Sustainability Report

2021

elringklinger

Contents

Ladies and gentlemen,

We have had to contend with a multitude of global crises and conflicts over the course of this decade. As the coronavirus pandemic persists for yet another year, humanitarian emergencies together with food, energy, and refugee crises have also been intensifying in the wake of current geopolitical turmoil – and against the backdrop of an existing climate crisis. We live in a complex world determined by unknown and unpredictable events. The extreme weather conditions witnessed at present are a prime example. They are occurring more and more frequently in different forms around the globe. Given the dramatic effects seen in some cases, it is abundantly clear that we as a society need to make our lives and economies more sustainable. While this constitutes a tremendous challenge, it can also be seen as an opportunity. Having already initiated the transition toward a stronger awareness of sustainability within our company, we are keen to continue to inspire people when it comes to this key issue.

Sustainability forms an integral part of our strategy and we attach particular importance to never losing sight of our corporate goals, especially in the face of such major challenges. Special thanks therefore go to all our employees in the Group, whose exceptional commitment, flexibility, and adaptability provide the foundation for our success as a company.

I invite you to read our latest sustainability report and explore how we at ElringKlinger are continuing to align our product portfolio with the world of sustainable mobility. In the field of electromobility, for instance, we make a contribution to CO_2-neutral mobility in the form of components, modules, and systems. In the field of conventional mobility, meanwhile, we help to achieve efficiency improvements in vehicles or reduce emissions by scaling down vehicle weight. What is more, in 2021, for the first time, we achieved CO_2 neutrality in net terms with regard to all products manufactured in Germany. At the same time, we increased our share of green electricity with the commissioning of a photovoltaic plant in India. In light of the pandemic, we further expanded our digital training program in 2021. In the area of occupational safety, we had all German sites certified according to ISO 45001 in 2021. Through our local commitment, we also fulfilled our social responsibilities in 2021. In addition, our corporate structure facilitates diversity and prevents unilateral activities that violate statutory provisions, such as corruption and bribery. You are welcome to read more about these topics in our new Corporate Governance section.

I hope you find our Sustainability Report thoroughly absorbing.

Regards,

Dr. Stefan Wolf
Chief Executive Officer

»We all need to make our lives and economies more sustainable. This is a tremendous challenge that we see as an opportunity.«

Dr. Stefan Wolf, CEO of ElringKlinger AG

REPORT PROFILE

ElringKlinger has been publishing transparent and comprehensive annual reports on sustainability issues for more than ten years. This reflects the Group's commitment to making a strong contribution to sustainable development over and above the statutory requirements – and to disclosing information accordingly.

As part of its latest Sustainability Report, covering the 2021 financial year, ElringKlinger presents to its stakeholders the Group's achievements relating to the economic, environmental, and social dimensions of corporate sustainability. For further background information on financial matters as well as details concerning ElringKlinger's business model, financial corporate objectives, and business performance in 2021, please refer to the Group's annual report. The combined non-financial report was integrated into the annual report as a separate chapter in 2021 and audited by Ernst & Young Wirtschaftsprüfungsgesellschaft, Düsseldorf. In order to avoid duplicating information presented in the non-financial report, reference is made to such disclosures in certain sections of the report.

GO TO ELRINGKLINGER'S ANNUAL REPORT 2021

Contents and structure

In this report, ElringKlinger outlines its key accomplishments in the areas of economic, environmental, and social sustainability. The company's underlying strategies and its progress achieved in the year under review are presented for the five "spheres" covering Products and Innovations, Environment and Quality, Responsibility for Employees, Social Commitment, and Corporate Governance. In addition, the Group also provides deeper insights into selected topics in the respective chapters.

Reporting period, scope of the report, and other observations

Unless otherwise indicated, the reporting period corresponds to the 2021 financial and calendar year (January 1 to December 31). This report is aimed at all interested stakeholders and addresses the key sustainability activities of the ElringKlinger Group as a whole.

Equity investments and entities outside the scope of consolidation are not included in this report. Furthermore, this sustainability report also serves as a progress report for the Climate Protection Agreement voluntarily concluded with the federal state of Baden-Württemberg.

The figures in this report are rounded where appropriate. The Sustainability Report is available in German and English. ElringKlinger has included supplementary topics in its online presentation.

GERMAN: NACHHALTIGKEITSBERICHT 2021

COMPANY PROFILE

ElringKlinger's core competence lies in R&D and industrial-scale manufacturing relating to large-volume series production contracts for passenger cars and commercial vehicles.

Positioned as an international company, ElringKlinger is an independent development partner and large-scale manufacturer serving the automotive industry, with a clear focus on products for "next-generation mobility." ElringKlinger AG is headquartered in Dettingen an der Erms, Germany. From there, the Group operates around the globe at a total of 45 production and sales locations with around 9,500 employees in 21 countries. Many of the production plants are located in close proximity to customers and/or suppliers in order to scale back delivery times and keep transport routes as short as possible. In the majority of cases, ElringKlinger is a Tier 1 supplier within the automotive industry value chain. This means that it maintains a direct line of contact with vehicle and engine manufacturers.

The Group's core competence lies in R&D and industrial-scale manufacturing relating to large-volume series production contracts for passenger cars and commercial vehicles. In the field of battery and fuel cell technology, the Group was among the frontrunners when it came to positioning itself as an e-mobility specialist for components as well as modules and systems. The Group's range of activities also includes the production of electric drive units and their components. In the field of lightweight construction, the products offered help to reduce fuel consumption and CO_2 emissions in vehicles that run on fossil fuels. At the same time, lower vehicle weight translates into extended ranges for electric vehicles. In addition, the Group applies its research and development expertise in the field of dynamic precision parts, high-end sealing technology, and smart shielding solutions – also for electric vehicles.

The Group's operating business is divided into four segments: Original Equipment, Aftermarket, Engineered Plastics, and Other. The Original Equipment segment, in turn, comprises several business units. Further details on the Group structure can be found in the 2021 Annual Report on page 55f.

STAKEHOLDER DIALOGUE

As part of its business activities, ElringKlinger operates within a network covering multiple players in the social arena – directly or indirectly and in both an active or a passive role. They can be divided into different social stakeholder groups. Among the stakeholders of strategic significance to ElringKlinger are those groups that are particularly important for the success of the company. They include Group employees, customers, business partners, and suppliers as well as private shareholders and potential investors. In addition, this group encompasses representatives of governments and authorities, the general public and the media, NGOs, and associations as well as academia and the scientific community.

The Group is committed to engaging in a continuous exchange with all stakeholders, as such groups can influence ElringKlinger through their actions or decisions and vice versa. ElringKlinger actively embraces open dialogue, as this provides important impetus that is essential to the sustained advancement of the Group.

Using a wide range of communication tools, ElringKlinger converses with the majority of its stakeholders on a regular basis. The Group's employees are informed via internal communication channels such as the intranet, company meetings, and notices. ElringKlinger communicates with customers primarily in person, at trade shows, and via the company website. Building on its active press relations, the Group regularly provides stakeholders with the latest corporate news in digital form. Furthermore, private shareholders and investors are given the opportunity to attend ElringKlinger's annual general meeting as well as various capital market events and company visits. The Group also uses various social media channels to address different stakeholder groups.

For ElringKlinger it is important that relationships with its stakeholders are underpinned by mutual respect. The Group is receptive to dialogue as well as to a transparent exchange of views and experiences, but also to constructive debate on controversial issues – these aspects are important prerequisites for its sustained development.

- **Primary stakeholders**
- **Secondary stakeholders**

Shareholders and potential investors

Employees

Business partners and suppliers

Customers

NGOs and associations

Government and public bodies

Public and media

Science and research

FIVE SPHERES OF ACTIVITY FOR IMPROVED SUSTAINABILITY

The Group divides sustainability into five spheres of activity: Products and Innovations, Environment and Quality, Responsibility for Employees, Social Commitment, and Corporate Governance. ElringKlinger shapes its sustainable business practices with the help of targeted activities.

