

The background features a glowing blue Earth with radiating light beams emanating from its center, set against a dark blue space background with faint stars. The text is overlaid on the Earth.

# WE MOVE THE WORLD

## SUSTAINABILITY REPORT 23

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# 1 WELCOME AND HIGHLIGHTS



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# 1.1 INTERVIEW WITH OUR CEO AND HEAD OF CSR

GRI 2-22



**Kimberley ten Broeke**  
HEAD OF CORPORATE SOCIAL  
RESPONSIBILITY

**Andreas Evertz**  
FLENDER GROUP CEO

“ENERGY EFFICIENCY, RESOURCE CONSERVATION, ETHICAL AND CORPORATE RESPONSIBILITY, SOCIAL AWARENESS – ALL OF THESE CONTRIBUTE DIRECTLY OR INDIRECTLY TO MAKING OUR INDUSTRY AND THE PLANET FUTURE-PROOF.”

Andreas Evertz

**Interviewer:** 2023 was filled with numerous challenges globally, from armed conflicts disrupting supply chains to increasing demands for sustainable development. Andreas, given these circumstances, could you elaborate on how the political and societal landscape of 2023 impacted Flender?

**ANDREAS EVERTZ:** Sure. The past year was marked by ongoing political crises like those in Ukraine and conflicts such as in Israel and Gaza. Besides the unbearable suffering to those affected, this leads to uncertainty and volatility. Piracy incidents also added to the insecurities in global supply chains, while sustainable energy sources remained limited, leading to rising prices and inflation risks for businesses worldwide.

However, amidst these challenges, Flender sees opportunities. For instance, it is key for the industry that its supply chains are sustainable, resilient, and affordable. Our diversified global manufacturing and service footprint combined with a high degree of localization is key to achieve this.

We serve as an important player in driving industries towards sustainability, not just in wind power but across various industrial sectors with our products, services and solutions. As a traditional machine builder, we were always considered old-fashioned, non-fancy, and not particularly green. However, the former underdog has evolved into a modern company – and a pioneer in terms of sustainability.

**Interviewer:** Kimberley, as the Head of CSR, what does sustainability mean to you and how has Flender become a pioneer of sustainable change?

**KIMBERLEY TEN BROEKE:** We recognized early on that to thrive in the long term, we must not only meet customer demands but also act as stewards of the environment and champions of social responsibility. At Flender, sustainability goes beyond mere buzzwords. Our business model integrates sustainability holistically: Our products, such as AIQ and Flender One, help advance the sustainable energy transition, and we do our best to manage our operations as sustainably as possible. In both areas, we constantly look to improve our performance.



**Interviewer:** Given the relevance for sustainable change mentioned before, how does Flender balance short-term financial interests with long-term sustainability goals?

**ANDREAS EVERTZ:** Finding common ground is essential. In our eyes, competitiveness and sustainability go hand in hand. Energy efficiency, resource conservation, ethical and corporate responsibility, social awareness – all of these contribute directly or indirectly to making our industry and the planet future-proof. We often find that investments in sustainability yield long-term benefits and differentiate us from competitors. We prioritize sustainable, long-term solutions, recognizing that they ultimately contribute to our business success.

**Interviewer:** Kimberley, Andreas talked about “finding common ground”. How does Flender foster a culture of corporate social responsibility, and what strategies have proven effective in engaging employees with sustainability goals?

**KIMBERLEY TEN BROEKE:** We prioritize communication and inclusivity, encouraging active participation from employees at all levels. By sharing ideas, taking ownership of initiatives, and involving everyone in our sustainability journey, we’ve cultivated a company-wide ethos encapsulated in our mantra “We move the world.” This inclusive approach has been instrumental in fostering a culture of corporate social responsibility.

**Interviewer:** While you “move the world”, and reflecting on your sustainability journey, which were some challenges Flender had to face, and how have you faced them?

**KIMBERLEY TEN BROEKE:** While our experience has been mostly positive, it is true that there is no change without some pushback. Some of the hurdles in the beginning, such as motivating and sensitising employees have since become an asset. We have gained experience in onboarding and inviting employees to participate in sustainability-related activities, be it in the environmental sphere with water, waste, and resource use, or in the social sphere with HR data. Now, our sustainability-orientation has become an advantage on the job market as well!

With our experiences, both positive and challenging ones, we gain valuable insights for our partners and other organizations that embark on their own sustainability journey. This is why we emphasize not only doing the work, but also communicating our experience with our stakeholders, interested third parties and the public. We do so with our sustainability reports, such as the present one, but also on LinkedIn, or by speaking on industry and popular sustainability-related podcasts as well as hosting and attending partner workshops and conferences.

**ANDREAS EVERTZ:** But, what we are learning again and again: Sustainability not only requires transparency, but also metrics and goals.

You can only manage what you can measure and can only celebrate successful developments on the basis of strong KPIs. Therefore, we are committed to pursue an extremely proactive approach in the field of transparent reporting.

**Interviewer:** Flenders strong commitment has been honored with the German Sustainability Award, correct?

**ANDREAS EVERTZ:** Right. At Flender, we are driven by working extremely resource-efficient – in this light, I find our achievements fantastic. We are setting new standards in our field. And you are right, we are happy to see that our commitment to sustainability has been recognized externally as well as internally. We are really proud about the German Sustainability Award as well as the Platinum Medal from EcoVadis. Our initiatives in energy, water, and waste management showcase our dedication to environmental stewardship, while our DEIB program and supplier initiatives underscore our commitment to social responsibility throughout our organization and our value chain.

**Interviewer:** Looking ahead, what does the future hold for Flender in terms of sustainability?

**ANDREAS EVERTZ:** We certainly remain dedicated to sustainability, envisioning Flender as a pioneer and aim to be the partner of choice for a sustainable future.

**KIMBERLEY TEN BROEKE:** We’re committed to intensifying our collaboration with key suppliers, reducing emissions in our value chains, and fostering CSR initiatives. Together, we can create a more sustainable world while keeping our stakeholders informed and engaged throughout our journey. So, we invite you to keep reading and enjoy our Sustainability Report 2023!

“TO FOSTER A CULTURE OF CORPORATE SOCIAL RESPONSIBILITY, WE PRIORITIZE COMMUNICATION AND INCLUSIVITY, ENCOURAGING ACTIVE PARTICIPATION FROM EMPLOYEES AT ALL LEVELS.”

Kimberley ten Broeke

## 1.2 OUR CSR HIGHLIGHTS FOR 2023



### ECOVADIS PLATINUM RECOGNITION:

From Gold to Platinum – We still strive to become better

[➤ Read more on page 17](#)



### GERMAN SUSTAINABILITY AWARD:

Winning awards proved us to be sustainable pioneers in mechanical engineering

[➤ Read more on page 18](#)



### DEIB PROGRAM & DIVERSITY STATEMENT:

Developed a DEIB statement to emphasize that a diverse workforce generates exceptional value for Flender

[➤ Read more on page 63](#)



### COMMUNITY ENGAGEMENT PROGRAM:

Bringing different players together to promote the energy transition collectively

[➤ Read more on page 71](#)



### POLITICAL OUTREACH:

We lead the charge and call for action towards the energy transition

[➤ Read more on page 25](#)



# 2 OUR COMPANY

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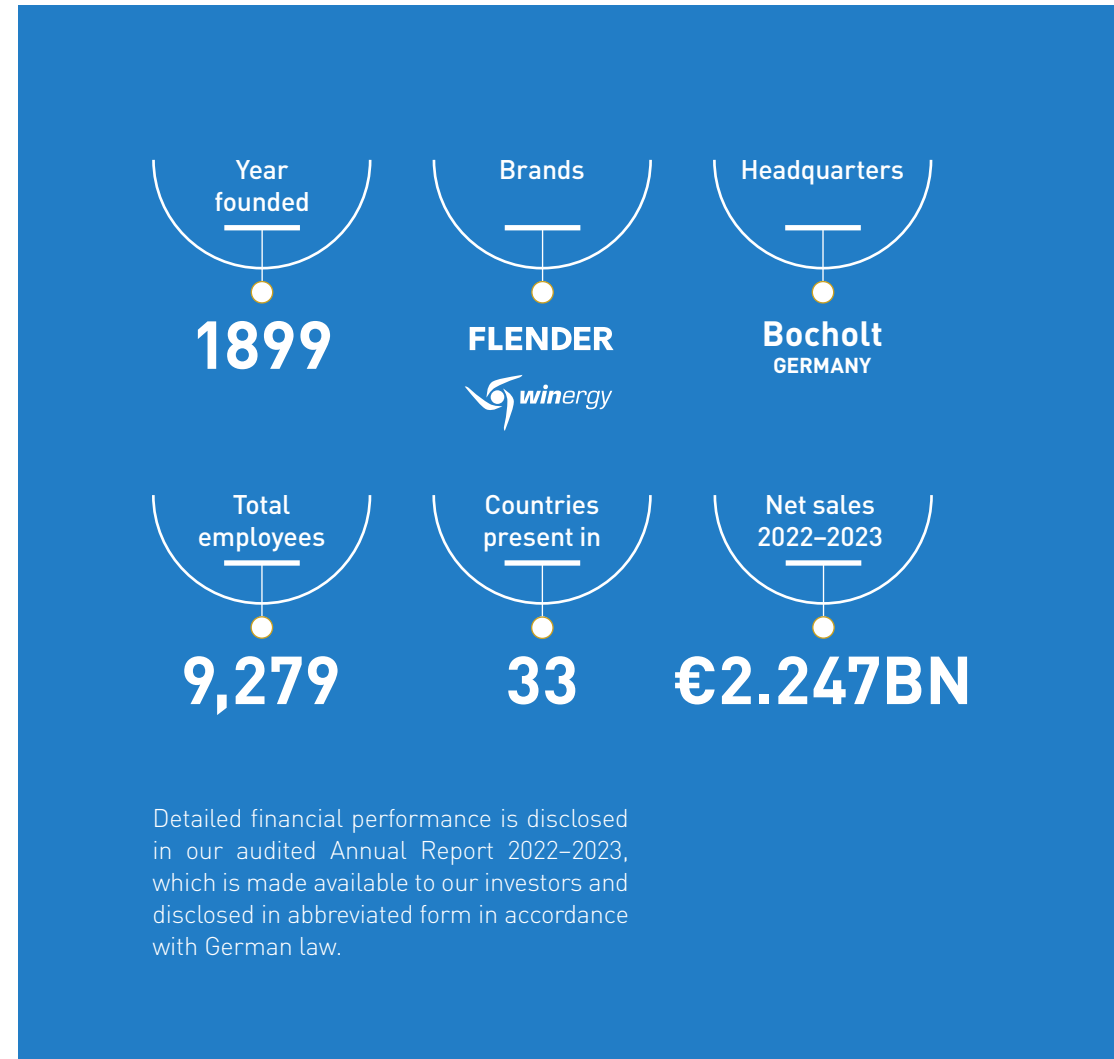
# 2.1 WHO WE ARE

GRI 2-1, 2-6, 2-9

Flender is a leading global supplier for mechanical and electrical drive systems and has the reputation for the highest performance, innovation and reliability of drive components for more than 120 years. Flender is the corporate umbrella of two brands: Flender and, since 2001, Winergy.

- Flender, the leading provider of drive technologies for many industry sectors.
- Winergy, a pioneer and leading supplier in the wind industry with a broad portfolio including gearboxes, generators, couplings, direct drive segments and complete drive systems.
- In addition to the development and manufacture of products, we deliver services and digital solutions throughout the entire lifetime of the products under both of our brands.

With both brands, we see ourselves as an essential part of the sustainable transformation. Our ambition is to become the partner of choice for a sustainable future in all our business areas. We will actively drive the energy transition, with a focus on renewable energies in our Winergy brand, and with our sustainable product range under the Flender brand. We and our business partners can make a significant contribution to sustainability only if all areas of the company work together.





## 2.2 OUR MISSION & VISION



### WE MOVE THE WORLD

Flender is a byword for innovation and setting new standards for years, continuously moving the bar and being a leader for our industry, also with regard to sustainability. Our almost unlimited product portfolio, our extensive knowledge in all aspects of mechanical and electrical drive technology, the highest quality in products and services, and our highly qualified and committed employees, have always been the key to our success.



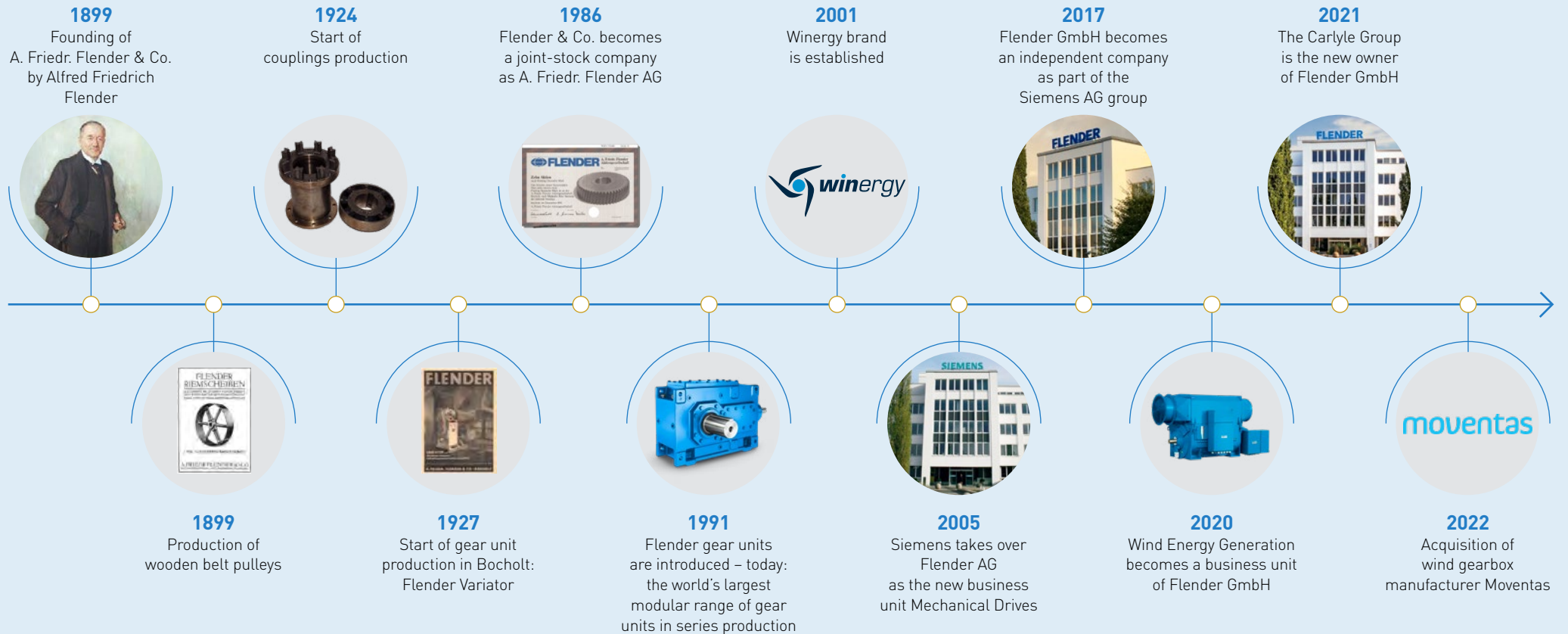
### THE PARTNER OF CHOICE FOR A SUSTAINABLE FUTURE

To realize this vision, to achieve added value for present and future generations and a planet worth living on, we work closely with all stakeholders and actively support the energy transition. For us, sustainable corporate success means taking responsibility for our environment, and our employees and society, at a company and product level as well as in our own supply chain.

## 2.3 OUR HISTORY

Since Alfred Friedrich Flender founded the business in 1899, we have supported the development of drive technology across numerous industries. In 2024, we will celebrate our 125th anniversary.

### FLENDER'S HISTORICAL TIMELINE: 125 YEARS OF EXPERIENCE AND INNOVATION



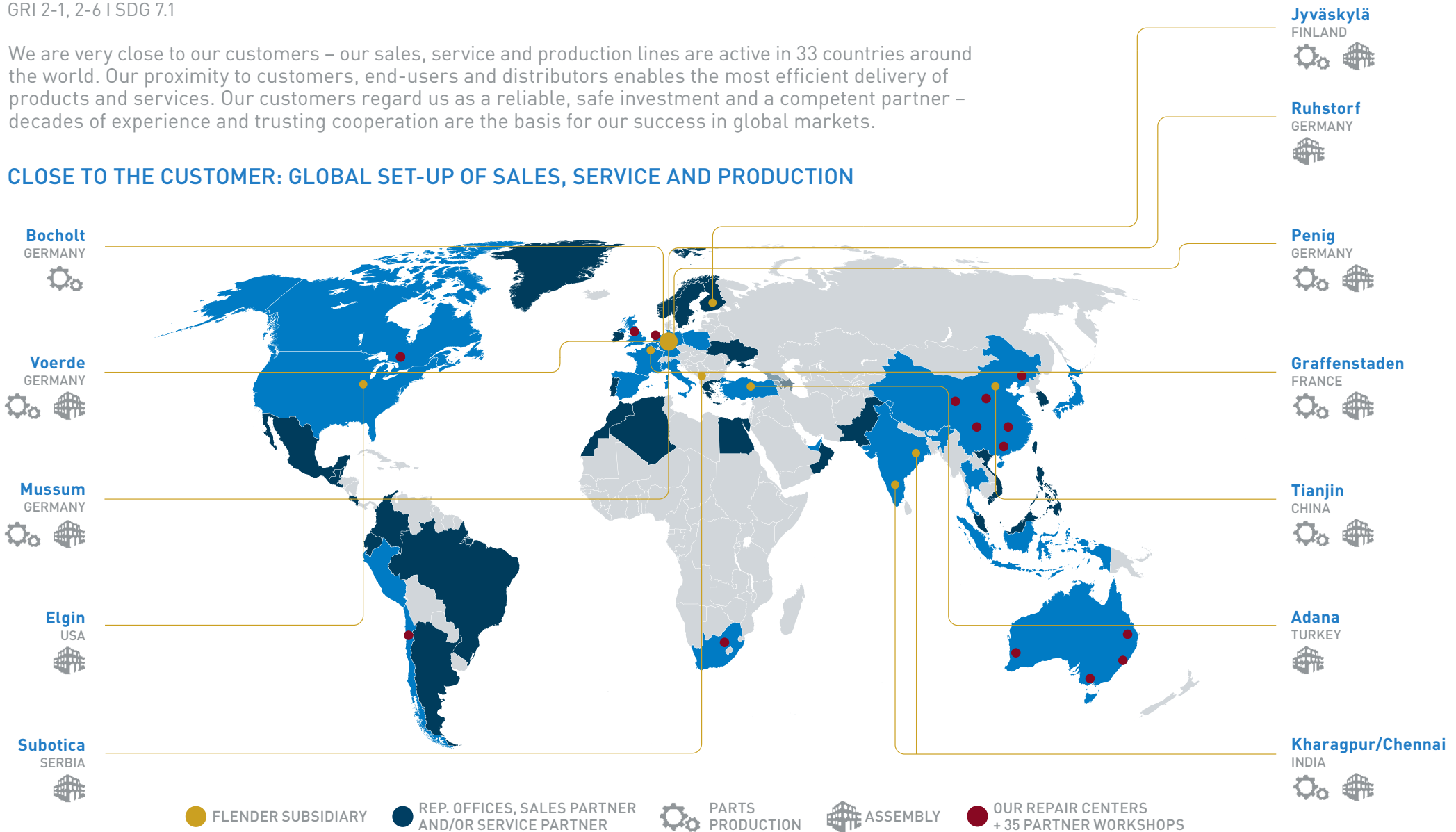


# 2.4 OUR MARKETS AND BUSINESS AREAS

GRI 2-1, 2-6 | SDG 7.1

We are very close to our customers – our sales, service and production lines are active in 33 countries around the world. Our proximity to customers, end-users and distributors enables the most efficient delivery of products and services. Our customers regard us as a reliable, safe investment and a competent partner – decades of experience and trusting cooperation are the basis for our success in global markets.

## CLOSE TO THE CUSTOMER: GLOBAL SET-UP OF SALES, SERVICE AND PRODUCTION



## SCOPE OF THIS REPORT

GRI 2-2

Data in this report mostly refers to the activities and employees of the entire Flender Group. If there are deviations from this approach and we refer to activities and employees in our material locations (production and service locations are included) this is reported accordingly.

## INVESTMENTS FOR THE FUTURE

In 2023, we have invested into and expanded our operations all over the world. Flender increased its already strong presence in Australia and improved its production, but especially its local servicing capacities. In Germany, Flender built and now operates a logistics and storage hall at its own Voerde site. Additionally, significantly expanding our Indian production capacities, we are well prepared to serve the Indian market for wind energy. All these investments are designed to improve the handling capability of the increasing demand in the wind energy sector. With the investments in our servicing capacities, we simultaneously enable a more circular and efficient approach for our customers.





## BUSINESS AREAS IN SHARES



~55%



<b>MINERALS AND MINING</b> 	<b>CEMENT</b> 	<b>POWER GENERATION</b> 	<b>NATURAL GAS</b> 
<b>RUBBER AND PLASTICS</b> 	<b>METALS</b> 	<b>PASSENGER TRANSPORT</b> 	<b>CHEMICALS AND ENVIRONMENT</b> 
<b>MARINE</b> 	<b>HARBOR AND CRANE</b> 	<b>PULP AND PAPER</b> 	<b>FOOD AND BEVERAGES</b> 
<b>OTHER</b> 	<p>Spread across various industries and end markets such as construction, environmental and recycling, textiles, water and wastewater, and entertainment.</p>		

~45%

**FLENDER**



## ASSOCIATION MEMBERSHIPS

GRI 2-28

We are an active member of various professional associations around the world and aim to exchange ideas with these associations to learn from them and to make a contribution. Among others, Flender is a member of the following associations:

- American Gear Manufacturing Association (AGMA)
- FVA Forschungsvereinigung Antriebstechnik e. V. (FVA Research Association for Drive Technology)
- German Chamber of Commerce in China
- Global Wind Energy Council (GWEC)
- United Nations (UN) Global Compact
- Unternehmerverband der Metallindustrie Ruhr-Niederrhein e. V. (Entrepreneurs' Association of the Metal Industry Ruhr-Niederrhein)
- VDMA Verband Deutscher Maschinen- und Anlagenbau e. V. (Association of German Mechanical and Plant Engineering)
- WindEurope





# 3 OUR CSR STRATEGY: THE PARTNER OF CHOICE FOR A SUSTAINABLE FUTURE

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## 3.1 CSR: A CORE ELEMENT OF OUR BUSINESS STRATEGY AND CORPORATE CULTURE

### TWO BRANDS, ONE COMPANY, ONE VISION

As a leading company in drive technology for many branches of industry under the Flender brand and in the field of wind energy under the Winergy brand, we have one common goal: to be the Partner of Choice for a Sustainable Future.

CSR is our top priority and is integral in realizing our commitment for a sustainable future. Our products will help our customers and wider society to accelerate the transformation toward a low-carbon future. For us this means:

- long-term value creation for present and future generations
- long-term profitable growth
- achieving a positive impact on the economy, society, and the environment
- being a leading partner in shaping a sustainable economy
- achieving our climate targets ahead of the Paris Agreement targets.

### OUR UNDERSTANDING OF CORPORATE SOCIAL RESPONSIBILITY

We summarize all our sustainability – or ESG – activities under the generic term Corporate Social Responsibility (CSR), which is the prevalent terminology in Germany.

We believe that there is no energy transition without industry. Therefore, we aim to set industry standards for CSR in our business areas in an effort to lead the charge toward sustainable industry practices. This orientation also supports our ambition to be the “Employer of Choice” for our current and future employees, who increasingly want to work for companies that focus on CSR.

Investors and the media are also increasingly focusing on the CSR agenda, recognizing its significance in shaping a sustainable future. By prioritizing CSR in our operations, we demonstrate our dedication to long-term sustainability and responsible business practices, making us an attractive choice for investors seeking to align their portfolios with their values and contribute to positive environmental and social impact.

At the same time, we want to reduce risks for our business and for society. In addition to climate and environmental risks, these include social and ethical risks that are essential for a company such as Flender, which uses international supply chains and needs natural resources for the manufacturing process, to address.

Doing business responsibly is in the interests of all our stakeholders. It is the key to an innovative, robust position in the market and the enabler for Flender to make a positive contribution for current and future generations.







## EXTERNAL RECOGNITION

### Confirmation from EcoVadis: We are on the right track

We are proud that our CSR activities are assessed positively by external bodies. After an already great rating in 2022 with the Gold medal from the renowned sustainability rating agency EcoVadis on our very first application (top 5% of the most sustainable companies world-

wide), we were thrilled to have our CSR efforts acknowledged again in 2023. Our efforts were rewarded, and we received, the **EcoVadis Platinum Medal** for the reporting year, which puts us in the top 1% of the most sustainable companies in the world – a fantastic achievement!

Compared with the previous rating, we were able to improve our performance by 8 points in total. With our dedication to implement our CSR strategy, we had our most significant improvements in the topics of environment, labor and human rights, and ethics (10 points up on 2022).

This result underlines our dedication and reassures our partners, that we are the right partner for a sustainable future and incentivizes us to keep intensifying our CSR activities.





