the agenda was the Audit Committee report furnished by the Chairman of the Audit Committee.

In addition to the agenda items already outlined above, the Supervisory Board dealt with the following topics, among others, at its meetings over the course of the year under review:

At its meeting on March 24, 2022, the Supervisory Board focused on the annual financial statements and the combined management report of ElringKlinger AG and the Group as of December 31, 2021, the 2021 annual report, including the Supervisory Board report, the corporate governance report, the compensation report, the combined non-financial report, and the auditor's report compiled by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The Supervisory Board adopted the annual financial statements of ElringKlinger AG, endorsed the consolidated financial statements together with the combined management report, and approved the

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Klaus Eberhardt,  
Chairman of the Supervisory Board





non-financial report. The results of the efficiency review conducted in respect of the duties discharged by the Supervisory Board were presented and discussed by the board members. Furthermore, the Supervisory Board decided on the agenda of the Annual General Meeting on May 19, 2022 and, after considering the overall circumstances, approved the proposal by the Management Board to hold the Annual General Meeting as a virtual event due to the coronavirus pandemic. The Supervisory Board resolved to reallocate the responsibilities of the Management Board following the departure of long-serving Management Board member Theo Becker and to amend the rules of procedure of the Management Board accordingly. At the suggestion of the Personnel Committee, the Supervisory Board resolved to extend the appointment of Dr. Wolf as Chairman of the Management Board (CEO) and thus his employment contract until January 31, 2027. As regards the existing remuneration system, the so-called modifiers were determined in respect of the 2022 financial year.

At the Supervisory Board meeting on July 28, 2022, the amendments to the German Corporate Governance Code were discussed in addition to the usual agenda items already outlined above. The Supervisory Board also resolved to have proposals in respect of implementation and adoption prepared by a working group.

On September 29, 2022, the Supervisory Board dealt extensively with the issues of commodity price and energy price inflation. In addition, the Supervisory Board was presented with an overview of the key developments and projects in the field of electric drives, especially fuel cell and battery technology.

As scheduled, the agenda for the meeting on December 1, 2022, included the 2023 budget and medium-term business planning. Furthermore, the Supervisory Board discussed the audit and compliance report as well as the status of the internal control system. In this context, those attending the plenary meeting of the Supervisory Board were also furnished with information by the Chairman of the Audit Committee, after these issues had been dealt with extensively at the preceding Audit Committee meeting. The Supervisory Board decided to commission Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft to assist it in reviewing the non-financial report. Finally, the Chairman of the Audit Committee reported on the selection process for the appointment of the auditor for the 2023 financial year. In addition, the

results of the Supervisory Board's working group on the amendments to the German Corporate Governance Code were presented and the Declaration of Conformity was adopted. Finally, the Supervisory Board discussed and approved the profile of skills and expertise for the Supervisory Board, as presented by the Personnel Committee.

The Audit Committee convened on four occasions during the year under review. The meeting in March 2022 were centered around the review of the 2021 annual financial statements together with the associated auditor's report. At the Audit Committee meetings in July 2022 and September 2022, the focus in particular was on the status of the internal control system, the risk management system, and the other governance systems. In addition, consultations focused on the selection procedure for the choice of auditor and, at the September meeting, the organization of data protection and IT security as well as requirements relating to sustainability standards. The agenda of the Audit Committee meeting in December 2022 included the process of determining the focal points of the audit for the 2022 financial year, the procedures with regard to the audit of the financial statements, and the report on the internal audit, compliance, and currency risk management. These meetings were attended, at least in part, by the auditors of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft responsible for the audit. In particular, the Audit Committee also monitored the independence and efficiency of the auditor.

The Personnel Committee met twice in the 2022 financial year, in February and November, in particular to prepare the resolutions to be adopted by the Supervisory Board in personnel matters. The Nomination Committee met once in February 2022. It discussed the election proposal for the replacement election of a Supervisory Board member. The Mediation Committee did not have to be convened during the financial year just ended.

All members attended the meetings of the Supervisory Board and its committees in 2022. Due to the coronavirus pandemic, the Supervisory Board meeting on March 24, 2022, and the March meeting of the Audit Committee were held as a video conference for the purpose of protecting the health of those attending. The meeting of the Personnel Committee in November of the reporting period also took place as a virtual event. All other meetings of the Supervisory Board and its committees were held with the physical presence of all members. The Supervisory Board met once

during the reporting period without the presence of the Management Board.

There were no conflicts of interest during fiscal 2022 between Supervisory Board members and the company.

As stipulated by the provisions set out in the German Corporate Governance Code, the Supervisory Board conducted an efficiency review in respect of its board and committee activities on the basis of a questionnaire to be completed by all members. Suggestions were taken on board and are being incorporated into the work of the Supervisory Board.

In accordance with the requirements of the German Corporate Governance Code, the company supports the members of the Supervisory Board with regard to professional training measures. Fundamentally, it is at the discretion of the respective Supervisory Board member which measures he or she considers suitable and appropriate. In the year under review, no member of the Supervisory Board participated in professional training events for which the company would have assumed the costs.

The annual financial statements of ElringKlinger AG and the corresponding consolidated financial statements with the combined management report for the 2022 financial year, as presented by the Management Board, were audited by the auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The audit mandate had been issued by the Supervisory Board following the appointment of the

auditor by the Annual General Meeting on May 19, 2022. In accordance with Section 315e of the German Commercial Code (HGB), the consolidated financial statements of ElringKlinger AG were prepared on the basis of International Financial Reporting Standards (IFRS). The auditing firm issued unqualified audit opinions for the annual financial statements of ElringKlinger AG as well as for the consolidated financial statements, including the combined management report, for the financial year 2022. The Supervisory Board was in possession of the documents relating to the financial and consolidated financial statements as well as the two audit reports compiled by the auditor. The aforementioned documents were studied in depth by the Audit Committee and the Supervisory Board as a whole before being discussed at length and examined in the presence of and in consultation with the competent auditors. The Supervisory Board concurred with the outcome of the audit. No objections were raised. At its meeting on March 23, 2023, the Supervisory Board adopted the annual financial statements of ElringKlinger AG and endorsed the consolidated financial statements together with the combined management report. Additionally, the Supervisory Board approved the non-financial report.

The Supervisory Board would like to thank the Management Board and all members of staff at ElringKlinger AG and its subsidiaries in Germany and abroad for their tremendous commitment in a year that again proved extremely challenging against the backdrop of prevailing economic and political conditions.

Dettingen, March 23, 2023

On behalf of the Supervisory Board



**Klaus Eberhardt**  
Chairman of the Supervisory Board

## ElringKlinger and the Capital Markets

The capital markets were exposed to significant exogenous stress factors over the course of the 2022 financial year. The war in Ukraine, the restricted availability of resources, a sharp rise in commodity and energy prices, spiraling inflation rates, and attendant interest rate hikes exerted considerable downward pressure on global economic growth in the annual period under review. Combined with sector-specific issues such as bottlenecks in the supply of semiconductors, these economic influences also had an impact on the automotive industry. In a similar vein, stock markets were buffeted by the high degree of volatility and uncertainty. Against this turbulent backdrop, the price of ElringKlinger shares fell by 40% over the course of the year. In the 2022 financial year, ElringKlinger furnished comprehensive and transparent information on the business performance and strategic orientation of the Group. At the same time, the company maintained a close dialogue with capital market players.

### **Weak annual performance for stock markets amid war in Ukraine, inflation, and supply chain bottlenecks**

Germany's stock market was in a buoyant mood at the beginning of the year, with indices hovering around their all-time highs. However, the Russian invasion of Ukraine at the end of February saw stock markets come under intense pressure in the spring. The war in Ukraine precipitated an energy crisis and pushed commodity prices higher, in addition to causing renewed disruption to supply chains. Furthermore, euro-zone countries were faced with a gradual rise in inflation. Standing at 10.6% in October 2022, the euro area annual inflation rate reached the highest level since 1945. In view of these developments, central banks came under increasing pressure to stem the tide of monetary devaluation. The European Central Bank responded to the situation in July and initiated a policy turnaround that included the first increase in its key interest rate since 2011. Further adjustments followed over the course of the annual period, as a result of which the main refinancing rate for banks stood at 2.50% at the end of the year. Prior to this, the US Federal Reserve (FED) had raised interest rates early in the year from a target range of 0.00–0.25% to 4.25–4.50%.

This prompted a significant depreciation of the euro against the US dollar. For the first time in 20 years, the euro fell below parity with the US dollar. Despite these circumstances,

the benefits generally associated with a weak euro proved negligible when it came to the fortunes of Germany's export industry. This was attributable primarily to persistent problems within the supply chains as well as high material and energy prices, a situation that was further exacerbated by the ongoing conflict in Ukraine. Against this background, experts became more outspoken in their concern over an impending recession in late summer. On September 29, the prospect of an economic downturn caused Germany's blue chip index, the DAX, to fall to an annual low of 11,976 points.

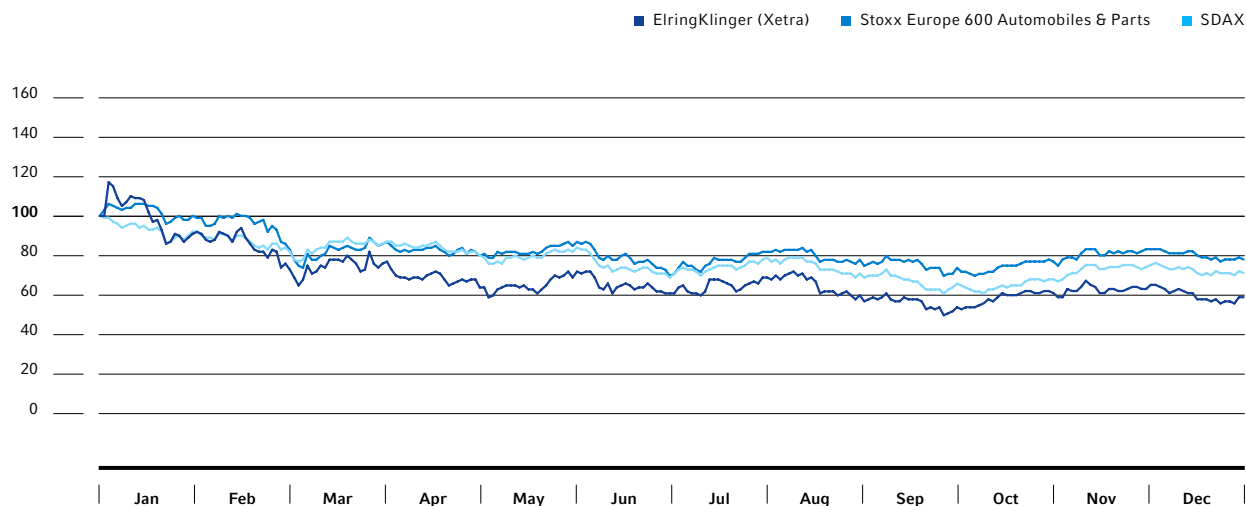
Operating within this unfavorable market environment, the DAX was in negative territory in the annual period as a whole, despite the fact that it had managed to claw back some of the losses by the end of the year. The same picture emerges when conducting an international comparison, with the US Nasdaq in particular posting considerable losses.

### **ElringKlinger stock exposed to volatile market conditions**

Fiscal 2022 began with an upbeat performance for ElringKlinger's stock. On January 5, the company's share price reached EUR 13.70, which also represented its high for the year. Mirroring the fate of many automotive stocks, however, its share price came under pressure in the subsequent weeks. This was attributable to persistent down-side

### ElringKlinger's share price performance from January 1 to December 31, 2022 (indexed)

in %



factors emanating from external sources, such as rising commodity prices and supply chain issues as well as the tense geopolitical situation between Russia and Ukraine. On the day of Russia's invasion of Ukraine on February 24, ElringKlinger shares recorded a price of EUR 9.29. The impact of the war on global stock markets subsequently caused the company's share price to tumble to a provisional annual low of EUR 7.65, as recorded on March 7. ElringKlinger AG's shares closed the quarter at a price of EUR 8.64.

Having put in a weaker performance in the first quarter of 2022, the company's stock trended sideways over the course of the second quarter. The stock was underpinned

by favorable reports relating to the Group's first-quarter business performance and order intake in the field of battery technology, which lent greater stability to the share price. At EUR 7.20, ElringKlinger shares closed the second quarter slightly below the level recorded in the first quarter.

The third quarter of 2022 initially saw the company's share price trend slightly higher at EUR 8.38 on August 12. However, the protracted war in Ukraine coupled with recessionary concerns caused prices to nosedive again from mid-August. Shortly before the end of the quarter, ElringKlinger shares hit an annual low of EUR 5.85.

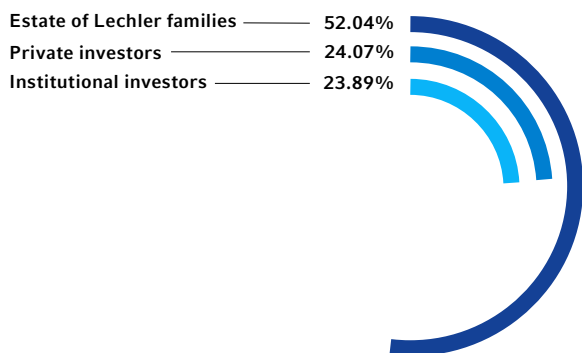
### Key Indicators for ElringKlinger's Stock

	2022	2021
Earnings per share IFRS (after non-controlling interests, in EUR)	-1.41	0.88
Shareholder's equity per share as of Dec. 31 (in EUR)	14.15	15.5
High (in EUR) <sup>1</sup>	13.70	17.72
Low (in EUR) <sup>1</sup>	5.85	10.21
Closing price as of Dec. 31 (in EUR) <sup>1</sup>	6.96	11.11
Dividend per share (in EUR)	0.15 <sup>2</sup>	0.15
Average daily trading volume (German stock exchanges; volume of shares traded)	101,958	189,600
Average daily trading value (German stock exchanges; in EUR)	877,529	2,656,900
Market capitalization as of Dec. 31 (EUR millions) <sup>1</sup>	441.0	704.0

<sup>1</sup> Xetra trading

<sup>2</sup> Proposal to 2023 AGM

**Shareholder Structure as of December 31, 2022**



The fourth quarter initially saw the company’s share price trend higher again. On November 3, the Group published its figures for the third quarter, reporting record quarterly sales. Subsequently, the stock rose to a fourth-quarter high of EUR 7.85. This was followed by a sideways trend that persisted until the end of the year. ElringKlinger’s stock closed the 2022 year of trading at EUR 6.96.