Products and Innovations

Environment and Quality

5 Spheres

Responsibility for Employees

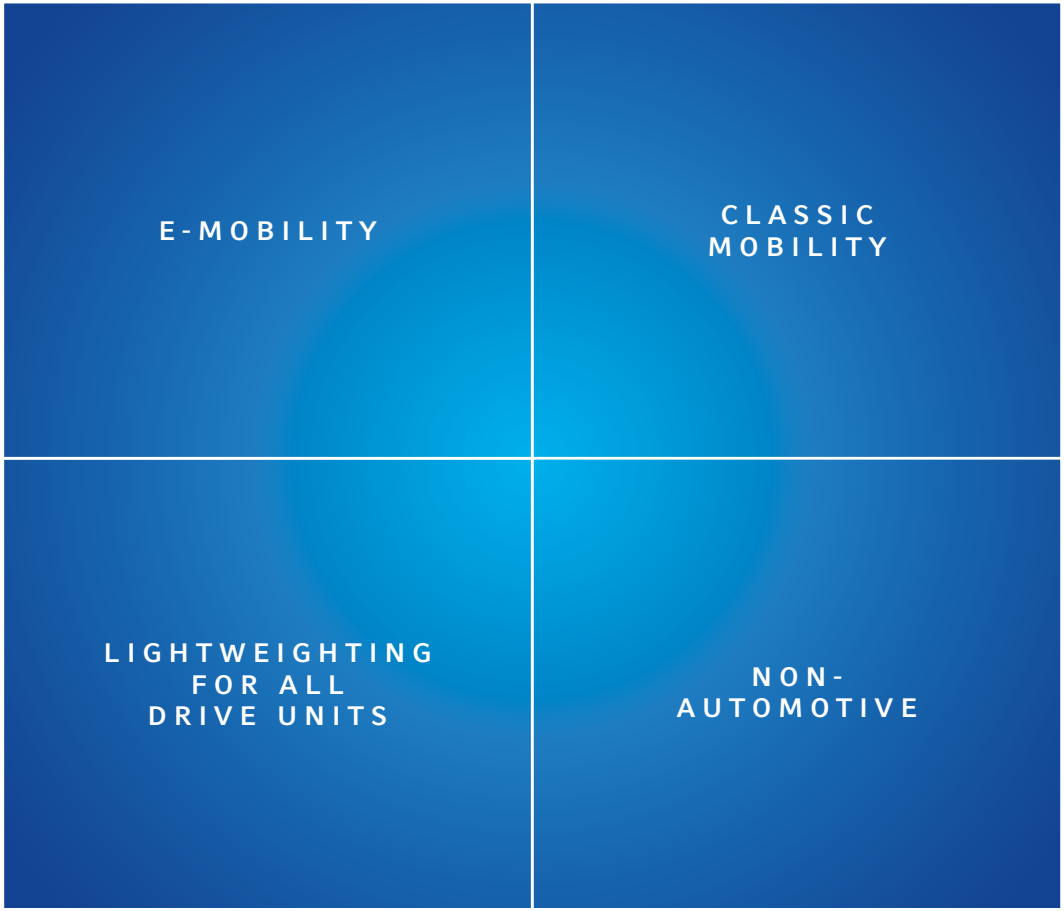
Social Commitment

Corporate Governance

Products and Innovations

At ElringKlinger, sustainable mobility goes well beyond complying with legal provisions governing the reduction in emissions. For us, sustainable mobility also, and in particular, means making an active contribution to mitigating climate change through zero-emission technologies. The capacity for innovation within the area of research and development is one of our biggest strengths and is bringing about further advancements in battery and fuel cell technology. We are already working on the technologies of tomorrow – and have been doing so for some time. For instance, ElringKlinger has been involved in fuel cells for over 20 years and initiated its first project for series production as long ago as 2008. We have assumed a pioneering role through numerous partnerships and ventures.

THE ELRINGKLINGER PORTFOLIO TRANSFORMATION IN FOUR PRODUCT AREAS



ElringKlinger has divided its product portfolio into the four strategic areas of transformation. In the field of electromobility, ElringKlinger has positioned itself with battery technology, fuel cell technology, and the electric drive unit. Also products originating from the traditional field of mobility are being adapted to the technical requirements of electric vehicles. The interior of an e-vehicle needs to be shielded too, which is why the business areas centered around established forms of mobility can also be considered future-proof. The area of lightweight construction is independent of the type of drive system. In fact, plastic and structural lightweight components are always in demand. The product portfolio is complemented by ElringKlinger's well-established aftermarket business, tool engineering, and R&D services as well as the manufacture of non-automotive products made of high-performance plastics.

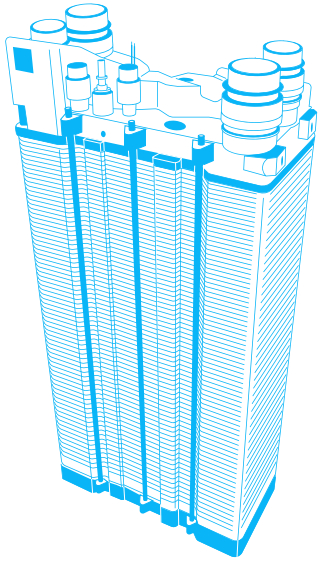
RESEARCH & DEVELOPMENT. FOR SUSTAINABLE MOBILITY.

Sustainability is becoming an increasingly important issue for our stakeholders, especially for our customers. As a development partner to automotive manufacturers, ElringKlinger is providing active support and is working hard in a spirit of collaboration to come up with sustainable solutions that help to increase the efficiency of vehicles and cut their emissions. The Group is expecting several different drive technologies to exist in parallel. While the market for combustion engines is gradually shrinking as a result of market trends and new legislation, that for alternative drive technologies will grow. ElringKlinger is addressing this trend with a broad range of technologies and development projects that involve innovations in the areas of fuel cell and battery technology, while also concerning its traditional lines of business.

Research and development (R&D) expenditure including capitalized development costs amounted to EUR 82.1 million in the 2021 financial year (2020: EUR 76.1 million). This equates to an R&D ratio of 5.1% (2020: 5.1%), which is within the target range of around 5 to 6% of Group revenue. To a significant extent, these research and development activities continued to focus on battery and fuel cell technology in the reporting year. However, ElringKlinger also pushed on with development projects in its other business units, such as Lightweighting/Elastomer Technology, Shielding Technology, and Metal Sealing Systems & Drivetrain Components to make vehicles more efficient through technical fine-tuning.

EUR 82.1 million

were spent on research and development in 2021.



	2021	2020
R&D expenditure[1] (in EUR million)	82.1	76.1
R&D ratio[1]	5.1%	5.1%
Capitalization ratio[2]	21.0%	16.2%
Patent applications	105	86
R&D staff	591	623

[1] Including capitalized development costs

[2] Capitalized development costs in relation to total R&D costs, including capitalized development costs.

The Group's employees are busy tinkering, thinking, testing, and tweaking. Day in, day out, they actively embrace the culture of innovation that allows them to see things beyond their own horizons. A total of 591 (2020: 623) staff members were employed in research and development in the Group as of December 31, 2021. The fall in headcount is due primarily to a number of employees transferring from R&D at ElringKlinger AG to Aerostack GmbH, Dettingen/Erms, Germany, in which ElringKlinger AG holds a non-controlling interest.

ElringKlinger has largely centralized its R&D operations to prevent technology transfer and a "brain drain." These development activities are mainly concentrated at the Original Equipment and Engineered Plastics sites in Germany and at the US sites in the Detroit area and Michigan. All the company's other sites handle comparatively minor development tasks and adjustments.

The success of our R&D staff is demonstrated in both the steady stream of new patents obtained and the large number of new projects won. Besides maintaining a central R&D organization, protecting its intellectual property rights is also a core

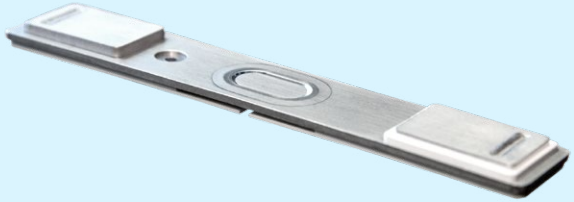
component of ElringKlinger's R&D work. In 2021, a total of 105 (2020: 86) patents were applied for, primarily in the strategic future areas. Intellectual property rights are protected in order to prevent fakes and secure the potential return on investments made in researching and developing the products at an early stage. Protection against imitation of ElringKlinger products is guaranteed by ensuring that products are only sold to customers by ElringKlinger directly and are given distinctive features. A thorough quality assurance process also inspects raw and other input materials received from suppliers to exclude the possibility of raw materials being contaminated or counterfeited.

ElringKlinger accumulated additional expertise in 2021, especially in battery and fuel cell technology. A glance at the milestones reached in the 2021 financial year shows that our research and development activities in the strategic future areas are bearing fruit. For instance, 2021 saw the start of efforts to transfer selected managerial and operational roles in battery technology to a new site in Neuffen, Baden-Württemberg, where the activities of the Battery Technology and Drivetrain business unit are being brought together under one roof. ElringKlinger also secured an order in March 2021 for the series production of cell contact systems from a global battery manufacturer, which are destined for the series platform of a premium German car maker. The contract is worth several hundred million euros overall and has a term of around nine years. In April, i.e., the very next month, ElringKlinger received funding for an innovative battery cell housing design as part of the latest Important Project of Common European Interest (IPCEI), a strategic funding project launched by the European Union. This funding will enable ElringKlinger to develop innovative battery cell housing components and get them ready for industrial-scale production. The German Federal Ministry for Economic Affairs and Energy and the state of Baden-Württemberg will provide a total of EUR 33.8 million in funding by the end of 2026. ElringKlinger also scooped the Baden-Württemberg Environmental Technology Prize in the "Material Efficiency" category in 2021 for its resource-efficient battery cell cap design ("InnoCap") for prismatic lithium ion cells. In addition, ElringKlinger won a highly prestigious order at the end of the year to supply prototypes of a battery system for high-end sports cars.

CEO Dr. Stefan Wolf receives the IPCEI grant notification from the Parliamentary State Secretary in the Federal Ministry of Economics, Thomas Bareiß MdB, and the Minister of Economics of the State of Baden-Württemberg, Dr. Nicole Hoffmeister-Kraut MdL.

As in the case of its battery technology, ElringKlinger also achieved some significant milestones with fuel cells last year. First, EKPO Fuel Cell Technologies GmbH (EKPO) – the joint undertaking between ElringKlinger and the French supplier Plastic Omnium – commenced operations on March 1, 2021, and secured a high-volume order for the series production of fuel cell stacks not long afterward. The German government is also actively backing hydrogen and, via EKPO, ElringKlinger was preselected in a government-led funding project known as the "IPCEI on Hydrogen". This is dedicated to developing a new generation of fuel cell stacks and readying them for industrial-scale production. ElringKlinger had yet another achievement to report in December 2021: its collaboration with the Chinese firm DR Powertrain. More specifically, this relates to a cooperation between EKPO and the Chinese system integrator DR Powertrain on fuel cell systems. The two companies have joined forces to develop fuel cell systems featuring EKPO stacks for automotive and non-automotive applications, focusing on the Chinese market.