### Further recognition: We are winner of the German Sustainability Award and of several supplier awards!

Our sustainability efforts were also rewarded by industry associations and other partners. Recognized for our innovative and sustainable products and their outstanding contribution to the energy transition, as well as reducing emissions by 79% [Scope 1 and 2], Flender has won the **German Sustainability Award 2024**. The jury's assessment cements Flender's position at the forefront of sustainable pioneers in mechanical engineering.

This was underlined by winning supplier awards such as the **Carlyle ESG Fast Mover award** for the EMEA region for accelerated and robust ESG commitment in operations and products as well as dedicated leadership, and the **Avetta supplier award 2023** for a safe and sustainable work environment. We are very proud of this recognition!



### Partner of Choice

Our commitment to excellence is being recognized by our partners as well. As a long-time supplier for US machinery manufacturer Caterpillar, we received the **Supplier Excellence Recognition Award 2023**. We achieved this by maintaining 95% delivery reliability and zero defects, contributing to our shared zero-defect culture.

*"We are very honored to receive the Supplier Excellence Award from Caterpillar for 2023 and to be recognized as one of their top suppliers. It reflects our long and outstanding partnership with Caterpillar. We look forward to continuing to deliver proven quality products for many years to come,"* said Kerry Klein, President, Flender Corporation.

## 3.2 CSR STRATEGY AND GOALS

The CSR strategy developed by Flender builds on the common CSR understanding of thinking in the three CSR dimensions of environment, social affairs, and governance & compliance.

We have four clear pillars:

- Environmental Sustainability
- Employer of Choice
- Governance & Compliance
- Health & Safety

A pillar we were further exploring was Flender's "ownership culture". This topic will be embedded in our "Employer of Choice" Pillar and is especially reflected in the aspect "belonging" of our DEIB program. By this we mean a culture of shared responsibility and teamwork on the one hand and on the other hand, we want to be drivers of innovation and always question whether this is the best possible solution. Our aim is to be smart, agile and hungry for change. To make Flender's culture more tangible, we will conduct an interview analysis with the management and long-serving employees in 2024. For more information, [see the DEIB section on page 62.](#)

### CSR STRATEGY – OUR VISION: The Partner of Choice for a Sustainable Future

#### Environmental Sustainability

- Climate protection is closely linked to energy consumption. We use energy rationally and efficiently
- We try to avoid or recycle waste
- We design our processes to achieve the best possible environmental compatibility of products and plants and avoid unnecessary emissions and noise pollution

#### Employer of Choice

- Our employees are our greatest asset and we constantly invest in training and education
- We believe diversity enriches our workplace
- Leadership: Be bold, decisive and courageous with motivation and engagement

#### Governance & Compliance

- We allow no compromises on compliance and ethical values
- We always comply with all applicable laws of the countries in which we operate
- We ensure our position as a sustainable and reliable partner by enhancing our value-based compliance approach
- We identify, avoid, or mitigate business risks by enhancing our state-of-the-art Risk Management System

#### Health & Safety

- No. 1 priority: Health, safety and environment
- We want every single Flender employee and the communities in which we operate to be able to rely on a safe working environment at all times
- We observe the safety regulations at our workplace
- When we recognize dangerous situations, we take appropriate action



## IMPLEMENTATION OF OUR CSR STRATEGY

GRI 3-3

To achieve our goal, we further improved our CSR strategy in 2023. A CSR roadmap with ambitious targets has been developed together with departments across the organization and the CSR Board. The findings of the materiality analysis we conducted in 2021, the validation of this work in 2022 and again in 2023, and our commitment to set net-zero goals in line with the Science Based Targets initiative (SBTi) and to the Sustainable Development Goals (SDGs), were taken into account in the development of the CSR strategy. As a rule, we work to contribute to all the SDGs, and believe strongly in this approach to sustainable development. In our daily operations, and in line with our value chain and direct and indirect influence, we have concentrated on our core SDGs:



- **SDG 7:** Affordable and clean energy
- **SDG 8:** Decent work and economic growth
- **SDG 9:** Industry and infrastructure
- **SDG 12:** Responsible consumption and production
- **SDG 13:** Climate action

Our CSR strategy with its targets and initiatives enables us to communicate transparently and to be perceived by our stakeholders as a partner of integrity both internally and externally.

### OUR CSR GOALS AND KEY INDICATORS

We have defined goals and key indicators within our four pillars and are working to develop a CSR key indicator management system. The system will allow us to measure our progress in the future and adjust initiatives where necessary.

Below you can find our near-term goals set in 2023 for each pillar. We are continuing to work on specifying the key indicators for each pillar. In addition, we have joined the UN Global Compact in 2023. This United Nations initiative is a voluntary commitment to align with universal principles to contribute to sustainable development, especially with regard to human rights, labor, environment and anti-corruption, and to report progress transparently<sup>1</sup>. Our business conduct guidelines have been adjusted to reflect these principles more explicitly.

The remainder of the report is designed to share more information on each pillar and on the underlying activities.

<sup>1</sup> Throughout the report, when a section concerns a UN Global Compact (UN GC) principle, or a chapter explains our contribution to the achievement of an SDG, we make reference to it below the corresponding headline.

**Environmental Sustainability**

- Net-zero carbon reduction targets for the company and supply chain
- Further conversion of our operating locations to renewable electricity
- Global water and waste program started for active reduction

**Employer of Choice**

- Development of an employer branding
- Development of Flender-wide leadership programs
- Establishment of local DEIB/CSR teams Flender-wide





**Governance & Compliance**

- Implementing a value-based compliance strategy and increasing knowledge of these issues among employees and business partners
- Enhancing and evolving risk management system
- Fostering human rights and promoting sustainability in the supply chain

**Health & Safety**

- Objectives to maintain and promote the health, wellbeing and safety of employees
- Measures for continuous improvement of health and safety

## CORPORATE SOCIAL RESPONSIBILITY – Matching our materiality analysis to our CSR strategy pillars

	 <b>Environmental Sustainability</b> 	 <b>Employer of Choice</b> 	 <b>Governance &amp; Compliance</b> 	 <b>Health &amp; Safety</b> 
<p><b>GRI standard according to materiality analysis</b></p>	<ul style="list-style-type: none"> <li>• GRI 301: Materials</li> <li>• GRI 302: Energy</li> <li>• GRI 303: Water and effluents</li> <li>• GRI 305: Emissions</li> <li>• GRI 306: Waste</li> <li>• GRI 308: Supplier environmental assessment</li> </ul>	<ul style="list-style-type: none"> <li>• GRI 401: Employment</li> <li>• GRI 404: Training and education</li> <li>• GRI 405: Diversity and equal opportunity</li> <li>• GRI 406: Non-discrimination</li> <li>• GRI 409: Forced or compulsory labor</li> <li>• GRI 414: Supplier social assessments</li> </ul>	<ul style="list-style-type: none"> <li>• GRI 201: Economic performance</li> <li>• GRI 205: Anti-corruption</li> <li>• GRI 206: Anti-competitive behavior</li> <li>• GRI 207: Tax</li> <li>• GRI 408: Child labor</li> <li>• GRI 418: Customer privacy</li> </ul>	<ul style="list-style-type: none"> <li>• GRI 403: Occupational Health &amp; Safety</li> <li>• GRI 416: Customer Health &amp; Safety</li> </ul>
<p><b>SUSTAINABLE DEVELOPMENT GOALS</b> according to materiality analysis</p>	    	  	  	

# 3.3 CSR RESPONSIBILITY

GRI 2-9, 2-12, 2-13

Since Flender became independent in March 2021, CSR has been integrated at the highest level. Overall responsibility lies directly with the Group CEO, who is also Chairman of Flender’s CSR Board. In addition to the CSR management, representatives of the business areas and some departments of Flender are participants in the CSR board.

## CSR BOARD AS THE CENTRAL STEERING COMMITTEE

The CSR Board is the central control body for the strategic evolution of CSR, and it decides and controls the implementation of the CSR strategy. The Board initiates strategic and innovative sustainability projects and ensures that the global initiatives are consistent with the Group-wide CSR strategy. In addition, it promotes and demands the consideration of CSR topics in business decisions. The CSR Board met four times in the year under review. Key topics this year were: the implementation of initiatives from our CSR strategy; improved internal and continued focus on external CSR communication, cementing our pioneering role; achieving transparency regarding upcoming regulatory changes (for example regarding the Corporate Sustainability Reporting Directive (CSRD), or the EU taxonomy); and advancing topics related to

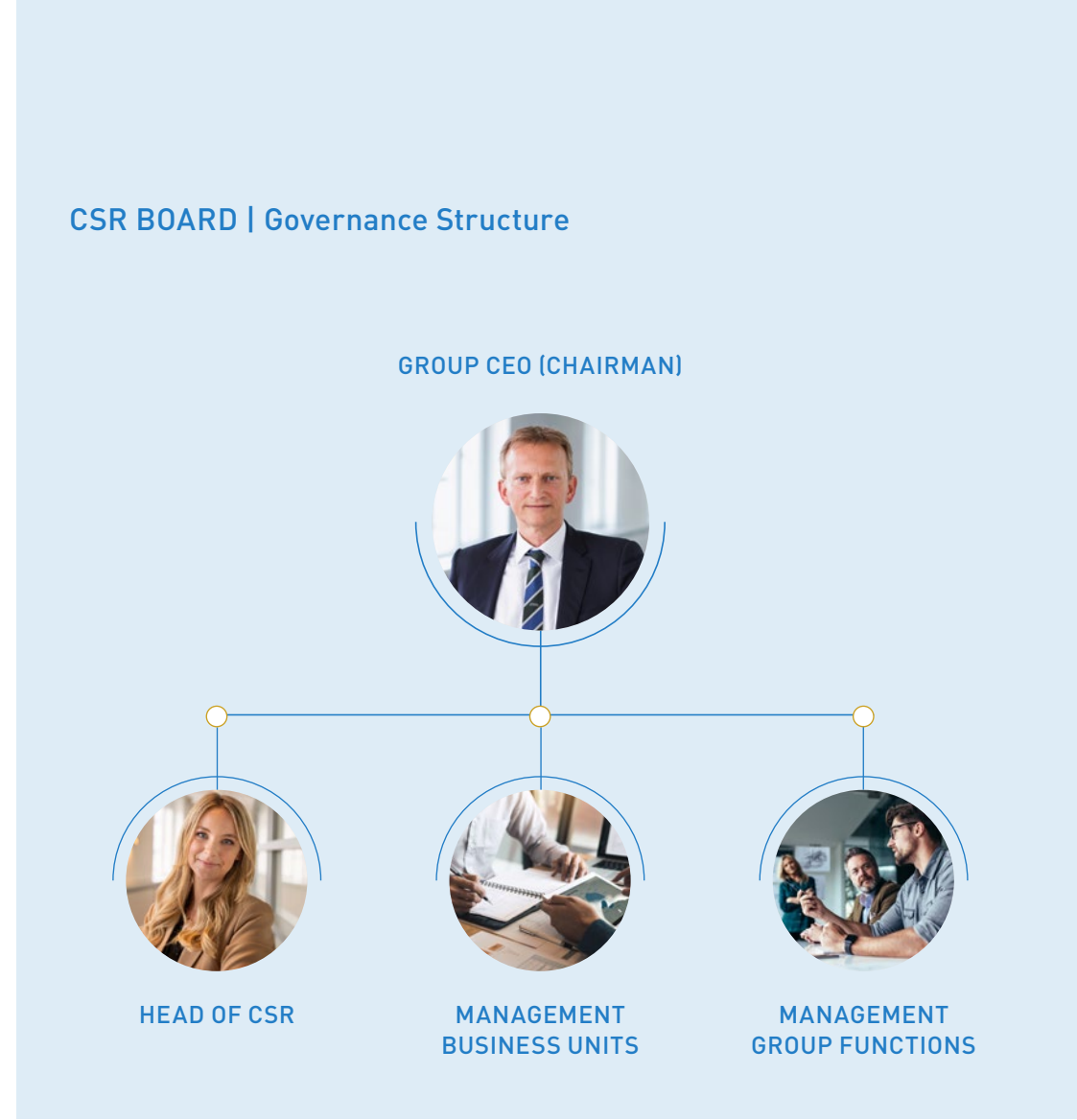
energy management, especially reducing energy consumption.

The Chair of the CSR Board is supported by the CSR Management department. This department reports directly to the CEO on progress and the need for action, and controls implementation of the CSR strategy across the business. In addition, this department is responsible for CSR initiatives, tracking and monitoring trends and new regulatory requirements, data analysis, providing guidance for new initiatives and promoting pilot projects.

The CEO and the CSR Management department are supported by representatives from all business areas. Each business unit is responsible for the implementation and integration of CSR in its area. This also applies to the main topics of the CSR strategy, which are the responsibility of the respective business unit managers.

## GLOBAL CSR NETWORK

Collaboration and joint progress are key success factors in the strategic and operational implementation of CSR. In order to more effectively steer and coordinate our CSR-related operational activities across



the globe, the CSR network was established. It provides and promotes a regular exchange with all central and local CSR managers of the sites and departments at Flender. All CSR topics and projects are

discussed in this network, successes and best practices are reported and the implementation of the CSR roadmap is developed together.



# 3.4 STAKEHOLDER DIALOGUE

GRI 2-12, 2-29, 3-1

Trusted cooperation with all our stakeholders is the basis for our business model, which has been successful for over 120 years. Stakeholder needs and views are important to us and guide our future orientation. We develop our approach to CSR for and together with our stakeholders, and work on our energy transition goals collectively. A continuous exchange with our stakeholder groups is essential to us to secure long-term partnerships, to identify global trends and developments, and to support the growth of our business areas.

Our most important stakeholder groups include our employees, customers, shareholders, business partners and suppliers, investors, analysts and other capital market participants.

After conducting an extensive stakeholder survey in 2022, the results were validated for the reporting year in the regular stakeholder dialogue and used to confirm the findings of the double materiality analysis.

The customer survey conducted in 2023 showed improvement compared with the previous year and reaffirmed a high level of customer satisfaction.





### MECHANISMS OF STAKEHOLDER COMMUNICATION

STAKEHOLDER	MEDIA AND FORMATS FOR REGULAR EXCHANGE
Employees	Flender website, global town hall meetings, local town hall meetings, Flender intranet, company communicator, ad hoc communication, communication cascade, bulletin boards in the company
Potential employees	Flender website, advertisements, trade fairs, cooperation with universities and schools, events, social media
Works council	Meetings (in person, digital), personal communication (telephone, email), local town hall meetings
Customers	Flender website, meetings (in person, digital), personal communication (telephone, email), key account management, brochures, advertisements, trade fairs, social media
Business partners and suppliers	Flender website, brochures, trade fairs, supplier days, Flender Supplier Summit, social media
Political groups, associations, interest groups and NGOs	Flender website, topic-related discussions, site visits, social media
Educational institutions	Flender website, cooperation with universities and schools, fairs, advertisements, social media
Press and media	Flender website, press releases, interviews, media trips, social media
Communities	Flender website, press, advertisements, regional events, sponsorship, donations, social media
Investors, analysts and other capital market participants	Flender annual report, sustainability report, quarterly investor presentations



CASE STUDIES

## FLENDER IS AT THE FOREFRONT OF THE SUSTAINABLE TRANSFORMATION

Cooperation with industry partners, and our community engagement program, are hallmarks of our approach toward the sustainable transformation: We lead the charge, but it is no solo race.


Flender is the partner of choice for many industrial partners. In the reporting year, our collaboration and performance as a supplier for our partners has not gone unnoticed, and we were recognized by

winning two supplier awards in the USA and in Australia for reliability, product quality, safety and sustainability developments ([↗ see section “external recognition”](#)).

At Flender, we have a community engagement program which can be characterized by promoting the energy transition and the social community, global responsibility, promoting education for disadvantaged

people and support in the event of disasters. To do our part, connect players and educate interested people, we use various communication channels. We actively encourage dialogue with policymakers and industry representatives by inviting them to participate in on-site industry events or visit our production facilities. Through these interactions, we aim to provide a comprehensive understanding of Flender’s unique contributions and our

commitment to pushing the boundaries of sustainable transformation. By fostering open communication and collaboration, we strive to ensure that industry needs are met and collectively expedite the energy transition.

In the reporting year alone, we had numerous public meetings with lawmakers that allowed us to showcase our new products and approaches to sustainability. 

*Federal Minister of Economic Affairs and Climate Action, Dr. Robert Habeck, visited us at the Hannover Fair and at our sites at Penig and Voerde, Germany.*



CASE STUDIES

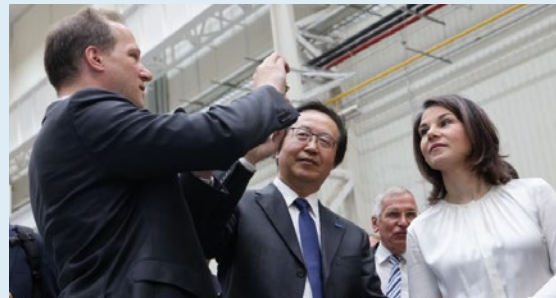


In addition to engaging with decision-makers, we proactively communicate our approach, progress, and upcoming sustainability initiatives to diverse audiences. While traditional channels like our sustainability report serve as vital mediums for conveying our message, we also embrace new media platforms. Through avenues such as podcasts and YouTube, we engage in discussions about CSR management and sustainability topics, ensuring our outreach resonates with a wider spectrum of stakeholders.

*The Turkish Minister of Energy and Natural Resources visited our Serbian production site in Subotica.*



*German Foreign Minister Annalena Baerbock visited our plant in Tianjin, China.*



*Local Prime Minister and the Secretary of State of NRW (Germany) visited our plants in Voerde, Germany and Chennai, India (see also below).*



*Mr. Stefan Wenzel, Parliamentary State Secretary at the Federal Ministry for Economics and Climate Action of Germany, along with several esteemed delegates from the German Ministry, members of the Indo-German Energy Forum and Embassy of the Federal Republic of Germany visited our Flender facility in Chennai, India (also see above).*





# 3.5 MATERIALITY ANALYSIS

GRI 3-1, 3-2

We have been conducting an annual materiality analysis with our stakeholders since 2021. The aim is to identify the ecological, social and economic issues for Flender that we consider to be the most important for our stakeholders and therefore for our business. The identified material topics form the basis for our strategic and operational CSR pillars and for our reporting. In addition, we use our material issues to review how we are contributing to achieving the SDGs with our business activities.

In 2023, we reevaluated the materiality analysis, taking into account the following perspectives:

- **Inside-Out perspective:**  
Effects of Flender’s business activities on sustainability aspects.
- **Outside-In perspective:**  
Relevance of sustainability issues for Flender’s corporate development.

The topics in the upper right area were confirmed to be the most important from internal and external prioritization. The main topics are: mobility, including the supply chain; consideration of ecological, social and economic aspects with business partners; diversity and inclusion; community engagement, risk management; and sustainable materials and products.

These topics – as well as topics with lower priority – form the basis for our CSR strategy and our reporting. All the topics presented in the matrix are of great importance and a focus for our strategy.

Based on our CSR strategy, the materiality analysis and current and future regulatory requirements, we have divided the remainder of the Sustainability Report into the following main subject areas:

## ENVIRONMENTAL SUSTAINABILITY

### WE MOVE THE WORLD BY:

- reducing resources and effects
- improving quality

## EMPLOYER OF CHOICE

### WE MOVE THE WORLD BY:

- moving and growing together
- expanding knowledge and continued training
- increasing diversity, equity, inclusion and belonging
- promoting employee satisfaction

## GOVERNANCE & COMPLIANCE

### WE MOVE THE WORLD BY:

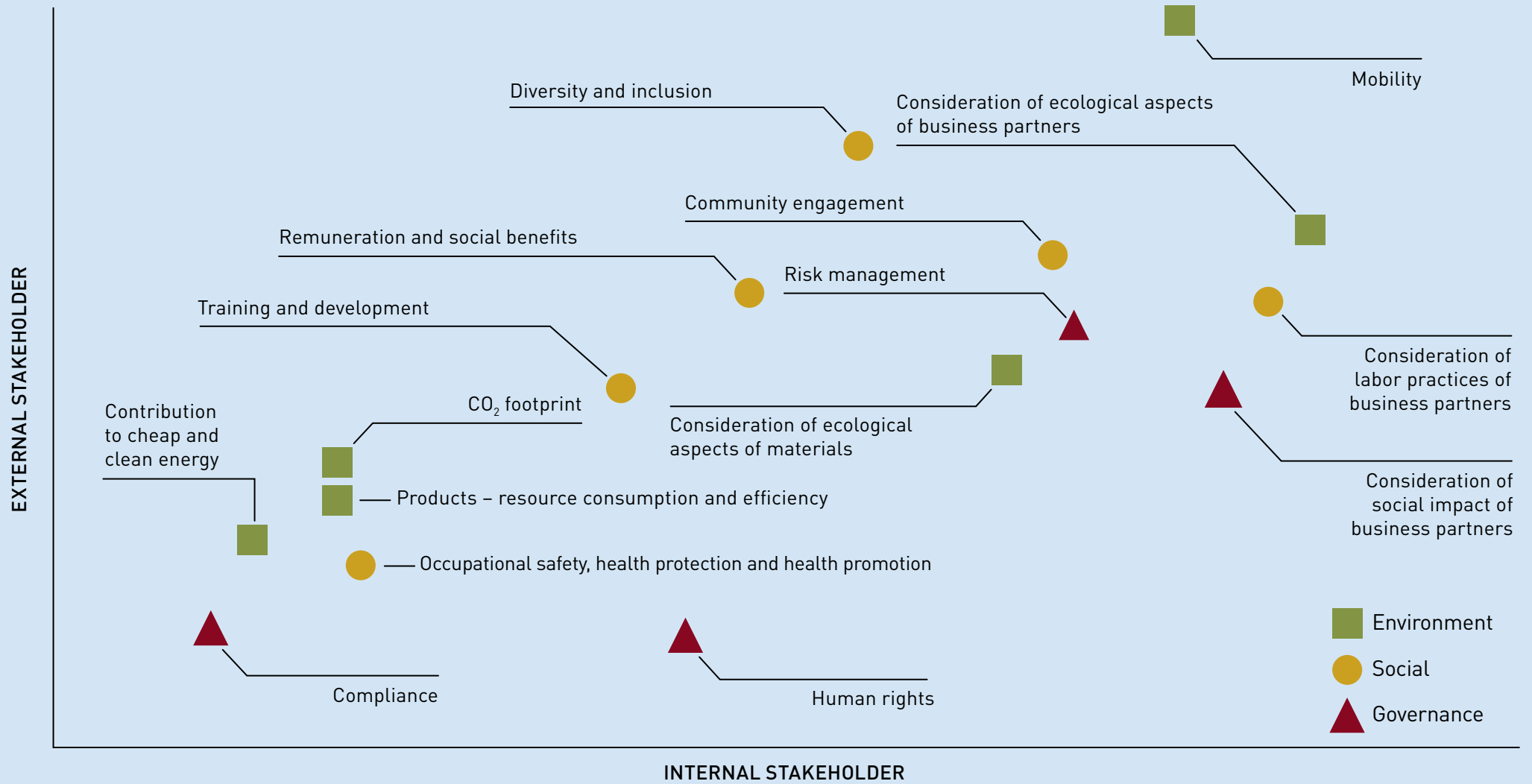
- value-based compliance management system
- excluding and minimizing risks by implementing compliance measures on a risk based approach
- excluding and minimizing risks

## HEALTH & SAFETY

### WE MOVE THE WORLD BY:

- raising the standard
- creating trust and safety

## RESULTS OF THE MATERIALITY ANALYSIS





# 4 ENVIRONMENTAL SUSTAINABILITY

## IN THIS SECTION

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# 4 ENVIRONMENTAL SUSTAINABILITY

GRI 3-3



## WE MOVE THE WORLD BY:

- Reducing resources and impacts
- Improving quality

Sustainability means thinking about tomorrow in a future-oriented way. Every year, more resources are consumed worldwide than the earth can sustain ecologically in the long term. At the same time, greenhouse gas emissions are constantly increasing. The consequences can already be felt today: record heat, droughts, storms, floods and reduced biodiversity.

In our mind, there is **no energy transition without industry**. It is paramount that the classic industry embraces becoming more and more sustainable. We take responsibility for our contribution to protect the environment and resources, and to support the goals of the Paris climate protection agreement, especially through innovative, low-carbon and energy efficient solutions in all our products and operations. We want to fulfill our responsibility and build trust with our business partners. Sustainability is foundational to our promise to be the partner of choice for a sustainable future.

Our products stand for the highest reliability, high efficiency and reduced use of resources and emissions. This guides us in every decision in all areas, including the upstream and downstream value chains – from purchasing to manufacturing to the disposal of our products.

In addition, as a pioneer in the field of wind power, we want to be an effective part of the energy transition with our Winergy brand and support the transformation to renewable energy sources. Furthermore, we are driving the energy transition with our other products for applications such as wastewater, rail, hydrogen and hydropower plants, which are essential for the successful transformation of energy production.

We have firmly integrated this approach in the CSR strategy and set ourselves ambitious goals for all areas. We aim to improve our carbon, energy, waste and water footprint and will report on our progress. During the year under review, we set out the strategic and operational cornerstones for the future. We defined the CSR goals and focused primarily on improving data transparency and quality.