**Year-on-year downturn in daily trading value**

The trading volume of ElringKlinger shares during the 2022 financial year was down on the prior-year level. On average, 101,958 shares (2021: 189,600 shares) were traded on stock exchange days. At EUR 0.9 million (2021: EUR 2.6 million), the daily value of ElringKlinger’s stock traded on average on German stock exchanges was down markedly on the figure for 2021. Despite this downturn, a sufficiently high level of liquidity was available in the stock market at all times over the course of the 2022 financial year to also conduct larger share transactions.

**2022 Annual General Meeting held in a virtual format**

As in the two preceding years, the Annual General Meeting (AGM) of ElringKlinger AG, which took place on May 19, 2022, was held virtually. In consultation with the Supervisory Board, the Management Board had decided in favor of this approach at the beginning of February, given the heightened levels of uncertainty as to whether and how an in-person event could be held against the backdrop of the pandemic. In his speech, CEO Dr. Stefan Wolf looked back on a 2021 financial year that was considered successful yet also challenging, dominated by shortages of raw materials, disrupted supply chains, availability constraints with regard to semiconductors, and the repercussions of the coronavirus

pandemic. Despite these underlying conditions, ElringKlinger put in a satisfactory performance in 2021. The Annual General Meeting concurred with the joint proposal by the Management Board and the Supervisory Board for the payment of a dividend in keeping with the company’s balanced dividend policy. The proposed dividend of EUR 0.15 per share was approved by a large majority of 99.9%. All other proposed resolutions were also approved by a large majority in each case.

**Shareholder structure: more private investors than in the previous year**

There was no change in the ratio of shares in free float to those in family ownership. At the end of the year, the ownership interest held by the Lechler families amounted to 52.04% of the 63,359,990 no-par-value shares issued in total. Within the free float (47.96%) the company saw a slight shift in the overall structure toward private investors. As of December 31, 2022, institutional investors held 23.89% (2021: 26.4%) of the shares. In total, 24.07% of the shares were held by private investors at the end of the period under review (2021: 21.5%).

**Hybrid approach to capital market communication**

As in previous years, the persistent coronavirus pandemic had a bearing on how the company engaged with capital market players in 2022. ElringKlinger remained committed to an approach that included both virtual and in-person forms of communication, regardless of external influences. As usual, the Group reported continuously, promptly, comprehensively, and transparently on all current and future developments of relevance to the company and the industry as a whole. In this context, ElringKlinger relied on various communication channels for the purpose of engaging with capital markets.

Over the course of 2022, ElringKlinger AG attended several capital market conferences – both virtually and in person. Virtual and hybrid formats have now established themselves as a genuine alternative in capital market communication – although, fundamentally, face-to-face dialogue is still considered indispensable.

In November, ElringKlinger organized the “Next Generation Products @ ElringKlinger” Capital Markets Day for analysts and investors at the company’s headquarters in Dettingen/Erms. As the name suggests, the focus of this event was very much on the Group’s products of the future. Presentations on electric drive units as well as battery and fuel

## Key Indicators for ElringKlinger's Stock

International Securities Identification Number	DE0007856023
German Securities Identification Code	785602
Exchange symbol	ZIL2
Ticker symbol Bloomberg	ZIL2
Ticker symbol Reuters	ZILGn.DE
Share capital	EUR 63,359,990
Number of shares outstanding	63,359,990 shares
Stock exchanges	Xetra and all German exchanges
Market segment	Regulated Market
Transparency level	Prime Standard

cell technology gave analysts and investors a precise picture of how far ElringKlinger has come in the transformation of the mobility sector. The Capital Markets Day was rounded off with a tour of fuel cell\* production at the Dettingen site and a presentation highlighting the activities of the Lightweighting/Elastomer Technology business unit. The analysts and investors attending the event were given a first-hand insight into ElringKlinger's prospects for the future, and this potential was reflected in the subsequent studies or notes.

Upon publication of its quarterly results, ElringKlinger organized conference calls for investors and analysts. The conferences were streamed live on the internet and subsequently published on the Group's website, including the associated presentation. In addition, a virtual financial results press conference and a virtual analysts' conference were held upon publication of the annual report.

### Sustainability criteria established within the capital market

Investment decisions by private and institutional investors are increasingly governed by issues relating to sustainable business practice and responsible corporate social responsibility. Indeed, ESG\*-related topics, which cover environmental, social, and governance issues, are establishing themselves as a criterion for the purchase of shares – not least due to more extensive regulatory measures introduced by the European Union.

Sustainability is a priority for ElringKlinger, as it means taking responsibility for employees, society, and the environment.

ElringKlinger's commitment to sustainability is gaining ever-growing recognition within the capital markets. This is due to the fact that investors are also increasingly placing greater value on the responsible actions of companies with a strong focus on embracing the principles of sustainable business. This explains the appeal of ElringKlinger shares to such investors.

The latest CSR (Corporate Social Responsibility) report is the eleventh sustainability report published by ElringKlinger AG. Unless otherwise stated, the data relate to the ElringKlinger Group as a whole and the 2021 financial year. The report was published in the second half of 2022 and is available in German and English. It can be accessed on ElringKlinger's website, under the Sustainability section.

### Corporate governance

In accordance with Principle 22 of the German Corporate Governance Code in the version of April 28, 2022, the Management Board and the Supervisory Board report annually on corporate governance\* in the corporate governance statement, which also includes the declaration of conformity adopted on December 1, 2022. The statement can be accessed on the company's website at [www.elringklinger.de/en/company/corporate-governance](http://www.elringklinger.de/en/company/corporate-governance).

### Sustainability report

ElringKlinger's annual sustainability report includes detailed information and key figures relating to employees, social issues, the environment, and quality. It is scheduled for publication on the Group's website at <https://www.elringklinger.de/en> (Sustainability section) in the second half of 2023.

\* Cf. glossary

# Compensation Report

**The compensation report of ElringKlinger AG presents in a transparent and readily intelligible manner the compensation individually granted and owed to the members of the Management Board and the Supervisory Board for the 2022 financial year, in addition to providing detailed explanations. The report complies with the requirements of the German Stock Corporation Act (Aktiengesetz – AktG). The current compensation system applies as from the 2021 financial year and was approved by the Annual General Meeting on May 18, 2021, with a majority of 98.8%.**

The compensation system for Management Board members is aligned with the company's long-term corporate strategy as well as its objective of sustained success and sets corresponding incentives for the Management Board. The compensation system takes into consideration the size, complexity, and financial situation of the company as well as its prospects for the future. Therefore, the compensation system consists of parameters that are transparent and performance-based, in addition to embracing the aspect of sustainability. The focus of the compensation system is on the duties and performance of the entire Management Board.

The proportion of variable compensation exceeds that of fixed compensation. Additionally, the target value of long-term

variable compensation is higher than that of short-term variable compensation.

This structure in respect of compensation components is aimed at promoting positive corporate development. The larger variable proportion of long-term variable compensation in particular provides an incentive to safeguard the company's sustained performance and to focus on positive long-term corporate development.

In summary, the compensation system is aimed at supporting and fostering the company's transformation and evolving the company in pursuit of long-term profitability.

## Compensation structure for members of the Management Board

### System of compensation

The following table provides an overview of the components of the compensation system for Management Board members

applicable to the 2022 financial year, the structuring of the individual compensation components, and the objectives on which they are based:

Component	Objective	Structuring
<b>Non-performance-based compensation</b>		
	Securing a basic income	Cash compensation
Basic compensation	Alignment with the Board member's area of responsibility	Payment in twelve monthly installments
Fringe benefits		Company car Insurance benefits
Benefits for private retirement benefits or retirement pension	Securing adequate pension provision	Payment of an annual fixed amount (three members of the Management Board) or allocation of a percentage of the last monthly fixed salary per year of service to the retirement benefits scheme (one Management Board member who left the company in 2022)
<b>Performance-based compensation</b>		
		Year-on-year comparison of EBIT Year-on-year comparison of operating free cash flow Modifier for additional targets to be agreed
Short-Term Incentive (STI)	Profitable growth of the company	Payment in cash
		Granting at the beginning of a financial year based on the year-on-year comparison of EBIT and operating free cash flow Modifier for additional targets to be agreed
Long-Term Incentive (LTI)	Sustainable corporate performance and incentivization toward growth in enterprise value through share subscription	Payment in cash with the proviso that shares shall be acquired in ElringKlinger AG and subsequently held for several years
<b>Benefits in the event of termination of employment</b>		
Termination by mutual consent	Avoidance of excessive severance payments	Severance payment limited to remaining term of employment contract or maximum of two years' compensation
<b>Other compensation arrangements</b>		
Malus/clawback	Sustained corporate performance	Option for the Supervisory Board to withhold STI and LTI or to reclaim compensation already paid
Maximum compensation	Restriction of disbursements to an appropriate level due to possible exceptional circumstances	STI: two times the individual allocation value LTI: two times the individual allocation value
Deviations from the compensation system	Safeguarding the sustained performance of the company	In exceptional circumstances, the Supervisory Board has the authority to determine a different agreement



### Entitlements from the bonus system applicable up to 2020

As regards the compensation system applicable until 2020, as of December 31, 2022, a tranche remains in place within the context of the Economic Value Added Bonus System (LTI II). LTI II is a bonus based on the economic value added to the ElringKlinger Group. The Management Board receives a percentage of the economic value added calculated in respect of the company. The EVA bonus is granted at the beginning of a three-year benefit period and corresponds to the percentage of average economic value added in respect of the three subsequent financial years. The annual economic value added is calculated according to the following formula:

$$\text{EVA} = (\text{EBIT} \times (1 - T)) - (\text{WACC} \times \text{Capital Invested})$$

The first component is calculated on the basis of EBIT\* in respect of the financial year as well as the average Group tax rate (T).

The second component is computed by multiplying Group WACC by capital invested. The weighted average cost of capital (WACC) is calculated with the help of the basic interest rate, the market risk premium, and the beta factor. The beta factor represents the individual risk of a share in relation to the market index. It is determined as an average value of all the peer group companies.

The credit spread for borrowing costs, as the premium on the risk-free basic interest rate, was derived from a peer group rating. Capital invested is calculated on the basis of Group equity plus net financial liabilities (i. e., net debt\*) as of January 1 of the financial year.

90% of the LTI II amount is paid out to the member of the Management Board in question, after the end of the three-year benefit period, in the subsequent year. Using the remaining 10% of the LTI II amount, the company purchases shares in ElringKlinger AG on behalf and for account of the Management Board member in question. The Management Board member is prohibited from accessing these shares for a further three years. Dividends and subscription rights are at the disposal of the Management Board member. The

maximum amount granted from LTI II has been set at twice the amount of fixed compensation.

The 2020–2022 tranche does not give rise to compensation.

### 2021 Compensation Report

The 2021 Compensation Report was approved by 90.81% of the votes of the Annual General Meeting on May 19, 2022.

### Departure of a member of the Management Board

With effect from March 31, 2022, Theo Becker's appointment as a member of the Management Board was terminated following a resolution adopted by the Supervisory Board on March 24, 2022. The termination and severance agreement concluded in this context regulates the settlement of contractual rights as part of a one-off payment in the amount of EUR 834 k, taking into account the severance cap of a maximum of two years' compensation. The one-off payment was made in April 2022. A retention period until March 31, 2024, was agreed in respect of shares in the company acquired under the share ownership guideline. All retirement benefit rights granted shall remain valid.

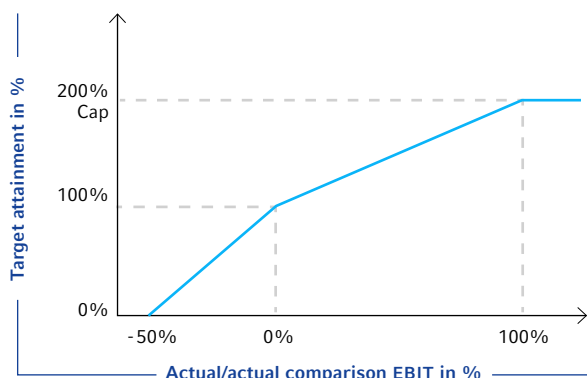
### Short-Term Incentive (STI)

The STI is based on the two key financial performance targets EBIT ("Earnings Before Interest and Taxes") and Operating FCF ("Operating Free Cash Flow\*"), each weighted at 50%. It is granted annually and paid out in cash. The audited, certified, and approved consolidated financial statements of ElringKlinger AG are authoritative for both indicators. In the event of extraordinary circumstances, it is at the discretion of the Supervisory Board to set parameters deviating from the audited figures.

Target attainment with regard to EBIT is determined on the basis of a year-on-year comparison of actual figures. In this context, the actual EBIT value in the respective financial year is compared with the actual EBIT value of the previous financial year. If EBIT remains the same as in the previous year, target attainment equals 100%. If EBIT increases by +100%, the maximum level corresponds to 200%. In the case of EBIT of -50% compared to the previous year, the

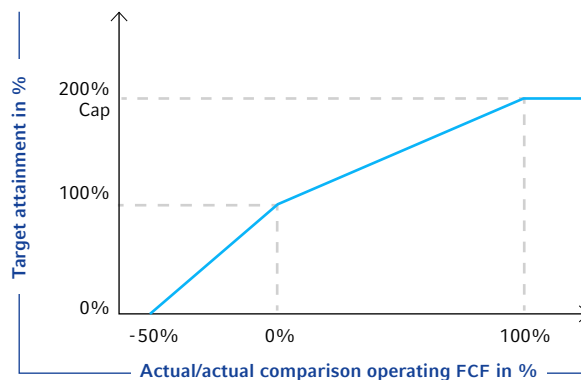
target attainment level is 0%, which corresponds to a minimum value. The values within this range are interpolated. The EBIT target attainment curve is shown below.