In 2021, a total of 105 patents were applied for, primarily in the strategic future areas.

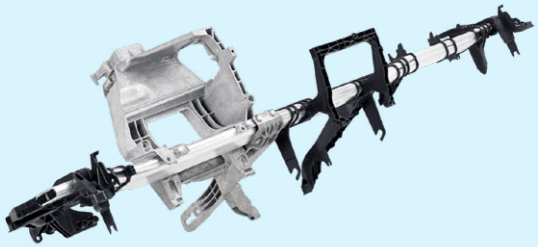


Resource-saving.

Even at the development stage, making efficient use of resources is of key importance. With “InnoCap”, ElringKlinger has succeeded in reducing the number and complexity of components and the use of energy-intensive raw materials like aluminum and copper. The number of components can be cut by up to a quarter. The resulting scaled-down manufacturing effort and material requirements allow the carbon footprint for this product to be reduced by around 40 percent. Likewise, due to the smaller number of components and efficient assembly, the scrap rate will also be significantly lower. In 2021, this product won the company second place in the “Material Efficiency” category of the Baden-Wuerttemberg Environmental Technology Awards.

Recyclable.

ElringKlinger strives to ensure that as large a part of its products as possible can be recycled, with a view to achieving a circular economy. In 2021, the EU Project “BEST4Hy” won the “Best Success Story Award.” As a member of this project, ElringKlinger subsidiary EKPO Fuel Cell Technologies provided important insights into the adaptation and redevelopment of recycling technologies for PEM fuel cell stacks in order to maximize the recycling rates of valuable materials.



Innovative.

In 2021, the German American Chamber of Commerce honored ElringKlinger with the award “The Coolest Thing Made in the USA” at a ceremony held as part of the German American Business Awards in Chicago. The members of the public participating in the online voting process were impressed by ElringKlinger’s cockpit cross-car beam, an innovative lightweight component for car bodies. This award is further confirmation that this product from ElringKlinger offers genuine added value, as it combines maximum functionality with minimum weight. It accommodates instrument panel, steering column, heating and ventilation modules, airbags, glove compartment, center console, and other components, and connects them securely to the car bodywork.

HYSTARTER – HYDROGEN IN THE REUTLINGEN DISTRICT

China aims to be climate neutral by 2060, the United States, Canada, and the EU by 2050, and Germany by as early as 2045. Hydrogen plays a role in the climate plans of many governments worldwide, including in Germany. Therefore, as part of the BMDV (Federal Ministry for Digital and Transport) "Hyland - Hydrogen Regions in Germany" funding program, the HyStarter sub-program is establishing regional stakeholder networks. These networks will evaluate and substantiate the application potential of hydrogen in individual regions. The district of Reutlingen also successfully applied to become a HyStarter region and has meanwhile completed the process by submitting an initial hydrogen concept. In this interview with Julia Bernecker, Head of the Sustainable Regional Development Department at the District Administration of Reutlingen, and Dr. Stefan Hornauer, Director Funding Management at ElringKlinger AG, you will learn more about the project background and results.

Why is the district of Reutlingen an ideal candidate for the HyStarter project?

Bernecker: The shift to a carbon neutral society presents us with enormous challenges, and in our district, we are already having to consider how we can successfully master the energy transition without losing our economic strength, which has taken us years to evolve. In total there are more than 5,000 companies in the Reutlingen district, especially SMEs, and including world market leaders. We are currently looking primarily at how we can change local industries, but also the mobility practices of our residents, to be able to reduce emissions in the next few years. Hydrogen and fuel cell technology will certainly be one element of the energy and transport transition. We therefore applied as a region to be part of the HyStarter project. Primarily, we want to network with the various players and pool our knowledge, to work together to initiate viable hydrogen projects tailored to the circumstances of the region such as regional topography. Because we know that in our region, we have some stakeholders that have been involved with the field of hydrogen and fuel cells for a long time now and have outstanding expertise in this area – and a good example of this is ElringKlinger.

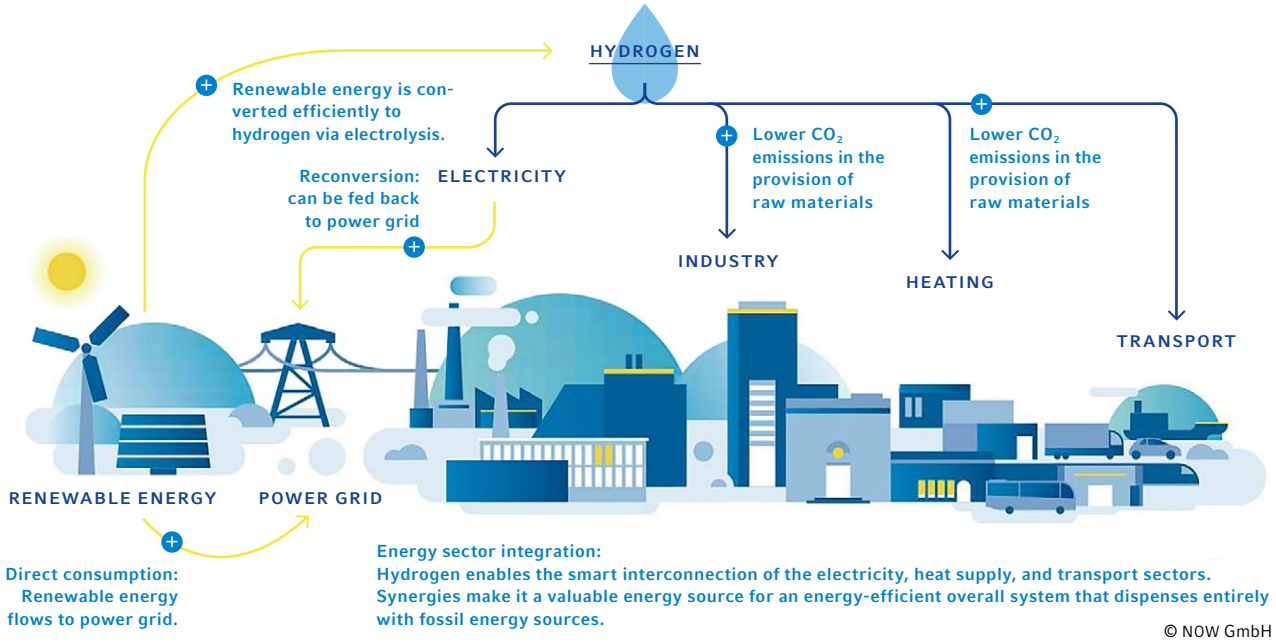
Dr. Hornauer: The transformation in the automobile industry is in full swing and universally visible in the form of new, electrified vehicles. Thanks to the timely transformation of our product range, ElringKlinger is capable of equipping battery-electric powered vehicles with many different products. Alongside this, we have established expertise in fuel cell technology over the last 20 years or so. The stepped slopes of the Albtrauf escarpment in this region exemplify the reasoning behind this development. The use of battery-powered buses in regional transport or also in heavy goods transport quickly reaches its limits in view of the long distances and steep inclines typical of this region. Buses with integrated fuel cell systems would readily master these topographic challenges. Therefore, we too are convinced that the use of fuel cell technology will be necessary for specific areas of application. Our product range comprises series-ready stack modules in various power classes as well as associated components like metal bipolar plates or plastic media modules. In 2021 we also joined forces with Plastic Omnium, a French automotive supplier, to establish our joint undertaking EKPO Fuel Cell

Hydrogen is the most abundant chemical element in the universe. The biggest advantage it offers is its capacity to be stored. This means that hydrogen generates energy in fuel cells even when the wind is not blowing hard enough or the sun is not shining. Green hydrogen can be generated using photovoltaic systems and wind turbines. Another decentralized generation option in the region is the production of hydrogen using steam reforming from biogas facilities.

Technologies, the aim being to accelerate development efforts for hydrogen-based mobility. We are a vocal advocate of fuel cell technology and a globally operating Group deeply rooted in the region, which is why we were also very keen to take part in the regionally aligned HyStarter project.

How did the HyStarter project go?

Bernecker: Our vision is to firmly establish hydrogen as a sustainable energy source in the district of Reutlingen. To this end, the intention is to establish a sustainable hydrogen industry in the region for the production, distribution, and use of hydrogen. Within the scope of the HyStarter project, we have therefore taken the first step by developing a regional stakeholder network. We have managed to get various participants on board for the project from numerous industries in our region. In just 12 months, we have worked with the other participating stakeholders to discuss the potential and the limits of hydrogen and fuel cell technology and develop approaches for the district. These discussions took the form of six strategic dialogues and produced a concept that identifies different generation paths for green hydrogen in the region and covers hydrogen applications at several levels: fuel cell vehicles, industrial use, and the generation of energy and heat for buildings. As an example, a proposal was elaborated that covers the field of mobility, the aim being to increase the visibility of the new technology using public transport. In this context, one of the key factors in particular is to establish an infrastructure for hydrogen filling stations.



Where is ElringKlinger using hydrogen?

Dr. Hornauer: Hydrogen is interesting for us at ElringKlinger for two reasons: for our production and for mobility applications. Because the test rigs for the fuel cell systems we manufacture require hydrogen. Based on our production planning, hydrogen demand will continue to increase in the future. We are therefore even more interested in being able to purchase regionally produced, carbon neutral, affordable green hydrogen. We would therefore very much support the production of regional hydrogen e.g., using electrolysis with photovoltaics and wind power or via biogas steam reforming. As part of the project we have also considered hydrogen pipelines and storage facilities. The relevant technologies are available, we just need to implement them effectively in our region, so that purchasing hydrogen makes economic and ecological sense. The results achieved in the project are very valuable, so it is even more important now to implement these insights to allow the region to realize its vision.