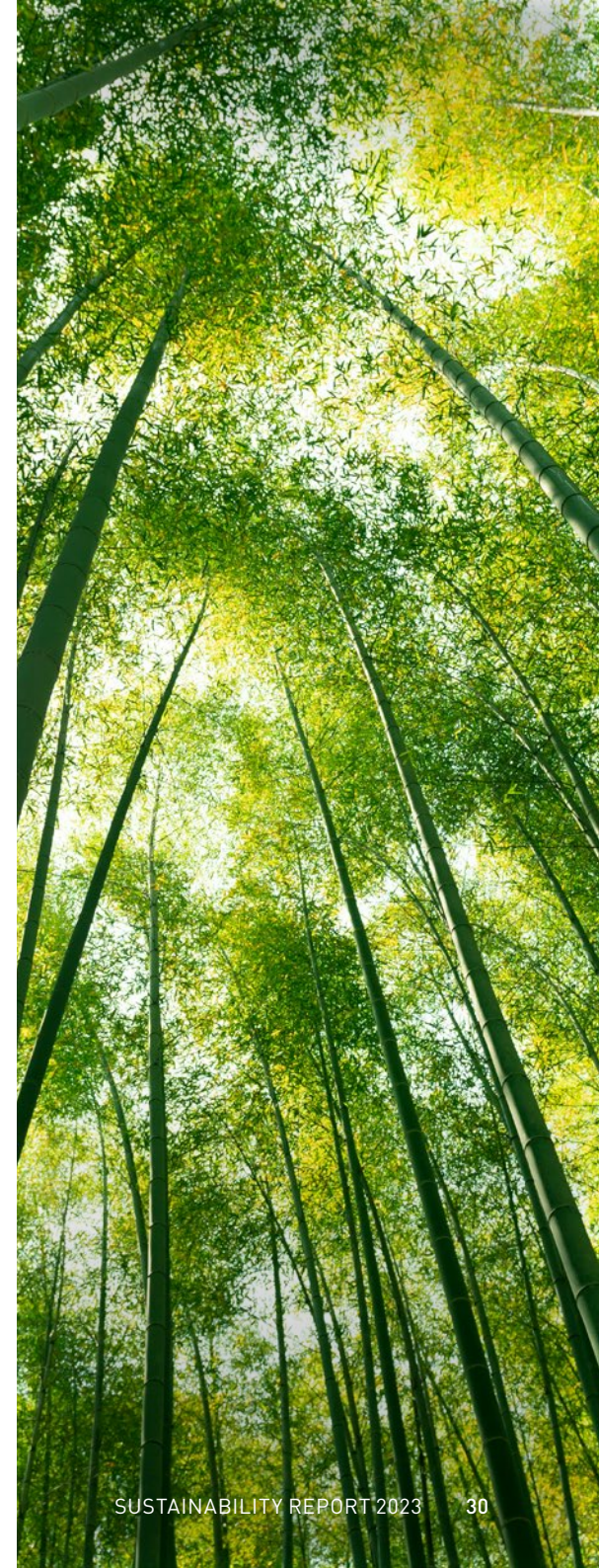
With the help of our software solution “Substain”, the environmental data gathered is automatically turned to CO<sub>2</sub>-equivalent-factors to calculate our carbon footprint.

With the software we have greatly increased transparency at the worldwide Flender sites and minimized the potential for error in the calculation of environmental key figures.

## CORPORATE ENVIRONMENTAL PROTECTION

GRI 2-27

Our goal is to minimize environmental impacts in order to protect the environment. To this end, we comply with all applicable legal and local requirements and have implemented our environmental management system in accordance with ISO 14001 at all production and main development sites. We pursue this with our globally introduced software solutions for occupational safety and environmental protection.



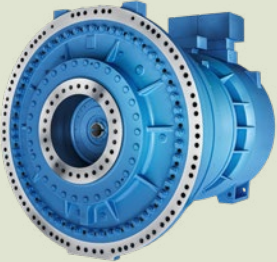


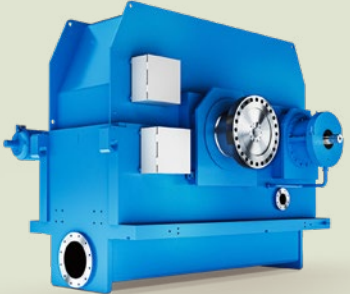


PILLAR: ENVIRONMENTAL SUSTAINABILITY			
FOCUS TOPIC	INITIATIVES/KPI	TARGET YEAR	STATUS 2023
<b>CO<sub>2</sub> reduction</b>	• Implementation of new environmental reporting tool for the global data collection of Scope 1 and 2 emissions	2023	Tool implemented
	• Start the net-zero target setting process and decide on SBTi	2023	Work in progress; inclusion of Moventas in targets underway
	• Development of a CO <sub>2</sub> transparency program for suppliers	2023	Supplier carbon emission management maturity model was established in 2023 as well as a Supplier Corporate Carbon Footprint questionnaire which was distributed to collect primary data from our top emitters.
	• New heating concept for main production facilities (3–5 years)	2026	First plant (Bocholt) started, to be operational Q4/2024
	• Scope 1 and 2 emissions: Carbon neutrality by 2030		Scope 1: 11,265.46 tons CO <sub>2</sub> Scope 2: 2,816.21 tons CO <sub>2</sub>
	• 30% CO <sub>2</sub> savings in Scope 3 by 2030 compared to 2021 baseline	2030	2023: 980,209.2 tons CO <sub>2</sub> emitted which is -28,8 % compared to 2021
<b>Renewable energy</b>	• Conversion of the most important production sites to renewable electricity by 2022	2022	Has been completed, Moventas locations will follow until 2025. Installation of photovoltaic systems started in Voerde, Germany, and Chennai, India.
	• Conversion of our service facilities to renewable electricity by the end of 2023	2023	Work in progress – three remaining locations will be converted to renewable electricity until 2025
	• 80% share of renewable energies by 2024	2024	2023: 78.3%
	• 85% share of renewable energies by 2030	2030	
<b>Energy, waste and water</b>	• Implementation of a global waste reduction program by the end of 2023 • Implementation of a global water efficiency program by the end of 2023	2023 2023	Programs were created in 2023, implementation and coordination of measures will follow.
	• 5% energy savings (kWh) between 2022 and 2027	2027	+ 5.23% compared with 2022
	• 10% waste reduction between 2022 and 2027	2027	- 14.1% compared with 2022
	• 10% savings in water withdrawal between 2022 and 2027	2027	+ 10.48% compared with 2022

# 4.1 OUR PRODUCTS AND SERVICES

Flender serves a wide variety of industries – from the chemical and pharmaceutical industries to power generation and wind energy.

## HERE IS OUR PRODUCT PORTFOLIO:

Wind turbine gearboxes	Wind generators	Couplings	Turbo gears
<p>More than 100,000 gearboxes for wind turbines with a total power of more than 250 GW delivered to satisfied customers worldwide. Our assortment of gearboxes includes the following:</p> <ul style="list-style-type: none"><li>• Two-staged planetary gearboxes</li><li>• Three-staged planetary gearboxes</li><li>• HybridDrive</li></ul> 	<p>For wind turbine concepts with gearboxes, our specialized generator systems of up to 20 MW offer the perfect combination of performance and quality. More than 50,000 generators for wind turbines with over 100 GW rated output have already been delivered. Our assortment includes:</p> <ul style="list-style-type: none"><li>• Asynchronous and synchronous generators</li><li>• Direct Drive stator segments</li></ul> 	<p>We are a leading supplier of industrial couplings. The diversity and depth of our portfolio are unique worldwide. This includes:</p> <ul style="list-style-type: none"><li>• Flexible couplings</li><li>• Gear couplings</li><li>• All-steel couplings</li><li>• Wind turbine couplings</li><li>• Rail couplings</li><li>• Clutches and many more</li></ul> 	<p>We have so far manufactured and installed more than 15,000 high speed gear units worldwide. Every one of them is tailor-made to meet customer requirements.</p> <ul style="list-style-type: none"><li>• High speed gear units</li></ul> 
<p><b>BRANCHES</b></p> <ul style="list-style-type: none"><li>• Wind</li></ul>	<p><b>BRANCHES</b></p> <ul style="list-style-type: none"><li>• Wind</li></ul>	<p><b>BRANCHES</b></p> <ul style="list-style-type: none"><li>• All branches</li></ul>	<p><b>BRANCHES</b></p> <ul style="list-style-type: none"><li>• Power generation</li><li>• Natural gas</li></ul>



### Industrial gears

Our portfolio of industrial gear units is world leading.

Our knowledge of gear unit design and our application know-how make us a leading supplier which combines solution expertise with reliability, at an early stage. This segment includes the following assortment:

- Application-specific gear units
- High torque
- Vertical mill drives
- Extruder drives
- Marine drives
- Standard gearboxes (helical/bevel helical/planetary gear units)
- Medium torque



#### BRANCHES

- Cement and mining
- Rubber and plastics
- Marine
- Food and beverage
- Crane
- Material handling
- Water and wastewater

### Customer services

Flender offers comprehensive services for gear units and couplings over their entire life cycle.

In addition to our classic services such as spare parts services, repairs and maintenance, technical support, and various retrofit and modernization options, we help you shape your digital future with our diagnostic services.

- Retrofit
- Spare parts
- Repairs
- Condition monitoring
- Service contracts



#### BRANCHES

- All branches

### Digital solutions

Flender offers a comprehensive portfolio of digital solutions to monitor gear units and generators to ensure availability.

- AIQ
- Moventas CMA5
- Remote expert



#### BRANCHES

- All branches

## PRODUCT QUALITY AND SAFETY

GRI 416-1, 416-2

The outstanding quality and extended life-cycle of our products and solutions are key to the success of our CSR strategy. In 2023, there were no incidents of non-compliance concerning health and safety impacts of our products and services. To ensure this, we work hard to maintain and iteratively improve key aspects of our products:

- a comprehensive service over the entire lifecycle of the product, including spare parts service, technical support and various retrofit and modernization options
  - a 24/7 emergency hotline is available to all our customers for urgent technical questions
  - a preventive maintenance service to extend the life of our products and ensure all products are working under optimal operating conditions
- a systematic, certified quality management according to ISO 9001 at all production and service locations.

In addition, annual audits are carried out to guarantee the quality and safety of our products. We audit our suppliers along the value chain based on key indicators using

process audits based on VDA 6.3. There is more information on this in the [➤ “Responsible supply chain”](#) section. We implement:

- internal audits of our core processes and a comprehensive assessment program
- a centrally created product safety report for the entire group every year.

Our CSR strategy focuses on conserving resources throughout the product lifecycle, extending the product’s lifetime, reducing waste for disposal, increasing circularity and working toward carbon-neutral business operations.

Flender has already taken several initiatives to make our products, processes and supply chains more environmentally friendly and sustainable. For example, we have been ISO 14001:2015 certified for all production sites since 2009. Detailed information on such initiatives can be found in the following sections.

Adding to these efforts regarding quality and environmental management systems, we are in the process of implementing systematic certified energy management systems according to ISO 50001 at all our production locations. Currently, the German sites are certified and we want to extend this to all our production locations by 2026.





## 4.2 OUR SUSTAINABLE PRODUCT PORTFOLIO

SDGs 9.4, 12.5

High quality and reliable products, constant further development and a focus on sustainable innovation are the factors for our success. Developing new or improved products, services and business models that are future-oriented brings economic benefits and has a positive impact on the environment and resources.

### OUR CONTRIBUTION TO RENEWABLE ENERGY

We want to ensure access for all to affordable, reliable, sustainable and modern energy, working with and through our customers. As the climate changes, the development of renewable energy sources is increasingly important both from a mitigation and a resilience perspective.

Whether onshore or offshore, for over 40 years Winergy has been supplying a wide range of wind energy generation equipment with an installed base of over 350 GW. Following the acquisition of Moventas in 2022, we have further expanded our expertise and capacities to support the energy transition. With gearboxes, generators, couplings, integrated drivetrains and a comprehensive multi-brand service portfolio, we are the perfect partner for our customers in the wind energy market.

In addition to expanding capacities to meet future global energy needs in renewable sources, we are investing in innovation to reduce energy costs and eliminate waste. A primary objective of our development efforts is to consistently enhance the balance between torque and material weight, aiming to reduce electricity production costs and minimize our products' environmental footprint. We are actively working on new construction methods, manufacturing processes and product designs to achieve higher torque density. Over the past decade, we for example successfully doubled the torque density of our gearboxes, while simultaneously improving reliability.

## WHAT CAN 350 GW DO?

In specific terms this means:



**408,000,000,000**

Internet searches carried out per hour



**7,154,000,000**

Refrigerator freezers kept cold for a year



**5,365,500,000**

Washing machines run at a normal rate of use for a year



**268,275,000**

European households' electricity needs met for a year



**135,000,000**

Electric cars driven around the world for a year

**OUR CONTRIBUTION TO RESOURCE REDUCTION AND GREATER SUSTAINABILITY**

UN GC Principle 9

At Flender we take responsibility for our impact on society and the environment in all our product areas. We constantly strive to reduce and mitigate the negative environmental impact of our product lifecycle. Modern industrial applications not only have to be economical, but also sustainable. This applies to the actual production process as well as everything that precedes it in the value chain.

We approach this challenge by reducing the resource intensity of our products, increasing their lifespan through our global service network with repair and remanufacturing or refurbishment and designing and developing our products to be easily recyclable at their end-of-life.

We ensure this through our quality management, risk analyses and extensive testing of the products. At the same time, we are constantly working to make our products better and to develop innovative, sustainable products. Flender is responsible for the design of all its products and applies sustainability criteria right at the start of the product design and development process. A checklist that supports product engineers during the development process to create environmentally conscious products is embedded into our design framework. This checklist helps to support the consideration of impacts and risks to the environment originating from

our products, systems and packaging, in order to define measures minimizing or to eliminate risks. Preventive measures are defined and their fulfillment will be checked and approved as part of the process.

Flender engineers are supported by our Corporate Technology and Innovation (TI) function, while each business unit takes responsibility for sustainable innovation at operational level. Our priority is to increase product power density to generate the same performance with fewer resources. The basis for this – transmitting more torque with the same or less weight – lies in technology development.

New manufacturing technologies, combined with the optimized use of materials for gear teeth and structural components, offer sustainability potential by enabling components to be designed smaller or with less material input. Our calculation programs keep our products state-of-the-art and are continuously being developed.

We are also working on reducing the weight of parts by specifying the cast and forged parts in near-net shape, which means that the part is designed in such a way that as little material as possible has to be removed during manufacturing processing. In addition, with its fundamental studies into new technologies, the TI department is helping to ensure that, beyond the recycling of our products, the repair of our products is further analyzed and that components can therefore remain in use for longer.



**Conservation of resources and other advantages of the modular designs of our gearboxes and generators:**

- Replacement of individual parts and not just the entire unit is possible
- Reduced transport costs
- Less material waste
- Extended lifecycle
- Upgrade option

**Aspects of the sustainability checklist in the development process/product design:**

- Consideration of environmental impacts and risks originating from
  - our products
  - systems
  - packaging
- Definition of measures to minimize or eliminate risk – criteria such as REACH, RoHS, variety of materials and removable design.

**OUR PRODUCTION PROCESS**







Furthermore, we are working on new, more efficient manufacturing technologies such as heat treatment and gear manufacturing processes in combination with the optimized use of materials.

Our products are designed so that the unit is largely recyclable after the usage phase, since our products are mainly from steel and cast-iron materials. For this reason, most of our raw material is also recycling material.

### Packaging

GRI 301-3

Sustainable packaging is also an important factor in reducing our carbon and material footprint, and we are continuously working on sustainable and innovative packaging solutions.

30% of our products have reusable packaging, which we plan to roll out to our partners in our supply chain. See the following case study for more information on improving packaging solutions.



## CASE STUDIES

### CORROSION PREVENTION WITH VCI PACKAGING FILM

In the Flender network, regular deliveries of in-house components to assembly sites demand protection from damage and corrosion during transportation. Two methods are employed: coating with a preservative or using VCI films.

When facing corrosion risks in sea transport, coating was combined with airtight VCI film packaging. Workshops and internal ideas identified opportunities for efficiency:

- We added a mandatory visual inspection of Flender film at the logistic provider, reducing the need for a second layer of VCI film by 75%.

As a result, the service provider has reduced VCI film waste by 15 m<sup>3</sup> a month.

- Simultaneously, long-term experiments showed that the transportation of corrosion-prone components within the country was not an issue and no VCI film for corrosion prevention is required.

Shipping processes were therefore revised, limiting VCI film use to international shipments. This results in a monthly reduction of 800 VCI film bags, equating 3,100 m<sup>2</sup> or 400 kg less film waste.



### FLENDER AIQ – A NEW GEARBOX INTELLIGENCE

Minimizing downtime means reducing idle times through the highest quality standards and the digital solution AIQ. With the new transmission intelligence of AIQ, we equip transmissions works with basic intelligence, intelligent sensors and intelligent tools for drivetrain and process automation. AIQ stands for well-suited solution packages and clear customer benefits because the intelligent technology makes diagnostics, error detection, predictions and maintenance support more efficient, directly and immediately at the customer's site.

The sensors monitor the wear and tear of components in our products, as well as additional operational data such as rotation speed and vibrations that wear down materials. AIQ provides real-time monitoring and regular status reports that can help clients to optimize service intervals and detect impending problems. This enables clients to plan maintenance based on product condition rather than having regular exchanges of critical components, reducing the need for unnecessary use of materials and presenting a more efficient approach.





**We consider the environmental aspects of our materials**

GRI 301-2

We are focused on optimizing our use of materials to conserve valuable resources and minimize the use of environmentally harmful resources. In doing that, we apply the 3R waste hierarchy: Reduce, Reuse, Recycle.

Steel and cast iron are important resources in the manufacture of our products – they account for over 85% of the weight of most of our products.

In the design- and engineering-process of our products, we consistently try to reduce the amount of material used and with that the weight of our products. For example, in the Wind Gearbox business unit we launched a multiyear program to systematically increase the power density, increasing the output (torque) with the same or less material used by introducing proven or innovative technologies that significantly increase the gear load capacity.

The majority of the material used in our products is steel. All steel parts (mainly gearwheels, iron castings and bearings) are recyclable at the end of their lifetime. Scrap steel is used as a valuable input as they are used in steel mills or foundries to produce the next generation of components. As a result, more than 85% of a Flender product is recyclable and accordingly present a high level of circularity. Flender is in the process of developing a database to evaluate all the materials used in our products and is also engaged with its main bearing suppliers to set-up a remanufacturing program for bearings wherever possible.

We have full transparency about the use of materials when using Substances of Very High Concern (SVHC) according to Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) or restricted substances (according to Restriction of Hazardous Substances (RoHS)) and are committed to continually increase the proportion of recycled material. Additionally, we did run in 2023 a due diligence on PFAS (per- and polyfluoroalkyl substances).

**MATERIALS PURCHASED IN 2023**

GRI 301-1



**Cast iron:**

**99,600 t**



**Steel:**

**122,300 t**



**Wood:**

**20,200 t**



**Bearings:**

**9,600 t**



**Copper:**

**8,400 t**

### Green steel

The energy transition from fossil fuels to renewable energy is an important pillar within the combat against climate change and to limit global warming by 1.5 degrees Celsius compared to pre-industrial times.

Flender is always looking for new solutions and projects to meet its climate targets. Amongst others, this is the purchase of "Green Steel" which we strive to expand.

Flender has defined its own "Green Steel" specification which is based on the most demanding categories the German Wirtschaftsvereinigung Stahl has for "Green Steel". Flender wanted to assure it defines an ambitious yet easy to measure standard, until there is one agreed (globally) for the steel industry.



### CASE STUDY

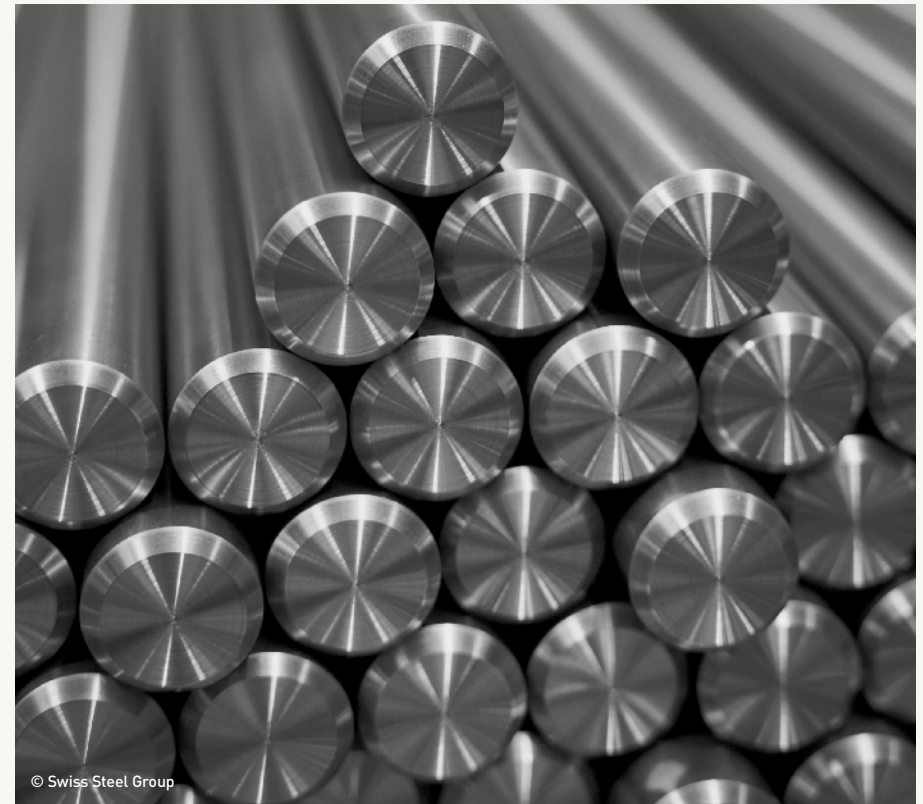
## SWISS STEEL GROUP AND FLENDER COOPERATE WITH "GREEN STEEL"

Swiss Steel Group's Deutsche Edelstahlwerke and Flender have formalized their commitment to carbon-reduced "Green Steel" through an agreement. Since 2022 the two companies have been using "Green Steel" for gear material in Flender's gearboxes to reduce the carbon footprint. The 100% adoption of "Green Steel" in their partnership has already resulted in substantial carbon savings for both companies.

Much like the intricate interplay of gears that propels significant motion, our "Green Steel" moves us swiftly towards a more sustainable future. While there are many adjustments to be made, the goal remains set. The cornerstone of "Green Steel" production lies in the electric steel process, utilizing scrap as an ideal material for recycling and reuse. This approach has led to a remarkable reduction in CO<sub>2</sub> emissions in steel production – Swiss Steel Group reduced CO<sub>2</sub> emissions to 429 kg/t of crude steel compared to the global average of 1,680 kg/t crude steel. With the use of electricity from renewable sources, Deutsche Edelstahlwerke further reduced the CO<sub>2</sub> emissions to a mere 107 kg/t of crude steel and call this product "Green Steel Climate+".

By incorporating "Green Steel" into the gearboxes of wind turbines for green energy production, we are pioneering together, providing our customers with more sustainable solutions than ever before. We are dedicated to supply our

partners not only with reliable products, but also with components and solutions that reduce the carbon footprint and protect the planet for the benefit of future generations.





CASE STUDY



### FLENDER REMOTE EXPERT ENABLED FAST GEAR UNIT REPLACEMENT IN UKRAINE

Our customer Podilskyi Cement JSC, located in Ukraine and engaged in the production and distribution of cement products, registered a noticeable temperature rise on a plain bearing of the existing gear unit KMPP 651 in a cement mill after 10 years in operation. Due to the problem with the gear unit, the customer decided to replace it with the spare gear unit that was available.

Normally, gear units of this type are replaced only under the supervision of our service technicians on site. However, the war in Ukraine currently makes it impossible for us to send one of our experts personally to the customer. Therefore, we offered our customer to accompany the gear unit replacement with our FLENDER Remote Expert. The tool ensures fast and flexible service consultation by our experts despite, for example, possible travel restrictions. Through live video transmission, the customer receives qualified and accurate instructions. After the preliminary discussion conducted at the start, we completed the commissioning without any problems and performed the sensor check. We also checked the alarm values.

Our service staff provided excellent support and our remote service enabled a quick recommissioning of the gear unit as well as production. The service was characterized by constant accessibility around the clock and quick feedback. Podilskyi Cement JSC was delighted with the quality and cooperation and was extremely satisfied.

Even in difficult times, we are always available for our customers!

# 4.3 MANAGEMENT OF OUR ENERGY CONSUMPTION

GRI 302-1, 302-3, 302-4 | SDGs 7.2, 7.3, 13.1

As a company and with our products, we want to make a significant contribution to the energy transition. Our goal is to cover 80% of our total energy requirements from renewable sources by 2024 and 85% by 2030. In 2023, the share of renewable energy consumed was 78.3% (2022: 74.6%). Compared with the previous year (899,760 GJ), the increase in energy consumption in 2023 was 5.23% (946,857 GJ).

Mainly due to the integration of Moventas, our share of renewable electricity decreased to 87%.

In line with the new scoping of locations that are considered material (all production or service-oriented locations, as well as those with more than 2.5% of Flender employees or 0.02% of total Flender surface area), Flender is currently working on converting all material locations to renewable energy. We have enhanced our renewable energy policies by orienting toward the RE100 criteria. The new scoping (including all material locations, but without the acquisition of Moventas) reduced the share of green electricity from 99.6% in 2022 to 93% in 2023. We are committed to increase the share of renewable electricity to the previous level.