### EBIT target attainment curve



Target attainment for operating FCF is also determined on the basis of a year-on-year comparison of actual figures. The actual value of operating FCF in the respective financial year is compared with the actual value of operating FCF of the previous financial year. If operating FCF remains the same as in the previous year, target attainment equals 100%. If operating FCF is up by +100%, the maximum level corresponds to 200%. In the case of operating FCF of -50% compared to the previous year, target achievement is 0%, which corresponds to a minimum value. The values within this range are interpolated. The target achievement curve for operating FCF is shown below.

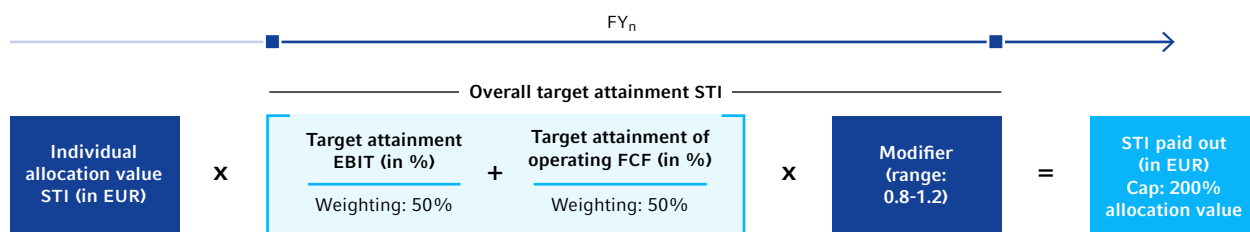
### Operating FCF target attainment curve



An additional modifier enables the Supervisory Board to assess not only the level of financial target attainment but also the individual and collective performance of the Management Board as well as the achievement of stakeholder objectives on the basis of specific criteria. The criteria for assessment are determined by the Supervisory Board at the beginning of each financial year, at the latest within the first three months. It is at the discretion of the Supervisory Board to determine the modifier, which can range from 0.8 to 1.2.

An individual allocation value is contractually agreed for each member of the Management Board. Overall target attainment is calculated from the sum of target attainment of EBIT and operating FCF multiplied by the modifier. The STI figure is calculated by multiplying the individual allocation value by overall target attainment. The maximum amount of the STI per Management Board member is two times the allocation value. The principles of the STI are illustrated in the following diagram.

### Summary: Principles of the Short-Term Incentive (STI)



\* Cf. glossary

**Factors to determine the STI for the 2022 financial year**

For the 2022 financial year, the criteria for the modifier were set collectively for all Management Board members as innovation ratio, customer retention, and improvement in energy efficiency. The innovation ratio shows the hours spent on research and development for e-mobility in rela-

tion to the total hours spent on research and development. The customer loyalty modifier is based on the average order backlog of the last twelve months. Energy efficiency is calculated on the basis of CO<sub>2</sub> reduction. The indicator puts CO<sub>2</sub> emissions in relation to revenue.

**Target attainment STI 2022**

EUR k	2021	2022	Target attainment	Weighting	Weighted target attainment
EBIT	102,030	-42,231	0%	50%	0%
Operating free cash flow	71,971	14,810	0%	50%	0%
<b>Total</b>				<b>100%</b>	<b>0%</b>

	Target	2022	Target attainment	Weighting	Weighted target attainment
<b>Modifier</b>					
Innovation ratio	>50%	76%	1.2	1/3	0.40
Customer retention	EUR >1,200 million	EUR 1,488 million	1.2	1/3	0.40
Improvement in energy efficiency	>2.5%	10%	1.2	1/3	0.40
<b>Modifier</b>				<b>1.00</b>	<b>1.20</b>
<b>Overall target attainment</b>					<b>0%</b>

STI EUR k	Maximum amount	Allocation value	STI
Dr. Stefan Wolf	960	480	0
Reiner Drews	480	240	0
Thomas Jessulat	480	240	0

Due to the departure of Theo Becker, there is no longer an entitlement under the STI for 2022.

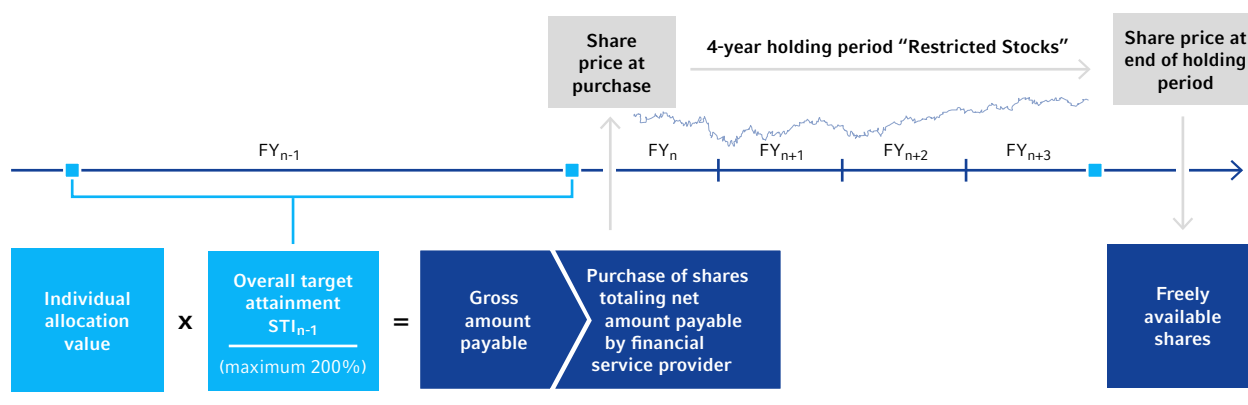
### Long-Term Incentive (LTI)

Eligible Management Board members are entitled to an LTI granted on an annual basis. In accordance with the method applied to the STI, the allocation value is multiplied by the overall target attainment figure for the STI of the financial year preceding the respective financial year. The amount

paid out for the respective financial year under review is determined on the basis of this calculation. The amount payable must be fully invested in company shares after deduction of applicable taxes and duties. These shares must be held for a period of four years.

The underlying principles are illustrated in the following diagram.

### Summary: Principles of the Long-Term Incentive



The individual allocation value is granted in annual rolling tranches, each at the beginning of a financial year (“allocation date”). This form of compensation is granted immediately subsequent to the adoption of the consolidated financial statements and the determination of overall target attainment for the STI of the financial year preceding the grant year of the respective tranche of the LTI.

The gross payment amount is calculated by multiplying the individual allocation value by the figure of overall target

attainment determined for the STI of the financial year preceding the grant year of the respective tranche of the LTI.

As regards the 2022 financial year, the overall target attainment was 240%, which is in excess of maximum remuneration. Therefore, LTI 2022 was limited to the maximum level of compensation, which corresponds to twice the allocation value. The following overview shows the level of target attainment and the number of shares acquired:

### Target attainment LTI 2022

EUR k	2020	2021	Target attainment	Weighting	Weighted target attainment
EBIT	27,736	102,030	200%	50%	100%
Operating free cash flow	30,000	71,971	200%	50%	100%
<b>Total</b>				<b>100%</b>	<b>200%</b>

LTI EUR k	Target	2021	Target attainment	Weighting	Weighted target attainment
<b>Modifier</b>					
Innovation rate	>50%	69%	1.2	1/3	0.40
Customer loyalty	EUR >1,200 million	1,242 million	1.2	1/3	0.40
Improvement of energy efficiency	>2.5%	13%	1.2	1/3	0.40
<b>Modifier</b>				<b>1.00</b>	<b>1.20</b>
<b>Target achievement</b>					<b>240%</b>

LTI EUR k	Maximum amount	Allocation value	LTI	Average purchase price in EUR	Number of acquired shares
Dr. Stefan Wolf	1,440	720	1,440	8.97	84,283
Theo Becker	720	360	720	8.97	39,329
Reiner Drews	720	360	720	8.97	42,141
Thomas Jessulat	720	360	720	8.97	42,295

The shares were acquired in the period between March 29 and April 4, 2022. The vesting period ends after four years in 2026.

### Maximum compensation

Maximum compensation payable to the members of the Management Board corresponds to the sum of maximum amounts that can possibly be paid from all compensation components for the respective financial year. The following

table lists the maximum amount of compensation for each Management Board member, as approved by the Supervisory Board for the 2022 financial year:

	Dr. Stefan Wolf	Theo Becker	Reiner Drews	Thomas Jessulat	Total
<b>Maximum compensation</b>					
EUR k	2022	2022	2022	2022	2022
<b>Non-performance-based compensation</b>					
Fixed annual salary	636	108	401	401	1,546
Fringe benefits	36	2	6	29	73
Severance payments	0	834	0	0	834
Benefits for private pension provision	400	0	300	300	1,000
<b>Total</b>	<b>1,072</b>	<b>944</b>	<b>707</b>	<b>730</b>	<b>3,453</b>
<b>Performance-based compensation</b>					
Short-Term Incentive	960	0	480	480	1,920
Long-Term Incentive	1,440	0	720	720	2,880
<b>Total</b>	<b>2,400</b>	<b>0</b>	<b>1,200</b>	<b>1,200</b>	<b>4,800</b>
<b>Maximum compensation</b>	<b>3,472</b>	<b>944</b>	<b>1,907</b>	<b>1,930</b>	<b>8,253</b>

### Malus/clawback

If, subsequent to the payment of variable compensation, it transpires that the consolidated financial statements were incorrect and that, after correction of the consolidated financial statements, a lower amount or no amount shall be payable in respect of variable compensation or that there has been a breach of a material contractual obligation or significant breaches of the duty of care within the meaning of Section 93 AktG, it shall be at the discretion of the Supervisory Board to reduce the amount of unpaid variable compensation granted for the financial year in which the violation occurred partially or completely to zero (“malus”) or to reclaim partially or completely (“clawback”) the gross amount of variable compensation already paid for the

financial year in which the violation occurred. No clawback actions occurred in 2022 with regard to variable compensation components.

### Share ownership guideline

The members of the Management Board are obliged to acquire shares in the company equivalent to a full gross annual fixed salary within a build-up period of four years and to hold them for the duration of their appointment as a member of the Management Board of ElringKlinger AG and for two years beyond this period. Fulfillment of this obligation shall be demonstrated to the Chairman of the Supervisory Board at the end of each financial year. The table provides details of the shares held by each member of the Management Board.

### Overview shares

	Dr. Stefan Wolf	Theo Becker	Reiner Drews	Thomas Jessulat	Total
<b>Tranche 2021</b>					
Number of shares	15,827	7,371	7,914	7,914	39,026
Average purchase price (in EUR)	10.43	10.43	10.43	10.43	10.43
Average rest term in years	2.97	1.25	2.97	2.97	2.64
<b>Tranche 2022</b>					
Number of shares	84,283	39,329	42,141	42,295	208,048
Average purchase price (in EUR)	8.97	8.97	8.97	8.97	8.97
Average rest term in years	3.25	1.25	3.25	3.25	2.87

### Benefits for private pension provision

The benefit allowance is a fixed amount that is paid out annually to three members of the Management Board. As a component of non-performance-based compensation, it is shown in the summary of Management Board compensation.

Management Board member	Fixed amount in EUR k
Dr. Stefan Wolf	400
Reiner Drews	300
Thomas Jessulat	300

### Retirement pension

Under the retirement pension arrangements applicable prior to 2020, there are also commitments in respect of an annual retirement pension for the members of the Management Board. The retirement pension was contractually defined and amounts to between EUR 14k and EUR 190k.

The retirement pension policy continues to apply to Theo Becker, the Management Board member who left the company in 2022. The retirement pension is calculated as a percentage of pensionable income. The percentage is dependent on the number of years of service as a Management Board member. The percentage rate is 3.2% of the last monthly fixed salary prior to leaving the company in respect of each full year of service. This percentage rate can rise to a maximum of 45%.

The entitlement to a retirement pension becomes applicable in respect of all contracts as soon as the contract of service has ended, but not before the individual has reached the age of 63. This entitlement also becomes applicable as soon as the Management Board member has reached the age that entitles him to receive full statutory pension benefits as well as in the event of occupational disability. Existing entitlements in respect of time spent as a salaried employee of the company are not factored in to this calculation and continue to apply.

If a member of the Management Board acts in a manner that is grossly negligent or displays gross negligence in his failure to act in specific instances and such actions or failures to act would result in significant damages to the Group, all entitlements to a retirement pension shall lapse; the same shall apply if the member of the Management Board enters the service of an entity that is in direct competition with the company.

The contracts include provisions governing surviving dependents' benefits. If a member of the Management Board dies during the period in which the employment contract is applicable or once the retirement benefits become due, his widow/widower or dependent children shall receive a widow's or orphan's pension. The widow's pension amounts to 50% of the retirement pension of the deceased. The orphan's pension amounts to 20% of the widow's pension to the extent that a widow's pension is payable simultaneously and 40% of the widow's pension to the extent that no widow's pension is payable.

The widow's or orphan's pensions shall not exceed 60% of the amount to which the deceased would have been entitled if he had entered into retirement on the day of his death.

#### Review and adjustment of compensation

The salary components are to be reviewed by the company's Supervisory Board every two years. The next review is scheduled for January 1, 2023. The Supervisory Board has the authority to grant the Management Board member special compensation. A decision on this is at the free discretion of the Supervisory Board in compliance with legal requirements.

#### Management Board compensation 2022

The following itemized overview presents the amount of compensation granted and owed to each member of the Management Board in the 2022 financial year. In accordance with the provisions set out in Section 162 of the German Stock Corporation Act (Aktiengesetz – AktG), the amount of compensation granted and owed must be stated as the amounts that became due in the reporting period and have already been paid to the individual Management Board member or whose due payment has not yet been concluded.