How do you see the future of fuel cell technology?

Bernecker: We know that this technology is necessary to be able to achieve climate goals. In the mobility segment, we will need battery-electric vehicles and fuel cell vehicles. Fuel cell technologies offer a lot of advantages, especially for long distances, public transport, or goods transport. For example, we could integrate hydrogen pumps into the existing network of fuel stations. The only hydrogen filling station in the region is located not far from your company headquarters. The fueling time is comparable to gasoline and diesel. However, during the project we very quickly also became aware of the challenges. The first obstacle for bus companies, for example, is the high procurement cost. In addition, workshops, depots, and staff have to undergo an induction program for the use of the new technology and the new fuel. Essentially, hydrogen is no more dangerous than diesel or natural gas. At the same time, however, hydrogen-specific properties have to be taken into account by implementing appropriate safety measures. Operating procedures also need to be adapted to the use of hydrogen buses. If we want to be a pioneer, then we have to manage to overcome these hurdles, so that the use of green technology becomes affordable and does not result in higher transport and haulage costs.

Dr. Hornauer: The high costs of procurement mentioned by Ms. Bernecker are largely due to the small volumes being produced in the market. These costs will fall as production numbers increase and when progress is made with the technical maturity of the components. We are confident that the technology has a future because it is the only one that allows the economically viable, long-distance operation of heavy-duty commercial vehicles. Together, we want to help shape the market for the hydrogen and fuel cell industry. In particular, this offers our strong automotive segment in the region prospects for the future and safeguards jobs.

» Together we want to help shape the market for the hydrogen and fuel cell industry. «

Dr. Stefan Hornauer, Director Funding Management, ElringKlinger AG

What comes after the HyStarter project?

Bernecker: Based on the outcomes of the project, we will now be working with the district of Tübingen to launch the second phase of the HyLand program, the HyExperts process, from summer 2022. In this context, we will continue to flesh out the existing project ideas within the existing stakeholder network, with the aim of having an implementable concept for the generation, distribution, and use of regionally produced, green hydrogen by the summer of 2023. In addition, the district of Reutlingen along with Alb-Donau district, the city of Ulm, and the neighboring districts Ostalbkreis with the town of Schwäbisch Gmünd and the districts of Heidenheim and Tübingen, have received a promise of funding as a "Model Region Green Hydrogen" from the state of Baden-Württemberg. This will allow four flagship projects with a funding volume of EUR 32.5 million to be realized by 2027. The Hy-FIVE association has been established to deal with the further implementation. In fall 2022, a full-time office was also set up in Ulm. This is how we aim to bring our region forward and make it sustainable.

Thank you very much for the interview.

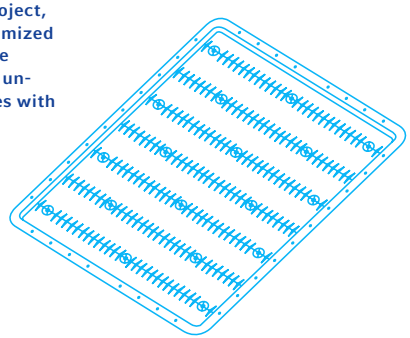
The HyStarter regions form the first phase of the overarching "Hyland" initiative– for the integration of energy sectors with hydrogen. The HyStarter project was supported by the National Organization for Hydrogen and Fuel Cell Technology (NOW GmbH) and project sponsor Jülich (PTJ) and commissioned by the Federal Ministry for Digital and Transport (BMDV). The objectives of the three-phase HyLand program are to support awareness-raising about hydrogen and fuel cell technology and the initial organization of the stakeholder landscape (HyStarter), to produce integrated concepts and finance more detailed analyses (HyExperts), and to promote the sourcing of applications and implementation of concepts (HyPerformer).

INNOVATION THROUGH COOPERATION. FUNDED LIGHTWEIGHTING PROJECT

In its Lightweighting/Elastomer Technology business unit, ElringKlinger is working on various research projects with industry partners and research institutions. The research is focusing on various areas such as the optimization of components and manufacturing processes for CO_2 reduction, the use of recycled or bio-based raw materials, the redevelopment of thermoplastic reinforcing materials, and the successful combination of thermoplastic and metal materials to produce components with high structural rigidity. The objective of all these projects is to create innovative products that are more sustainable in the long term. The focus here is essentially on pooling various areas of expertise. A good example of this is the protECOlight project.

The protECOlight project is being conducted in partnership with Audi AG, Fraunhofer ICT, and various SMEs. It covers the development of sustainable, weight-optimized protective structures in the underbody area for cars with new drive technology. The purpose of this funded project is not just high product functionality but also the reduction of greenhouse gas emissions and the realization of a material cycle that is as closed as possible. The achievement of these goals will be ensured through the development of sustainable materials and efficient machining processes. In this project, ElringKlinger is responsible for optimizing the flexural and structural rigidity of the underbody structure. These materials are being developed from continuous fiber-reinforced thermoplastics. Thanks to a new kind of manufacturing process, they have a much higher glass fiber content. As a result, compression or injection molding processes can be used to produce thermoplastic sandwich components, whose mechanical properties are equivalent or even superior to metal parts. Due to the lower weight, good mechanical properties, and low greenhouse gas potential of both the manufacturing process and the material, the CO_2 requirement of the component is significantly lower than for comparable monolithic metal structures.

For the protECOlight project, sustainable, weight-optimized protective structures are being developed for the underbody area for vehicles with new drive technology.



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In 2021, ElringKlinger was able to successfully accompany and support a total of 35 funded projects.

This research project reflects ElringKlinger's development expertise in the field of lightweight construction, which lies in the integrated processing of complex tasks from idea to finished product. In this context, everything is from a single source – conceptual design, component development, tool and process design, and component manufacture.

AN INFINITE AMOUNT OF ENERGY

Water is the only element on Earth that occurs in nature in a gaseous, liquid, and solid state. The utilization of water by humans has a long tradition. In the past, for example, the power of water was used to grind grain, operate large hammers in forges, or simply draw water. Since the 19th century, mechanical energy has been converted to electrical energy using water turbines. The advantage of water is that in many parts of the globe, it is available around the clock, provided there are no dramatic periods of drought.

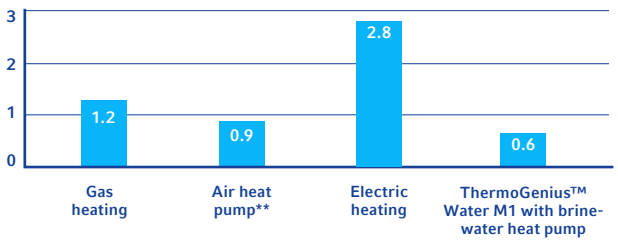
Thanks to the ThermoGenius™ Water M1, this floating holiday home on the Baltic Sea exploits the free energy of water.

This advantage is also exploited by the water heat exchanger ThermoGenius™ Water developed by ElringKlinger Kunststofftechnik GmbH, which extracts heat from the surrounding water without removing water. The energy absorbed is then transferred into the building to the heat pump via polyethylene piping. In the heat pump, the heat or cold exchange takes place via the evaporator, making the free energy available for heating or cooling. In the event of a larger power requirement, several ThermoGenius™ Water modules can be connected to one another in parallel circuits via a manifold.

The benefits of the system are self-evident and can be substantiated with data from a reference project on the Baltic Sea. Firstly, water is a free energy source. Secondly, the ThermoGenius™ Water combined with a brine-water heat pump causes only half as many CO_2 emissions as a gas heating system. Thirdly, the system does not contain any climate-damaging refrigerants, only water mixed with antifreeze. And lastly, the installation of the system is also a straightforward process, as it is anchored only to pile structures, boat jetties, or quays – or alternatively, with a counterweight on the bed of the waterway. Interventions into nature, e.g., like the drilling associated with geothermal energy systems, are not necessary. Moreover, all components consist of environmentally friendly, high-quality polyethylene, ensuring a long service life of at least 30 years.

READ MORE ON OUR THERMOGENIUS WEBSITE

CO_2 emission ThermoGenius™ Water M1 compared with other systems* (CO_2 emission in t)



*Calculation based on above-mentioned holiday home on the Baltic Sea
**Calculation assumes annual performance factor of 3 for air heat pumps

Calculation based on the following sources:

CO_2 emission g/kWh by natural gas (German Environment Agency)	201
CO_2 emission g/kWh by electricity extrapolated from power generation mix 2017 (German Environment Agency)	489
Electricity costs EUR/kWh (heat pump tariff EnBW, 2019)	0.18

Environment and Quality

ElringKlinger uses its certified environmental and energy management system across the Group to reduce the consumption of resources. As well as focusing on its own business operations, ElringKlinger is committed to cutting emissions throughout its entire value chain. Annual investment in activities that reduce emissions are just one of its many measures.

Emissions

ElringKlinger measures energy and resource flows at all its sites worldwide and calculates the emissions that these generate in order to log the environmental footprint of its business activities. Direct and indirect CO_2 emissions fell by 3,680 tons or 4.7% to 73,850 tons in the 2021 financial year (2020: 77,530 (market-based) tons). Measured per EUR 1 million of revenue, ElringKlinger scaled down its CO_2 emissions by as much as 13.2% year on year. This reduction is chiefly due to the ongoing travel restrictions as well as the increased volumes of green electricity purchased at all its German production sites.