The most important source of energy for Flender is electrical energy. This is used for the operation of our machines and test benches as well as for heat treatment processes. Accordingly, we are focusing on reducing the consumption of this type of energy. This means promoting projects and initiatives to improve our energy efficiency at all key sites, and which include installing solar panels on our factories, switching to energy-efficient LED lighting and exchanging other equipment to energy-efficient technologies, as well as improvements in our heat treatment facilities. Retrofitting existing equipment with energy efficient pumps, drives and coolers is playing a significant role. With the help of these measures, we saved a total of 17,419.35 GJ in 2023.

### Total fuel consumption within the organization from non-renewable sources (GJ)

GRI 302-1

23	196,276.60
22	228,181.97
21	229,343.92

**196,276.60**

### Fuel consumption from non-renewable sources

Note: There was no fuel consumption within the organization from renewable sources.





CASE STUDY

### DESTRATIFICATION – REDUCING HEATING ENERGY COSTS IN INDUSTRIAL BUILDINGS

At our French site, the largest and most energy-intensive building in the factory is the production building, accounting for 25% of the factory’s gas consumption and 35% of its electricity consumption. It consumes both electricity for the process and gas for heating.

The consumption of gas is at 600 MW/year and the electricity consumption amounts to a consumption of 2,700 MWh/year.

In order to reduce energy consumption and costs, the reason for the high energy consumption had to be found. We identified poor heat distribution in the building as the root cause. When hot air is produced by a heating system, it tends to rise and concentrate in the upper part of the building. This stratification of hot air can cause various problems, such as:

- Unequal temperature between upper and lower parts of the building
- Energy losses through the roof
- Overheating of equipment
- The heating system has to work longer and more intensely, which leads to higher energy consumption.

The problem was finally solved by installing a “destratification system” controlled by a Nanodac PID controller. This system solves most of the problem by redistributing the warm air from the upper part of the building to the occupied area below. This reduces warm air stratification and maintains an even temperature throughout the building. Heat loss is reduced, a comfortable temperature is created evenly throughout the space, and the overall energy efficiency of the system is increased.

Before the introduction, we estimated a total gas saving of 15%. However, to our delight, even better savings results emerged. The initial estimate puts the savings at 38% compared with the same period last year, saving 228,000 MWh and €55,000.

#### Electricity consumption (GJ)

GRI 302-1



**720,135.90**

#### Electricity consumption

Note: As in previous years, Flender did not sell any electricity or other energy in 2023.

#### Total energy consumption within the organization (GJ)

GRI 302-1



**946,857.40**

#### Total energy consumption

#### Energy intensity (MWh\*100/€)

GRI 302-3



**0.0126**

#### Energy intensity

All relevant production costs of all Flender business entities were used as the denominator for the calculation of energy intensity. The following energy sources were taken into account, both internal and external: fuel, electricity, heating and district heating.

## 4.4 MANAGING OUR CARBON EMISSIONS: OUR PATH TO NET-ZERO EMISSIONS

Flender calculates its annual greenhouse gas footprint using the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol), the most widely used international standard for accounting of greenhouse gas emissions.

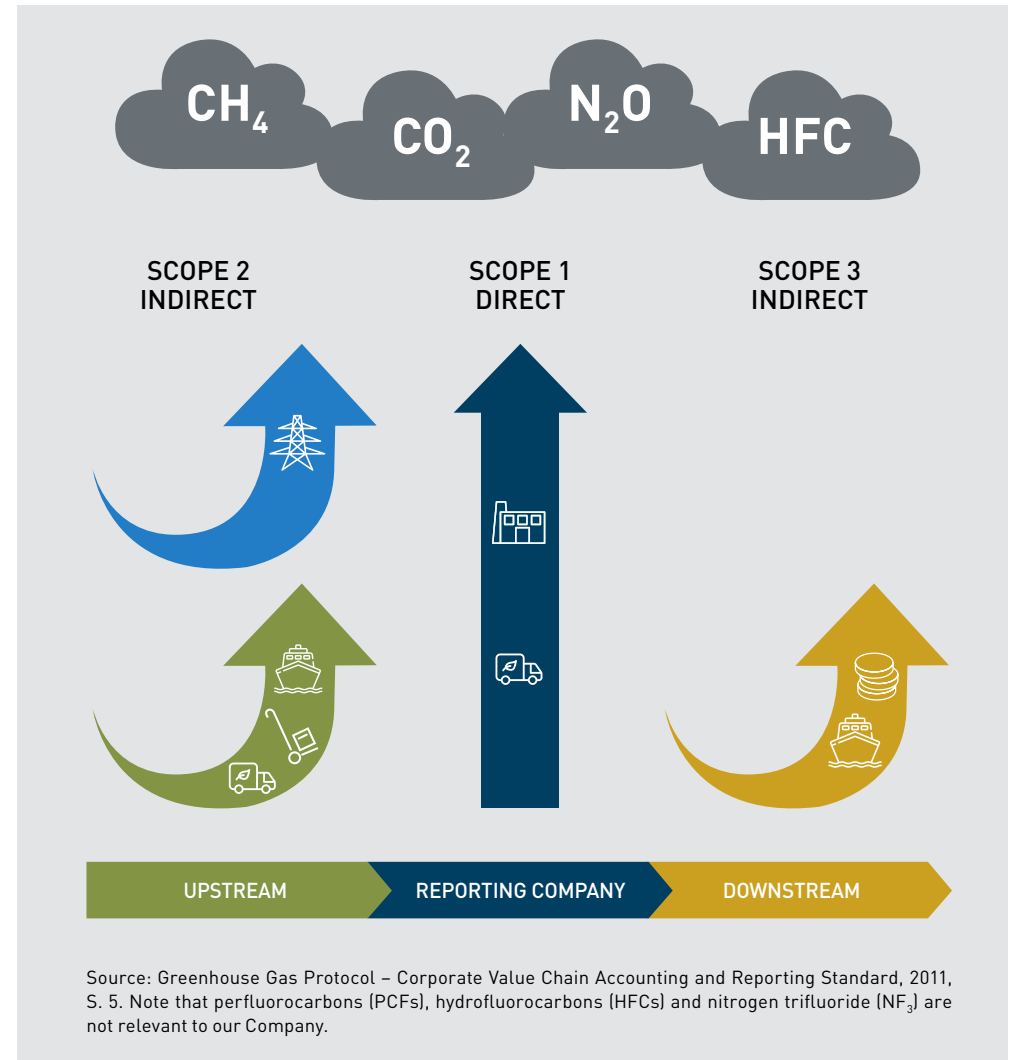
Greenhouse gases (GHG) are expressed in carbon dioxide equivalents (CO<sub>2</sub>e) and may potentially include methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), fluorinated greenhouse gases and nitrogen trifluoride (NF<sub>3</sub>).

The GHG Protocol divides emissions into the following three types:

- **Scope 1 emissions** (direct emissions)
- **Scope 2 emissions** (indirect emissions from energy purchases such as electricity and district heating)
- **Scope 3 emissions** (other indirect emissions along the value chain)

Direct and indirect GHG emission sources at Flender include:

- **Scope 1 emissions:** Those directly related to fuel consumption, including natural gas, LPG, motor fuels, heating oil and acetylene, and emissions of other greenhouse gases from manufacturing operations.
- **Scope 2 emissions:** The consumption of purchased electricity and district heating energy for product manufacture.
- **Scope 3 emissions:** Emissions from upstream and downstream processes, such as those caused by business travel, investments, transport and sales, but also emissions caused by purchasing products and services from suppliers.





OUR TARGETS TO REDUCE OUR CO<sub>2</sub> FOOTPRINT BY 2030:



Become **carbon-neutral**  
in Scope 1 and Scope 2



Reduce Scope 3  
by about **30%**

OUR EMISSIONS COMMITMENTS

Flender is committed to becoming CO<sub>2</sub>-neutral by 2030 based on reducing our Scope 1 and Scope 2 emissions. This goal was set at our CSR Board meeting in November 2020 and is an integral part of our first CSR strategy pillar “Environmental Sustainability”.

To achieve this goal, we implement energy saving initiatives and try to reduce our Scope 1 and 2 emissions as much as possible. Many of our buildings are today heated with natural gas. We are planning to replace natural gas where we can to use renewable energy in the future through heat pumps and waste heat recovery. As there will be no full conversion possible, we plan to offset all remaining emissions after 2030. To minimize offsets, we are implementing an energy management system, helping us to reduce overall consumption. We have also set ourselves the goal of reducing our Scope 3 emissions by 30% by 2030 compared with the base year 2021.

To achieve these goals, we need detailed data baselines. With the help of an external partner, we introduced new environmental reporting for global data collection of Scope 1 and 2 emissions. This lets us track our emissions and measures worldwide much better, enabling countermeasures to be deployed more quickly and target setting and tracking to be more effective.

In addition, we are pursuing a multi-pronged strategy that is aimed at reducing the CO<sub>2</sub> footprint in operations and in our supply chain. CO<sub>2</sub>-reduction measures for emissions from energy are coordinated globally and implemented locally. All sites report on their progress regularly.

In 2022, we committed to set near- and long-term company-wide emission reduction targets in line with the Science Based Targets initiative (SBTi) criteria. We aim to get these targets validated by the SBTi in 2024. The target setting process was extended due to the acquisition of Moventas by Flender in the reporting period.



### REDUCING THE CO<sub>2</sub> FOOTPRINT OF OUR OPERATIONS

GRI 305-1, 305-2, 305-3, 305-4, 305-5 |  
SDGs 12.4, 13.1

While emissions from 2015 are hard to compare with our new carbon footprint because of acquisitions and significant growth, we can still observe a substantial decrease. Flender's own emissions (Scope 1 and 2) compared with 2023. Since 2015, we reduced Scope 1 and 2 CO<sub>2</sub> emissions by 86.2%, mainly by switching to CO<sub>2</sub>-neutral energy sources.<sup>1</sup>

An increase in our Scope 1 emissions can be observed in the 2023 financial year compared with the previous year again, following steady reductions until 2022, due to two factors:

1. The acquisition of the Finnish wind turbine gearbox manufacturer Moventas
2. Increasing our material locations within the scope of reporting [\(see page 42\)](#).

Between 2015 and 2023, we reduced our Scope 2 emissions by more than 95%.

<sup>1</sup> Greenhouse gases (GHG) are expressed in carbon dioxide equivalents (CO<sub>2</sub>e) and may potentially include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), fluorinated greenhouse gases and nitrogen trifluoride (NF<sub>3</sub>). The specified emission values do not include data on halogenated carbon from the sites in Chile, Ruhstorf, the USA, South Africa and Australia.

#### CASE STUDY

### GAS SAVINGS IN THE REPORTING PERIOD

At our locations in North Rhine-Westphalia and Penig, a saving of around 20%, equivalent to around 2.4 million kWh of natural gas, was achieved during the heating months of October, November and December 2022 through various measures implemented in the heating systems and by people's collective efforts. In our production facilities,

targeted adjustments to ventilation systems resulted in an average temperature reduction of 2 degrees Celsius. A sustainability campaign in offices, accompanied by thermometers for each employee, encouraged responsible energy usage. Additionally, we implemented specific measures such as nighttime temperature reductions and upgrades to

central heating systems. The adoption of heat pumps in many offices contributed to a reduction in our CO<sub>2</sub> footprint, supported by the optimized control of supply temperatures. Overall, these initiatives led to significant positive outcomes, saving 2.4 million kWh of gas, equivalent to around 600 tons of CO<sub>2</sub>, after adjusting for seasonal temperature variations.

## SAVINGS OF



~20%



~2,400,000 kWh



~€150,000



~600 t CO<sub>2</sub>



## CORPORATE CARBON FOOTPRINT <sup>1</sup>

GRI 305-1, 305-2, 305-3

YEAR	2021	2022	2023
Scope 1	9,818.00	15,834.24	11,265.46
Scope 2	11,558.00	934.69	2,816.21
Scope 3	1,080,251.00	1,054,696.18	966,127.57
Purchased goods and services	1,027,941.00	1,002,796.06	882,860.82
Capital Goods <sup>2</sup>	12,436.00	18,717.00	35,638.0
Fuel and energy related activities	16,214.00	7,290.24	7,915.07
Upstream transportation	19,596.00	17,292.20	17,090.67
Waste generated in operations	2,791.00	7,502.37	17,947.68
Business travel	1,273.00	1,098.32	4,675.10
<b>Total</b>	<b>1,101,627.00</b>	<b>1,071,465.11</b>	<b>980,209.24</b>

The GHG emissions intensity is derived from the energy intensity and footprint of each country where energy is purchased and consumed. Production footprint is mainly influenced by the needs of customers, as well as national production and purchasing requirements.

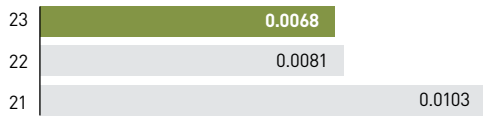
<sup>1</sup> For the data included in the 2023 figure from Moventas, we rely on spend-based data.

<sup>2</sup> Emissions from Capital Goods are not considered in further Scope 3 key figures due to their volatility.



**GHG emissions intensity ratio for the organization (kg CO<sub>2</sub>/€)**

GRI 305-4

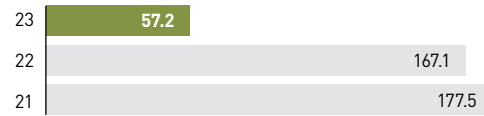


**0.0068**

kg CO<sub>2</sub>/€

**Volatile organic compounds (t)**

GRI 305-7



**57.2**

VOC

Change from 2022

**-16.20%**

Change from 2022

**-65.78%**

**Intensity ratio:** the GHG emissions intensity was calculated by total Scope 1 and 2 GHG emissions divided by Flender's total production costs, multiplied by 1,000. Greenhouse gases (GHG) are expressed in carbon dioxide equivalents (CO<sub>2</sub>e) and may potentially include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), fluorinated greenhouse gases and nitrogen trifluoride (NF<sub>3</sub>).

**CASE STUDIES**

**VOC REDUCTION INITIATIVES**

In our commitment to sustainable practices, we want to share three of our case studies that have helped us reduce volatile organic compound (VOC) emissions in Flender operations.

**Case Study 1: VOC reduction with new primer**

Historically, adhesion challenges on machined surfaces led to the use of a solvent-based Metalprimer. With various trials and close cooperation with our painting supplier, we were able to switch to a new VOC-reduced primer, resulting in a global annual reduction of around 800 kg of solvents. Beyond regulatory compliance, this initiative aligns with health considerations, as exposure to VOCs indoors can lead to various health issues.

**Case Study 2: Primer evolution**

Our previous primer, crucial for production, faced challenges with a high VOC content (57%) and inadequate corrosion protection. Collaborating with industry partners, our supplier developed a water-based primer, surpassing internal oil compatibility tests and achieving C5m corrosion resistance. While there are still ongoing

valuations for its water resistance, adopting the new primer could potentially reduce VOC content by 25.5 tons annually based on the last three years' average consumption. This exemplifies Flender's and the supplier's commitment to sustainable practices and innovation in coating solutions.

**Case Study 3: Serbia**

Over the last fiscal year, a post-combustion system was built at our site in Subotica, Serbia. This facility gathers the unavoidable VOC-contaminated exhaust gases from the impregnation ovens and paint shops and thermally neutralizes them. Previously, these gases were directly released into the environment.

These case studies underscore our continuous efforts to minimize environmental impact and promote a healthier workplace, showcasing the intersection of regulatory compliance, innovation and sustainability in our operations.



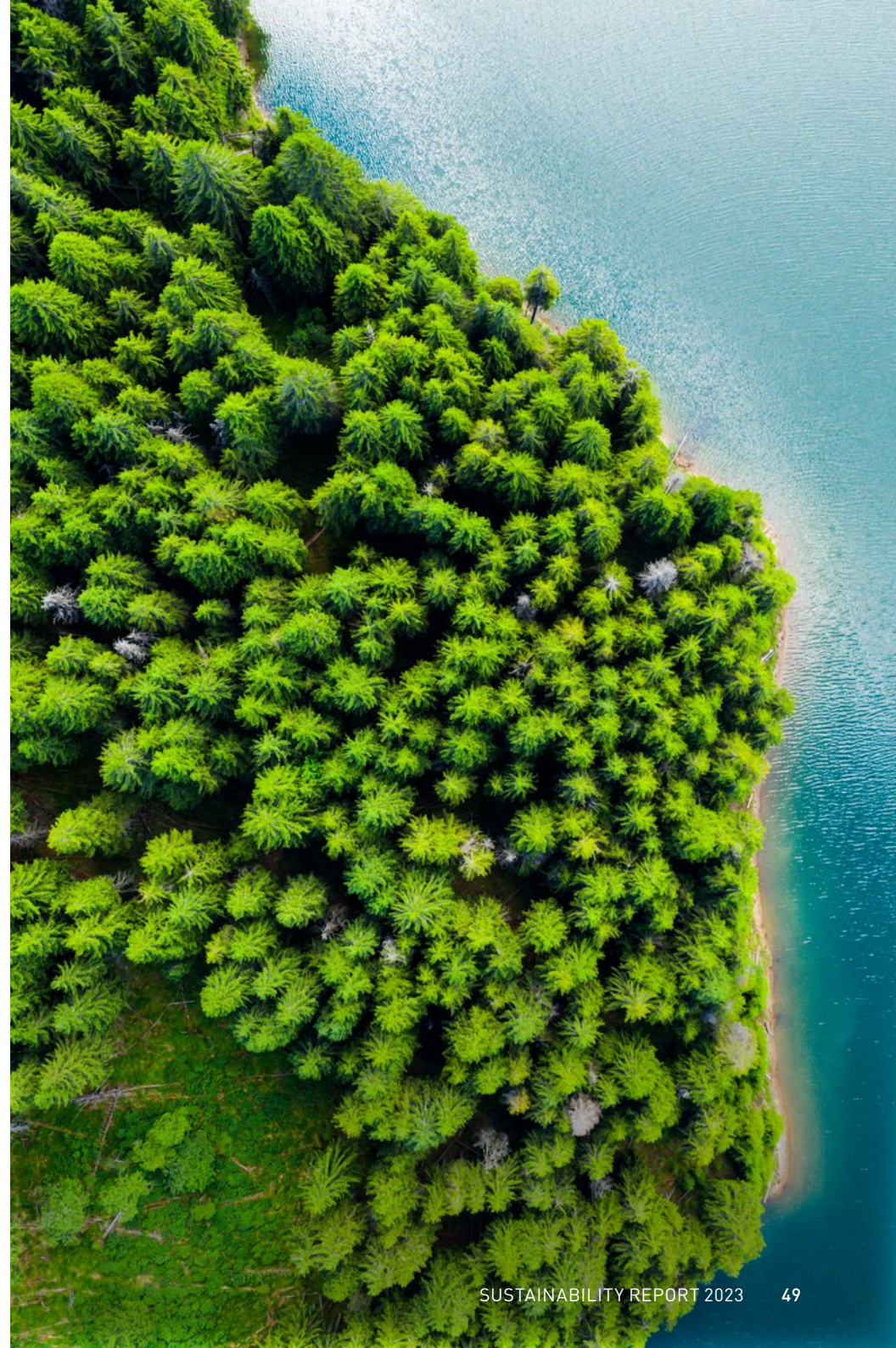
In order to achieve the CO<sub>2</sub> footprint reduction of our global operations to date, and further decrease it in the years to come, we need to implement many different measures simultaneously. Energy management is a central pillar for us. We have implemented an energy-saving strategy that extends to various areas. On the technology and infrastructure side, we have certified energy management systems (ISO 50001, or DIN EN 16247-1 as required by the European Efficiency Directive) on all our sites. Additionally, all of our production sites are supervised by local energy management coordinators. Many systems, machines and the lighting have been and continue to be replaced by more energy-efficient solutions. Of course, behavioral change is also part of the equation. We try to make it as easy as possible for energy-efficient behavior and have therefore implemented energy efficiency programs and are equipping our major production facilities with energy meters. To be accountable, each site has its own energy consumption and saving targets to limit the share of nonrenewable energy consumed. Overall, we aim to achieve 5% energy savings (KWh) in total between 2022 and 2027. Our next step is the development of a new heating concept for our main production facilities by 2026.

### Green Weeks

In addition, we again had our “Flender Green Weeks” in 2023 as part of our travel policy to raise awareness of CSR among employees. They take place once a quarter for one week where the following principles are applied:

- Restricted travel activities are applied across the company
- During this time, employees are asked to avoid driving to the office or to form carpools.

Urgent customer visits and services are the only exceptions during “Flender Green Weeks”.



**REDUCING THE CARBON FOOTPRINT IN OUR SUPPLY CHAIN**

GRI 308-2

We are committed to acting responsibly throughout our value chain, including for Scope 3 emissions. To this end, we are continuing to work on creating CO<sub>2</sub> transparency in our complex supply chain.

In the supply chain for our gearboxes, couplings and generators, our raw material and component suppliers use and source mainly ferrous and nonferrous base materials such as copper, iron ore, nickel and steel scrap. These come from foundries, steel mills, ring rollers and forging shops, and roller and journal bearing suppliers.

For our purchasing volume in 2023, our Scope 3.1 “Purchased Goods and Services” emissions amounted to just over 870,000 tons of CO<sub>2</sub> equivalents, which is around 13% below 2022<sup>1</sup> (1,003,000 tons CO<sub>2</sub> equivalents). After the reduction from 2021 to 2022 of -25%, this further reduction can be explained by two developments in 2023: lower overall spend and improved emissions intensity in relation to spend.

Additionally, it should be noted that actual emissions are significantly lower than reported as several steel mills and foundries that supply us are already using electric arc furnaces and/or are sourcing renewable energy. This has been verified by initial comparisons we made based on the results of our Carbon Web Assessments.

To achieve long-term net-zero emissions, we recognize that close collaboration across our supply chain and a focus on specific savings opportunities are essential. Based on our CO<sub>2</sub> emissions assessment of our supply chain, we identified that >90% of our total upstream CO<sub>2</sub> emissions are generated in the Scope 3 (excl. Scope 3.2 “Capital Goods”). Following, 80% of these emissions can be attributed to 176 suppliers, or 2.5% of our total of more than 6,900 active suppliers relevant for Scope 3 reporting. In order to direct our efforts most efficiently, in 2023 we focused on reducing the emissions of our twelve largest suppliers, with CO<sub>2</sub> emissions of more than 10,000 tons of CO<sub>2</sub> equivalent. These suppliers are mainly steel mills and foundries.

In 2023, we have developed and started implementing an efficient transparency program, including measurement and reporting standards as well as training for our suppliers, to enable them to track their CO<sub>2</sub> footprint and initiate appropriate reduction measures ([↗ more information in the Supply Chain chapter](#)).

<sup>1</sup> For this comparison, the emissions scope does not include Moventas activities.

**NUMBER OF SUPPLIERS IDENTIFIED AS HAVING SIGNIFICANT ACTUAL AND POTENTIAL NEGATIVE ENVIRONMENTAL IMPACTS**

GRI 308-2

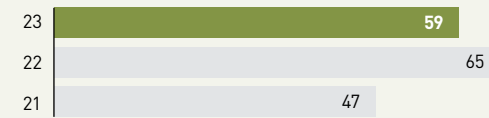
**Suppliers identified with CO<sub>2</sub> emissions above 10,000 tons**



12

**Suppliers identified with CO<sub>2</sub> emissions above 10,000 tons**

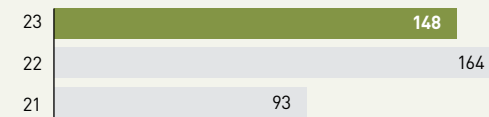
**Suppliers identified with CO<sub>2</sub> emissions above 3,000 tons**



59

**Suppliers identified with CO<sub>2</sub> emissions above 3,000 tons**

**Suppliers identified with CO<sub>2</sub> emissions above 1,000 tons**



148

**Suppliers identified with CO<sub>2</sub> emission above 1,000 tons**



# 4.5 OUR WASTE AND WATER MANAGEMENT

GRI 306-2, 306-3, 306-4, 306-5 | SDGs 6.3, 8.4, 12.5

## OUR APPROACH TO WASTE MANAGEMENT

Through sustainable waste management, we cannot only minimize our environmental pollution, but also conserve resources and make a positive contribution to the environment. We are therefore actively committed to the reduction of waste volumes, the use of reusable materials and proper disposal. Through the implementation of waste management systems and the promotion of recycling and the circular economy, we can reduce our ecological footprint and shape a sustainable future.

We have set a goal to reduce the volume of hazardous and non-hazardous waste. Most of the waste we produce is generated at our manufacturing and office sites. Due to our ongoing business expansion and increase in production, our total waste volume has increased significantly over the last few years. In the current year, our waste volume has decreased by 14.1%. In order to achieve our goal of reducing waste by 10% by 2027 compared with 2021, we have launched and implemented various workstreams at our sites under a global waste reduction program. We strive to consistently measure, evaluate and reduce waste and are implementing recycling programs at all major

sites. Local measures to further tackle waste reduction are linked to packaging, recycling stations for paper, plastics, glass, metals, and wood, and improved collaboration with suppliers. In the CSR network, country CSR managers share experience reports regarding these measures, which in turn inform programs in all our locations.

All waste from Flender companies is disposed of exclusively by qualified disposal companies. We carry out regular cross-checks on the information provided by each company, and we maintain international reporting in our new environmental reporting tool. About 92% of hazardous waste and 99% of non-hazardous waste (excluding demolition waste) was either recycled or reused.

## OUR APPROACH TO WATER USE AND WASTEWATER

GRI 303-2

Water is a vital resource and is not available in sufficient quantity and quality everywhere in the world. We are therefore committed to the sustainable and efficient use of water.