#### Compensation granted and owed

EUR k	Dr. Stefan Wolf				Theo Becker			
	2022	in %	2021	in %	2022	in %	2021	in %
<b>Non-performance-based compensation</b>								
Fixed annual salary	636	25	636	27	108	6	432	34
Fringe benefits	36	1	37	2	2	0	8	1
Severance payments	0	0	0	0	834	45	0	0
Benefits for private pension provision	400	16	400	17	0	0	0	0
<b>Total</b>	<b>1,072</b>	<b>42</b>	<b>1,073</b>	<b>46</b>	<b>944</b>	<b>51</b>	<b>440</b>	<b>35</b>
<b>Performance-based compensation</b>								
Short-Term Incentive	0	0	960	41	0	0	480	37
Long-Term Incentive	1,440	58	315	13	720	39	157	12
<b>Total</b>	<b>1,440</b>	<b>58</b>	<b>1,275</b>	<b>54</b>	<b>720</b>	<b>39</b>	<b>637</b>	<b>49</b>
<b>Compensation granted and owed</b>	<b>2,512</b>	<b>100</b>	<b>2,348</b>	<b>100</b>	<b>1,664</b>	<b>90</b>	<b>1,077</b>	<b>84</b>
Service cost	0	0	0	0	185	10	210	16
<b>Total compensation</b>	<b>2,512</b>	<b>100</b>	<b>2,348</b>	<b>100</b>	<b>1,849</b>	<b>100</b>	<b>1,287</b>	<b>100</b>

### Pension obligations

The current service cost as well as the present value (DBO) of the pension provisions are as follows:

EUR k	Dr. Stefan Wolf		Theo Becker		Reiner Drews		Thomas Jessulat		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Current service cost	0	0	185	210	0	0	0	0	185	210
Present value (DBO)	2,535	5,928	0	4,998	178	342	392	735	3,105	12,003

### Pensions for former members of the Management Board, the management of merged entities, and their surviving dependants

A provision of EUR 20,059 k (2021: EUR 16,524 k) was made for pension obligations. Total compensation amounted to EUR 1,011 k in the 2022 financial year (2021: EUR 928 k).

	Reiner Drews				Thomas Jessulat				Total			
	2022	in %	2021	in %	2022	in %	2021	in %	2022	in %	2021	in %
	401	28	401	30	401	28	401	29	1,546	21	1,870	29
	6	0	8	1	29	2	48	3	73	1	101	2
	0	0	0	0	0	0	0	0	834	12	0	0
	300	21	300	22	300	21	300	22	1,000	14	1,000	16
	707	49	709	53	730	51	749	54	3,453	48	2,971	47
	0	0	480	35	0	0	480	35	0	0	2,400	38
	720	51	157	12	720	49	157	11	3,600	49	786	12
	720	51	637	47	720	49	637	46	3,600	49	3,186	50
	1,427	100	1,346	100	1,450	100	1,386	100	7,053	97	6,157	97
	0	0	0	0	0	0	0	0	185	3	210	3
	1,427	100	1,346	100	1,450	100	1,386	100	7,238	100	6,367	100



## Compensation structure for members of the Supervisory Board

Supervisory Board compensation is governed by the provisions set out in Section 13 of the Articles of Association of ElringKlinger AG. The level of compensation is determined by the Annual General Meeting. The members of the Supervisory Board shall receive remuneration that is commensurate with their duties and the circumstances of the company. The compensation system was last adjusted on July 7, 2020. The members of the Supervisory Board receive fixed compensation of EUR 50k (2021: EUR 50k) for each full financial year they have served on the Supervisory Board. Membership of a committee is remunerated at EUR 6k (2021: EUR 6k) and membership of the Audit Committee is remunerated at EUR 10k (2021: EUR 10k). Additionally, the members of the Supervisory Board receive a lump-sum payment of EUR 1k (2021: EUR 1k) for each Supervisory Board meeting they attend. The chairperson of a committee receives double the respective amounts. Compensation in respect of membership of the Mediation Committee shall only be payable in those cases in which the Committee

has to be convened. No compensation is granted for the Nomination Committee.

The role of the Supervisory Board Chairman and the role of his Deputy are taken into consideration when determining the level of compensation. The Chairman of the Supervisory Board receives three times (2021: three times) and the Deputy Chairman two times (2021: two times) the compensation paid to other Supervisory Board members. Expenses incurred by the Supervisory Board members are reimbursed to an appropriate extent. Supervisory Board members who have not held the post for a full financial year receive a pro rata amount of fixed compensation. Fixed compensation is due at the end of the financial year.

### Amount of Supervisory Board compensation in 2022

In the year under review, compensation granted and owed to the Supervisory Board of ElringKlinger AG amounted to EUR 868k (2021: EUR 859k). Additionally, travel expenses totaling EUR 1k (2021: EUR 1k) were reimbursed. Compensation payable to the individual members of the Supervisory Board was as follows:

	2022					2021				
	Fixed compensation		Compensation for committee work		Total	Fixed compensation		Compensation for committee work		Total
	EUR k	in %	EUR k	in %	EUR k	EUR k	in %	EUR k	in %	EUR k
Klaus Eberhardt	158	88	22	12	180	158	88	22	12	180
Markus Siegers	106	95	6	5	112	106	95	6	5	112
Armin Diez	0	0	0	0	0	8	100	0	0	8
Rita Forst	20	100	0	0	20	54	100	0	0	54
Ingeborg Guggolz	34	100	0	0	34	0	–	0	0	0
Andreas Wilhelm Kraut	54	100	0	0	54	54	100	0	0	54
Helmut P. Merch	54	73	20	27	74	54	73	20	27	74
Gerald Müller	54	100	0	0	54	54	100	0	0	54
Paula Monteiro Munz	54	100	0	0	54	54	100	0	0	54
Barbara Resch	54	100	0	0	54	53	100	0	0	53
Prof. Hans-Ulrich Sachs	0	0	0	0	0	0	0	1	100	1
Gabriele Sons	54	90	6	10	60	54	90	6	10	60
Manfred Strauß	54	84	10	16	64	54	84	10	16	64
Bernd Weckenmann	54	100	0	0	54	37	100	0	0	37
Olcay Zeybek	54	100	0	0	54	54	100	0	0	54
<b>Total</b>	<b>804</b>	<b>93</b>	<b>64</b>	<b>7</b>	<b>868</b>	<b>794</b>	<b>92</b>	<b>65</b>	<b>8</b>	<b>859</b>

### Information on the relative change in Management Board and Supervisory Board compensation

The following overview lists the change in compensation granted and owed to the individual members of the Management Board and the Supervisory Board in relation to the

financial performance indicators of the Group. In addition, compensation of the Management Board is shown in relation to the total workforce as well as to employees covered by collective agreements in Germany.

### Compensation of the Management Board and Supervisory Board in relation to the company's earnings performance

EUR k	2018	2019	Change in %	2020	Change in %	2021	Change in %	2022	Change in %
<b>Management Board</b>									
Dr. Stefan Wolf	1,594	1,379	-14	1,485	8	2,348	58	2,512	7
Theo Becker	1,185	1,074	-9	807	-25	1,077	34	1,664	55
Reiner Drews	595	692	16	845	22	1,346	59	1,427	6
Thomas Jessulat	857	758	-12	910	20	1,386	52	1,450	5
<b>Supervisory Board</b>									
Klaus Eberhardt	112	100	-11	183	83	180	-2	180	0
Markus Siegers	77	69	-10	114	65	112	-2	112	0
Nadine Boguslawski	45	40	-11	28	-	0	-	0	-
Armin Diez	50	44	-12	65	48	8	-	0	-
Pasquale Formisano	46	39	-15	28	-	0	-	0	-
Rita Forst	46	40	-13	55	38	54	-2	20	-
Ingeborg Guggolz	0	0	-	0	-	0	-	34	-
Andreas Wilhelm Kraut	46	38	-17	55	45	54	-2	54	0
Helmut P. Merch	0	0	-	37	-	74	-	74	0
Gerald Müller	46	40	-13	55	38	54	-2	54	0
Paula Monteiro Munz	50	44	-12	55	25	54	-2	54	0
Barbara Resch	0	0	-	27	-	53	-	54	2
Prof. Hans-Ulrich Sachs	46	40	-13	28	-	1	-	0	-
Gabriele Sons	54	48	-11	61	27	60	-2	60	0
Manfred Strauß	54	47	-13	71	51	64	-10	64	0
Bernd Weckenmann	0	0	-	0	-	37	-	54	-
Olcay Zeybek	0	0	-	27	-	54	-	54	0
<b>Key earnings indicators</b>									
<b>ElringKlinger AG</b>									
Net income or loss for the year	-5,291	-17,112	-	-11,566	-	70,087	-	-45,505	-
<b>Key earnings indicators</b>									
<b>Group</b>									
EBIT	96,180	61,233	-36	27,736	-55	102,030	268	-42,231	-
ROCE	5.5%	3.4%	-38	1.7%	-50	6.4%	277	-2.7%	-
Operating free cash flow	-86,169	175,821	-	164,695	-6	71,971	-56	14,810	-79
Equity ratio	42.8%	41.5%	-3	41.4%	0	47.0%	14	43.8%	-7
Net debt/EBITDA	3.7	3.3	-11	2.5	-24	1.7	-32	2.1	24
<b>Workforce</b>									
Total workforce in Germany <sup>1</sup>	57	58	2	55	-5	58	6	62	7
Employees covered by collective agreements in Germany <sup>1</sup>	54	55	2	52	-6	55	6	55	0

<sup>1</sup> Without Management Board

Dettingen/Erms, March 23, 2023

On behalf of the Management Board



Dr. Stefan Wolf,  
Chief Executive Officer



Thomas Jessulat,  
Chief Financial Officer

On behalf of the Supervisory Board



Klaus Eberhardt,  
Chairman of the Supervisory Board

## Report of the independent auditor on the audit of the remuneration report pursuant to Sec. 162 (3) AktG

To ElringKlinger AG

### Opinion

We have audited the formal aspects of the remuneration report of ElringKlinger AG, Dettingen/Erms, for the fiscal year from January 1, 2022 to December 31, 2022 to determine whether the disclosures required by Sec. 162 (1) and (2) AktG [“Aktengesetz“: German Stock Corporation Act] have been made therein. In accordance with Sec. 162 (3) AktG, we have not audited the content of the remuneration report.

In our opinion, the disclosures required by Sec. 162 (1) and (2) have been made in the accompanying remuneration report in all material respects. Our opinion does not cover the content of the remuneration report.

### Basis for the opinion

We conducted our audit of the remuneration report in accordance with Sec. 162 (3) AktG and in compliance with the IDW Auditing Standard: Audit of the Remuneration Report in Accordance with Sec. 162 (3) AktG (IDW AuS 870). Our responsibilities under this provision and standard are further described in the “Responsibilities of the auditor” section of our report. As an audit firm, we applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1). We complied

with the professional obligations pursuant to the WPO [“Wirtschaftsprüferordnung“: German Law Regulating the Profession of Wirtschaftsprüfer (German Public Auditor)] and the BS WP/vBP [“Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer“: Professional Charter for German Public Accountants/German Sworn Auditors] including the requirements regarding independence.

### Responsibilities of the management board and supervisory board

The management board and supervisory board are responsible for the preparation of the remuneration report and the related disclosures in compliance with the requirements of Sec. 162 AktG. In addition, they are responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report and the related disclosures that are free from material misstatement, whether due to fraud or error.

### Responsibilities of the auditor

Our objectives are to obtain reasonable assurance about whether the disclosures required by Sec. 162 (1) and (2) AktG are made in the remuneration report in all material respects and to express an opinion thereon in a report.

We planned and performed our audit so as to determine the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by Sec. 162 (1) and (2) AktG. In accordance with Sec. 162 (3) AktG, we have not audited the accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the remuneration report.

**Consideration of misrepresentations**

In connection with our audit, our responsibility is to read the remuneration report considering the knowledge obtained in the audit of the financial statements and, in doing so, remain alert for indications of whether the remuneration report contains misrepresentations in relation to the accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the remuneration report.

If, based on the work we have performed, we conclude that there is a misrepresentation, we are required to report that fact. We have nothing to report in this regard.

Stuttgart, March 23, 2023

Ernst & Young GmbH  
 Wirtschaftsprüfungsgesellschaft

Grathwol	Klukas
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

## Corporate Governance

The Management Board and the Supervisory Board of ElringKlinger AG annually publish a Statement of Corporate Governance\* in accordance with principle 22 of the German Corporate Governance Code in its version from the 28th of April 2022, which also includes the Declaration of

Conformity adopted on the 1st of December 2022. The Declaration is available online on the corporate website [www.elringklinger.de/en/company/corporate-governance/declaration-of-conformity](http://www.elringklinger.de/en/company/corporate-governance/declaration-of-conformity).

## Sustainability Report

ElringKlinger’s annual sustainability report includes detailed information and key figures relating to employees, social issues, the environment, and quality. It is scheduled for

publication on the Group’s website at [www.elringklinger.de/en](http://www.elringklinger.de/en) (Sustainability section) in mid-2023.

\* Cf. glossary

# Combined Non-Financial Report 2022

## of ElringKlinger AG

This non-financial Group report has been combined with the non-financial report of the exchange-listed parent company ElringKlinger AG and relates to the 2022 financial year. Unless otherwise specified, the information presented refers to the ElringKlinger Group in its entirety.

The combined non-financial report has been prepared in accordance with the legal provisions set out in Section 289b et seqq. and Section 315b et seqq. of the German Commercial Code (Handelsgesetzbuch – HGB\*) and, in the context of focused reporting, does as yet not currently follow a specific framework. As of January 1, 2024, the Group undertakes to

follow the provisions set out in the new Corporate Sustainability Reporting Directive (CSRD). This report also contains information on the implementation of the EU Taxonomy\* Regulation (Regulation (EU) 2020/852). Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was commissioned to review the combined non-financial report of ElringKlinger AG for the period from January 1, 2022, to December 31, 2022, in the context of a limited assurance engagement.

As in previous years, the Group plans to publish a comprehensive sustainability report later in 2023.