Direct CO_2 emissions, i.e., those attributable directly to business activities, made up 31% of total emissions in the 2021 financial year (2020: 23%). The bulk of these emissions is generated through the use of gas and heating oil, which increased year on year to 22,300 tons in the 2021 financial year (2020: 19,900 tons). This is attributable to the direction taken by the covid-19 pandemic, with production ramping up significantly once again in 2021 compared to the previous year. Direct emissions from the Group's own fleet and its rental vehicles amounted to 820 tons in the reporting year (2020: 970 tons). This drop in emissions is due to the fact that ElringKlinger owned fewer company vehicles in 2021 (2021: 210 vehicles / 2020: 225 vehicles). The average CO_2 emissions per vehicle in the company vehicle fleet and by rental vehicles also fell to 126 g/km (2020: 133 g/km).

CO_2 emissions

	2021	2020
Total direct and indirect CO_2 emissions in t	73,850	77,530
CO_2 emissions per EUR 1 million of revenue in t	45.5	52.4
CO_2 emissions offset in t[6]	22,000	0
Total direct CO_2 emissions in t[1]	23,120	20,870
of which direct CO_2 emissions from gas, oil, engine test benches, etc. in t	22,300	19,900
of which direct CO_2 emissions by the vehicle fleet in t[2]	820	970
Total indirect CO_2 emissions in t	50,730	56,660
of which indirect CO_2 emissions from electricity in t[3]	50,300	55,900
of which indirect CO_2 emissions by air travel in t[4,5]	430	760

[1] At the parent company, ElringKlinger AG, 12,000 tons (2020: 10,800 tons) of direct CO_2 emissions arose from gas, oil, engine test benches, etc. in 2021. Direct CO_2 emissions produced by the ElringKlinger AG vehicle fleet amounted to 660 tons in 2021 (2020: 750 tons).

[2] Emissions are calculated by multiplying the annual mileage of vehicles by the CO_2 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.

[3] At the parent company, ElringKlinger AG, 0 tons of indirect CO_2 emissions arose from electricity in 2021 (2020: 7,800 tons under the market-based method/2020: 19,800 tons under the location-based method).

[4] Of the indirect CO_2 emissions from air travel, ElringKlinger AG accounted for 350 tons in 2021 (2020: 600 tons).

[5] 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.

[6] ElringKlinger paid to offset its emissions from gas consumption, the fleet, and air travel at its German production companies.

4.7%

Direct and indirect CO_2 emissions fell by 3,680 tons or 4.7% to 73,850 tons in the 2021 financial year.

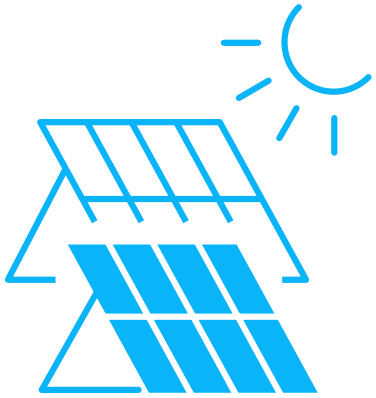
As well as direct emissions, indirect emissions from purchased goods and services dropped too, specifically by 5,930 tons or 10.5% compared to 2020.

The 2021 financial year saw ElringKlinger begin to implement its strategy for achieving carbon neutrality in net terms for its Scope 1 and Scope 2 emissions by 2030. Four fields of activity for achieving the objective were defined: (1) increasing energy efficiency in all buildings and facilities, (2) using more renewable energy, (3) switching to green electricity, and (4) offsetting any unavoidable CO_2 emissions by investing in CO_2 cutting projects outside the company. In a first step, ElringKlinger achieved carbon neutrality in net terms at all its German production sites in 2021 by switching all electricity supply contracts to green electricity. The remaining 22,000 tons of CO_2, which are generated from gas, the fleet, and air travel, were offset by means of compensatory measures.

Energy consumption

ElringKlinger works continuously to minimize the amount of energy and resources consumed by its own business activities. In addition to implementing ongoing maintenance measures, building new, energy-efficient facilities, and optimizing processes, ElringKlinger pays particular attention to using any kinds of resource sparingly. As a manufacturing company, ElringKlinger is reliant on a continuous energy supply. It runs its own combined heat and power (CHP) units, wind turbines, and solar installations at several of its sites to secure this energy supply and ensure that it generates energy in an environmentally sustainable way. The Group also maintains a metering infrastructure at its European production plants to facilitate an end-to-end assessment of energy flows and enable previously unused potential for energy efficiency to be tapped.

Absolute energy consumption increased to 291,700 MWh (2020: 269,800 MWh). Electricity and gas consumption rose by 7% and 10% respectively, while the consumption of fuel and heating oil remained on a par with the previous year. Per EUR 1 million of revenue, however, energy consumption dropped by 2% due to the growth in revenue driven by ramped-up production.



ElringKlinger runs its own combined heat and power (CHP) units, wind turbines, and solar installations at several of its sites to secure energy supply and ensure that it generates energy in an environmentally sustainable way.

	2021	2020
Absolute energy consumption (electricity, gas, and other energy sources) in MWh[1]	291,700	269,800
of which electricity consumption in MWh[2]	189,900	177,000
of which gas consumption in MWh	103,800	94,700
of which heating oil and fuel in MWh	3,400	3,400
Absolute energy consumption per EUR 1 million in revenue in MWh	179	182
Electricity consumption per EUR 1 million in revenue in MWh[1]	117	120

[1] Excludes electricity generated using company CHP units.

[2] Includes electricity generated using company CHP units.

Investing in the environment

Before making any investments, purchases, or acquisitions, ElringKlinger considers not only their technical characteristics and value for money but also various environmental aspects. As this climate-conscious approach is not enough on its own, ElringKlinger has set itself the further objective of putting 1% of its annual investments toward energy-saving measures, a target that it met in the 2021 financial year. Measures included a new cooling tower with heat recovery, a new thermal afterburning system to prevent solvent emissions, and a new, energy-efficient air compressor. In addition, work continued on switching the lighting in the plants to LED technology.

Before making any investments, purchases, or acquisitions, ElringKlinger considers not only their technical characteristics and value for money but also various environmental aspects.

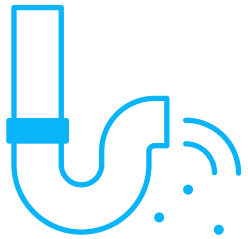
Water and wastewater

ElringKlinger monitors water consumption at all its sites in accordance with the ISO 14001 standard to which it is certified. Besides complying with statutory provisions, all staff worldwide take care to use and handle water and wastewater sparingly and responsibly. Water consumption in the 2021 reporting year amounted to 196,900 m^3 (2020: 171,658 m^3).

Biodiversity

Once again, ElringKlinger did not identify any impact on nature conservation areas or biodiversity caused by its operating activities in the 2021 financial year. Most of its production sites are based in designated business and industrial parks, usually in close proximity to the premises of large automotive manufacturers. Choosing these locations shortens or even eliminates transport routes as well as keeping costs and emissions down.

ElringKlinger avoids the use of raw and other materials that were not extracted or produced in an environmentally or socially compatible manner or in compliance with human rights obligations.



Besides complying with statutory provisions, all staff worldwide take care to use and handle water and wastewater sparingly and responsibly.

Conflict minerals

ElringKlinger uses the International Material Data System to further strengthen its responsible handling of raw materials. The system serves to show ElringKlinger and its customers all the chemical and material compositions of the components and semi-finished products that the company manufactures. It lets all major automotive and other suppliers pool their data in a single system and thus create transparency regarding all constituent materials, allowing components to be disposed of in an environmentally friendly way at the end of their useful lives. The platform also enables the respective countries of origin of the raw materials to be checked.

ElringKlinger avoids the use of raw and other materials that were not extracted or produced in an environmentally or socially compatible manner or in compliance with human rights obligations. The most-affected conflict and high-risk zones include countries hit by (civil) war, those suffering instability in the wake of a conflict, or those where governance is weak or lacking entirely and citizens' and human rights are systematically infringed. The so-called conflict minerals include tantalum, tin, tungsten, and gold, among others. Although ElringKlinger requires very small amounts of these raw materials to manufacture its products, it does not obtain them from countries in conflict zones. The Group also makes sure that these materials do not come from relevant countries when purchasing them indirectly via its supply chains. An analysis of the raw materials procured by ElringKlinger in the 2021 financial year did not indicate that any conflict minerals had been obtained from these particular regions.

As an international supplier, the ElringKlinger Group also has to deal with export bans and economic sanctions. Should any restrictions apply to the export of goods to certain countries, regions, or organizations, the company complies with these restrictions in all cases.

WORKING TOGETHER FOR A MORE SUSTAINABLE FUTURE

As a region that plays a key role in the German economy, Baden-Württemberg intends to serve as a pioneer for climate action. Climate-conscious companies from the state and its Ministry of the Environment, Climate Protection, and the Energy Sector launched a climate alliance in 2020 in which both sides signed a Climate Protection Agreement that defined specific measures for achieving their own climate action targets. ElringKlinger signed up to the alliance in 2021. The Climate Protection Agreement is concluded for an initial term of ten years and can be extended by either partner.

ElringKlinger has enshrined its environmental targets in the Climate Protection Agreement, which reflects the Group's intention to achieve net zero for its Scope 1 and Scope 2 emissions across Europe by 2025 at the latest and worldwide by 2030. After that, it is also planning to reduce its Scope 3 emissions, i.e., all those produced along its entire value chain. Four fields of activity to be pursued at all sites have been defined in order to structure the numerous measures: increasing energy efficiency in all buildings and facilities, using more renewable energy, switching to green electricity, and offsetting any completely unavoidable CO_2 emissions by investing in CO_2-reducing projects outside the company.

Director General Michael Münter (left) presented the certificate of accession to Reiner Drews (right), Chief Operating Officer at ElringKlinger.