At our production sites, water is mainly used for surface treatment processes, washing, rinsing and cleaning, as a coolant or for

## WASTE (tons)

YEAR	2021	2022	2023
<b>Total waste</b>	<b>44,411.04</b>	<b>50,399.46</b>	<b>43,307.25</b>
<b>Non-hazardous waste</b>	<b>38,366.80</b>	<b>36,535.77</b>	<b>28,078.35</b>
of which rubble	15.62	7,655.82	<b>6,668.08</b>
thereof disposed of	528.80	4,482.18	<b>2,595.093</b>
thereof recycled	37,837.90	32,053.59	<b>32,151.34</b>
<b>Hazardous waste</b>	<b>6,044.24</b>	<b>13,863.70</b>	<b>8,560.82</b>
thereof disposed of	1,759.21	8,509.74	<b>6,814.797</b>
thereof recycled	4,285.03	5,353.96	<b>1,746.02</b>

Note: The sites in Ruhstorf, Australia and Canada are not included in the waste quantities specified here.

non-production-related purposes such as sanitary water, drinking water in the canteen and in construction projects. Wastewater is usually discharged into the public sewer system and then treated in local sewage treatment plants.

We have also initiated a global water efficiency program. In 2023, we have analyzed our water and wastewater streams and are implementing various water-saving measures at our sites to improve water

efficiency. These include regular testing and maintenance of appliances, rainwater collection, and installation of water meters. We are counting on our employees and partners and are including them in the management process to find possible measures to further improve our water use efficiency. Similarly to our approach with the global waste reduction program, country delegates report their experiences to the CSR network which informs further action at our other locations.

### Our water consumption

GRI 303-1, 303-2, 303-3, 303-5, 306-1

The primary source of water at all our sites is municipal supply. At some sites, water from surface and ground water is used for cooling processes. A total of 432.5 megaliters (ML) or 432,549.5 m<sup>3</sup> of water was withdrawn worldwide in 2023, of which 56% came from freshwater supply and 44% from groundwater withdrawal. This means an overall increase in our water consumption of 10.5%. Total water consumption from the municipal supply (third-party water) has also increased by almost 6.5%. The increases are due to the integration of Moventas and a large increase in production and ongoing expansion projects.

We have already optimized our water management in recent years and it is checked annually. In 2022, we set ourselves a specific goal of reducing our water consumption by 10% by 2027. Our global water efficiency program will help us to consistently minimize our water consumption at all sites in the future.

The total and specific wastewater volumes worldwide have also increased in the last three years due to the integration of Moventas, ongoing expansion projects and the significant increase in production. As our output is contaminated wastewater, prior in-house pretreatment is required before the wastewater is discharged into the public sewage system.

For all treatment plants, we have the necessary approvals from the responsible water authorities and monitor the treatment and pollutant parameters for compliance with all specified discharge limit values. We do not discharge wastewater into natural bodies of water or groundwater.

### Water consumption (m<sup>3</sup>)

GRI 303-5



# 19,352.80<sup>1</sup>

Total water consumption from all areas

Note: The sites in Chile and Ruhstorf are not included in the calculation of water consumption. Water consumption is calculated from the difference between water withdrawal and wastewater discharge.

<sup>1</sup> The increase in 2023 is due to the inclusion of data from Ruhstorf and the Moventas locations, and unusually heavy rainfall in China, where rain water is processed in the waste water treatment plant along with the regular waste water.

### WATER WITHDRAWAL BY SOURCES (m<sup>3</sup>)

GRI 303-3

YEAR	2021	2022	2023
Fresh water supply	228,630.88	226,878.30	241,562.5
Groundwater withdrawal	125,007.40	164,654.00	190,675.0
Other water	685.70	0.00	312.0
<b>Total water withdrawal</b>	<b>345,323.98</b>	<b>391,532.30</b>	<b>432,549.5</b>

Note: For 2023, the sites Sydney, Australia, and Cambridge, Canada, are not included in the water values specified here.

### WATER DISCHARGE BY QUALITY AND DESTINATION (m<sup>3</sup>)

GRI 303-4

YEAR	2021	2022	2023
Sanitary waste water	108,282.32	202,563.10	150,109.53
Production waste water pre-treated	6,552.00	5,180.00	7,159.80
Production waste water not pre-treated	3,469.00	3,091.00	4,194.00
Evaporation	34,080.18	9,135.00	29,028.00
Discharged cooling water	148,830.41	137,475.00	182,098.40
Other	63,832.82	30,650.00	40,607.00
<b>Total waste water</b>	<b>365,046.73</b>	<b>388,094.10</b>	<b>357,529.33</b>

Note: For 2021 and 2022, the sites in Chile, Ruhstorf, the USA, South Africa and Australia are not included in the wastewater values specified here. For 2023, the sites in the Netherlands, South Africa, Australia, Canada and the service sites are not included in the waste water values specified here.



### Dealing with water risks

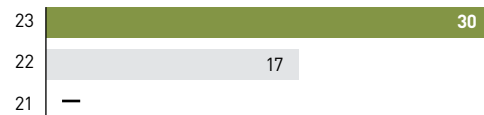
GRI 303-3, 303-5

The business has assessed the risk of water scarcity for our operations and this issue has been considered as part of our broader climate-related risk review. The results showed that production sites in China and India are located in areas with high to extreme groundwater stress. Fresh water stress measures the ratio of total water extraction to the available renewable surface and groundwater supply.

At the production sites in India and China, water extraction rose by 52% and 9.5% year-on-year to 38 and 162 megaliters, respectively, due to intensive construction work.

## WATER EXTRACTION IN INDIA AND CHINA IN MEGALITERS

### India (m<sup>3</sup>)



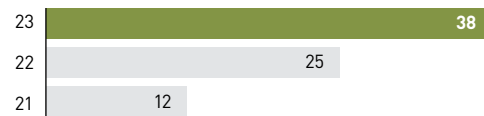
**30**

### Groundwater



**8**

### Fresh water supply



**38**

### Total

### China (m<sup>3</sup>)



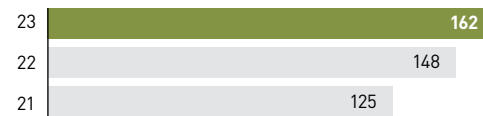
**0**

### Groundwater



**162**

### Mains supply



**162**

### Total



# 5 EMPLOYER OF CHOICE

## IN THIS SECTION

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5.3 People development	68
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# 5 EMPLOYER OF CHOICE

GRI 3-3



## WE MOVE THE WORLD BY:

- Moving and growing together
- Expanding knowledge and further training
- Increasing diversity, equity, inclusion and belonging
- Promoting employee satisfaction

A sense of togetherness, teamwork, mutual appreciation and support, a strong community, and a common passion for our products, our business partners, and customers. This is what Flender and our employees around the world – our “Flenderans” – stand for, who are what we call “the heart” of our company and the basis for our more than 125 years of corporate success.

## EMPLOYER OF CHOICE – HOW WE ATTRACT AND RETAIN TALENTS

In today’s job market, we encounter numerous challenges. In our digital, interconnected world, remote work is increasingly feasible. While this offers many benefits, it

also amplifies the competition for top talents to unprecedented levels. Given the decrease in the number of younger people, it is vital to find ways to attract the right people to work for Flender, namely those who entail talent and are eager to grow with us; who can identify themselves with our company values and goals: who are eager to join us in moving the world towards a sustainable future. This is especially important as young talents nowadays have different expectations about work and what it means compared to previous generations.

Flender has invested in strengthening our global employer brand and will continue to do so. This is crucial because creating a brand always involves the identification and incorporation of values. To bring this endeavor to the forefront and cultivate a robust employer brand, leading to heightened employee satisfaction and decreased turnover, we initiated a strategic journey in 2023. This journey began with global workshops designed to define our unique employer value proposition (EVP). By involving employees from various locations, we aimed to gain a holistic understanding of what it truly means to be part of Flender, both practically and emotionally. We firmly believe that strengthening our employer brand will further strengthen

employee engagement, foster a deeper sense of belonging, and promote increased loyalty throughout our organization.

## OUR CSR GOALS AS EMPLOYER OF CHOICE

With a history of more than 120 years and more than 9,000 people at 33 locations worldwide working for Flender, we are fully aware of our corporate responsibility. It is our aim to offer people the opportunity to develop to the best of their ability. And we carry our values and goals beyond the boundaries of the company. As a globally active company, we see ourselves having a responsibility not only for our employees, but also for the partners and society with which we interact.

Diversity, equity, inclusion and belonging (DEIB), as being addressed in our newly implemented DEIB program, is only one focus topic with regard to our employees. Training, education, employee engagement in corporate development and locally effective community engagement are also central aspects of our CSR strategy and building blocks for a sustainable future.



**Lebohang Nokoane**  
GLOBAL HR FUNCTION RECRUITING

“EFFECTIVE RECRUITING IS NOT JUST ABOUT FINDING THE RIGHT CANDIDATE FOR THE JOB, BUT ALSO ABOUT CREATING A POSITIVE EXPERIENCE FOR THEM THAT LEAVES A LASTING IMPRESSION OF OUR ORGANIZATION.”

Lebohang Nokoane

PILLAR: EMPLOYER OF CHOICE			
FOCUS TOPIC	STRATEGIC INITIATIVE/KPI	TARGET YEAR	STATUS 2023
<b>Diversity, equity, inclusion and belonging</b>	• Implement an active program for diversity, equity, inclusion and belonging by the end of 2023	2023	Implemented in 2023
	• Conduct unconscious bias training	2023	Training conducted; mandatory for managers, voluntary for other employees
	• Proportion of women in management positions: 27% by 2025 and 33% by 2030	2025/2030	2023: 11% (incl. executive committee, excl. Board)
	• Proportion of women in the workforce: 17.5% by 2025, 25% by 2030	2025/2030	2023: 15%
	• Collaborate with schools/universities in the field of diversity	2025	Started cooperations in relation to promotion of girls already in India and Germany in 2023
<b>People at Flender</b>	• Conduct an annual employee survey by 2022	2022	Last implemented in 2022. No survey was conducted in 2023 due to additional measures (e.g. "Compass Dialog" and performance rating). Next survey to be conducted in 2024.
	• Achieve an overall participation rate of 85% and an Employee Net Promoter Score <sup>1</sup> (eNPS) of 60	2027	Participation rates:                      eNPS: 2021: 63%                                      2021: 43 2022: 71%                                      2022: 52
	• Introduce regular performance feedback for all employees by 2022	2022	Implemented
	• Constant optimization of existing training offers and programs, as well as expansion of the existing training catalogue	2022	Hours of training per employee per year: 2021: 6.3 2022: 11 2023: 15
	• Offer benefit programs globally	2025	Ongoing
<b>Community engagement</b>	• Global community engagement policy developed and implemented at main site by end of 2023	2023	Global community engagement program published, policy will be published in 2024
	• >1 cooperation with school/universities delivered in each region where Flender main sites are located by 2024	2024	In Germany: Westfälische Hochschule; In Serbia: Technical Secondary School "Ivan Sarić"

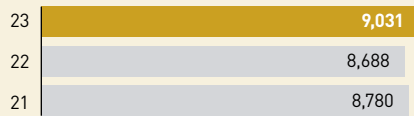
<sup>1</sup> eNPS: The Employee Net Promoter Score (eNPS) is a widely used metric in HR used to measure employee engagement and loyalty towards a business. Scoring ranges from -100 to 100.



## FLENDER EMPLOYEES IN NUMBERS

GRI 2-7

### Full-time employees

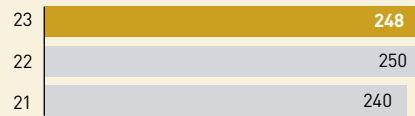


**9,031**

Total employees on full-time contracts



### Part-time employees

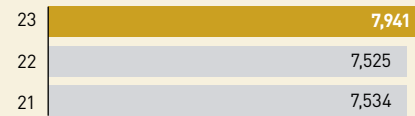


**248**

Total employees on part-time contracts



### Employees on permanent contracts

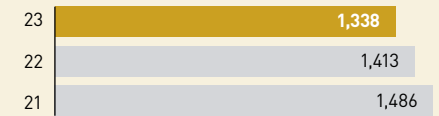


**7,941**

Total employees on permanent contracts

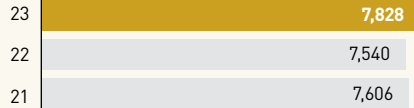


### Employees on fixed term contracts



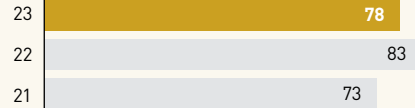
**1,338**

Total employees on fixed-term contracts



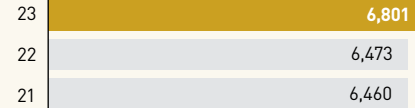
**7,828**

Full-time contracts – male



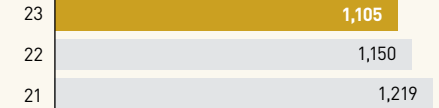
**78**

Part-time contracts – male



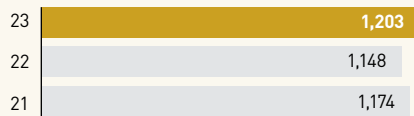
**6,801**

Permanent contracts – male



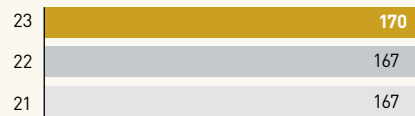
**1,105**

Fixed-term contracts – male



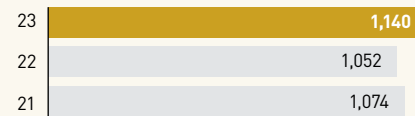
**1,203**

Full-time contracts – female



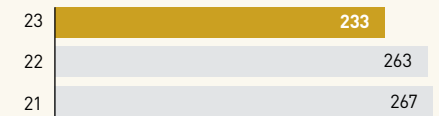
**170**

Part-time contracts – female



**1,140**

Permanent contracts – female



**233**

Fixed-term contracts – female

# 5.1 OUR EMPLOYEES

SDGs 5.1, 8.5, 10.3

## OUR EMPLOYEES WORLDWIDE<sup>1</sup>

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

In the reporting year, a total of 9,279 people were employed at Flender worldwide – 97% of them full-time and 85% on permanent contracts. We are pleased that the number of employees has slightly increased after the numbers remained somewhat constant in our first two years as a fully independent business.

At fiscal year-end 2023, we worked with 188 individuals who were not our employees<sup>2</sup> (2022: 173).

# 9,279

Employed by Flender worldwide

# 97%

Full-time employees

# 85%

Employees on permanent contracts

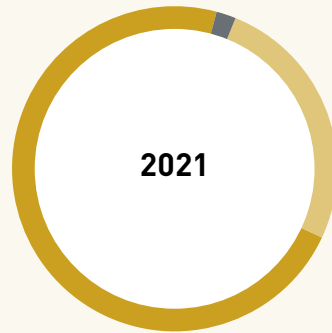
<sup>1</sup> Employees by headcount, as of the reference date from the personnel master data.

<sup>2</sup> This figure excludes apprentices, who are categorized as employees, but includes external consultants (white collar), temporary workers (production/assembly/logistics). A distinction within this figure is currently not possible, but the system will be adjusted in the future.

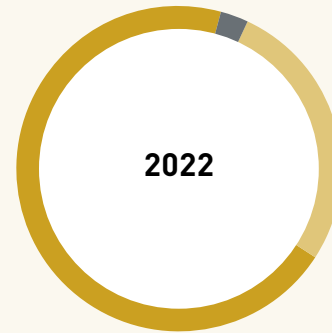
### Flender contract types by region

GRI 2-7

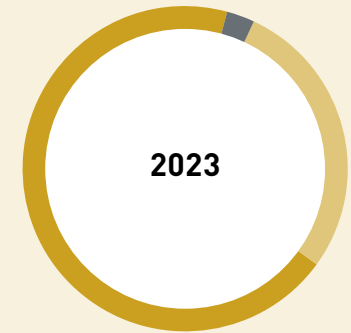
#### Contract type – Permanent



72% 26% 2%



70% 27% 3%

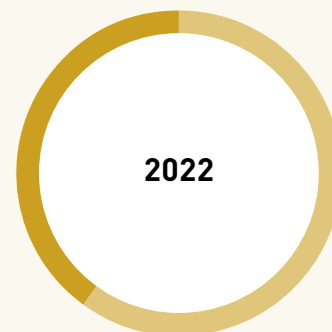


69% 28% 3%

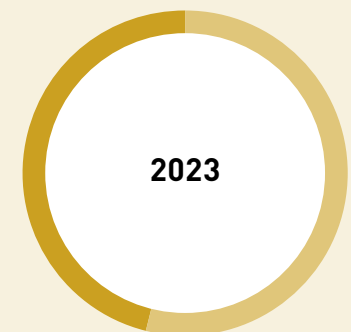
#### Contract type – Fixed-term



33% 67% 0%



40% 60% 0%



46% 54% 0%

● EMEA (Europe, Serbia, South Africa, UAE, Dubai) ● APAC (China, India, Australia and all smaller Asian sites) ● AMCAS (Americas, Canada and Chile)





## NEW HIRES AND EMPLOYEE TURNOVER

GRI 401-1

NEW HIRES						
	2021		2022		2023	
<b>Total</b>	<b>737</b>	<b>100%</b>	<b>703</b>	<b>100%</b>	<b>927</b>	<b>100%</b>
<b>By region</b>						
AMCAS	40	5%	49	7%	32	3%
APAC	394	53%	338	48%	194	21%
EMEA	303	41%	316	45%	701	76%
<b>By gender</b>						
Female	152	21%	98	14%	171	18%
Male	585	79%	605	86%	756	82%
<b>By age group</b>						
<20	63	9%	64	9%	92	10%
20-29	260	35%	295	42%	252	27%
30-39	267	36%	221	31%	273	29%
40-49	98	13%	81	12%	192	21%
50-59	46	6%	34	5%	96	10%
>60	3	1%	8	1%	22	2%

EMPLOYEE TURNOVER						
	2021		2022		2023	
<b>Turnover rate</b>	<b>514</b>	<b>5,7%</b>	<b>871</b>	<b>9,7%</b>	<b>586</b>	<b>6,4%</b>
<b>By region</b>						
AMCAS	25	5%	25	3%	20	3%
APAC	157	31%	339	39%	207	35%
EMEA	332	65%	507	58%	359	61%
<b>By gender</b>						
Female	101	20%	172	20%	114	19%
Male	413	80%	699	80%	472	81%
<b>By age group</b>						
<20	24	5%	18	2%	17	3%
20-29	145	28%	238	27%	139	24%
30-39	188	37%	336	39%	208	35%
40-49	56	11%	118	14%	85	15%
50-59	42	8%	63	7%	59	10%
>60	59	11%	98	11%	78	13%

CASE STUDY



### LECTURE FOR PSYCHOLOGICAL WELLBEING IN CHINA

The wellbeing of our employees is of utmost importance for Flender – and also of their family and friends. This is why the Flender site in China offered a lecture about psychological wellbeing in cooperation with the Wellington College in

Shanghai. The lecture centered on helping employees raise awareness to their children’s potential or actual psychological problems and providing possible solutions. More than 100 employees participated in this successful event.

### PERFORMANCE MANAGEMENT

GRI 404-1, 404-2, 404-3

Closely linked to the personal development of our employees, giving and receiving feedback is of high priority. In March 2023, we introduced “Compass Dialog”, a global structured feedback process. In addition to facilitating mutual feedback, it encourages reflection on cooperation and the establishment of non-financial development and performance objectives. The performance rating, another part of the Performance Management process at Flender, evaluates an employee’s performance in the current financial year.

The Compass Dialog and performance rating for all employees takes place once a year.

### THE IMPORTANCE OF EMPLOYEE SATISFACTION

GRI 2-30, 401-2

We all work in a dynamic environment with constant changes and new opportunities. Our environment requires employees to be flexible and proactive to not only contribute to the success of the company, but also to shape a sustainable future. To understand the needs of our employees, we are conducting global employee surveys regularly since 2021. All Flender employees are eligible to participate. In our surveys, we not only inquire about employee satisfaction and topics such as commitment, meaningful work and peer relationships, but also include topics related to employee wellbeing. By doing so, we gain valuable insights into these areas and are committed to making

necessary enhancements. A great example for this is our DEIB program, which was in part launched based on information gathered from our employee survey ([see section DEIB for more details](#)).

### IDEA MANAGEMENT AT FLENDER

At Flender, there are opportunities to introduce new ideas and innovations via our idea management system. The ideas are then assigned to the department which might benefit most from the idea. Each idea is then assessed for implementation opportunities, and, if implemented, the benefits are captured with a proportion of the benefit passed on to the submitter as a financial bonus.

In addition to our operations in Germany, an idea management system is now available in China, India, Austria, the USA, and since 2023 in Serbia as well. In 2023, our colleagues worldwide submitted a total of 963 ideas for improvements, and 62% were realized. Some have had significant impact and almost €350,000 has been paid to the submitters.

In Serbia, implementation of the digital idea management system has increased the transparency of the local idea management process. Within four months of implementation, more than 350 ideas were submitted, and 50 energy efficiency and 72 environmental protection ideas realized – numbers that makes us eager to see the valuable ideas our colleagues will submit in the future. We express our sincere appreciation to all our “Flenderans” for their valuable input and ideas.

### ATTRACTIVE WORKING CONDITIONS

GRI 2-30, 401-2, 401-3, 405-2

UN GC Principle 3

Our aim is to reward the performance of our employees fairly, appropriately and in line with applicable benchmarks within the sector. Our compensation packages, regularly reviewed for competitiveness, are based on the requirements of the position, education, and the performance of the individual employee. This also includes the appreciation of work with a corresponding wage adjustment to support the development of each employee.

Since we are aware of possible gender-specific differences in remuneration, we started a project to compare job descriptions and requirements. Even though we are sure that we do not have systematic discrimination, we want to take this topic seriously and aim to pay everyone according to performance regardless of gender or any other distinction.

As a global operating company, we are aware that wage differences among locations exist. Accordingly, we are also looking at the topic of living wages in prospective countries. It is our goal to analyze living wages in detail to guarantee financial safety to all our employees.

No matter on which site our “Flenderans” work for our corporate success, we appreciate it. This is why we also pay financial bonuses every year, ensuring everyone benefits.

In addition, depending on the location, various additional benefits such as car and food allowances, childcare allowance, collective

bargaining success components and pension schemes are offered.

We place a lot of emphasis on a healthy work-life balance for our employees. Flender offers various parental leave, childcare and home office arrangements depending on the country and location. At our German sites, we offer flexible working options and childcare for our employees. If possible, we offer this to all staff returning after parental leave. During the reporting year, 149 men and 51 women in Germany took parental leave.<sup>1</sup> 131 male and 21 female employees returned to work after their parental leave ended.

### EMPLOYEE RIGHTS

GRI 2-30

UN GC Principle 3

Through our Business Conduct Guidelines, we ensure that all employees are aware of their rights to engage in unions and union activities. Our employees are also guaranteed free participation in collective wage agreements and collective bargaining. All employees of Flender GmbH and Flender International GmbH in Germany are paid according to the IG Metall collective agreement unless they are paid outside of the collective agreement. Flender Industriegetriebe GmbH (Penig site) has an in-house wage agreement. No record of complaints or violations of the Business Conduct Guidelines relating to association and representation rights has been made in the past year.

<sup>1</sup> Parental leave is granted in other regions as well. Data availability is limited, we aim to report this figure more comprehensively going forward.





## 5.2 DIVERSITY, EQUITY, INCLUSION AND BELONGING

SDGs 5.1, 5.5, 8.5

We believe that diversity, equity, inclusion and belonging (DEIB) enriches the workplace and significantly benefits overall business performance. DEIB is not only the right thing to do as humans, but also makes our company more innovative and resilient and is therefore a priority area of Flender's CSR approach.

### WE STAND FOR DIVERSITY, EQUITY, INCLUSION AND BELONGING

GRI 406-1

UN GC Principle 6

Around 9,000 people from a wide variety of nations work together at Flender in 33 countries worldwide, and we have always been a company characterized by diversity.

We aim to establish a culture in which we find and promote personal development pathways for every employee, in which everyone can make a valuable contribution to the development of our company.

Since we embrace and encourage each individual's differences, their life experiences and their capabilities, we pursue a zero-tolerance policy towards discrimination based on gender, age, nationality, origin, religion, political views or social circumstances. The fight against discrimination is anchored in our Business Conduct Guidelines and Supplier Code of Conduct and corporate principles and affects not only employees, but also business partners, suppliers and customers. In 2023, Flender did not record any incidents of discrimination through the Flender "Tell-Us" reporting tool. Further details can be found in **7 Chapter 7, Governance & Compliance**.

Responding to input from the employee survey in 2022, we started the project of developing a global Diversity, Equity, Inclusion and Belonging (DEIB) program in March 2023.