## Business model of the ElringKlinger Group

The ElringKlinger Group operates as a global technology group. Its emphasis is on the development, industrial production, and distribution of components, modules, and systems for the vehicle industry. The Group applies its skills as an innovator to the development of solutions that enable sustainable and climate-neutral mobility. The product portfolio consists of components for the drivetrain, body, underbody, chassis, and exhaust system. These include innovative battery components and systems, fuel cell stacks\* and components, and electric drive units as well as innovative lightweighting concepts, sealing technology, and thermal and acoustic shielding systems. Beyond the automotive industry, the portfolio includes cross-industry products made of high-performance plastics as well as various machinable thermoplastic materials. Marketed under the

“Elring – das Original” brand, ElringKlinger also supplies an extensive range of spare parts.

Employing around 9,500 people at sites in 20 countries, ElringKlinger is active primarily in the three principal economic regions of Europe, North America, and Asia-Pacific. As of December 31, 2022, ElringKlinger had 40 production facilities, four sales offices, one logistics center, and one company operating solely within the area of aftermarket sales. ElringKlinger maintains direct lines of contact with the majority of the world’s major vehicle and engine manufacturers. In order to actively exploit the benefits of global interaction, ElringKlinger purchases raw materials in a number of different countries and has established an extensive network of suppliers for this very purpose. In

total, 54% of these goods are procured from Germany, China, and the United States.

The Group has categorized its operating business into four segments: Original Equipment, Aftermarket, Engineered Plastics, and Other. The Original Equipment segment, in turn, comprises several business units. In organizational terms, the Aftermarket and Engineered Plastics segments correspond to business units.

For ElringKlinger, acting in a sustainable manner is an integral part of its long-term corporate strategy aimed at increasing enterprise value. The objective is to combine long-term economic success and growth in all areas of business with the preservation of social and ecological interests. Values, actions, and goals derived from aspects of sustainability are therefore reflected in the Group's guidelines.

## Determining materiality

ElringKlinger conducted a materiality analysis for the purpose of determining matters of significance and compliance with statutory obligations in respect of environmental, social, and employee-related matters, respect for human rights, and anti-corruption and bribery matters (Section 289c(3) HGB\*). The main focus was, above all, on those issues that are significantly influenced by the business model and the value chain. In the context of updating this materiality analysis, the Group conducted a stakeholder survey in 2022, analyzed purchasing data, and discussed the results with internal experts from all relevant departments.

As in the previous year, the following six topics were derived from this analysis:

- Combating corruption and bribery
- Responsibility in the supply chain
- Environmentally-friendly mobility

- Environmental protection in production
- Occupational health and safety
- Targeted recruitment and development of employees

As regards the topics covered by the non-financial report, there is a particularly high relevance in relation to the business operations of the ElringKlinger Group. These business operations, in turn, have an especially strong impact on the reportable matters. The exception is the social aspect, where no major issues were identified.

The materiality analysis conducted in 2022 also confirmed that emissions in the upstream and downstream supply chain (Scope 3) as well as the issue of waste management are of increasing importance to the Group. The Group will therefore continue to evolve its coverage of both topics and include them in future reporting.

\* Cf. glossary

## Risk assessment

As regards the sphere of activity of the business operations presented in the combined non-financial report of ElringKlinger AG, no significant risks were identified that are associated with its own business activities and for which the business activities are very likely to have or will in future have a severe negative impact on the reportable aspects. The risk assessment applies both to the Group's business activities and its business relations as well as the products and services of the ElringKlinger Group.

Risk management is seen as an all-embracing function within the company. As such, new risks that may potentially arise are incorporated into the existing risk management system. Relevant risk assessments have been performed by teams of experts for all significant issues presented in this non-financial report; they are continuously updated and reviewed.

## Combating corruption and bribery

**At ElringKlinger, corporate responsibility is considered an essential prerequisite when it comes to embracing and pursuing all business activities. Among other aspects, this includes compliance with existing laws and rules. To this end, Group-wide guidelines apply to all employees around the world.**

Given the global nature of its business activities, the ElringKlinger Group is subject to national legislation as well as various political, social, and cultural conditions. ElringKlinger has a compliance management system (CMS) in place for the early detection and prevention of breaches of applicable guidelines and laws. The aim is to avoid violations of statutory provisions, such as incidents of corruption and bribery or non-compliance with antitrust law, which, in addition to reputational and financial risks, can also have personal consequences under criminal and labor law. The CMS is based on the three fundamental principles of prevention, detection, and investigation of compliance violations and, in addition to binding compliance rules, also includes requisite measures to comply with laws and directives and to act and behave responsibly.

The "Vision and Mission" guideline, which contains fundamental values and goals of the Group, was drawn up to prevent infringements. The code of conduct and the corporate code, which in turn are complemented by further, more detailed guidelines for the specific areas, have been defined on this basis. The code of conduct addresses the issues of corruption, gratuities, and conflicts of interest. The code serves as an orientation for all employees and as a benchmark for professional interaction. ElringKlinger's corporate code includes guidelines on how to deal with gifts and instances of attempted bribery. ElringKlinger expects all employees to assume responsibility when it comes to actively protecting and upholding the company's values, and to neither endorse nor tolerate corrupt conduct relating to gratuities from or to business partners. In 2022, the Group published a dedicated section on the company website summarizing all compliance policies and related topics.

The Chief Compliance Officer (CCO) is responsible for implementing, structuring, and refining the CMS. The CCO reports all events that occur directly to the CEO, who is responsible for ensuring compliance with legal requirements and internal guidelines. In addition, the Group has regional or local compliance officers in the high-revenue regions of Europe, Asia, and South America, who report directly to the CCO. In North and Central America, the compliance organization is complemented by external compliance experts at law firms. The compliance organization actively follows up on indications of potential compliance-related violations in order to clarify critical issues as quickly as possible and initiate appropriate measures. Such notifications can be submitted via the “Share with us” whistleblower system that has been accessible to all stakeholders since 2022 as well as by telephone, e-mail, or in a personal conversation.

ElringKlinger uses the Global Case Management tool for the purpose of case management. It structures the procedure for dealing with compliance-related allegations and supports the regional compliance officers in dealing with notifications. In the 2022 financial year, seven regular meetings were convened, as part of which the regional compliance officers exchanged information with the CCO on material developments in their area.

Given the importance of compliance issues to the entire Group, all employees receive the relevant guidelines and policies as part of the on-boarding process when they join the company. In addition, the Group introduced standardized online compliance training in 2022, which from now on will be conducted regularly by all employees with a personal Office account. In the 2022 reporting year, 2,139 employees had completed this training for the first time. The company provided more in-depth information surrounding the topics of competition law, corruption, dealing with gratuities, and conflicts of interest as part of a separate training course for selected employees from the particularly sensitive areas of Sales, Purchasing, and Project Management.

Fundamentally, risks relating to infringements within the area of corruption and bribery exist throughout the entire ElringKlinger Group. However, in view of its firmly established corporate culture and expanded CMS, ElringKlinger considers the risk of significant compliance infringements to be low. ElringKlinger was not aware of any case in 2022 in which material breaches in connection with bribery and corruption occurred within the parent company or the subsidiaries.



## Responsibility in the supply chain

**ElringKlinger aims to work exclusively with suppliers who acknowledge their responsibility with regard to applicable labor, social, and environmental standards and are committed to meeting them accordingly. The Group reviews the requirements and standards on a regular basis in the form of supplier audits.**

Supplier Quality Management is involved in selecting direct suppliers<sup>1</sup> at ElringKlinger and is responsible for qualifying them. In line with the transformation process in the automotive industry, the product portfolio within the ElringKlinger Group is also undergoing significant change. As a result, a large number of new suppliers are needed for the new product areas. In addition, products are becoming increasingly complex, which adds to ElringKlinger's auditing efforts.

ElringKlinger has documented the requirements it places on suppliers in a supplier handbook, which is available online and is provided to each supplier in digital form. As of December 31, 2022, the level of acceptance in respect of the supplier handbook stood at 54% of all direct suppliers in the automotive business. The handbook is based on the principles of the International Labour Organization (ILO) and the IATF\* 16949 standard and covers aspects such as compliance, social and working conditions, and corporate integrity. ElringKlinger is also committed to environmentally sound operational management and structured conduct and procedures with regard to the implementation of corporate environmental policy. The Group therefore requires its direct suppliers in the automotive business to have a quality management system certified to ISO\* 9001 and IATF 16949 and an environmental management system certified to ISO 14001 or EMAS.

As of December 31, 2022, 98.7% (2021: 98.3%<sup>2</sup>) of direct suppliers in the automotive business were certified according to the quality management standard ISO 9001, which means that ElringKlinger is close to reaching its target of 100%. Meanwhile, 57.2% (2021: 59.5%<sup>2</sup>) of direct suppliers in the

automotive business were certified to environmental management standard ISO 14001 in 2022. In 2022, 72.4% (2021: 66.0%<sup>2</sup>) of direct suppliers in the automotive business were certified in accordance with the automotive industry's quality management standard IATF 16949. Dealers, raw material suppliers, and suppliers designated by customers were not taken into account in calculating the proportion of IATF-16949-certified suppliers. The Group is targeting a rate of 75%<sup>3</sup> in 2023.

To monitor compliance with required standards, Supplier Quality Management conducts supplier audits every year in accordance with the VDA 6.3 standard. This also covers sustainability and data protection issues. In the event of any deviations, appropriate remedial measures must be implemented within a defined period of time. The implementation of these measures is then reviewed. Significant deviations can result in the supplier relationship being terminated immediately. ElringKlinger conducted 159 (2021: 99) supplier audits in 2022. This increase is due to the coronavirus-related restrictions that were still in place in the previous year. In 2022, the Group also examined country- and supplier-specific risks in preparation for the German Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz – LkSG) coming into force in 2023. The focus here was also on further developing and firmly establishing human rights-related due diligence obligations in various governance processes that shall also apply to suppliers.

Supplier Quality Management is responsible for the selection and qualification of new suppliers within the

<sup>1</sup> Suppliers that provide production materials or carry out external work for the manufacture of ElringKlinger products.

<sup>2</sup> The figures reported in 2021 have been adjusted and relate exclusively to direct suppliers in the automotive business.

<sup>3</sup> The 60% target previously reported in 2021 has been adjusted in line with the new definition (dealers, raw material suppliers, and suppliers designated by customers not taken into account in the calculation).

ElringKlinger Group. For this purpose, the list of criteria includes sustainability criteria such as compliance with labor, social, and environmental standards as well as traditional aspects such as supplier quality, reliability, and liquidity. In addition, regular management reports provide the Management Board with information on the current situation and developments with regard to Supplier Quality Management.

With regard to the responsible use of raw materials, ElringKlinger uses the "International Material Data System" (IMDS). In addition, information collected from all automotive suppliers on the material and chemical composition of semi-finished products and components is passed on to ElringKlinger and customers. The advantage of the system is that all key automotive suppliers and suppliers throughout the supply chain can store their data in a single system so as to create transparency over the exact contents and

enable components to be disposed of in an environmentally responsible manner at the end of their life cycle. The database is also used as a platform for quickly checking the countries of origin of conflict minerals. Among other things, the US legislation on conflict minerals (Dodd-Frank Act) requires companies to disclose the origin of certain raw materials. This is intended to rule out the possibility of conflict minerals such as tantalum, gold, tungsten, and tin from the Republic of Congo or neighboring countries from being incorporated into products via supply chains. Although ElringKlinger does use small quantities of several of the aforementioned materials, it does not source these from the countries stated. An analysis of raw materials procured by the ElringKlinger Group in 2022 based on supplier information provided no evidence that conflict minerals were being sourced from the regions listed above.

## Environmentally-friendly mobility

**Mobility is one of society's most basic requirements and is fundamental to the economic and social development of industrialized societies and service economies. It is therefore all the more important that mobility does not place an extra strain on the environment, something that ElringKlinger has been working on for over two decades. The Group is contributing to the transformation of the transportation sector by developing innovative, zero-emission solutions. In the long term, ElringKlinger is targeting a significant increase in the percentage of Group revenue generated by new technologies.**

The share of the global market accounted for by electric vehicles is growing steadily, and it is becoming apparent that fuel cell\* technology is initially proving an alternative primarily for commercial vehicles and buses. Rising volumes can generate economies of scale. These will make fuel cells an even more attractive proposition for passenger car applications, an area that will initially be dominated by battery power alone. ElringKlinger firmly believes that the

two technologies are complementary and that both are needed for sustainable mobility, particularly from an energy efficiency perspective. The Group is thus rigorously pursuing its strategy in order to keep on harnessing the potential available – from both battery and fuel cell technology.

As well as adding components and systems for the new drive technologies to its product portfolio, ElringKlinger has

\* Cf. glossary

also devised some innovative solutions in its traditional areas of business in order to offer components for the new drive types. Within its core areas of expertise – coating, punching, embossing, molding, and plastic injection molding – it is thus building an extensive range of products that serves these new drive technologies and that is continuously being expanded. One good example of this is the disk carrier that was developed in the Metal Sealing Systems & Drivetrain Components business unit and is currently in series production for an all-electric model designed by a European sports car manufacturer.

ElringKlinger's fuel cell\* technology activities are based at its subsidiary EKPO Fuel Cell Technologies (EKPO), which was set up in 2021 together with the French automotive supplier Plastic Omnium to accelerate the development of hydrogen-based mobility using the low-temperature fuel cell known as a PEM (proton exchange membrane). EKPO expanded its involvement in Asia in 2022 by setting up a Chinese subsidiary at the Group's existing site in Suzhou. EKPO offers complete stack modules in various performance classes as well as corresponding components such as metallic bipolar plates\* and plastic media modules. EKPO won a number of orders in the year under review, including one to develop and supply prototype bipolar plates for a major European carmaker and another to develop and supply fuel cell stacks\* for drives in logistics vehicles. In the aviation technology segment, EKPO secured a follow-on order from Aerostack GmbH, the entity operated by Airbus and ElringKlinger, to provide development services and supply stack components and prototypes. In the medium term, EKPO aims to play a leading role within the fuel cell market for both mobility and stationary applications.