»For us, corporate responsibility means thinking about the future even as we plan for the present. To this end, we've set some ambitious environmental targets for our CO_2 emissions and, in so doing, are also expressing our support for the Baden-Württemberg climate alliance as one of its signatories.«

Reiner Drews, Chief Operating Officer at ElringKlinger

ELRINGKLINGER ON THE PATH TO CARBON NEUTRALITY

CUTTING GAS CONSUMPTION IN MEXICO

Despite all its energy and resource savings, ElringKlinger needs a certain amount of gas to maintain its production. To keep this consumption as low as possible, ElringKlinger launched a project to consume less gas and generate fewer emissions at its Mexican production site in the 2021 financial year.

The project by the Mexican production plant for reducing its gas consumption was entitled "Avoid – Reduce – Offset." For the first time, the subsidiary employed a fluxor, a patented technical device made from a combination of metal, ceramic, and plastic that polarizes atoms and molecules. The fluxor helps to optimize thermal processes that use fuel, to reduce fuel consumption, and thus to cut direct emissions as well. This enables gas consumption to be lowered by up to 9% per component manufactured. It also requires less natural and liquefied petroleum gas, making its use an attractive proposition for other plants too.

The next step will see the Mexican site install gas meters in each business unit so that it can produce even more precise data and consumption measurements. This is because the Group is committed to minimizing gas consumption as a basic principle at all sites that need it to produce parts in order to reduce both emissions and its dependency on volatile gas prices.

BUILDING A PHOTOVOLTAIC INSTALLATION IN INDIA

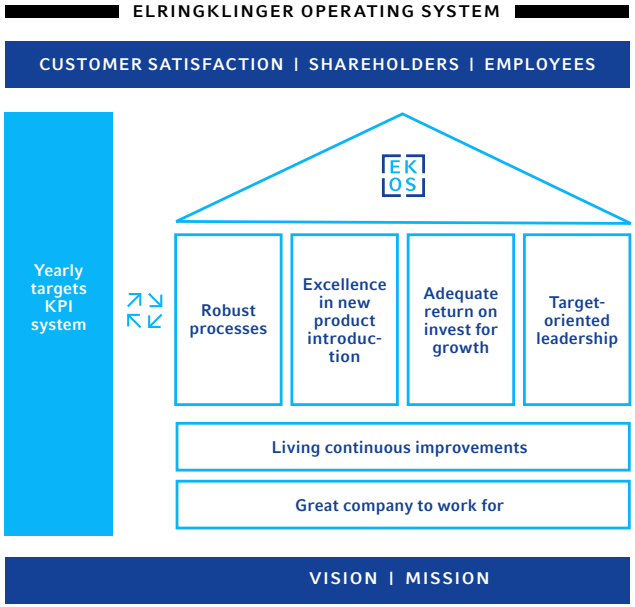
The Group's Indian subsidiary ElringKlinger Automotive Components (India) Pvt. Ltd. procured a dedicated photovoltaic system at its Ranjangaon site as part of its annual investments in emission-reducing measures. With an energy source that is independent, environmentally friendly, and cost-neutral, the new system offers multiple benefits. Using self-generated solar power saves 1,882 tons of CO_2 and EUR 60,000 a year.

There is one solar power unit on the roof of the production facilities (2,292 modules, almost 8,000 m^2) and another outside on the plant premises (1,440 modules, 7,000 m^2), which use solar cells to convert some of the sunlight into electrical energy. It generates around 1,650,000 kWh a year, which would provide enough power for 400 four-person households in Germany. The electricity generated is consumed at the plant itself, as storing it would make little sense. This is because different parts of India have their power cut off once a week, and the plant can largely keep itself supplied with electricity during these blackouts. Implementing a range of energy-saving projects is part of the Group's decision to set aside 1% of its planned investments for energy-efficiency measures on an annual basis. Each ElringKlinger plant can put forward a project for appraisal every year. The criteria used to pick a successful project are the amount of CO_2 saved per euro invested and the measures that will achieve the most significant energy savings. Further activities to increase energy efficiency were undertaken in 2021 in addition to the photovoltaic installation in India, including fitting new LED lights to two further plants and installing an air compressor and a cooling tower.

The solar plant in India generates environmentally friendly energy and saves costs.

EKOS – COLLECTIVE. EFFICIENT. GLOBAL.

ElringKlinger introduced EKOS, its standardized Group-wide production system, in 2018, since when numerous projects have been completed successfully and some far-reaching improvements have been achieved.



The "EKOS House" symbolizes an attractive company in which employees help boost the satisfaction of customers, other stakeholders, and themselves through continuous improvements. Robust processes, successful product launch-es, appropriate returns, and target-oriented leadership are the cornerstones that give the building stability, while the KPI system ensures that the self-set objectives are achieved.

EKOS was brought in to standardize and keep a handle on the rapid growth of the ElringKlinger Group and its 39 production sites all over the globe. EKOS keeps a log of all operating processes, which it uses to determine examples of best practice. As well as improving process quality, internal cooperation between all staff has also been enhanced thanks not least to the underlying project principles that were defined at the start and have been adhered to ever since. These include a culture of honest feedback, clear process responsibilities, and sticking to promises.

The aims of EKOS are robust processes, excellence in product launch, an appropriate return on growth, target-oriented leadership, a commitment to continuous improvement, and being an attractive place for people to work. When EKOS was first implemented, objectives and principles for the system were set and its core methods and core processes were agreed. The methods defined were then successfully presented and introduced, first at the lead plants and then at the satellite plants. Regular EKOS assessments are carried out at each plant and the implementation of principles, methods, and KPIs is checked in order to gauge the degree to which the six EKOS objectives are being met. Over 25 such assessments were made in 2021. The average outcome of these assessments improved by 15% year on year.

Since the standardized production system was introduced, more than 200 staff worldwide have been trained in applying the process improvement methods in order to drive forward all ongoing and new projects and hit targets faster. This staff training enabled tens of millions of euros to be saved in 2021 and preceding years. The plan for next year is to use the methods that have been successfully applied to achieve additional energy savings and CO_2 reductions at all the Group's plants across the world.

KAIZEN – CHANGE FOR THE BETTER

KAIZEN is a Japanese word made up of KAI (change) and ZEN (good). It is a method taken from Japanese industrial engineering and simply means "improve-ment." KAIZEN is one of several process optimization methods that ElringKlinger uses as part of EKOS.

Responsibility for Employees

The satisfaction of its staff members is a top priority for ElringKlinger – and this presupposes an attractive and motivational working environment. Throughout 2021, the digitalization of processes and mobile working became more deeply entrenched across the Group. ElringKlinger offers an open corporate culture together with social benefits and flexible working time models. As a result, employees are able to reconcile their professional goals with their personal interests to maximum advantage.

Development of the workforce structure

For ElringKlinger, a multifaceted yet balanced workforce structure amounts to a success factor that enhances the corporate culture. The Group has people from almost 70 nations working at its 45 sites around the globe.

As of key date December 31, 2021, 9,466 employees were working for the ElringKlinger Group worldwide (on yearly average, the staffing level was 9,747). The age profile remains balanced, with the 30–50 age group making up approximately 59% of the workforce; almost 18% of staff are younger than this, and nearly 23% are older. The average age of ElringKlinger employees was 40.

ElringKlinger's personnel strategy is designed with the long term in mind. The company also seeks to offer permanent employment contracts to employees. The ability to plan ahead and to maintain working relationships based on trust produces advantages for both staff members and the company as an employer. In 2021, the great majority of employees around the world (8,662 staff members) held permanent employment contracts. To counteract economic fluctuations and temporary peaks in workload while ensuring the necessary flexibility, a small proportion of fixed-term employment contracts are required. In the 2021 financial year, personnel-related instruments such as short-time hours were utilized only sporadically.

The global reach of the Group is also apparent from the regional distribution of staff. As of December 31, 2021, 4,036 employees of ElringKlinger (42.6%) were working in Germany. Most employees continue to work abroad (proportion of 57.4%, or 5,430 persons). Of this number, 1,766 employees were based in North America, 1,739 employees were working elsewhere in Europe, 1,541 were in the Asia-Pacific region and 384 staff members were in South America and other countries.

Employees

	2021	2020
Employees as at December 31	9,466	9,724
of which men	69.4%	69.8%
of which women	30.6%	30.2%
Proportions by age group		
under 30	15.2%	18.3%
30 – 50 years	60.9%	58.8%
over 50	23.86%	22.9%
Staff turnover rate[1]	13.2%	15.2%
Proportion of part-time workers	2.1%	4.8%
Employees on permanent contracts	8,662	8,805

[1] Total fluctuation

Fixed system of values

A system of values is important in terms of providing direction for a society; manifested in the form of guidelines, rules of conduct, or codes, it gives the members of a community an operational framework while setting standards for the quality of cooperation. The main priority is to ensure compliance with existing legislation and rules. The system of values produced by ElringKlinger as part of its corporate responsibility is expressed in comprehensive guidelines and compliance measures.

ElringKlinger has drawn up binding guidelines for all employees in a Code of Conduct and a Code of Ethics. As part of its Code of Ethics, ElringKlinger commits to upholding international human rights. At the same time, the company rejects any form of child labor and forced labor. ElringKlinger also opposes all forms of discrimination, whether on the basis of gender, race, skin color, religion, age, ethnic origin, disability, or sexual orientation. No violations of the Code of Ethics were reported in 2021.

For more information on this as well as compliance management, refer to the summarized non-financial report for 2021.

FOR MORE ON THE FIGHT AGAINST CORRUPTION AND BRIBERY, SEE THE ANNUAL REPORT FOR 2021.