## GLOBAL DEIB PROGRAM

As we are convinced that a diverse workforce creates extraordinary value for Flender, we initiated a project and jointly developed a Flender DEIB statement. The first statement draft was created as a result of extensive interviews across all departments and business units worldwide. The CEO together with the global HR teams finalized this endeavor by consolidating all key messages in a video, which is shared internally. Our DEIB statement is as follows:

*“At Flender, we value and promote **diversity, equity, inclusion and belonging**. As Flenderans, we share a special spirit and aim to collectively move the world – irrespective of age, gender, nationality, sexual orientation, religion, or any other characteristic.*

**1. Diversity:** *We are all unique. We know that our differences, namely our skills, experiences, perspectives, and opinions, make us better, smarter, more innovative, and ultimately successful. At Flender, we cultivate and foster a diverse workforce, now and in the future.*

**2. Equity:** *At Flender, we stand for fairness. We are committed to identify and eliminate barriers, ensure fair treatment, and equal opportunities for everyone, regardless of status and identity.*

**3. Inclusion and belonging:** *We strive to create and sustain a culture of inclusiveness characterized by mutual respect and appreciation. At Flender, everyone shall feel safe, welcomed, accepted, and valued for who they truly are. We want everyone to feel comfortable and to have a deep sense of belonging to Flender.”*

Rail guarding our DEIB statement, we created our DEIB policy to set out Flender’s fundamental commitment to DEIB and also list the responsibilities of employees, managers and the HR department. The policy provides guidance, consistency, accountability, efficiency, and clarity on how DEIB is pursued within our organization and is therefore itself a tool for increasing DEIB at Flender.

Next to these first steps, the topics’ access is of great importance. By creating a SharePoint, all employees can find information about this program. The company language, which is in texts and photos, is also improved by using an inclusive, gender-neutral approach – not only for the creation of the DEIB section, but also for general communication purposes. For an undertaking as important and comprehensive, it is equally important to have the management fully committed. Following the motto “It begins with us,” the management convened and committed to serving as role models and embodying these cultural values.

To underline Flender’s commitment to DEIB, we invest in great initiatives. We have been proud members of the UN Global Compact since 2022, and signed the “Charta der Vielfalt”, a German initiative to promote diversity in the workplace, in 2023.

Starting from here, various measures influencing all business areas, especially recruiting, training and development as well as stakeholder engagement, have been initiated. Some of these can be found **7 in the People development chapter**. More measures to enforce the DEIB efforts will follow.

Our DEIB initiatives apply in our approach to recruitment, selection, compensation and benefits, and professional development. We aim to develop a working environment where all employees have a responsibility to treat each other equally and with dignity and respect.

All measures have been made available to all “Flenderans” worldwide via our DEIB program, which was published in 2023.

### OUR MEASURES AND PROJECTS TO PROMOTE DEIB

We support various initiatives to promote diversity, equal opportunities, inclusion and a sense of belonging.

Flender sponsors annual events to promote diversity, equity, inclusion and belonging, which are open to employees and external visitors. Events in 2023 included:

#### Structural inclusion measures



To enable an employee with a small stature to work for us, a cleaning machine was purchased and individually adapted to the employee's needs so that he can operate it without assistance from a third party (Bocholt, Germany).

#### Mechanics Experience Day for students



An annual event for local schools to get an insight into the apprenticeships that Flender offers. Under the supervision of trainees or instructors, various do-it-yourself stands are offered such as drawing, drilling and cabling. At the end of June, over 200 schoolchildren from the Bocholt region came to the Mechanics Experience Day 2023.

#### International Women's Day



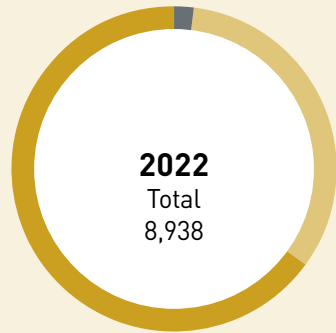
Every year Flender celebrates this day with various activities worldwide.



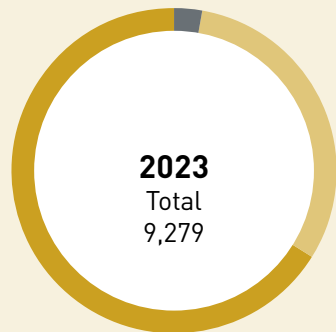
Information on employees

GRI 2-7

Employees by region



AMCAS 2% APAC 33% EMEA 65%

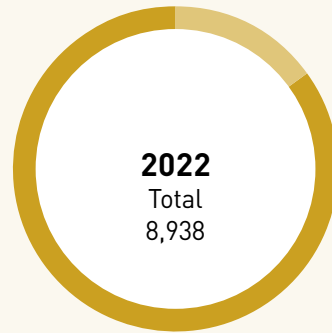


AMCAS 3% APAC 31% EMEA 66%

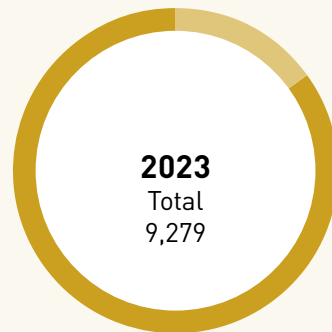
Information on employees

GRI 2-7

Employees by gender



FEMALE 15% MALE 85%

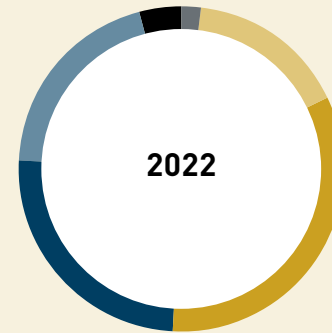


FEMALE 15% MALE 85%

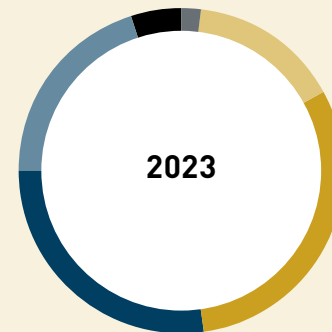
Diversity of governance bodies and employees

GRI 405-1

Employees by age



<20 2% 20-29 16% 30-39 33% 40-49 25% 50-59 20% >60 4%

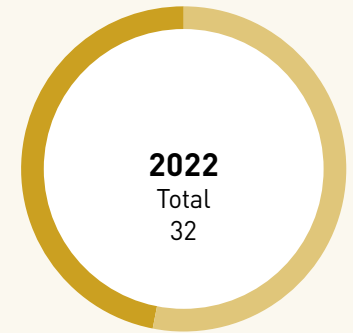


<20 2% 20-29 15% 30-39 31% 40-49 27% 50-59 20% >60 5%

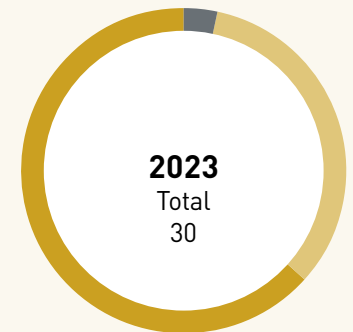
Diversity of governance bodies and employees

GRI 405-1

Members of the Management Board by age



<30 0 30-50 17 >50 15



<30 1 30-50 10 >50 19



**Julia Benedikt**  
HEAD OF HR APAC

“PROVIDING WOMEN WITH EQUAL SUPPORT, OPPORTUNITIES, AND RESOURCES IN THE WORKPLACE IS NOT ONLY THE RIGHT THING TO DO, BUT ALSO A STRATEGIC BUSINESS DECISION.”

Julia Benedikt

### PROMOTION OF DIVERSITY

GRI 401-1, 405-1  
UN GC Principle 6

At present, 15% of our employees worldwide are women, with around 11% in management positions. As part of our CSR strategy, we have set ourselves the goal of reaching 33% women in our management positions by 2030 and will be planning suitable measures to achieve this.

The “Women@Flender” network in Germany, established over a decade ago, promotes equal opportunities and unbiased support for female employees, facilitating discussions on personal development, leadership, new work, and work-life balance through regular international meetings. The network is endorsed by the management through their presence at events, advocacy, and sponsorship of initiatives. In addition to expanding to international meetings with interested women, the “Women@Flender” organization was expanded with a local network in Serbia in spring 2023. One of the network’s special activities was the “proudful moments” event in October, when six women from five different locations shared their proudful moments. Every woman benefited from this inspiring event.

We at Flender ensure age diversity around the world. We are proud that around 37% of new hires in 2023 are under the age of 30, showing that we can attract younger people into our workforce. We are equally full of admiration for our older staff and their commitment demonstrated by their frequently lifelong employment at Flender. Equal op-

portunities through mixed-aged teams is another important aspect for us. This is because employees of different ages bring different skills, experiences, and perspectives to the table, helping to increase innovation and creative problem-solving. The success and excellent reputation of Flender products have been made possible by generations of “Flenderans” throughout the company’s entire history: It is our highly qualified, committed employees, who have always been the key to innovative strength for Flender.

Our experienced older workers are truly experts in their specialist areas and share their knowledge and train our younger employees. They offer mentorship and leadership, interpersonal skills, and have their own approaches to problem-solving which have proved its worth over many years. Our younger and older workers build teams that complement one another. This strengthens the company culture and loyalty among employees and ensures that the next generation of “Flenderans” are well equipped and receive precisely the skills and qualifications required to continue Flender’s success. We are convinced that, as with other forms of diversity, improving age diversity in the workplace has a direct impact on the success of Flender and is proved by its effects on employee engagement, retention and motivation. For example, the diversity of our apprenticeship instructors with regard to their age benefits the entire program: The more experienced instructors bring the network and know-how while the younger ones offer new perspectives, are up-to-date with new technologies and can connect easier with the young trainees.



CASE STUDY

## RESKILLING WOMEN TO WELDERS, SERBIA

Flender has developed a pilot project in which the central idea is to encourage women who work in production to be trained in welding and brazing processes. This involves positions that are mainly held by men. The aim is to give women the opportunity to develop and work in positions that are physically easier (brazing) or offer higher salary potential (welding) compared with their current jobs.

We introduced the project to all women in Serbia working in production through presentations and a visit to a welding school, and then selected two women to start training in each process as a pilot project. Currently, two female colleagues are working as brazing operators for three months and two female colleagues are being trained as welders.

Training at school will take two to three months on average, depending on individual ability. This will be followed by the transition to the workplace, which will be carried out independently for three months in the workplace with the help of a "mentor".

It is aimed to then offer a continuation of the pilot project to: recognize increased interest and awareness of female employees; facilitate access to these jobs; reduce any monotony of work; learn new knowledge, skills and abilities; and increase flexibility in production.





## 5.3 PEOPLE DEVELOPMENT

GRI 404-2 | SDGs 4.7, 8.2

WITH PEOPLE DEVELOPMENT WE AIM TO ENHANCE THE STRATEGIC DEVELOPMENT OF OUR EMPLOYEES. WE OFFER CONTINUED EDUCATION AT THE FLENDER ACADEMY, BOTH ON SITE AND ONLINE AS ON-DEMAND WEBINARS OR LECTURES. IN ADDITION TO MANDATORY TRAINING COURSES ON OCCUPATIONAL SAFETY AND COMPLIANCE, WE OFFER A WIDE RANGE OF SPECIALIST AND PERSONAL DEVELOPMENT COURSES, FOR EXAMPLE ON CSR, AND MAINTAINING MENTAL HEALTH AND PERSONAL WELL-BEING.

Motivated, satisfied and high-performing employees are our most important success factor. Our company operates in a very dynamic environment, with the demands on us as an employer are increasing just as much they are on our employees. We see it as our responsibility to offer our employees an ex-

tensive range of training and further education that secures and promotes both their personal and professional skills.

Further development and continued education not only have personal and professional advantages for individual employees, but also secure our continued position as market leader. With well-trained specialists, we can enhance our ability to innovate and increase efficiency in all business areas.

Founded in 2019, the Flender Academy is our place for personal growth: it is where we offer and conduct training and education. It has developed, implemented and continuously improved a variety of programs over the years.

For example, a stand-alone and evergreen project management training program offers learning modules as diverse as the ways individuals learn, varying from in-depth videos, webinars, and face-to-face trainings on the most important topics. In the past three years, such training series have been established as a fixed learning component for all new project managers and project team members. Experienced project leaders with a history of handling large-scale projects can pursue official certification for their expertise. The application process for this certification commenced in the first quarter of 2024.

Of course, the training catalogue is constantly expanding. A few excerpts from the training catalogue developed in 2023 are:

- 1. Sales training “Value selling”:** This is designed for all international sales units and aims to improve communication skills and customer orientation when selling our products. The focus topics in the three modules are “personal excellence”, “sales excellence” and “communication excellence”. In between the modules, personal coaching is offered. So far, 300 sales employees in 30 different countries have completed the training.
- 2. Performance management training:** One-day on-site training for all managers worldwide with the implementation of the new feedback process and performance rating.
- 3. CSR e-Learning:** In order to create awareness and strengthen internal knowledge about these topics, five training courses have been developed in 2023. These are: diversity in the workplace, corporate social responsibility, sustainability, unconscious bias and mindfulness.

To highlight its importance and to bring it to the organization effectively, the training of unconscious bias has been mandatory to all managers worldwide. A total of 780 managers completed the training. At the Elgin site in the US, 200 employees have been trained on the topic of sexual harassment. In 2024, the training is planned to be rolled out globally. In addition to these special programs, the Academy has its own learning management system (LMS), which lists all training courses and records training needs. The LMS is also used at the local sites to conduct their own training content and courses. This is implemented with the aim of raising awareness of various topics, training and developing employees and adapting the training and cultural needs of the various locations. All employees have the opportunity to make training requests to the Flender Academy and receive support in selecting and planning in-house training courses.

On average, each employee took part in further training measures for 15 hours per year in the reporting year (2022: 11; 2021: 6).

### YOUNG PROFESSIONALS AND TALENT MANAGEMENT

We are proud of our longstanding tradition of providing thorough professional education to our youngest employees at Flender. Throughout their educational programs, we offer personalized and optimal support, ensuring equal opportunities and assistance for those facing disadvantages. We highly prioritize the development and success of our young talents as they bring new perspectives into the organization and equip us with new, innovative ideas and perspectives. In general, Flender provides 120 apprenticeships and traineeships every year. In the reporting year, 320 apprentices and trainees were working in various fields within the business including in technical, commercial and administrative roles. The significance of this group is also shown in increasing numbers of apprentices. In Bocholt, for example, the number of apprentices increased from 50 to 75 in 2023.

Apart from this group, we aim to support talents in the best possible way on their journey at Flender. Our therefore enhanced strategic people development includes better performance management, the continuous improvement of talent and manager programs, and mentoring mechanisms. From this, two initiatives are:

- Program **“Discover”**, aimed at young people with a high score in performance and motivation. In this program, the talents become more aware of their skills and “discover” their future potential role at Flender as a possible expert or leader.
- Program **“Lead”**, aimed at new managers or employees with management functions within the next six months. It is a mandatory training which equips the participants with leadership basics, change and culture topics, as well as future trends and how to deal with these.

There are two support industrial-focused programs to prepare talented employees for a possible management or specialist career:

- **“Go for Productivity”** program, aimed at industrial employees with a possible management perspective. The program includes e.g. leadership and self-management seminars for 12 participants every year.
- **Industrial Development Program (IDP)**, a 2.5-year program aimed at Flender specialists and junior managers from production area. With this program, we



**Hui Liu**  
HEAD OF HR CHINA

“EFFECTIVE TALENT MANAGEMENT EMPOWERS EMPLOYEES TO REACH THEIR FULL POTENTIAL, ALIGNS INDIVIDUAL SKILLS WITH ORGANIZATIONAL OBJECTIVES, AND FOSTERS A CULTURE OF INNOVATION AND GROWTH.”

Hui Liu



CASE STUDY



## GERMANY: IHK<sup>1</sup> HONORS THE BEST APPRENTICES

In September 2023, the Best Apprentices Awards took place in the district of Borken (North Rhine-Westphalia, Germany). The award honors all apprentices who passed their IHK final examination in spring and summer 2023 with the top grade of very good. We are proud that ten Flender apprentices have been honored for their outstanding performance. The apprentices and dual students completed their education in different fields: six technical product designers (all part of the engineering bachelor program in mechatronics), one technical product designer, two industrial mechanics and one cutting machine operator have been developed over the course of three years.

<sup>1</sup> IHK: Deutsche Industrie- und Handelskammer; English: Chamber of Industry and Commerce



# 5.4 COMMUNITY ENGAGEMENT

GRI 201-1

In line with our CSR strategy, we are particularly committed to giving people around the world access to the same educational opportunities, increasing awareness of environmental protection and supporting social

projects. To us, our community engagement has to take place on site. We want to strengthen local actors, apply humanitarian principles and we aim to create value for our local communities through our activities.

Together with our employees, we are committed to resilient and sustainable societies and are involved in a variety of charitable initiatives.

### Our commitment to social projects

In the 2023 reporting year, we initiated non-financial and financial aid in various projects including:

1. €200,000 donated to victims of the earthquakes in Adana, Turkey. In addition, a fundraising event hosted by Flender employees has been implemented successfully.

2. Australia's Flender family gave back to the local homeless community and provided care packages for homeless people (in cooperation with the charity Shoebox Revolution).

3. A volunteer recruitment campaign in China. In August 2023, Flender launched the "Blue Dream project" which is aimed at inviting enthusiastic

colleagues to become volunteers. This campaign strives to provide rural areas with access to childcare and education. 35 colleagues in China signed up to become volunteers. The photo below shows one of the launch events.



### Our commitment to equal opportunities

It is particularly important to us to give everyone – especially children and young people – access to education and equal opportunities. We support the promotion of initiatives for youth in our communities, including youth work programs and local youth leisure facilities such as youth sports clubs and educational institutions.

Our participation in initiatives includes:

- Children's Home of Hope in Chennai, India
- a children's home in Subotica, Serbia
- a family charity in India
- school scholarship projects in China
- donations to various children's charities.



For more than 25 years, Flender has supported training and education programs for young people in the communities in which we operate, for example our apprenticeships and traineeships [↗ see section 5.3](#)

[for details](#)). Extensive collaboration with universities and high schools is also a key element in promoting our employer brand and attracting young talents.

The following examples are meant to showcase the variety of and lasting commitment to our community engagement – everywhere where Flender is at home.

#### Knowledge transfer in India

Flender colleagues took a break from their regular work and taught young students at a local industrial training institute in Kharagpur. During the sessions, students learned about a range of disciplines core to Flender's business including mechanical engineering.

#### Internships, application training and company tours for school students

We partner with local high schools such as St. Georg Gymnasium in Bocholt, Germany, and Freies Gymnasium in Penig, Germany, both of which specialize in STEM subjects. Each year we offer students of these schools internships, application training and factory tours.

#### Partnership with the Bocholt University of Applied Sciences

Flender sits on the board of directors of the "Fördergesellschaft" (Support Society), supporting the further development of the dual-study programs (B. Eng. and M. Eng.) and recruiting students for these programs with Flender employees leading some Bachelor's degree courses. In 2023, Flender became the main sponsor of the new Bachelor's degree program, "Sustainable Engineering and Management", which also resulted in two new dual students working for Flender. As our colleague explains: "The economy and industry must take the lead in conserving resources and protecting the climate. For this we need excellently trained specialists. The new course brings young, ambitious people to Bocholt. The entire business site benefits from this. To live up to our claim of being the partner of choice for a sustainable future, we need very good young people."

#### Increasing graduate attractiveness in China

In order to attract young university graduates, Flender China plans to award scholarships to the best students. The aim is to promote the employer brands of "Flender" and "Winergy" in the market and to attract young people to become Flender employees. Martin Kaufung, CFO of Flender China, introduced Flender at the signing of the scholarship agreement with Lang Li Ying, Director of Hebei University of Technology, on the university campus. Martin Kaufung visited various departments of the university to discuss the potential collaboration and leverage the university's resources to develop Flender's business in China, including in the fields of mechanical engineering, electric automation, and artificial intelligence. Hebei University of Technology is an important resource for hiring college graduates in both R&D and engineering fields. With the partnership now established, it is felt this will support the development of human resources at Flender long into the future.

# 6 HEALTH & SAFETY





# 6 HEALTH & SAFETY

GRI 3-3 | SDGs 3.9, 8.8



## WE MOVE THE WORLD BY:

- raising the standard
- creating trust and safety

Flender's global environmental, health and safety management system (EHS) is used to analyze, evaluate and eliminate or minimize all EHS risks. We comply with and exceed legal requirements and standards worldwide, as well as local EHS regulations.

Our central EHS department is responsible for our EHS management system and reports directly to the CEO. Local EHS experts ensure that our global sites comply with all laws and regulations relating to EHS protection and initiate projects and campaigns on site.

We have also been working worldwide with our third-party certification body for more than 20 years to meet current and future requirements and constantly improve our management systems. In 2023, we continued

to work on improving data transparency and systems in our internal and external networks, especially with regards to our key performance indicators. We have established monthly reporting to the top management at group and country level for improved transparency and communication of critical information.

## HOW TO DO:

Standing still is a step backwards. Together with our internal and external network partners we work continuously to improve our management systems in the areas of quality, environmental protection and occupational safety. The work's effectiveness is shown by our having had no legal violations of occupational safety and environmental regulations at our sites, and our Lost Time Days (LTD) due to work-related incidents has also improved. We have achieved this through continuous tracking and root cause analysis. Our EHS network ensures that subsequent findings are shared throughout the company.





PILLAR: HEALTH & SAFETY			
FOCUS TOPIC	STRATEGIC INITIATIVE / KPI	TARGET YEAR	STATUS 2023
<b>Safety</b>	• Standardization of global reporting of EHS data	2023	Implemented
	• Continuous communication of safety moments and EHS KPIs	2023	Implemented: communication is part of EHS central department monthly meetings and a monthly status report is sent by email
	• Reduction of the global Total Recordable Injury Rate (TRIR) to the value of 1.40 by 2023 and 1.20 by 2027	2027	2021: 1.48 2022: 1.37 2023: 1.38
	• Further enhancing visibility of EHS incidents by establishing a global, real-time database	2027	Ongoing
	• Strengthen and continuously improve the existing zero-accident culture on a global scale	2027	Ongoing
	• Improve audit and training program by conducting specific/customized audits and awareness raising training across all sites and departments	2027	Started
<b>Audits &amp; CIP</b>	• Regularly planned and performed internal audits for each ISO standard 9001 QM, 14001 Environment and 45001 Health and Safety, 50001 Energy management (German locations)	2023	Locations 2023: Voerde (Customer Service & industrial gears; Germany), Elgin (USA), Bocholt (Group Functions; Germany), China (complete)
	• Replacing the Flender Performance Assessment (FPA) with a new lean and agile concept in order to realize development potential in the plants and functions in a more targeted manner	2023	Concept developed and agreed end of 2023 and started in 2024
	• Timely completion of actions >85% by 2025 and >95% by 2030	2025/2030	2022: 65% 2023: 72%
<b>Certification</b>	• Implementation of the global Flender Matrix certificate for the ISO standards 9001 QM and 14001 Environment and 45001 Health and Safety in our material locations <sup>1</sup> – 77% – 84% – 100%: One common global ISO certifier for the entire Flender organization	2024 2026 2030	2022: 70% 2023: 87.7%

<sup>1</sup> 100% of the operating locations (production and service locations) are included.

**OUR EHS MANAGEMENT SYSTEM: HIGH STANDARDS, LEARNING AND DEVELOPING TOGETHER**

Our central EHS team and our local EHS experts form a common, interdisciplinary network. Monthly meetings are held with all those responsible for EHS, where we discuss incidents, security factors and KPIs, derive appropriate measures and work to constantly improve our system – all driven by the principle of learning from and with one another.

We introduced a worldwide common EHS management system with reference to ISO 14001, which ensures standardized, shared processes for all sites. This management system is audited by a third-party certification body (TÜV Rheinland) every year to maintain our multi-site ISO 14001 certificate (Matrix certificate). In the reporting year, we carried out audits for Elgin (USA) and Voerde and Bocholt (both Germany) and China. Overall, we have not identified any legal violations of environmental laws and regulations at any of our sites.

**OUR APPROACH TO INCREASING OCCUPATIONAL SAFETY AND AVOIDING ACCIDENTS**

GRI 403-2, 403-4, 403-5, 403-8, 403-9

At Flender, we see our employees as our most important asset. Safe jobs, avoiding accidents at work and promoting the health of our employees are of central importance.

In this way we can protect our people – our priority and a key factor in our CSR strategy.

We continually invest in resources and create a database to maintain a high level of health and safety awareness and compliance, and to ensure that all our manufacturing facilities meet stringent safety standards and requirements.

Around 99% of employees in our material locations<sup>1</sup> are covered by our occupational health and safety management system, which is certified according to ISO 45001. This includes 100% of our production and service sites, but excludes sales offices. In addition, we are working toward a full, Flender-wide matrix certification by 2030.

With site- and country-specific training courses, we are increasing the overall safety awareness of our employees. All of our staff are required to complete mandatory health and safety training annually with the scope of this training dependent on the respective function of the employee. We also offer a wide range of support to maintain and promote the physical and mental wellbeing of our employees. Depending on the site, various additional measures take place.

<sup>1</sup> 100% of the operating locations (production and service locations) are included.

We also see health and safety as a shared responsibility. We therefore regularly involve all employees in the topic of occupational safety:

- In addition to our location-specific quarterly occupational safety meetings and monthly health working group, employees are involved in risk assessments and the follow-up to accidents along with the corresponding manager and an EHS expert.
- Employees can use the idea management concept (to submit suggestions for improvement on the topic [\[↗ see Idea management\]](#)).

- Sites have an established reporting system in which all employees can document and report unsafe conditions or hazards in occupational, environmental and health protection. These threats are then reviewed and the necessary measures to manage any risks are implemented across the organization. In the reporting period, 87 accidents were reported and successfully solved (2022: 90).
- Employees from external companies receive onboarding training for the site and carry out risk analyses together. After an accident involving an employee from an external company, an accident follow-up is carried out with all those involved.