ElringKlinger has been a series supplier of battery technology for over ten years now. Its extensive product portfolio encompasses battery systems, battery modules, and components for batteries such as cell contact systems, module connectors, and cell covers. In response to the transformation picking up speed, the Group is pooling its battery technology activities at its site in the German town of Neuffen, where employees from sales, development, prototyping, industrial engineering, production quality, and project management all work together. The team received several orders in 2022, including one to supply battery systems for a prototype grid-independent charging station.

ElringKlinger is working closely with its strategic partner hofer powertrain to develop and integrate electric drive units. The Group has held a stake in the system developer and supplier since 2017. Nürtingen-based hofer AG specializes in solutions for hybrid and electrical vehicles, including the development of electric drive systems that combine the power electronics, gear system, and electric motor. Within the ElringKlinger Group, therefore, skills are being concentrated in order to ramp up innovations in electric drive units for mass production on an international scale. The Group produced small batches in the high-end sports and luxury car segments at its UK-based subsidiary hofer powertrain products UK Ltd. in 2022. In summer 2022, the Group moved hofer powertrain products GmbH, its German site for small-batch manufacturing, from Nürtingen to the electro-mobility site in Neuffen, which had been established in 2021.

Lightweighting also has an important role to play in eco-friendly mobility, because it has a significant impact on a vehicle's weight and can thus help reduce its fuel consumption or extend its range. Minimizing CO<sub>2</sub> emissions is the main aim in this regard. A lower weight also reduces tire wear and particulate pollution. Alongside the new drive technologies, therefore, lightweighting is among the key technologies powering the transformation in the automotive industry. ElringKlinger has been mass-producing lightweight components for more than two decades. Its many years of experience relating to materials, processes, and manufacture are particularly reflected in its broad product portfolio, which includes drivetrain and body products.

In the long term, ElringKlinger intends to deliver this transformation by increasing the percentage of Group revenue generated by new technologies. These made up 10.9% of Group revenue in 2022 (2021: 12.3%). The year-on-year reduction is due to projects being postponed, which also caused the start of production to be delayed. In addition, the previous year's result included higher sales revenue for development services. This figure differs from that reported for the environmental KPI stated in the "EU taxonomy\*" section in terms of both its amount and what it covers. Essentially, it comprises the revenue generated in the Lightweighting business unit, which helps to reduce emissions in vehicles powered by combustion engines – and is therefore included here – but does not fall within the scope of the definition according to the EU taxonomy.

# Environmental protection in production

**Products developed by ElringKlinger have an impact on the environment at every stage of their life cycle. As a result, the Group has a high degree of ecological responsibility, which it strives to fulfill within the context of its environmental and quality policy. For this reason, the Group aims to dedicate around 1% of its total capital expenditure<sup>4</sup> each year to measures that help reduce emissions.**

The energy transition is well under way. More and more countries are focusing on the expansion of renewable energy instead of fossil energy production from oil, natural gas, or coal, the aim being to avoid climate-damaging greenhouse gases. The German government, for instance, has resolved to accelerate the expansion of renewable energy and aims to cover at least 80% of Germany's gross electricity consumption with renewables by 2030.<sup>5</sup> A new ambitious target has also been set at a European level. By 2030, the share of renewables in respect of the European Union's total energy consumption is to be increased to 40%.<sup>6</sup> This is considered an important step that will facilitate the purchase of green electricity, for example, by industrial companies in years to come. As part of its 2021 Climate Strategy, ElringKlinger has also begun to acquire energy from sustainable sources to an increasing extent.

Acknowledging its all-embracing responsibility toward the environment, ElringKlinger has drawn up a quality and environmental policy that applies to all employees and suppliers. Overall responsibility for environmental protection and other sustainability-related matters rests with ElringKlinger's Management Board. ElringKlinger AG's environmental officer is always involved in investment decisions of environmental relevance. The corporate and business units are responsible for mapping out environmental topics, and the environmental officers appointed at the individual production sites are responsible for implementation.

ElringKlinger included a total of 35 companies and their sites in its environmental reporting in 2022. As well as 34 production sites, ElringKlinger Logistic Service GmbH, Ergenzingen, Germany, was also included. For the first time, the sites in Neuffen and Dettingen, Germany, were included in environmental reporting in 2022. The site in San Antonio, United States, which opened in 2022, is to be included in environmental reporting in the current financial year. The excluded production sites in Nürtingen, Germany, Timisoara, Romania, Warwick, United Kingdom, Chamborêt, France, and Chongqing, China, are not reported due to their small size and minor relevance to the environmental indicators. In 2022, therefore, ElringKlinger's environmental reporting covered 88% of the Group's production sites, representing 98% of Group revenue and 98% of the Group's workforce.

In 2022, ElringKlinger continued to implement its strategy for becoming carbon-neutral in net terms by 2030 in respect of its Scope 1\* and Scope 2 emissions. In 2020, ElringKlinger's management defined a total of four different fields of action to achieve this goal. These are: (1) increasing energy efficiency with regard to all buildings and facilities, (2) expanding renewable energies, (3) switching to green electricity, and (4) offsetting CO<sub>2</sub> emissions that are considered completely unavoidable by investing in external projects aimed at reducing CO<sub>2</sub> emissions. In 2022, the electricity supply contracts of the Group company in Spain were migrated to green electricity. In total, 16,000 metric tons of CO<sub>2</sub> generated from gas, the fleet, and air travel were offset by means of compensatory measures.

<sup>4</sup> The capital expenditure made in order to achieve the target (particularly additional capital expenditure on energy-saving measures) relates to the emission-reducing elements of investment in property and buildings, in technical equipment and machinery, and in other equipment (operating and office equipment).

<sup>5</sup> Press and Information Office of the Federal Government (ed.) Dec. 23, 2022, online.

<sup>6</sup> European Commission (ed.) (no date), online.

	2022	2021
<b>Total direct and indirect CO<sub>2</sub> emissions in t</b>	<b>73,740</b>	<b>73,850</b>
<b>Total direct CO<sub>2</sub> emissions in t<sup>1</sup></b>	<b>22,070</b>	<b>23,120</b>
of which direct CO <sub>2</sub> emissions from gas, oil, engine test benches, etc. in t	21,200	22,300
of which direct CO <sub>2</sub> emissions by the vehicle fleet in t <sup>2</sup>	870	820
<b>Total indirect CO<sub>2</sub> emissions in t</b>	<b>51,670</b>	<b>50,730</b>
of which indirect CO <sub>2</sub> emissions from electricity in t <sup>3,4</sup>	50,400	50,300
of which indirect CO <sub>2</sub> emissions from air travel in t <sup>5,6</sup>	1,270	430
<b>CO<sub>2</sub> emissions per EUR 1 million of revenue in t</b>	<b>41.0</b>	<b>45.5</b>
<b>CO<sub>2</sub> emissions offset in t<sup>7</sup></b>	<b>16,000</b>	<b>22,000</b>

<sup>1</sup> At the parent company, ElringKlinger AG, 11,000 tons (2021: 12,000 tons) of direct CO<sub>2</sub> emissions arose from gas, oil, engine test benches, etc. in 2022. Direct CO<sub>2</sub> emissions produced by the ElringKlinger AG vehicle fleet amounted to 670 tons in 2022 (2021: 660 tons).

<sup>2</sup> Emissions are calculated by multiplying the annual mileage of vehicles by the CO<sub>2</sub> emissions stated by the relevant vehicle manufacturer. The fleet of company vehicles includes all vehicles at ElringKlinger sites in Germany. The figures for rental vehicles also include the Rest of Europe, the US, and Canada.

<sup>3</sup> Calculation according to the market-based method

<sup>4</sup> At the parent company, ElringKlinger AG, 0 tons (2021: 0 tons) of indirect CO<sub>2</sub> emissions arose from electricity in 2022 (calculated using the market-based method).

<sup>5</sup> Of the indirect CO<sub>2</sub> emissions from air travel, ElringKlinger AG accounted for 1,020 tons in 2022 (2020: 350 tons).

<sup>6</sup> Air travel from the locations in Germany, Austria, Switzerland, France, and Hungary, as well as centrally recorded flights from the locations in Italy, Turkey, and the United States.

<sup>7</sup> ElringKlinger paid to offset its emissions from gas consumption, the fleet, and air travel at its German production companies.

The companies covered in this report have an environmental management system that has been implemented and certified according to the international DIN EN ISO\* 14001: 2015 standard. The only exceptions are the production sites in Karawang, Indonesia, and Fremont, United States. The production site in Neuffen, Germany, which opened in the previous year, was included in environmental reporting for the first time in 2022. In addition to external system certification, internal audits are also performed at the production sites, for example with regard to energy and hazardous materials management. The indicators shown below are calculated once per year, analyzed, and submitted to the Management Board for information purposes and as a basis for possible actions.

In line with the Greenhouse Gas Protocol, ElringKlinger subdivides the environmental indicators into Scope 1, Scope 2, and Scope 3 emissions. Direct emissions attributable to the company itself include emissions from gas, heating oil, engine test benches, and the company's own vehicle

fleet (Scope 1). Scope 2 emissions are indirect CO<sub>2</sub> emissions caused by electricity consumption. The reported Scope 3 emissions relate to employee air travel.

In 2022, both direct and indirect CO<sub>2</sub> emissions remained largely unchanged at 73,740 tons (2021: 73,850 tons). CO<sub>2</sub> emissions per EUR 1 million of total Group revenue stood at 41.0 tons (2021: 45.5 tons).

Of the total direct CO<sub>2</sub> emissions in tons, 21,200 tons (2021: 22,300 tons) were Scope 1 emissions from gas and heating oil consumption. Direct CO<sub>2</sub> emissions from the fleet and rental vehicles rose to 870 tons in the reporting year (2021: 820 tons), mainly due to the larger number of company vehicles (2022: 245 vehicles/2021: 210 vehicles). The average CO<sub>2</sub> emissions per vehicle in the company vehicle fleet and by rental vehicles were cut to 118 g/km (2021: 126 g/km). The fleet of company vehicles includes all vehicles at ElringKlinger sites in Germany. The figures for rental vehicles also relate to the Rest of Europe, the United States, and Canada.

Total indirect CO<sub>2</sub> emissions rose by 1.8% to 51,670 tons (2021: 50,730 tons). This expansion in indirect CO<sub>2</sub> emissions is attributable primarily to the significant increase in emissions from air travel (Scope 3 emissions), while emissions from electricity consumption increased only slightly to 50,400 tons in the 2022 reporting year (2021: 50,300 tons).

ElringKlinger maintains a metering infrastructure at its European production plants to facilitate an end-to-end assessment of energy flows, because the Group attaches great importance to the responsible use of the energy required for the manufacture of its products. This enables previously unused potential for energy efficiency to be tapped, energy costs to be lowered, and the emission of greenhouse gases (e.g., CO<sub>2</sub> emissions) to be reduced. All European production sites are certified to ISO 50001 apart from the new site in Neuffen and the sites excluded from the environmental reporting.

At some sites, the Group operates combined heat and power (CHP) units as well as wind and solar plants so as to become more independent of electricity suppliers. The advantage of a CHP unit is that electricity and heat can be obtained in parallel. In 2022, energy consumption (electricity, gas, heating oil, and fuel for engine test benches) was comparable to the prior-year level at 291,600 MWh (2021: 291,700 MWh). Of this, a total of 107,440 MWh (2021: 110,570 MWh) is attributable to ElringKlinger AG.

Mitigating climate change is extremely important in the ElringKlinger Group. Continuous process optimization and the procurement of energy-efficient equipment are designed to help reduce consumption of finite resources. ElringKlinger also invests regularly in building maintenance, which also brings energy savings. Although these measures generally contribute to lower emissions, Group growth and the procurement of new equipment or the commissioning of further production plants may be accompanied by step-fixed increases in CO<sub>2</sub> emissions. Changes in the CO<sub>2</sub> emissions in the Group are constantly monitored and analyzed by the environmental officers.

1.7% of ElringKlinger's investments in property, plant, and equipment and investment property went toward measures designed to reduce emissions in 2022. This indicator differs from the scope of definition stipulated by the EU taxonomy\* in terms of both its amount and what it covers, as the focus of the indicator presented here is exclusively on emission reductions. This includes a newly installed solar power system and the construction of a new water treatment plant, which is particularly water-efficient and also reuses the waste heat from waste water. The target of putting approximately 1% of total investments toward emission-reducing measures was thus met in 2022.

\* Cf. glossary

## Occupational health and safety

**ElringKlinger's mission is to avoid any kind of accident at work and promote employee health. ElringKlinger is well aware of its corporate responsibility as an employer and wants to ensure a healthy, safe, and secure working environment, while complying with the relevant country-specific legal requirements governing occupational health and safety. The right to bodily integrity is one of a human being's fundamental rights. For this reason, commercial activities and decisions must not be allowed to impair the safety, security, and health of staff either.**

The occupational health and safety policy and the central organizational directive on occupational health and safety management apply equally to all employees across the ElringKlinger Group. Pursuing a proactive approach, the Group endeavors to avoid occupational accidents altogether. Clearly defined work instructions on the issue of safety, regular safety training, preventive measures in individual workplaces, a technical safety standard for systems and work equipment, and suitable protective equipment are intended to ensure that this is the case. Occupational health and safety is also covered in the "ElringKlinger Operating System" (EKOS\*), the production system that ElringKlinger uses to standardize and improve processes across the Group. Among other things, it stipulates that the daily shop-floor meetings in Production focus on "safety first" and start with the issue of health and safety at work. Regular safety updates on individual key areas, which are sent out to the plants around the world in multiple languages, also form part of the EKOS program. In addition, risk assessments are continuously prepared and updated at the production companies, complemented by safety inspections. Compliance with the regulations is verified by means of regular internal audits. Any findings from these are set out in plans of action, and countermeasures are implemented accordingly.

Until now, ElringKlinger has largely managed occupational safety on a decentralized basis. As of 2021, a cross-company organization within the Group has been working on standardizing issues relating to occupational safety. In 2022, this team supervised the certification of European production

sites in accordance with the globally applicable ISO\* 45001 standard, with the exception of the new production plant in Neuffen and EKPO Fuel Cell Technologies GmbH. By the end of 2023, all other Group sites are to be certified, with the exception of the new production sites in Texas and Silicon Valley as well as Timisoara, Romania, Warwick, United Kingdom, and Chongqing, China, for the time being. Management is the responsibility of the Quality & Sustainability corporate unit, which reports directly to the Management Board of ElringKlinger AG. In parallel, the unit will be looking to pursue efforts to define minimum standards for safety technology and protective equipment as well as uniform processes. Among other things, this relates to the handling of hazardous substances, the procurement of safe equipment, and the qualification of employees.