ELRINGKLINGER GUIDING PRINCIPLES

NON-FINANCIAL REPORT FOR 2021

Healthcare management and occupational safety

The continuing covid-19 pandemic also defined reporting year 2021 as measures were introduced to protect the health of employees. ElringKlinger acts in accordance with strict guidelines to guarantee and protect the health and safety of its employees. Workstations (and the areas around workstations) are designed so as to be both safe and efficiency-enhancing. All guidelines in this occupational safety policy are binding on both managers and employees of ElringKlinger.

The company applies high standards with a view to preventing accidents at work (see page 29). This includes regular safety briefings, protective equipment and occupational safety inspections. The ElringKlinger Operating System (EKOS) is a production system which has been implemented at all production sites. EKOS supports regular improvements to workplace safety in keeping with the "safety first" motto. Compliance with regulations and guidelines is verified by means of systematic internal and external audits. Where an accident takes place in spite of all precautions, the cause and steps leading up to the incident are carefully examined and existing safety standards are adapted as necessary. Wherever possible, we record the number of accidents occurring in the company. In 2021, the relative frequency of accidents per thousand full-time employees increased only marginally (from 11.0 in the previous year to 12.4) despite the elimination of a large proportion of short-time work. Throughout the Group, 117 workplace accidents leading to absence periods of more than three days were registered.

Occupational Safety

	2021	2020
Work-related accidents leading to more than 3 days off work	117	107
1,000-employee incident rate	12.4	11.0

ElringKlinger acts in accordance with strict guidelines to guarantee and protect the health and safety of its employees.

Initial and further training

Initial and further training for employees has always been critically important to ElringKlinger. 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. Even throughout the coronavirus pandemic, the company adhered to its strategy. In September 2021, 11 work-study students and 15 apprentices embarked on courses at ElringKlinger's main site in Dettingen/Erms. The international dimension of our skilled trades continued in 2021, with 80% of content for the specially developed training plan standardized across the Group and 20% of content specially adapted to theoretical circumstances.

As part of the high-potential program, Group employees with strong development potential are being identified in three regions: APAC (Asia-Pacific), Americas (USA, Canada, Mexico, and Brazil), and EMEA (Europa, Middle East, and Africa). These employees are then advanced within the framework of a training course comprising several modules. The most recent program, for 23 participants, ended in July 2022. One key element of the program is to raise the awareness of ElringKlinger's social responsibility at local level among management trainees in the various regions. To this end, all regions worked on regional CSR projects during the program. All revenues were subsequently donated to the cause of environmental sustainability and socially disadvantaged people: the Americas region planted 13,765 trees and the EMEA region donated EUR 21,331 to small local businesses and educational facilities which had felt the effects of covid while the APAC region donated EUR 37,200 to organizations for the disabled.

The summarized non-financial report for 2021 contains more details.

READ MORE ABOUT STAFF RECRUITMENT AND DEVELOPMENT IN THE ANNUAL REPORT FOR 2021.

Diversity and equal opportunity

We regard cultural diversity and our range of social and linguistic backgrounds as an essential advantage in a globalized world. Naturally, the company ensures all employees are treated equally and offered the same opportunities regardless of gender, age, or other characteristics.

ElringKlinger is represented with sites in 21 countries. Thanks to a global network of customers, suppliers, and other partners and interested parties, ElringKlinger is constantly engaged in international exchanges and transfers of knowledge. The company further encourages this process by posting employees to other Group sites abroad, and by holding regular intercultural training courses.

The company's duty of care is reflected in the ways it collaborates with people. The ElringKlinger Group provides severely disabled staff and employees suffering from health impairments with specific support and special protection (see page 31 and 32). Through the Works Council and Equal Opportunities Officers, the Group facilitates a culture of integration that recognizes the skills and individual talents of affected persons. For many years, furthermore, ElringKlinger has maintained close partnerships with a number of social institutions, including BruderhausDiakonie. Involvement in the life of a society is a worthwhile activity that gives locally employed persons a chance to be respected and feel like valuable members of society.

Diversity & equal opportunities

	2021	2020
Number of employees with severe disabilities	186	233
Absolute number of employees		
in partial retirement[1]	105	94
on maternity leave[1]	13	13
on parental leave[1]	84	79
Part-time	200	464

[1] Employees at the German Group sites

ElringKlinger's Code of Conduct includes a commitment to treating both genders equally and offering all employees equal opportunities. Regardless of targets, the Group offers equal support to men and women who accept responsibility.

In 2021, a total of 186 severely disabled people worked for ElringKlinger.

In line with legal obligations, ElringKlinger publishes mandatory targets for women in managerial positions in its corporate governance statement. The self-defined minimum proportions as of June 30, 2022, are 0% on the Management Board, 10% at the top leadership level, and 15% in the second leadership tier below Management Board level.

Reconciling professional, family, and private life

ElringKlinger has implemented numerous measures with a view to addressing the needs of employees and offering them a healthy balance between professional and private life. Our flexible working time models constitute a key component in this. Mobile working has become massively more important, particularly in response to the coronavirus pandemic. The advantages for both the company and its employees are undeniable and should continue to be maximized in future.

ElringKlinger supports the care of relatives in cooperation with the service provider WDS.care GmbH by offering a range of advisory and care concepts.

CLICK HERE FOR MORE KEY FIGURES ON PERSONNEL

ENSURING SAFETY AROUND THE WORLD

ElringKlinger understands it has a responsibility to protect and promote the health of its employees. To this end, workplace safety and the prevention of accidents are paramount. To achieve its ambitious targets in terms of workplace safety and health protection as effectively and specifically as possible, the Group is introducing global standards which will be continually enhanced.

Safety in the workplace and the well-being of employees have always been top priorities for ElringKlinger. The introduction of a management system for workplace safety and health protection has put the company on course to unify and steadily improve its (already high) standards and the multifarious measures it upholds around the world. The aim is to create a globally integrated management system that will incorporate the established standards of ISO 14001 (environmental management) and ISO 50001 (energy management). Rollout began in 2021 at company headquarters in Dettingen/Erms. The program was then extended to the European factories in 2022 and will be followed by the plants in the Americas and Asia during 2023. By the end of 2023, it is expected that all of ElringKlinger's production and logistical sites around the world will be uniformly certified according to ISO 45001. Certification will be undertaken by independent, external auditing firms.

Employee involvement

Employee participation is one key focus of the standard. This is achieved by including an employee representative in decision-making processes and by delegating extra tasks (such as those of first aiders). In future, moreover, employees of external companies (e.g., cleaners and fitters) will be more closely involved in workplace safety and health protection measures.

Advantages for staff and company

For the staff of ElringKlinger and the company itself, global standardization will offer many benefits. ISO 45001 requires what is known as a PDCA structure for the purposes of process documentation. This in turn ensures the continual improvement of existing occupational safety measures; legal conformity is also significantly enhanced thanks to documented processes and requirements. Monitoring and controlling is carried out on the basis of uniformly defined indicators. A central audit process also ensures internal monitoring of performance at regular intervals. Certification by external auditors provides transparency for customers and stakeholders, while emphasizing the relevance of workplace safety to the company.

Certification by external auditors provides transparency for customers and stakeholders, while emphasizing the relevance of workplace safety to the company.

The framework supplied by ISO 45001 defines a clear path for all activities and aspects connected with health and safety in the workplace. The aim is to safeguard employees against job-related accidents and illnesses while proactively minimizing workplace risks and improving the health and well-being of workers for the long term. The standard, which replaced OHSAS 18001 in 2018, has the high-level structure familiar from other well-known ISO standards.

Social Commitment

Corporate decisions always influence society in some way. At the end of a business transaction, not only an economic success but also a social success should be achieved. ElringKlinger sees its role in society as a player that, as part of value creation, also makes a contribution to the well-being and progress of society. Our society must not only remain efficient, it must above all be intact from a social point of view with consideration for each individual member.

EMBRACING INCLUSION

ElringKlinger rejects all forms of discrimination and is committed to social diversity and social responsibility. The issue of inclusion is therefore especially important to the company. In this interview, Fernando Petrolino (Managing Director, ElringKlinger do Brasil Ltda.) and Adriana dos Santos (Machine Operator at the Brazilian factory) describe the challenges facing disabled people and the potential they offer. They also explain how the ElringKlinger Group handles both aspects.

What does inclusion mean for ElringKlinger in Brazil?

Petrolino: The Group already has a long tradition of inclusion. It is deeply rooted in our corporate values, so we approach the issue with respect and equality. Our main concern is to maintain constant contact with employees in order to understand how our corporate culture can integrate them more effectively into the company. With empathy, we can treat everyone the same.

Santos: Inclusion is taken seriously at ElringKlinger in Brazil. All employees with disabilities, including myself, are treated with a great deal of respect. For example, a special sign language interpreter is present at meetings for the benefit of deaf employees. This makes us feel completely integrated and allows us to identify with the company.

What is meant by diversity and inclusion? Why is it so important?

Santos: It's important because it's the only way that people like us with physical limitations can pursue a professional career. Without the support of ElringKlinger and the respect and understanding that goes with it, we would not be able to perform for the company.

Petrolino: For us, diversity means having a workplace that accommodates a wide range of skills, physical disabilities, genders, ethnicities and so forth. Inclusion means establishing a safe and supportive environment for all. After all, employees are our greatest asset.

For disabled people, what are the biggest challenges in finding a job?

Santos: Of course, it varies from one case to another. From my own experience, I would say that the main difficulty for companies is communicating with me. This is partly because they don't have much experience in communicating with deaf people, but also because they may not have worked with sign language interpreters before.