**CASE STUDY**

**SAFETY WEEK IN SUBOTICA (SERBIA)**

In 2023, we had several initiatives to improve safety awareness and performance at our sites. For example, we held a safety week in our production site in Subotica. The main aim was to heighten safety awareness and ensure secure workplace habits, especially the need to wear personal protective equip-

ment (PPE) at our sites. In addition to regular instructional sessions, the employees were shown an animated film and a game was played to illustrate the necessity for safe habits, PPE, troubleshooting, and the meaning and lessons of near misses that could have resulted in serious accidents.





### SAFETY CERTIFICATIONS AND ACCIDENT COUNTS AT OUR SITES

GRI 403-1, 403-2, 403-9, 403-10

Our safety standards are based on international standards and are firmly anchored in our management system. All of our production facilities and service locations are certified according to the ISO 45001:2018 standard for occupational health and safety. The certification process helps us to identify weaknesses and potential for improvement.

In addition to these legal requirements, all indications and deviations from the audits are tracked and implemented and remedied with appropriate measures. We monitor our EHS KPIs, including the number (by type) and frequency of incidents, incident severity, near misses and lost-time incidents.

We can see that these measures are having an effect on our EHS KPIs: accident-related downtime has fallen again by around 10% worldwide (2022: 38%).

In addition, our occupational diseases decreased from three cases in 2021 to only one case in 2022, and now to 0 cases in 2023. We maintain zero work-related fatalities.

### HEALTH INCIDENTS AND LOST TIME

GRI 403-2



**0.96**

Lost time injury frequency rate (LTIFR)



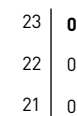
**0**

Occupational diseases



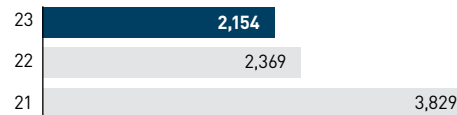
**1.38**

Total recordable injury rate (TRIR)<sup>1</sup>



**0**

Work-related fatalities



**2,154**

Lost time days (LTD)

<sup>1</sup> Per 200,000 hours worked

# 7 GOVERNANCE & COMPLIANCE

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# 7 GOVERNANCE & COMPLIANCE

GRI 3-3



## WE MOVE THE WORLD BY:

- value-based compliance management system
- excluding and minimizing risks by implementing compliance measures on a risk-based approach
- excluding and minimizing risks

Responsible corporate management is an essential building block for our sustainable success and the achievement of our goals. For Flender, this means integrity and fairness: always acting in an exemplary and correct manner, in the interests of the company, our employees, customers and business partners and taking into account our social responsibility towards our fellow

human beings, and the planet. This includes legally compliant behavior and the prevention of risks in the company. To ensure this, our compliance management system (CMS) is an integral part of all business decisions and activities. The guiding principle is zero tolerance for rule violations and, when they do occur, Flender takes immediate and appropriate action.

However, at Flender compliance means more than simply adhering to laws and regulations. We strive to always do the right thing beyond rules and regulations. Our values and beliefs are deeply rooted in our organizational and corporate culture.

## CASE STUDY

### SALES CONFERENCE 2023

In April 2023, Flender hosted a global sales conference at their headquarters in Borcholt, Germany, uniting over 200 Flender sales employees and decision-makers from all Flender entities to discuss current business opportunities and strategies to achieve Flender's growth ambitions.

At the conference, Flender's Chief Compliance Officer, Daniel Mehari, delivered a keynote speech on our value-based compliance approach, opening with a short video with messages from Flender sales employees about what compliance means and emphasizing key questions everyone should ask, e.g.

"Is it correct?", "Is it fair?" and "Does it comply with Flender's and my personal values?".

During his keynote speech, Daniel explained that Flender's value-based compliance approach prioritizes doing the right thing for the right reasons, rather than simply following rules and regulations. This approach requires doing what is right, even when it may be challenging or uncomfortable.

Following Daniel's keynote speech, Flender's CEO, Andreas Evertz, spoke about the importance of compliance for Flender and highlighted that customers, business part-

ners, shareholders, employees and the communities, in which we live and work, trust us to live up our responsibility. We have to serve as a good example. We take compliance very seriously and do not tolerate any form of compliance violations. All business unit presidents and key managers joined him on the stage and shared their perspectives on specific compliance topics relevant to their business areas. For instance, the President of the Wind business unit, Aarnout Kant, emphasized the importance of compliance with competition and anti-trust laws within the wind sector. Similarly, the President of the Customer Service business unit, Andreas

Reddemann, highlighted compliance risks pertinent to the service industry, while Presenting Turbo emphasized the importance of compliance with sanction law, in particular in today's politically challenging and war- and crisis-plagued times. Additionally, Wilko Stark, the Operating Partner of the Carlyle Group, underscored from a shareholder standpoint the crucial role of compliance in nurturing a robust company culture.

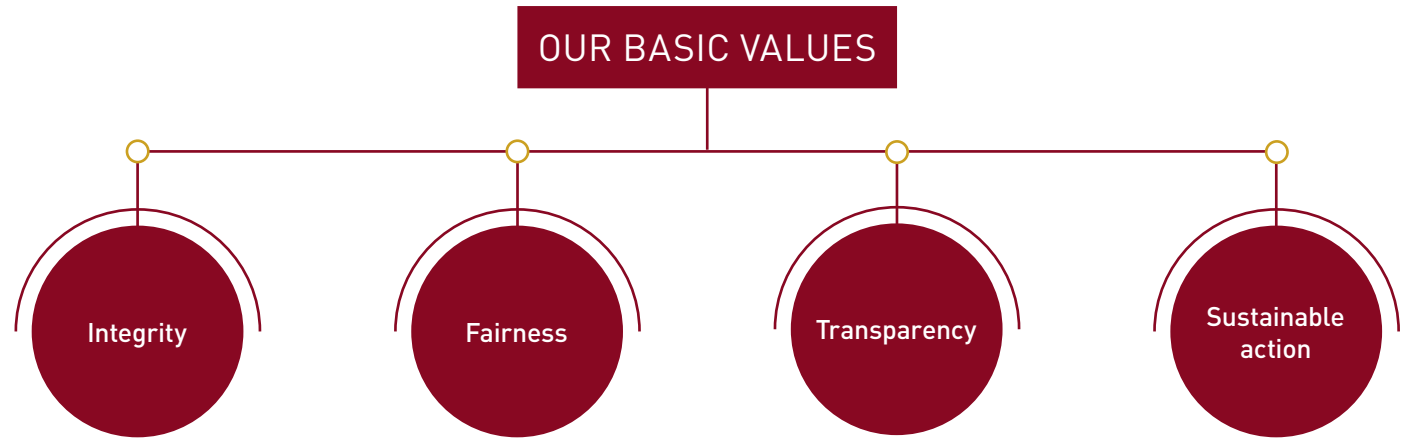
The entire sales teams collectively committed themselves to ethical behavior by doing the right thing in the right way while conducting business responsibly.



**OUR CSR GOAL: ESTABLISHING A VALUE-BASED COMPLIANCE APPROACH**

We continuously enhance our compliance management system by employing a value-based approach to compliance. This approach reflects our core values of integrity, fairness, transparency, and sustainability, which are deeply ingrained in our corporate culture and daily operations. We take pride in continually refining our compliance processes and training programs to ensure adherence not only to regulatory standards, but also to our special values to ensure that all “Flenderans” are doing the right thing for the right reasons, rather than simply following rules and regulations.

To gain deeper insights into the current state of our compliance management system (CMS) and the prevailing compliance culture within Flender, we conducted a compliance survey in 2023.



**CASE STUDY**

**FLENDER COMPLIANCE SURVEY 2023**

A compliance management system can only be effective if it is combined with a positive and living compliance culture within a company. By conducting a compliance survey, the compliance culture can be made visible, which in turn can enable the Compliance Organization to implement targeted efforts to further strengthen the compliance culture or initiate changes when necessary.

In fiscal year 2023, Flender conducted a comprehensive compliance survey across all countries, business units, and departments. 28% of our white-collar employees actively engaged in the survey,

responding to a series of eight carefully crafted questions. These responses were subsequently analyzed using standardized statistical methods. Key areas addressed in the survey included the whistleblowing culture at Flender, perceptions of the tone set by the top management, and overall satisfaction with our compliance management system. One of the purposes of the compliance survey was to determine the general compliance awareness of Flender employees. The results were very positive overall. Our aim is to further improve these results.

Differences can be seen when comparing the individual questions and individual Flender companies and business units with each other.

Based on these findings, we develop and implement targeted measures. One example is enhancing employee awareness of our “Tell Us” incident reporting tool and the procedures following a reported compliance case.

The survey will be repeated on a regular basis to review the impact of the measures developed from the findings of the compliance survey.



## PILLAR: GOVERNANCE & COMPLIANCE

FOCUS AREA	STRATEGIC INITIATIVE/KPI	TARGET YEAR	STATUS 2023
<b>Improve- ment and awareness</b>	<ul style="list-style-type: none"> <li>Complete mandatory compliance trainings</li> <li>Improve employee feedback</li> </ul>	2023 2024 / 2025	100% Ongoing
	<ul style="list-style-type: none"> <li>Implement values-based compliance training and communication initiatives at all sites by 2023</li> </ul>	2023	Communication initiatives implemented; training ongoing
	<ul style="list-style-type: none"> <li>Conduct regular compliance surveys through 2025</li> </ul>	2025	Conducted in 2023
<b>Governance &amp; risk manage- ment</b>	<ul style="list-style-type: none"> <li>Further development of the risk management system in line with the size and independent business of Flender by 2023</li> </ul>	2023	Ongoing
	<ul style="list-style-type: none"> <li>Initiate risk-based internal audits at key facilities by 2023</li> </ul>	2023	First compliance audit was conducted at our site in Spain
	<ul style="list-style-type: none"> <li>Conduct risk-based internal audits on at least 100% of key companies by 2025</li> </ul>	2025	
<b>Supply chain management</b>	<ul style="list-style-type: none"> <li>CSR Conformance Rate: 30% by 2023 50% by 2025 100% by 2030</li> </ul>	2023 2025 2030	2023: 35%
	<ul style="list-style-type: none"> <li>Key suppliers have signed our Code of Conduct: 75% by 2023 100% by 2025</li> </ul>	2023 2025	2023: 99%
	<ul style="list-style-type: none"> <li>Initiation of a specific human rights survey among key suppliers</li> </ul>	2023	Ongoing

# 7.1 OUR COMPLIANCE MANAGEMENT

GRI 2-15, 2-23, 2-24, 2-25, 2-27, 205-3, 412-1, 412-2 | SDGs 16.3, 16.5

As a global company, we place high demands on a responsible and effective compliance management system. The goals are to identify risks at an early stage, prevent violations of legal and internal company rules, and derive measures and protect our company and every employee. However, it is imperative and central to our ethos to ensure that our “Flen-derans” continuously strengthen and uphold their value-based inner compass, ensuring they are guided not solely by rules, but notably

by our unique values, endeavoring always to act with integrity and for the right reasons. When implementing our CMS, we are guided by international standards and use the BKMS Compliance Case Management Tool, one of the leading systems to support compliance management processes which is designed to cover the entire cycle of a compliance case. To report violations of laws or regulations, we use the BKMS-based whistleblower portal “Tell Us” for all stakeholders.

Our compliance system is based on four pillars:

- Effective compliance work requires full clarification: With “Tell Us”, we guarantee a uniform reporting channel and a comprehensive and fair investigation.
- Consequences and reactions: Misconduct is punished immediately and measures are taken directly to eliminate deficiencies.
- Constant improvement: Together with all business areas, we work on constantly correcting and improving our processes.
- Effective preventive measures: With measures such as risk management, policies and procedures, training and communication, we avoid systematic misconduct.

We are proud that, due to our value-based compliance approach, no incidents of corruption or violations of applicable social or economic laws or regulations were recorded in the reporting period.



“WE PROACTIVELY EMBRACE AND ADHERE TO THE PRINCIPLES OF RESPONSIBLE BUSINESS CONDUCT. OUR UNWAVERING COMMITMENT EXTENDS TO PRIORITIZING SOCIETAL CONCERNS AND RIGOROUSLY UPHOLDING A ZERO-TOLERANCE POLICY AGAINST CORRUPTION.”

Andreas Evertz





CASE STUDY

## COMPLIANCE WEEKS AT FLENDER CHINA

In summer 2023, Flender China held a “Legal & Compliance Event” aimed at enhancing legal and compliance awareness and knowledge of internal employees, and to practice compliance culture. In participatory contests, employees of Flender China competed in their compliance knowledge, and received a useful “Compliance Quick Guide” for implementation of the learned material.

In lectures on relevant compliance topics such as “Legal Risks of Distributor Contract Business” and “Hot Legal Issues in the Bidding Process”, Flender China employees also gained an enhanced awareness and knowledge of compliance topics.

FLC CEO Dr. Gou spoke at the final meeting where he stressed the importance of raising legal and compliance awareness and committed to continuing this campaign.



## RESPONSIBILITIES

Compliance has the full support of all Flender managers, directors, the board and the supervisory board, the advisory board as well as the Carlyle Group (our shareholder). The active engagement of the Management Board ensures clear compliance structures and an effective system through the appointment of a global and local compliance organization, which is equipped with the necessary resources and support.

Flender operates a two-tiered compliance structure.

At the Group level, responsibility lies with the Legal & Compliance Department with the Chief Compliance Officer and Head of Compliance and an additional Compliance Officer. The Chief Compliance Officer reports directly to the CEO of Flender. The objective of the Legal & Compliance Department is to ensure compliance with laws and regulations and support Flender in preventing, detecting, and responding to violation and misconduct. The focus areas of the Compliance Organization include the fight against corruption and money laundering, antitrust law, data protection, export control, the observance of human rights, as well as the handling of criminal misconduct at Flender. The Legal & Compliance Department also supports the decentralized local entities in preventing, detecting, and responding to incidents of violations and misconduct.

Compliance risks and mitigation measures are identified via Compliance Risk Assessments (CRA). The Managing Directors of the respective entities are responsible for carrying out the assessments and ensuring the appropriate implementation of defined mitigation measures with the support of Compliance.

At the local level, we have assigned a Compliance Officer to all legal entities. In addition, each legal entity is assigned a local

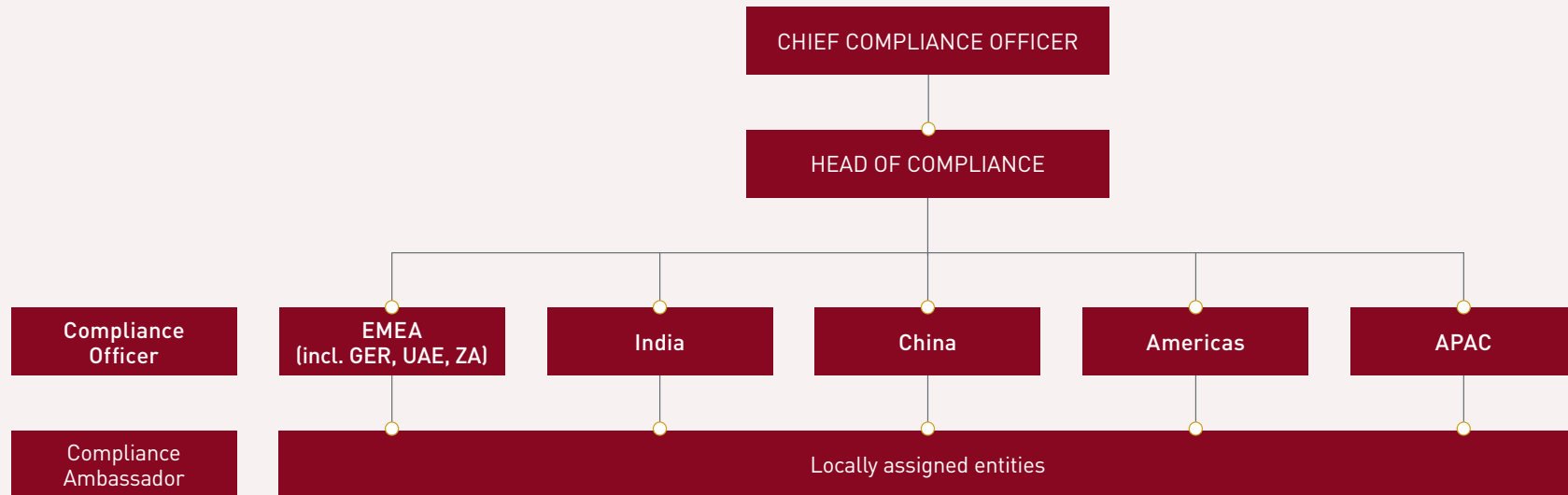
Compliance Ambassador, who is the local contact for all issues concerning compliance. The tasks include:

- (a) support for local management and executives
  - in the realization of the compliance program across Flender companies by implementing the necessary compliance regulations and their continuous improvement and development

- in the introduction and coordination of suitable measures to monitor compliance with the compliance program and to identify undesirable developments at Flender companies at an early stage
- in the necessary measures and coordination of investigations to rectify identified legal violations and misconduct at local level

- (b) preventive awareness-raising and training of employees on the topic of compliance, emphasizing how important this is in the context of CSR.

## COMPLIANCE ORGANIZATION



### EMPLOYEE SUPPORT AND TRAINING

Our ethical values, which are defined in our Business Conduct Guidelines (BCG), constitute the foundation of our business and demonstrate our position as a sustainable business player, respectful employer and a reliable business partner. They give all employees worldwide orientation and practical recommendations for

behavior towards colleagues, business partners, customers, society, and the environment. All Flender employees are trained in the basic content of the BCGs and they agree to comply with them.

Based on the BCGs and various compliance directives and guidelines such as circulars, handbooks, business conduct guideline, our CMS reflects our values, describes

risks involved in our business activities, and provides concrete instructions and advice on proper conduct. These internal rules and guidelines apply worldwide and cover topics such as gifts and invitations, rules against restraint of competition, measures against corruption, compliance with export control laws, criminal misconduct, human rights, and fair treatment of employees and business partners.

We constantly evaluate possible compliance issues and implement and communicate new policies to all employees when needed. In 2023 for instance, we adopted a new whistleblower policy, an antiharassment policy and a human rights policy.





## REQUIREMENTS FOR OUR BUSINESS PARTNERS

Flender also expects its business partners to:

- take their responsibility for CSR issues seriously;
- know and comply with the locally applicable law; and
- operate according to generally recognized standards of social responsibility and the essential principles of integrity.

These commitments are reflected in our Flender Group Code of Conduct for Suppliers and Third-Party Intermediaries, and in our comprehensive approach to dealing with our business partners. All suppliers and business partners are contractually obliged to comply. The code covers requirements on the following topics: compliance, human rights and labor practices, environmental protection, fair operating practices, responsible sourcing of minerals and supply chain requirements. For suppliers, the code specifies additional requirements for an environmental, health and safety management system.

## OUR "TELL US" COMPLIANCE REPORTING SYSTEM

GRI 2-16, 2-26

With our "Tell Us" incident reporting system, we provide our employees and all other stakeholder groups with a special communication

channel to anonymously report complaints for example about human rights violations or corruption. These reports are forwarded directly to our compliance organization and processed as set out in our whistleblowing policy. With "Tell Us", we promote transparency, openness and trust among our employees, business partners and other stakeholders.

The tool was used seven times in 2023 (➔ see the section "Compliance cases in 2023" below).

## RESPECT FOR HUMAN RIGHTS

GRI 2-23, 2-24

UN GC Principles 1, 2, 4, 5, 6

As a global company, Flender is responsible for respecting human rights throughout the value chain. We are committed to respecting them throughout our sphere of influence and ensuring that our business activities do not violate them.

Our commitment to respecting human rights is anchored in our BCGs, which all our employees must sign and comply with. We also require our suppliers and business partners to comply with our Code of Conduct for suppliers and business partners with intermediary functions.

In 2023, we have introduced our human rights policy, which embeds fundamental human rights as part of the corporate policy of all companies of the Flender Group and respective affiliated companies. It outlines commitments, principles, and implemen-

tation measures to ensure that Flender respects and promotes human rights.

Our commitments, policies and guiding principles align with our commitments under the UN Global Compact, the International Bill of Human Rights, the European Convention on Human Rights, and International Labour Organization (ILO) standards. These principles are the premise on which we maintain our zero-tolerance policy towards human rights issues like e.g., child labor, forced labor discrimination, and harassment.

Flender has also been a signatory to the United Nations Global Compact since 2022. We are committed to the ten principles that form the basis for integrity in corporate management and a future-oriented economic system. With this voluntary commitment, Flender wants to contribute to a fair, sustainable and future-oriented economic system and is therefore part of the world's largest initiative for responsible corporate management.



**ANTI-CORRUPTION**

GRI 2-15, 205-1, 205-2  
UN GC Principle 10

A “Compliance Risk Assessment” was carried out for all worldwide Flender entities in order to identify and evaluate potential compliance risks for all Flender entities and operations globally. The fight against corruption was seen as one of the focus areas as Flender conducts business and is represented in countries where a higher risk of corruption is identified by the Corruption Perceptions Index (CPI).

The following aspects, among others, were taken into account: the Transparency International ranking of each of our country markets; the susceptibility to corruption of the respective business entities; and the number of known cases of corruption in the past. All business sites (100%) were checked for corruption risks.

A crucial aspect in our effort to tackle corruption is the avoidance of actual and potential conflicts of interests. The topic is covered in the Flender Compliance Handbook. It details the different types of potential conflicts, requirements to disclose these, the need to involve the compliance organization as soon as possible and initiate mitigating measures.

Flender has a comprehensive set of policies and processes in place to avoid all forms of corruption in its business dealings anywhere in the world and includes

rules for gifts and hospitality as well as sponsoring, donations and memberships. Also, conflicts of interest are covered as challenging situations that might lead to an undue influence on decisions. With regards to engagement with outside parties, we have defined designated rules for business partners.

**ANTI-COMPETITIVE BEHAVIOR**

GRI 206-1

Competitive behavior, taking antitrust law into account, is important to Flender, which is also reflected in the BCGs. Business decisions are made in the best interest of our company and not based on personal interests. Flender never enters into anti-competitive agreements with competitors because we fully support open competition in our relationships with customers, distributors, and suppliers. We do not hire companies in which our employees have a personal interest or where it could benefit them personally.

**COMPLIANCE CASES IN 2023**

GRI 2-16

In the reporting period there were a total of eight allegations of noncompliance, and seven open investigations. By the end of the reporting period, all cases were reviewed, resolved and closed without criminal proceedings.

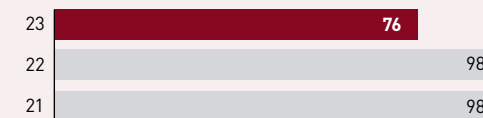
**OPERATIONS ASSESSED FOR RISKS RELATED TO CORRUPTION**

GRI 205-1



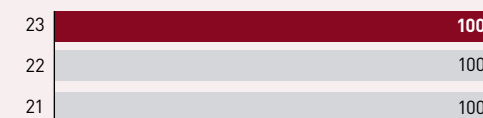
**76**

Operating facilities



**76**

Assessed facilities



**100**

Percentage of audited facilities

## 7.2 TAXES & FINANCIAL ASSISTANCE

GRI 207-1, 207-2 | SDGs 10.4, 17.1

Flender takes its obligation seriously to comply responsibly with tax laws (including the principles of the Organisation for Economic Co-operation and Development, OECD) and tax practice in each country, to declare and pay the statutory amounts of tax, and to maintain open and constructive relationships with the tax authorities. We believe that tax compliance is a core element of social responsibility for society and free markets.

### APPROACH TO TAX RISK MANAGEMENT AND GOVERNANCE ARRANGEMENTS

As the global headquarters, Flender holds ultimate responsibility for the taxation affairs of Flender entities. Responsibility for detailed oversight of taxation is partially delegated to local finance departments. Flender entities approve, own and oversee the development and implementation of our tax strategy and ensure that it is consistent with the Flender BCG. Our tax strategy is reviewed continuously by the global tax team and our external consultants.

On site, entity-level finance departments are responsible for the day-to-day management of Flender's tax affairs, including managing compliance processes and our tax contributions. In fulfilling its tax obligations, Flender is supported by external tax advisors who help us to meet our compliance obligations and identify, manage and, where possible, eliminate tax risks. However, responsibility for managing tax risk remains with the global tax team and its global management team.

### TAX-PLANNING APPROACH

Flender pursues tax-planning measures that are as realistic as possible. We strive to be efficient in our tax affairs and will therefore use all available reliefs such as tax write-offs and incentives, but in the way in which they were intended. This means that all commercial and economic factors related to Flender's reputation, taxpayer responsibility and potential risk to the brand are taken into account.

### AMOUNT OF ACCEPTED TAX RISK

Flender is a global brand that values its reputation and business success in its industry very highly, which is why it is important to us that we have a low tolerance for tax risks worldwide. If local tax risks are identified, these are addressed to the global tax department. The tax department will work with the local finance team and external tax advisors to manage these risks. Flender has robust procedures for managing tax matters.

### FINANCIAL ASSISTANCE

GRI 201-4

In the 2023 reporting year, Flender did not receive material state grants or investment grants, for example for research and development, and did not obtain any loan agreement programs or receive any other financial awards.