In 2022, the ElringKlinger Group experienced 124 occupational accidents (2021: 117 occupational accidents) that resulted in staff being off work for more than three days. Of these, 47 occupational accidents (2021: 58 occupational accidents) related to ElringKlinger AG. The relative accident rate per 1,000 employees stood at 13.1 (2021: 12.3<sup>7</sup>) in the Group as a whole and at 16.2 (2021: 19.5<sup>7</sup>) at the parent company. The cause of occupational accidents and the related course of events are always analyzed in detail and existing safety standards are revised accordingly. The figure for occupational accidents causing staff to be off work for more than three days is part of the ElringKlinger indicator system and will be presented to the Management Board every month from 2023.

<sup>7</sup> The prior-year figure for the Group and ElringKlinger AG has been adjusted. The ratios are based on the annual average number of direct and indirect employees. In addition, the annual average number of direct and indirect employees will be reported without the Management Board from now on.

Since the start of the coronavirus pandemic, a Covid-19 Task Force has coordinated all activities within the Group that are required to protect the health of employees and business partners. The Group also remained committed to its high standards of protective and hygiene measures in the 2022 reporting year. This includes the wearing of protective masks at the plants, travel and visiting restrictions, rules on minimum spacing between workstations, the expansion of mobile working, and local vaccination services. Many of the measures were relaxed in the course of the year in line with the applicable statutory regulations. The processes and

practices devised by the task force are invariably based on recommendations from expert organizations and government authorities and on the experience gained so far with tackling the pandemic. Information is shared within the company via the intranet. Alongside internal memos, the specially created Covid-19 platform includes document templates, manuals, FAQs, and much more. All relevant information on the issue is also e-mailed to the business unit managers and the international management team and pinned to noticeboards.

## Targeted recruitment and development of employees

**To avoid potential shortages of skilled staff, ElringKlinger aims to continue to focus on the recruitment of qualified professionals. In addition, the Group seeks to develop its workforce by means of specific training measures. In this context, ElringKlinger is committed to actively highlighting prospects for the future and encouraging employees to remain with the company for the long term. 2022 centered around the development of a new 2030 HR strategy, which was adopted at the end of 2022 and is set to be rolled out at the start of 2023. It is based on the corporate goals and takes particular account of digitalization and transformation issues.**

The automotive sector as a whole is undergoing a major transformation process. Significant changes to the product portfolio allied with wide-ranging digitalization projects mean that specialists are increasingly in demand, especially in the areas of research and development and IT. As a technology-oriented Group, ElringKlinger is also impacted by this trend, particularly in the future-focused fields of alter-

native drive technologies. The ability to attract qualified staff is therefore a major concern for the Group.

Employee development is a key component of the corporate culture, and as such it is specifically referenced in the corporate code and the principles of management. In all key decisions, Human Resources maintains close contact with the Management Board.



In the context of the transformation process, the Group paid attention to factors such as filling vacancies carefully and focused both on increasing staffing levels in the strategic fields of the future and on IT. The use of digital media played an increasingly important role in the recruitment process. To reach out to different target groups, ElringKlinger harnessed various social media channels (including LinkedIn and Facebook), its own jobs page, and various other careers portals, as well as university partnerships. The Group also attended several vocational training fairs, including ElringKlinger's "INFO Day" for training and study. With the employee referral scheme "Bring a Talent," the company is aiming to recruit highly committed and qualified candidates from the personal spheres of employees. A total of 26 new employees have been brought on board since the initiative was launched in September 2018.

The Group builds up internal expertise through a range of training programs and work-study courses. Alongside the external recruitment of specialists, these measures are important both in terms of training new internal experts and retaining qualified staff for the long haul. In September 2022, 12 work-study students and 17 apprentices embarked on courses at ElringKlinger's main site in Dettingen/Erms. For the first time, two students started the new course entitled Digital Business Management, which explores the key areas of "Digitalizing the Economy" and "Industry 4.0" in greater depth. ElringKlinger currently offers 9 dual study programs and 8 vocational job profiles. At its site in Buford, United States, ElringKlinger trained apprentice Maintenance Technicians in accordance with the work-study system, while training activities in Suzhou, China, and Toluca, Mexico, were still on hold in 2022 because of the continuing global coronavirus pandemic.

ElringKlinger also offers training programs specifically for engineers who are already qualified. In this regard, the company is an industry partner to a project supported by the state of Baden-Württemberg, which looks at the transfer of qualifications for technical specialists and industry experts in a time of structural change with the aim of supporting technicians, foremen, and engineers through a period of structural change. To this end, practical training modules aimed at the subject areas of emission-free drive systems, data science, and artificial intelligence were developed and

trialed through collaboration with project partners representing industry and science. The first of the training modules developed in the course of this project were implemented in 2022.

During the 2022 financial year, an average of 90 employees were engaged in training at the parent company ElringKlinger AG in Dettingen/Erms (2021: 109 employees). The training ratio for the parent company (number of vocational trainees and internal students in relation to the total number of employees) fell slightly to 3.1% in 2022 (2021: 3.7%). The training ratio for the Group stood at 1.6% on average (2021: 1.9%).

For training, ElringKlinger uses new digital training formats like webinars, real-time online training sessions, EDP courses, and video training, which can be found on the global "EK University" learning platform. ElringKlinger can use it to train its employees and enhance existing skills, regardless of workstations or locations. Sections for Finance and Legal were added to this platform in 2022, where both specialist departments can now make their training portfolios available around the world.

As part of the high-potential program, Group employees with strong development potential in three regions – APAC (Asia-Pacific), Americas (USA, Canada, Mexico, and Brazil), and EMEA (Europe, Middle East, and Africa) – were given opportunities to boost their skills; this included a training course comprising several modules in support of professional advancement. In the 2022 reporting year, the high-potential program concluded with 25 participants, and the process of selecting people for the next program was already initiated. The selection process for the recently established Senior Management Development Program began in the second half of 2022. The project is due to be launched in 2023 with eight participants. This program aims to foster the talents of employees with strong development potential who are already in a middle-management position so that they can take on a senior management role in the Group as Vice President or General Manager. In 2022, the Group also introduced the worldwide Shop Floor Qualification for the systematic induction of production staff to ensure the standardized Group-wide on-boarding of new employees.

A system-based, globally standardized process is designed to ensure that all indirect and general employees around the world receive feedback on their skills and personal performance (staff development goals) once a year. To assess employee performance, ElringKlinger carried out performance reviews during 2022; owing to the pandemic, these were largely virtual. In the process, individual needs, achievements, and goals were determined and assessed by immediate supervisors. The ratio (proportion of performance reviews to average number of employees, not including vocational trainees and internal students) stood at 47.5% for the Group in 2022 (2021: 48.0%<sup>8</sup>). Performance reviews are given to all employees, with the exception of those directly involved in production. ElringKlinger is currently in the gradual process of integrating defined employee categories and the employee dialog (presently mapped in SAP) into the global IT system. The Group is looking to increase the current average ratio of 48% as soon as a standard process for this has been established. Against this background,

the Group has defined a target ratio of 70% in relation to the total workforce to undergo staff appraisals by 2026. For the parent company ElringKlinger AG, the ratio stood at 51.4% (2021: 51.2%<sup>8</sup>).

Having established a culture of being a “Great Place to Work,” ElringKlinger is now aiming to attract motivated and qualified people by sustaining its successful position on the labor market. With demand for qualified staff remaining especially high in the field of alternative drive technologies, further education and training will continue to play a critical role in the future. Thanks to the newly developed 2030 HR strategy, which will be rolled out in 2023, Human Resources is helping the Group to overcome the wide variety of challenges posed by the transformation and to enhance corporate culture and management quality. Other strategic key areas include fine-tuning the HR organization and continuing to digitalize personnel-related processes and products.

<sup>8</sup> Prior-year figure for Group and AG adjusted. The indicator now only includes employee dialogs conducted within the system. Employee appraisals outside the system are no longer included, as these are not taken into account in the target rate either.

## EU taxonomy

The European Commission signed off its action plan for financing sustainable growth in 2018. To channel capital flows toward sustainable investments, criteria for measuring the economic sustainability of an investment need to be defined. This action plan therefore includes the introduction of an EU classification system for sustainable activities, which the Commission accomplished by means of the Taxonomy Regulation (2020/852) in June 2020. These criteria are intended to prevent so-called “greenwashing<sup>9</sup>.”

With its non-financial disclosure obligations having been extended, ElringKlinger provides details on its implementation of the EU Taxonomy\* Regulation (Regulation (EU) 2020/852) – hereinafter “EU taxonomy.” The Group is among those required to prepare a non-financial statement in accordance with Sections 289b et seq. and 315b et seq. of the German Commercial Code (Handelsgesetzbuch – HGB\*), meaning that it is obligated pursuant to Article 1 of the EU Taxonomy Regulation to comply with the requirements resulting therefrom.

The EU Taxonomy Regulation (9) defines six environmental objectives:

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

At present, the EU has issued targets on sustainable economic activities for two environmental objectives (climate change mitigation and climate change adaptation). In a first step, ElringKlinger’s economic activities are to be analyzed to determine taxonomy eligibility, i.e., whether they fall within the scope of the EU taxonomy. The second step is to assess whether the activities identified as taxonomy-eligible are taxonomy-aligned. Taxonomy alignment is considered to apply if all defined technical screening criteria for the

activity concerned are fulfilled and minimum safeguards are met. These criteria define the conditions under which an activity is to be classified as being sustainable. ElringKlinger examined its contribution to the EU’s environmental objectives “climate change mitigation” and “climate change adaptation” as part of a project to implement the EU taxonomy – with a joint team from Financial Reporting, Strategic Communications, and Quality & Sustainability.

All economic activities were reviewed in workshops together with the representatives of the business units, their relevance with regard to EU taxonomy eligibility was assessed, and they were allocated to individual activities. The results were then used to review the respective conditions for alignment and determine the key performance indicators (KPIs) (turnover (i.e., sales revenue), Capex, and Opex) for the activities identified as taxonomy-eligible and taxonomy-aligned. To this end, data was taken from Financial Accounting and validated centrally by Group Accounting. Double counting was avoided by clearly allocating each item of taxonomy-eligible and taxonomy-aligned turnover (i.e., sales revenue), capital expenditure, and operating expenditure to a single taxonomy-eligible economic activity.

As a technology Group focused on developing, manufacturing, and selling components for the vehicle industry, ElringKlinger falls within the scope of the EU taxonomy in its Original Equipment segment in respect of the activities in its E-Mobility business unit. Within this business unit, the Group is engaged in the development and production of battery and fuel cell\* technologies. The electric drive units, which belong to the core technologies, can currently no longer be allocated to the activity 3.6, as components are not explicitly mentioned there. Products from other business units that are also fitted in vehicles with alternative drive systems (e.g., gaskets and lightweight components) were considered to be taxonomy-non-eligible based on the latest version of the EU taxonomy, as these do not represent “core technologies.” Any further clarification provided by the European Commission may result in adjustments in interpretation in subsequent periods.

<sup>9</sup> Greenwashing describes efforts to present oneself as particularly environmentally aware and environmentally friendly by donating money to environmental projects, PR measures, and similar.

As part of the evaluation of the alignment criteria, an assessment is made as to whether the taxonomy-eligible economic activities make a substantial contribution to an environmental objective defined by the Taxonomy Regulation and whether no other environmental objective is significantly harmed in the process and the minimum safeguards are met.

The technical screening criteria that determine whether an economic activity makes a substantial contribution to an environmental objective and whether significant harm to one of the other environmental objectives is avoided (DNSH = do no significant harm) were applied to all taxonomy-eligible activities either on the basis of the technical characteristics of individual assets or on the basis of national laws. A detailed climate risk analysis was also conducted in connection with this review. The results from the individual evaluations of DNSH criteria are presented in the following tables. Specific elements of evidence have been applied to verify and document whether a substantial contribution is made to achieving one or more of the environmental objectives of the article, whether there is no harm to one or more of the environmental objectives, and whether the technical screening criteria have been met. The substances listed in Appendix C with regard to the DNSH criterion on environmental pollution were assessed for the taxonomy-relevant activities. As regards the taxonomy-relevant activity 3.4 Manufacture of batteries, an Essential Use Assessment in accordance with the recommendations of the European Chemical Industry Council (Cefic) was conducted, in addition to a review of compliance with the limits according to the REACH Regulation. In ElringKlinger's view, the Essential Use criterion of Appendix C has been fulfilled, due also to the fact that use of such substances only occurs in very small quantities.

In addition, compliance with minimum safeguards in accordance with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ILO Core Labor Standards, and the International Bill of Human Rights was reviewed and documented at the level of taxonomy-eligible activities with the aid of various corporate documents, guidelines, and voluntary commitments (e.g., corporate code, compliance guidelines, supplier manual). ElringKlinger communicates the minimum safeguards both within its own business units and vis-à-vis its business partners, including suppliers. In this context, the Group uses publicly accessible documents such as the company code of ethics or the supplier manual. In addition, risk

analyses as well as preventive and control measures are based on these requirements. The existing "Share with us" whistleblower system can be used for the purpose of submitting reports on potential violations relating to all topics. In the financial year under review, the assessment of the minimum safeguards with regard to the issue of human rights in the supply chain was also underpinned by a structured risk analysis. For this purpose, the Group accessed publicly available data sources, e.g., from the Department of Economic and Social Affairs of the UN as well as expert knowledge regarding commodity group risks. In summary, the assessment did not identify any violations of the criteria set out in Art. 18 of the EU Taxonomy Regulation and in the report on minimum safeguards of the Platform on Sustainable Finance.