Petrolino: We believe a lot of companies are reluctant to practice inclusion because, of course, that means additional costs according to the type of disability. Employing disabled persons entails extra expenditure in many cases. First the interview has to be arranged, then a workstation has to be equipped exactly right, and special training measures have to be organized. Greater support is also necessary when that person starts working. This can seem like a major

At Elring Klinger do Brasil Ltda. there is a sign language interpreter for deaf employees.

» According to our understanding of inclusion, our employees work wherever their professional skills can be utilized to best effect. «

Fernando Petrolino, Managing Director Elring Klinger do Brasil Ltda.

undertaking, especially where there is no policy of diversity and inclusion.

As for ElringKlinger, we understand that a genuinely inclusive workplace culture offers considerable added value to a company. This in turn promotes staff satisfaction and retention levels.

How do diversity and inclusion contribute to corporate culture?

Santos: Employees with disabilities are highly motivated people who can open up whole new perspectives for a company and the wider workforce. Both sides can benefit from cooperation and exchange.

Petrolino: We can see improvements in terms of mutual respect and equality. Treating each other with respect makes all employees feel they are on an equal footing. This leads to an environment of fairness, improves commitment on the part of employees, encourages exchanges of knowledge, and reduces stress levels. Ultimately, all of these factors serve to raise corporate earnings.

What challenges can arise along the way?

Santos: I haven't actually had a lot of problems at EKBR because the team always do their best to understand me. That said, we have to keep practicing these values every day because new challenges can always come along – as we saw during the coronavirus pandemic. Such situations can only be overcome as a team.

Ten deaf colleagues work at the factory in Piracicaba.

Petrolino: First and foremost there are technical and structural challenges, but we believe that listening to our teams and being aware of the main challenges can provide clarity as to why a certain strategy may fail. In this way we also determine how to redirect our efforts to address the problems and make sure diversity and integration keep on improving for EKBR.

Thank you for the interview!

» Both sides can benefit from cooperation and exchange. «

Adriana dos Santos, Machine Operator Elring Klinger do Brasil Ltda.

GLOBAL COMMITMENT

As a result of the donations collected by ElringKlinger employees, more than 13,000 trees have been planted.

A commitment to society is firmly rooted in the corporate philosophy of ElringKlinger. By accepting social responsibility at our sites around the world, the company delivers a valuable contribution to society across various fields of activity.

Tree planting campaign

The "Adopt a tree" campaign, launched in the Americas region in 2021, aims to raise awareness of the urgent need to cut carbon emissions while counterbalancing the company's own emissions through the planting of trees. Our sites in the United States and Canada as well as Brazil and Mexico have enacted a number of fund-raisers, generating more than US$ 22,000 in total. Thanks to these donations, 13,765 trees have been planted at four locations on the American continent.

Makeover for school in Toluca

In the past year, the team at ElringKlinger Mexico gave a school a fresh coat of paint in order to offer the children a pleasant environment while improving the state of the building. In total, 46 volunteers – ElringKlinger employees and family members – teamed up to paint the Francisco I. Madero elementary school in La Magdalena Otzacatipan, Toluca.

A team from ElringKlinger Mexico painted the local primary school last year.

The "Support our locals" project supported six kindergartens in Dettingen/Erms.

Toys for kindergartens in Dettingen

At the end of June, the EKDrive team for the EMEA region concluded its final major campaign in a CSR project entitled "Support our locals," which launched in 2021. The campaign placed the spotlight on the very youngest members of our society. With the support of shops in the near vicinity, toys were sponsored for all six kindergarten facilities in Dettingen/Erms. The kindergartens were invited to compile their own wish lists from the product ranges of the local stores. Requests fulfilled thanks to the ElringKlinger project ranged from wooden toys and building blocks to mini wheelbarrows.

Corporate Governance

ElringKlinger stands for responsible corporate governance geared toward the long-term creation of value. Efficient collaboration between the Management Board and the Supervisory Board, respect for shareholders' interests, and openness and transparency in corporate communication are essential aspects of our corporate governance.

COMPLIANCE: A JOINT UNDERTAKING

Interview with Dr. Christof Dietborn,
Vice President Legal & Compliance at ElringKlinger

In the wake of some major business scandals, compliance has become increasingly important over recent years, regardless of the sector. Have you observed this trend at ElringKlinger?

Definitely. After all, success in business is based on all involved parties conducting themselves with integrity and responsibility. Even an aberration by one individual can have grave and far-reaching consequences for the entire company. Therefore, compliance, by which we mean the observance of laws, legislation, and internal guidelines, is a joint corporate task to which our Group has devoted more and more attention over recent years.

What is needed to ensure good compliance?

The significance and the importance of conduct in line with the rules must be fundamentally clear to all employees – and most importantly of all, adherence to regulations must be a firmly established part of the way we work from day to day. This presupposes a healthy degree of regulation, since not every situation can be regulated. With this in mind, our company provides employees with a framework in which they can act responsibly. The framework is designed to guide them so that they can ultimately make correct decisions in difficult situations.

Within the ElringKlinger Group, the Code of Conduct provides the benchmark for the actions and behavior of all employees. It defines core principles as regards corruption, conflicts of interest, gifts and other benefits, (travel) expenses, data protection, discrimination, occupational health and safety, and environmental protection. It also promotes competition and deals with the handling of insider knowledge. These principles are substantiated by other directives, such as our anti-corruption and antitrust guidelines. All managers are required to make every effort to support their staff, take note of suggestions, clarify specific questions regarding the Code of Conduct, and introduce measures as necessary. Needless to say, our compliance officers and I are very happy to assist.

READ MORE ABOUT OUR NEW COMPLIANCE SECTION ON OUR WEBSITE.

What preventive steps are you taking to avoid compliance violations?

Compliance training sessions are a key tool in prevention. They raise the awareness of employees as regards specific aspects of the relevant internal regulations and legal provisions. The main target groups for our compliance training courses are managerial staff and those faced with certain compliance risks in their roles – for example, in the areas of purchasing and sales. In addition, all employees with PC access in the Group must attend mandatory training on the content of the Code of Conduct. In this case, we make use of web-based training.

Elsewhere, we have expanded our compliance presence on the internet. All relevant content has been grouped in a separate compliance section, with general corporate principles expanded to incorporate the aforementioned guidelines on anti-corruption and antitrust law. In parallel to the internet, we have overhauled our internal communications platform in the area of compliance, with useful new content added.

How are you preparing for the EU directive on protecting whistleblowers, with legislation expected to come into force in Germany at the end of 2022?

We are already meeting our legal obligations in this area, with our own digital whistleblower system now active. The "share with us" system enables staff members to submit compliance breaches directly to our compliance department using a predefined online form. Reports can be submitted in complete anonymity, without revealing the identity of the whistleblower.

By facilitating the reporting, investigation, and resolution of misconduct, violations of the law, and infringements of rules, the system can avert disadvantages for the company, our employees, and business partners as well as the general public. Metaphorically speaking, the whistleblower system works like a fire alarm – it is not normally needed, but when a fire breaks out, it can save lives.

UNDER THE HEADING "REPORTING CHANNELS" YOU WILL FIND FURTHER INFORMATION ON OUR WHISTLEBLOWING SYSTEM.

Potential breaches of compliance can also be reported to the compliance organization in other ways – directly or via managers.

While we realize you can never eliminate risks entirely, we hope our professional compliance management system will reduce them to a minimum.

Thank you for the interview.

»Our professional compliance management system helps us to mitigate the risks associated with global business.«

Dr. Christof Dietborn, Vice President Legal & Compliance

Overview of Indicators

	Key figure	Page
PRODUCTS AND INNOVATIONS		
R&D expenditure (in EUR million)	82.1	10
R&D ratio	5.1%	10
Capitalization ratio	21.0%	10
Patent applications	105	10
R&D staff	591	10
ENVIRONMENT AND QUALITY		
Total direct and indirect CO_2 emissions in t	73,850	19
CO_2 emissions per EUR 1 million of revenue in t	45.5	19
CO_2 emissions offset in t	22,000	19
Total direct CO_2 emissions in t	23,120	19
of which direct CO_2 emissions from gas, oil, engine test benches, etc. in t	22,300	19
of which direct CO_2 emissions by the vehicle fleet in t	820	19
Total indirect CO_2 emissions in t	50,730	19
of which indirect CO_2 emissions from electricity in t	50,300	19
of which indirect CO_2 emissions by air travel in t	430	19
Absolute energy consumption (electricity, gas, and other energy sources) in MWh	291,700	20
of which electricity consumption in MWh	189,900	20
of which gas consumption in MWh	103,800	20
of which heating oil and fuel in MWh	3,400	20
Absolute energy consumption per EUR 1 million in revenue in MWh	179	20
Electricity consumption per EUR 1 million in revenue in MWh	117	20
Water consumption in m^3	196,900	21

	Key figure	Page
RESPONSIBILITY FOR EMPLOYEES		
Employees as at December 31, 2021	9,466	26
of which men	69.4%	26
of which women	30.6%	26
Proportions by age group		26
under 30	15.2%	26
30 – 50 years	60.9%	26
over 50	23.9%	26
Staff turnover rate	13.2%	26
Proportion of part-time workers	2.1%	26
Employees on permanent contracts	8,662	26
Work-related accidents leading to more than 3 days off work	117	27
1,000-employee incident rate	12.4	27
Number of employees with severe disabilities	186	28
Absolute number of employees		28
in partial retirement	105	28
on maternity leave	84	28
on parental leave	13	28
Part-time	200	28

IMPRINT

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WWW.ELRINGKLINGER.DE/EN/SUSTAINABILITY.