In its Battery Technology sub-unit, ElringKlinger develops and manufactures battery components and systems, among other things, tailored to various requirements of automotive industry customers. These key technologies help to enable and promote emission-free road transport. The products are used in fully (100%) electrified passenger cars as well as in infrastructure applications, e.g., for fixed or mobile charging stations, energy storage systems, or also as grid stabilization technology. Based on ElringKlinger's analyses, the Group has concluded that the development and production of battery technology can be allocated to activity 3.4 (manufacture of batteries) in pursuit of the environmental objective of "climate change mitigation" and is thus to be regarded as taxonomy-eligible. The activity also meets the criteria for a substantial contribution, the minimum safeguards, and the DNSH criteria; it is therefore also taxonomy-aligned.

The Group pools all its fuel cell technology activities in the company EKPO Fuel Cell Technologies (EKPO), an entity operated jointly by ElringKlinger and Plastic Omnium. Its product portfolio includes fuel cell systems that are used in various means of transport and contribute toward carbon-neutral mobility. The analyses undertaken within the Group have shown that the development and production of fuel cell systems can be directly allocated to activity 3.2 (manufacture of equipment for the production and use of hydrogen) under the EU taxonomy; this activity is thus to be regarded as taxonomy-eligible. Exceptions to this are individual components that may not be allocated to the activity. The activity also meets the criteria for a substantial contri-

\* Cf. glossary

bution, the minimum safeguards, and the DNSH criteria; it is therefore also taxonomy-aligned.

The EDUs manufactured in the Drivetrain sub-unit, which consist of an electric motor, a gear system, and the power electronics, form a key component inside an electric vehicle, as they drive the axles and thus provide the basis for carbon-neutral mobility. In line with the clarification published by the EU Commission in December 2022, the production of key components shall only fall under the activities of the EU taxonomy if they are explicitly mentioned in the description of the respective activities. As a result, for the time being, the Drivetrain sub-unit no longer falls within the specified scope of the EU taxonomy. Furthermore, other business units of importance to ElringKlinger, such as Lightweighting/Elastomer Technology, do not fall within the aforementioned scope. However, this does not mean that these products do not pursue and contribute to any of the objectives of ElringKlinger's sustainability and corporate strategy. With this in mind, ElringKlinger welcomes the announcement by the EU Commission that it intends to revise the delegated acts on climate targets and, where appropriate, also take key components into account. Indeed, as a company that manufactures essential components for drive systems, the Group makes a substantial contribution to the facilitation of emission-neutral mobility.

As well as considering taxonomy-eligible and taxonomy-aligned Group turnover (i. e., sales revenue), as part of the EU taxonomy, investments in intangible assets, property, plant, and equipment, and right-of-use assets in accordance with IAS 38, IAS 16, and IFRS\* 16 are also taken into account when determining the capital expenditure (Capex) KPI.

The Capex items identified as being taxonomy-eligible relate either to the taxonomy-eligible activities in the E-Mobility business unit described above or to the following activities considered taxonomy-eligible: 6.5 (transport by motorbikes, passenger cars, and (light) commercial vehicles) for company

vehicles of employees, 7.6 (installation, maintenance and repair of renewable energy technologies), or 7.7 (acquisition and ownership of buildings) for production and administration buildings.

The E-Mobility business unit made the following material taxonomy-eligible and taxonomy-aligned investments in the 2022 financial year:

- Investment in production machinery and buildings and in related technical equipment (allocated to activities 3.2, 3.4)
- Tenancy agreement at the Neuffen site for manufacturing products in the Battery Technology sub-unit (allocated to activity 3.4)
- Capitalized development costs for the business unit's products (allocated to activities 3.2, 3.4)

The following taxonomy-eligible and, in part, taxonomy-aligned investments were made outside the E-Mobility business unit:

- Leasing company cars (allocated to activity 6.5)
- Investment in photovoltaic systems (allocated to activity 7.6)
- Renting buildings not part of the E-Mobility business unit (allocated to 7.7)

The KPI of taxonomy-eligible operational expenditure (Opex) was calculated based on expenses for non-capitalized research and development costs, short-term and low-value leases, building renovation work, and maintenance and repair. The individual components were analyzed and, if applicable, allocated to the activities listed that are taxonomy-eligible and taxonomy-aligned. Costs were directly allocated in the context of determining the maintenance and repair costs relating to the Fuel Cell sub-unit. For the Battery Technology sub-unit, allocation was performed on the basis of headcount.

The denominator for the taxonomy KPI “turnover” (i. e., sales revenue) comprises consolidated sales revenue within the meaning of IAS 1 82(a) (consolidated sales revenue). The denominator for the taxonomy KPIs “Capex” and “Opex” comprises additions to and/or investments in assets in accordance with IAS 16, IAS 38, and IFRS 16 (Capex) as well as expenses for non-capitalized research and development costs, short-term and low-value leases, building renovation work, and maintenance and repair (Opex). Consolidated

sales revenue (2022: EUR 1,798 million) as well as capital expenditure (2022: EUR 105 million) can be reconciled with the consolidated financial statements. Further information on the KPIs can be found in the notes to the consolidated financial statements of the 2022 annual report under sales revenue (1), intangible assets (12), and property, plant and equipment (13).

The KPIs for the 2022 financial year are as follows:

\* Cf. glossary

## EU-Taxonomy 2022

### Turnover

Economic activities	Code(s)	Absolute turnover EUR k	Proportion of turnover %	Substantial contribution criteria (%)	
				Climate change mitigation %	Climate change adaptation %
<b>A. Eligible activities</b>					
<b>A.1 Eligible Taxonomy-aligned activities</b>					
<b>Manufacturing</b>		<b>18,925</b>			
Manufacture of equipment for the production and use of hydrogen	3.2.	10,775	0.6	100.0	0.0
Manufacture of batteries	3.4.	8,150	0.5	100.0	0.0
<b>Turnover of eligible Taxonomy-aligned activities (A.1)</b>		<b>18,925</b>	<b>1.1</b>	<b>100.0</b>	<b>0.0</b>
<b>A.2. Eligible not Taxonomy-aligned activities</b>					
<b>Turnover of eligible not Taxonomy-aligned activities (A.2)</b>		<b>0</b>	<b>0.0</b>		
<b>Total (A1 + A2)</b>		<b>18,925</b>	<b>1.1</b>		
<b>B. Taxonomy-non-eligible activities</b>					
<b>Turnover of Taxonomy-non-eligible activities (B)</b>		<b>1,779,505</b>	<b>98.9</b>		
<b>Turnover Total (A+B)</b>		<b>1,798,430</b>	<b>100.0</b>		

DNSH-criteria ("Do No Significant Harm")							2022		
Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover	Category (enabling activity)	Category (transitional activity)
Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	%	E	T
n/a	Yes	Yes	Yes	Yes	Yes	Yes	0.6	E	
n/a	Yes	Yes	Yes	Yes	Yes	Yes	0.5	E	
							1.1		
Not to be reported									



## Capex

Economic activities	Code(s)	Absolute Capex EUR k	Proportion of Capex %	Substantial contribution criteria (%)	
				Climate change mitigation %	Climate change adaptation %
<b>A. Eligible activities</b>					
<b>A.1 Eligible Taxonomy-aligned activities</b>					
<b>Manufacturing</b>		<b>28,750</b>			
Manufacture of equipment for the production and use of hydrogen	3.2.	20,370	19.5	100.0	0.0
Manufacture of batteries	3.4.	8,380	8.0	100.0	0.0
<b>Traffic</b>		<b>130</b>			
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	130	0.1	100.0	0.0
<b>Building and real estate</b>		<b>1,032</b>			
Installation, maintenance and repair of renewable energy technologies	7.6.	1,032	1.0	100.0	0.0
<b>Capex of eligible Taxonomy-aligned activities (A.1)</b>		<b>29,912</b>	<b>28.6</b>	<b>100.0</b>	<b>0.0</b>
<b>A.2. Eligible not Taxonomy-aligned activities</b>					
<b>Traffic</b>		<b>3,241</b>			
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	3,241	3.1		
<b>Building and real estate</b>		<b>6,465</b>			
Acquisition and ownership of buildings	7.7.	6,465	6.2		
<b>Capex of eligible not Taxonomy-aligned activities (A.2)</b>		<b>9,706</b>	<b>9.3</b>		
<b>Total (A1 + A2)</b>		<b>39,618</b>	<b>37.9</b>		
<b>B. Taxonomy-non-eligible activities</b>					
<b>Capex of Taxonomy-non-eligible activities (B)</b>		<b>65,021</b>	<b>62.1</b>		
<b>Capex Total (A+B)</b>		<b>104,639</b>	<b>100.0</b>		

DNSH-criteria ("Do No Significant Harm")							2022		
Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of Capex	Category (enabling activity)	Category (transitional activity)
Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	%	E	T
n/a	Yes	Yes	Yes	Yes	Yes	Yes	19.5	E	
n/a	Yes	Yes	Yes	Yes	Yes	Yes	8.0	E	
n/a	Yes	n/a	Yes	Yes	n/a	Yes	0.1		T
n/a	Yes	n/a	n/a	n/a	n/a	Yes	1.0	E	
							<b>28.6</b>		
Not to be reported									

**Opex**

Economic activities	Code(s)	Absolute Opex EUR k	Proportion of Opex %	Substantial contribution criteria (%)	
				Climate change mitigation %	Climate change adaptation %
<b>A. Eligible activities</b>					
<b>A.1 Eligible Taxonomy-aligned activities</b>					
<b>Manufacturing</b>		<b>23,708</b>			
Manufacture of equipment for the production and use of hydrogen	3.2.	9,646	9.2	100.0	0.0
Manufacture of batteries	3.4.	14,062	13.4	100.0	0.0
<b>Opex of eligible Taxonomy-aligned activities (A.1)</b>		<b>23,708</b>	<b>22.6</b>	<b>100.0</b>	<b>0.0</b>
<b>A.2. Eligible not Taxonomy-aligned activities</b>					
<b>Opex of eligible not Taxonomy-aligned activities (A.2)</b>		<b>0</b>	<b>0.0</b>		
<b>Total (A1 + A2)</b>		<b>23,708</b>	<b>22.6</b>		
<b>B. Taxonomy-non-eligible activities</b>					
<b>Opex of Taxonomy-non-eligible activities (B)</b>		<b>81,290</b>	<b>77.4</b>		
<b>Opex Total (A+B)</b>		<b>104,998</b>	<b>100.0</b>		

Dettingen/Erms, March 23, 2023

The Management Board



Dr. Stefan Wolf  
CEO



Reiner Drews



Thomas Jessulat

DNSH-criteria ("Do No Significant Harm")							2022		
Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of Opex	Category (enabling activity)	Category (transitional activity)
Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	%	E	T
n/a	Yes	Yes	Yes	Yes	Yes	Yes	9.2	E	
n/a	Yes	Yes	Yes	Yes	Yes	Yes	13.4	E	
							<b>22.6</b>		
<b>Not to be reported</b>									

**The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the combined non-financial report of ElringKlinger AG. The following text is a translation of the original German independent assurance report.**

## Independent auditor's report on a limited assurance engagement

To ElringKlinger AG, Dettingen/Erms

We have performed a limited assurance engagement on the non-financial report of ElringKlinger AG, Dettingen/Erms, (hereinafter the "Company"), which is combined with the non-financial report of the Group for the period from 1 January 2022 to 31 December 2022 (hereinafter the "combined non-financial report").

### Responsibilities of the executive directors

The executive directors of the Company are responsible for the preparation of the combined non-financial report in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB\* ["Handelsgesetzbuch": German Commercial Code] and Art. 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy\* Regulation") and the Delegated Acts adopted thereunder as well as in accordance with their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as set out in section "EU-Taxonomy" of the combined non-financial report.

These responsibilities of the Company's executive directors include the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a combined non-financial report that is free from material misstatement, whether due to fraud (manipulation of the combined non-financial report) or error.

The EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU-Taxonomy" of the combined non-financial report. They are responsible for the defensibility of this interpretation. Due to the imminent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

### Independence and quality assurance of the auditor's firm

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements – in particular the BS WP/vBP ["Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer": Professional Charter for German Public Accountants/German Sworn Auditors] in the exercise of their Profession and the IDW *Standard on Quality Management* issued by the Institute of Public Auditors in Germany (IDW): *Requirements for Quality Management in the Audit Firm (IDW QS 1)* and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

### Responsibilities of the auditor

Our responsibility is to express a conclusion with limited assurance on the combined non-financial report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company’s combined non-financial report is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors disclosed in section “EU-Taxonomy” of the combined non-financial report.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the sustainability organization and stakeholder engagement,
- Inquiries of the executive directors and relevant employees involved in the preparation of the combined non-financial report about the preparation process, about the internal control system related to this process, and about disclosures in the combined non-financial report,
- Inquiries of the employees regarding the selection of topics for the combined non-financial report, the risk assessment and the policies of the Parent Company and the Group for the topics identified as material,
- Inquiries of employees of the Parent Company and the Group responsible for data capture and consolidation, about the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the disclosures in the combined non-financial report,

- Identification of likely risks of material misstatement in the combined non-financial report,
- Analytical procedures on selected disclosures in the combined non-financial report at the level of the Parent Company and the Group,
- Inquiries and inspection of documents relating to the collection and reporting of selected qualitative disclosures and data,
- Reconciliation of selected disclosures with the corresponding data in the annual financial statements and management report,
- Evaluation of the process to identify the economic activities taxonomy-eligible and taxonomy-compliant as well as the corresponding disclosures in the combined non-financial report,
- Evaluation of the presentation of the combined non-financial report.

In determining the disclosures in accordance with Art. 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

### Assurance conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial report of the Company for the period from 1 January 2022 to 31 December 2022 is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors as disclosed in section “EU-Taxonomy” of the combined non-financial report.

### Restriction of use

We draw attention to the fact that the assurance engagement was conducted for the Company’s purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

\* Cf. glossary

### General Engagement Terms and Liability

The “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]” dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement ([www.de.ey.com/general-engagement-terms](http://www.de.ey.com/general-engagement-terms)). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the

contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 23 March 2023

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Richter	Johne
Wirtschaftsprüferin	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