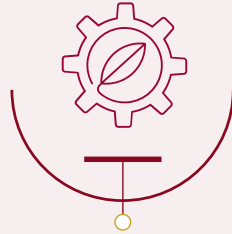
# 7.3 EU TAXONOMY

GRI 207-1, 207-2

## EU TAXONOMY: ENVIRONMENTAL OBJECTIVES



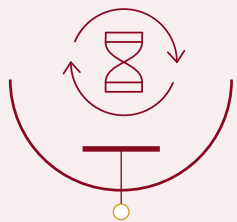
1. Climate change mitigation



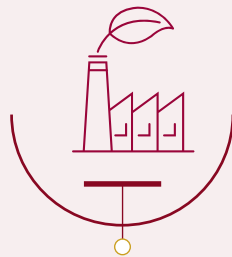
2. Climate change adaptation



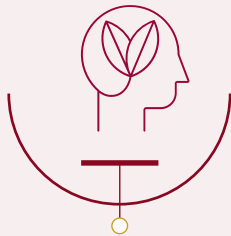
3. The sustainable use and protection of water and marine resources



4. The transition to a circular economy



5. Pollution prevention and control



6. The protection and restoration of biodiversity and ecosystems

With the European Green Deal from 2019, EU member states set themselves the goal of achieving climate neutrality by 2050. To achieve this goal, it is necessary to steer financial flows and investments towards sustainability. This will possibly be done with the help of the EU taxonomy – a set of rules that defines the binding standards for sustainable management.

With the implementation of the Corporate Sustainability Reporting Directive (CSRD), Flender will be obliged to create a sustainability report and align with the EU taxonomy in the mid-term future. The current status of the requirements will not affect us directly until the end of fiscal year 2025. However, we are already now preparing for the requirements of the EU taxonomy, so that we can be ready to report our economic activities for the EU taxonomy regulation along established six environmental objectives in the future (see on the left).

In a first step, we have screened our operations and corresponding revenues, as well as our capital and operational expenditures of our reporting year for taxonomy-eligibility. This term refers to all revenues and expenditures which fall under the scope of the EU taxonomy and contribute to one of the six environmental objectives. In the reporting period, **56%** of our revenues, **55%** of our operational expenditures (consisting of maintenance and renovation expenses), as well as **72%** of our capital expenditures were taxonomy-eligible.

In the coming years we will additionally assess our taxonomy-alignment, for which two additional criteria have to be met. Namely, this concerns activities that also do no significant harm to the other objectives and comply with the minimum social safeguards described in the EU taxonomy regulation.

### FLENDER'S TAXONOMY ELIGIBILITY IN 2023:

**56%**  
of revenue

**55%**  
of OpEx

**72%**  
of CapEx

# 7.4 CUSTOMER PROTECTION AND DATA PROTECTION

GRI 418-1 | SDGs 16.3, 16.10

Data security and the privacy of our customers are of utmost importance. To this end, Flender has a company-wide data protection management system to ensure compliance with applicable data protection law. Internal guidelines, such as the internal data protection guideline, are based on the GDPR and ensure a uniform level of data protection within the entire Flender Group. This ensures that when personal data is processed across all processes, all principles of legality, processing in good faith, purpose limitation, data economy, storage limitation, confidentiality, integrity, availability, inter-venability, transparency and non-chaining are observed by every employee in a legally secure manner.

A tool-based directory of processing activities has been expanded to include important functions, including the documentation of all processing and compliance with legal requirements and internal guidelines.

A global team of local data protection managers supports the management of all Flender companies onsite in implementing the obligations arising from internal guidelines and from applicable data protection laws. The Head of Data Privacy is part of the central Legal & Compliance department, which guides the data privacy managers and supports them in their tasks. Our data breach incident process ensures that

all data protection incidents are registered, processed, and archived in an audit-appropriate manner.

A company-wide awareness and training program is essential to ensure that users are aware of their data protection responsibilities and can apply the relevant rules and regulations correctly. We offer classroom and online training courses as well as web-based training modules and video clips on data protection topics for various target groups. In addition, the data privacy managers support the global workforce with consulting services. There are both mandatory and voluntary training courses.

The robustness of our data protection systems is evidenced by the fact that we have not received any substantiated complaints of breaches of our customers' privacy from external parties or regulators. However, thanks to our established measures and trained personnel, we identified a reportable data privacy issue in an internal IT process in fiscal year 2023. We implemented remedial measures right away, fixed the issue and reported the case to the authorities in line with applicable data privacy laws. The case was closed after three days and there were no consequences for Flender as the remedial actions were swift and effective. Such incident illustrates that Flender has implemented a robust and state-of-the-art

data privacy management system and procedures which ensure that potential data privacy issues are identified and remedial measures are swiftly implemented and by doing so further incidences of the same nature are avoided.

No data leakage, theft or loss of customer data occurred during the reporting period.

## INFORMATION SECURITY

Information security is one of the key Governance, Risk & Compliance functions within Flender.

To counteract the threat of manipulation of data or the unintentional publication of data which could result from a system failure, even leading to possible financial losses or image damage, protective measures are taken on several levels, such as:

- Provision of secure business processes
- Secure IT infrastructure and systems
- Protection of business-relevant information
- Mandatory training courses for all employees (93% participation rate in 2023).

Our information security aims to achieve the following strategic goals:

- Transparency of risks and opportunities
- Prevention and minimization of security incidents
- Minimizing the impact of security incidents on the business
- Guaranteeing und optimizing the business continuity.

Due to the growing complexity of networked systems and applications, security requirements are evolving at the same rate as the resulting threat situation. Therefore, it is of importance that security is viewed holistically and mapped in all company processes, whether digital or analogue. However, networked systems that also communicate with the world outside of Flender and have become indispensable also increase Flender's attack surface.

For this reason, we operate an information security management system oriented on ISO 27001. This means that all business-critical applications and systems are analyzed and documented on a risk basis so that it is always clear which protective measures are appropriate for which systems to ensure the protection goals of confidentiality, integrity and availability.

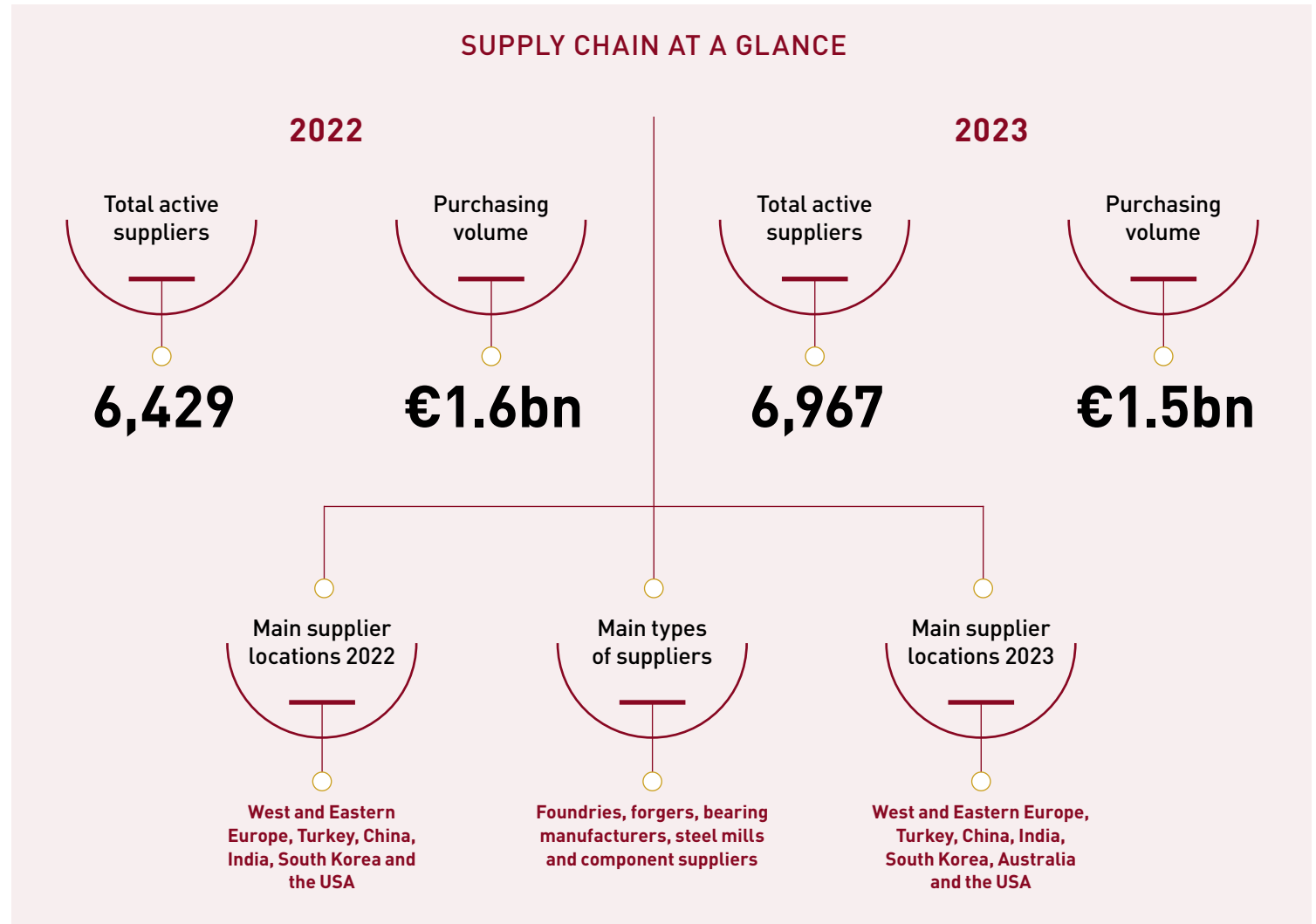
# 7.5 RESPONSIBLE SUPPLY CHAIN

GRI 207-1, 207-2 | SDGs 9.4, 8.7, 8.8

**Our supply chain in view:** More sustainability throughout the value chain – this is what our customers, business partners, investors, legislators and, increasingly, society are demanding. As a business, we are responsible in our supply chain interactions as a matter of course, and we are convinced that we can only be sustainable and a partner for a sustainable future if we consider the entire supply chain.

A responsible and stable supply chain is also the basis for the successful production and delivery of our products. Trustful relationships with our suppliers are a cornerstone of our success.

The upstream value chain is an important aspect of our entire product portfolio. As a large steel consumer and with suppliers all over the world, our potential environmental impacts in the supply chain include high energy consumption and CO<sub>2</sub> production, and a lack of ecological industry standards. There is also a risk of child labor, human rights, and health and safety violations, as materials are sometimes sourced from countries that do not have adequate social standards.





## CASE STUDY

**RISK MINIMIZATION IN THE SUPPLY CHAIN USING OUR RISK MANAGEMENT TOOL**

In our dynamic and volatile environment, changes or disruptions to our supply chain are increasing. These can include natural hazards, blockages in delivery routes, volatile material and energy prices, shortage of skilled workers, sanctions and different working practices. It is fundamentally important for us to get the relevant information from our complex supply chains at the right time and every time. Our 3rd party supply chain risk management provider allows us to monitor our multi-layered supply network and proactively uncover risks and material supply implications in real time. In addition to internal data, up-to-date external data is also used and mapped in a risk scoring system. Thanks to the transparency in our supply network, we can take proactive measures at an early stage if risks arise. We monitor 619 suppliers including ~30 “Tier 2” suppliers and receive information about CSR risks daily.

**INCREASING TRANSPARENCY, REDUCING RISKS IN OUR SUPPLY CHAIN**

GRI 308-1, 308-2, 414-1, 414-2  
UN GC Principles 2, 7, 8, 9, 10

With our supplier management process, we increase transparency and accountability in the supply chain and encourage our suppliers to comply with high environmental and social standards. Through this commitment, we help to establish responsible business practices worldwide and make a valuable contribution to respecting and protecting human rights and protecting the environment. To achieve this, we have defined appropriate measures and goals in our CSR strategy. We have set up a dedicated team in procurement to drive our Scope 3 transparency and mitigation roadmap.

A key component for us is the “Cost and Value Engineering” approach for all materials. This gives us transparency about the costs for each material and, together with the suppliers, we can optimize them in a sustainable way. For example, we work closely with foundries, steel mills, ring mills and forgers to make cost drivers and inefficiencies in the manufacturing process transparent and to support the selection of better aggregates to reduce energy consumption.

**SUPPLIER ENGAGEMENT PROGRAM**

In 2023, we launched our supplier engagement program. As 98% of our emissions stem from processes in our supply chain, we are committed to ensuring sustainable and responsible operations throughout our entire supply value chain. Our goal is to reduce our Scope 3 emissions by 30% by 2030. Three initiatives were started to achieve this:

1. Assure responsible sourcing and compliance of existing and new suppliers
2. Development of CO<sub>2</sub> transparency and reduction program
3. Engage, enable and empower the supply chain management organization to act and decide sustainably.

We have clear expectations of our suppliers for increased transparency. This includes the availability of product carbon footprints (PCF) for all products and services using comparable methodology. For this purpose, we have developed a Flender Guideline that can be used by our suppliers. Another step toward supplier contribution is certification of PCFs by a third party and the Greenhouse Gas Protocol, as well as a commitment on science-based targets according to the same-name initiative (SBTi). Of course, we are working with our suppliers for these improvements. For example, we are organizing supplier webinars and workshops to

share knowledge and coordinate initiatives. We collaborate especially with our main suppliers, who collectively make up 80% of our supply chain emissions, to achieve their commitment to contribute and embark on this sustainability journey with us.

In the reporting year, in order to minimize the environmental impact in the supply chain, we have focused on transparency around: (1) Calculation of CO<sub>2</sub> emissions in the supply chain, (2) verification of suppliers, and (3) our supplier Code of Conduct.

**(1) Calculation of CO<sub>2</sub> emissions in the supply chain**

Our CO<sub>2</sub> reporting tool in Scope 3 is structured by region, supplier and material category (further information is available in the chapter on environmental protection). In the future, we will also have the CO<sub>2</sub> footprint for all materials and can therefore consider sustainability as a criterion in addition to costs when making purchasing decisions.

In 2023, we concluded six key measures with our most impactful suppliers:

1. We established our Supplier Carbon Emission Management Maturity Model, in which we evaluated 148 hotspot suppliers (baseline 2022) according to their carbon emission transparency level and their sustainability engagement level.

2. We initiated our Carbon Emission Transparency Program with suppliers. Here, we shared a “Memorandum of Understanding” after which the main suppliers agreed to provide increased Carbon Emission Transparency. We also provided initial training on carbon accounting and set requirements for their product carbon footprints for the future.
3. We developed and shared a Corporate Carbon Footprint (CCF) calculation guideline and tool to support suppliers in comparable calculation and provision of their CCF.
4. We organized several supplier workshops to engage suppliers on providing carbon emission transparency and initiate a carbon emission reduction.
5. We started a project to digitalize the GHG Scope 3 calculation method to increase the accuracy of Scope 3 data.
6. Lastly, we initiated the Green Gearbox Pilot program to enable and improve PCF calculation.

## (2) Verification of suppliers

At Flender, we are committed to conducting business in a socially responsible manner that supports the UN Sustainable Development Goals (SDGs).

As part of this commitment, we take great care in selecting our suppliers to ensure that they share our values and operate in a socially responsible way.

To achieve this goal, we have a rigorous assessment process in place for new suppliers. This includes two key requirements for onboarding suppliers:

### 1. Code of Conduct (CoC):

All new suppliers of indirect material and services with an expected annual purchasing volume above €5,000, and all suppliers for direct material, are required to sign a Code of Conduct that commits them to operating their businesses in a responsible and sustainable way, in line with UN Sustainable Development Goals. **See section (3)** “An important tool: our Code of Conduct for suppliers” for more information.

### 2. Corporate Responsibility Self Assessment (CRSA):

In addition to signing our Code of Conduct, suppliers that have an anticipated business volume in excess of €50,000 and are supplying us from a non-OECD country or a country listed by Transparency International with a compliance country rating below 50, need to complete a Corporate Responsibility Self Assessment.

The CRSA has several chapters that need to be completed. These cover a range of topics that are critical to our commitment to sustainability and social responsibility:

#### A. Legal Compliance and Fair Operating Practices:

This chapter gauges the supplier’s commitment to legal compliance and fair operating practices, including its adherence to laws and regulations related to labor, health & safety, and the environment.

#### B. Human Rights and Labor Practices:

This chapter assesses the supplier’s practices related to human rights and labor practices, including its approach to preventing forced labor, child labor, and discrimination, as well as its efforts to ensure fair wages and working conditions.

#### C. Health and Safety of Employees:

This chapter examines the supplier’s policies and practices related to the health and safety of its employees, including its approach to preventing accidents and ensuring a safe working environment.

#### D. Environmental Management:

This chapter evaluates the supplier’s environmental management practices, including its efforts to minimize its environmental impact and promote sustainable practices.

By asking suppliers to complete the Corporate Responsibility Self Assessment, we can gain a comprehensive understanding of its practices related to sustainability and social responsibility.

**IN FISCAL YEAR 2023,  
41 NEW SUPPLIERS WERE  
REQUIRED TO COMPLETE  
THE CRSA.**

GRI 414-1

**148**

In the reporting year, we identified 148 suppliers with a considerable negative environmental impact.

**3**

Following our Scope 3 CO<sub>2</sub> emissions report, covering all global suppliers, we cluster suppliers in three different categories: exceeding 10,000, 5,000 or 1,000 tons of CO<sub>2</sub> emissions per year for the business with Flender.

**176**

Flender Procurement has initiated a Supplier Emissions Transparency Program initially focusing on 176 suppliers, which cover 80% of Flender’s Scope 3 carbon footprint, to obtain primary emission data from them.

**ESG assessments: together towards greater sustainability**

GRI 408-1, 409-1

We also regularly assess the CSR Conformance of our suppliers and work together to improve our sustainability performance. Suppliers with a CSR Risk (e.g. country or commodity risk) are in scope of these assessments. We use the following procedures to check the CSR Conformance of our existing suppliers:

1. Re-assessment of the suppliers with a risk through a CRSA every 3 years
2. Extended Code of Conduct Questionnaire as part of our standard VDA 6.3 Audit covering ESG risks
3. External Sustainability Assessments conducted by a 3rd party (ESA)
4. We will ask our suppliers to provide us with the rating results of accepted CSR rating agencies (e.g. EcoVadis).

Our goal is to have a CSR Conformance Rate (CCR) of 50% by 2025. This KPI describes the ratio of suppliers with positive audit or rating results to the total number of suppliers to be audited or rated. In 2023, the CCR was 35%. Our long-term goal is to have 100% of the targeted suppliers ESG audited or rated by 2030.

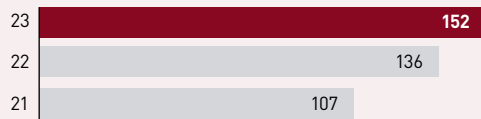
In 2023, we audited 152 suppliers according to VDA 6.3. 150 suppliers were also assessed during VDA 6.3 audit for EHS and Code of

Conduct compliance. In addition, an External Sustainability Assessment (ESA) was carried out for three suppliers by a 3rd Party.

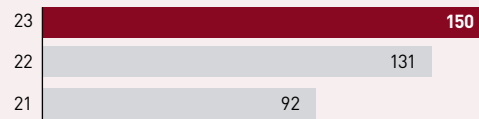
Important note: All suppliers delivering material used in our products (“direct material”) must pass the VDA 6.3 audit before they are allowed to supply. In fiscal year 2023, we did not identify any suppliers with a significant risk of child, forced or compulsory labor and did not have to ban suppliers due to environmental pollution.

**NUMBER OF SUPPLIERS ASSESSED FOR ENVIRONMENTAL IMPACTS**

GRI 308-2, 308-1



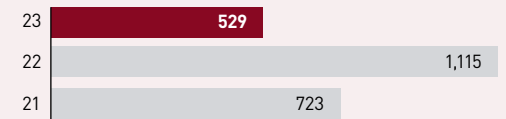
**152**  
Suppliers audited according TO VDA 6.3



**150**  
Suppliers assessed during VDA 6.3 audit for EHS and Code of Conduct compliance



**3**  
Suppliers assessed for sustainability by third party (External Sustainability Assessment – ESA)



**529**  
Suppliers assessed for sustainability by third party (External Sustainability Assessment – ESA)

Note: All new suppliers are included in these figures and were screened using environmental criteria.



## ENVIRONMENTAL IMPACTS IDENTIFIED IN THE SUPPLY CHAIN

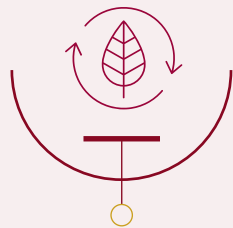
GRI 308-2



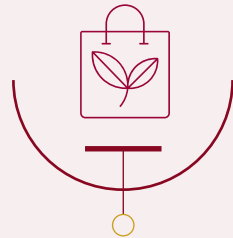
**4** major categories of environmental impact identified

**11** actions taken

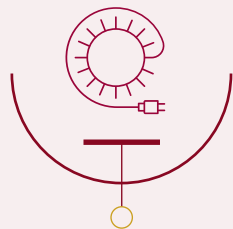
### THE MAJOR CATEGORIES OF ENVIRONMENTAL IMPACT INCLUDE:



CO<sub>2</sub> emissions in supply chain



Packaging



Manufacturing process and energy consumption



Weight reduction of parts

For each of these categories, we are working together closely with our partners in the supply chain in order

to find solutions to improve and reduce our negative environmental impact.

## BUSINESS LOCATIONS AND SUPPLIERS WITH A SIGNIFICANT RISK OF INCIDENTS OF FORCED OR COMPULSORY LABOR

GRI 409-1

CATEGORY	RISK SCORE <sup>1</sup> FY2022	RISK SCORE FY2023
Russia	63	61
India	55	53
Romania	51	52
Italy	45	47
Turkey	49	45
Lithuania	48	45
China	44	41
Norway	34	33
Slovakia	44	42
Poland	40	41
Slovenia	39	41
Austria	33	36
Spain	42	45
France	42	44
Germany	31	37
USA	44	39
Belgium	37	33
New Zealand	35	35
UK	42	41
Czech Republic	37	39
Netherlands	29	29
Switzerland	29	27
Denmark	29	26

<sup>1</sup> Risk score provided by our 3rd party supply chain risk management provider

### (3) An important tool: our Code of Conduct for suppliers

We attach particular importance to requiring our suppliers to comply with environmental and social standards through our supplier Code of Conduct, and to invest time in moving beyond compliance. The code is based on the Flender Code of Conduct and the principles of the UN Global Compact.

The Code of Conduct must be signed by all new suppliers of:

- direct materials
- or non-product-specific material and services if its annual business volume with Flender exceeds €5,000.

These suppliers have all been screened against basic environmental criteria such as the implementation of environmental management systems, training and compliance with environmental regulations. Existing supplier relationships are reviewed at least every three years.

In 2023, 579 new suppliers signed compliance to our supplier Code of Conduct. Overall, we have exceeded our target of 75% of our most important suppliers signing the Code of Conduct by 2023 and achieved a signing rate of 99%. We aim to achieve a 100% signing rate by 2025.

#### CONTENTS OF THE CODE OF CONDUCT FOR SUPPLIERS:

- Human rights and labor practices:
  - Prohibition of forced labor
  - Prohibition of child labor
  - Non-discrimination and respect for employees
  - Working hours, wages and benefits for employees
  - Health and safety of employees
  - Grievance mechanism
- Environmental protection
- Fair operating practices:
  - Anti-corruption and bribery
  - Fair competition, anti-trust laws and intellectual property rights
  - Conflicts of interest
  - Anti-money laundering, Terrorism financing
  - Data privacy
  - Export control and customs
- Responsible minerals sourcing
- Compliance with the Code of Conduct in the downstream supply chain

In addition to transparency, diversification of the supply chain is important to us in order to minimize risks. Our approach is to position ourselves more broadly in the supply chain – in terms of suppliers and countries. Among other things, we were able to significantly increase the degree of localization in procurement in China to over 96% (2022: 95%); in India, where we are expanding our manufacturing capacities, we are also developing a local supply base. By 2025 we want to achieve a degree of localization in India similar to the level achieved in China and have already realized almost 70%. In addition, we have reduced the single source situation in many areas of drive technology and hydraulic components, therefore ensuring a broader supply base in these areas. Furthermore, we have optimized the dependencies of direct and sub-suppliers in certain regions (Russia, Ukraine, China, Turkey, India) and identified and qualified new suppliers to reduce the risk in the supply chain logistically and geopolitically.

We also need raw materials for the manufacture of our products or tools, which might include tin, tantalum, tungsten and gold as well as cobalt or mica and nickel or copper or so-called potentially conflict-affected minerals. Therefore, we are committed to ask our suppliers to exclude potentially conflict-affected materials from

our supply chain. We are a member of the Responsible Minerals Initiative (RMI) and use the RMI form to assess potential risks related to conflict minerals in our supply chain. We have implemented our own supply chain due diligence process to ensure transparency on the origin of the minerals. For copper specifically, we make sure we procure only from organizations registered in the London Metal Exchange (LME) that have implemented the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High Risk Areas, and who are certified according to ISO 14001 for environmental management and ISO 45001 for health and safety management (or equivalent certificates).

To exchange data and documents on CSR-related topics in an efficient way, we have implemented an extended feature type in our Supplier Management Software Solution. The new features for document exchange and document approvals help us to keep track of the return of requested supplier documents (e.g. Conflict Minerals Reporting Template) and simplify the validation process.





# TCFD DISCLOSURE 2023





## 8 TCFD DISCLOSURE 2023

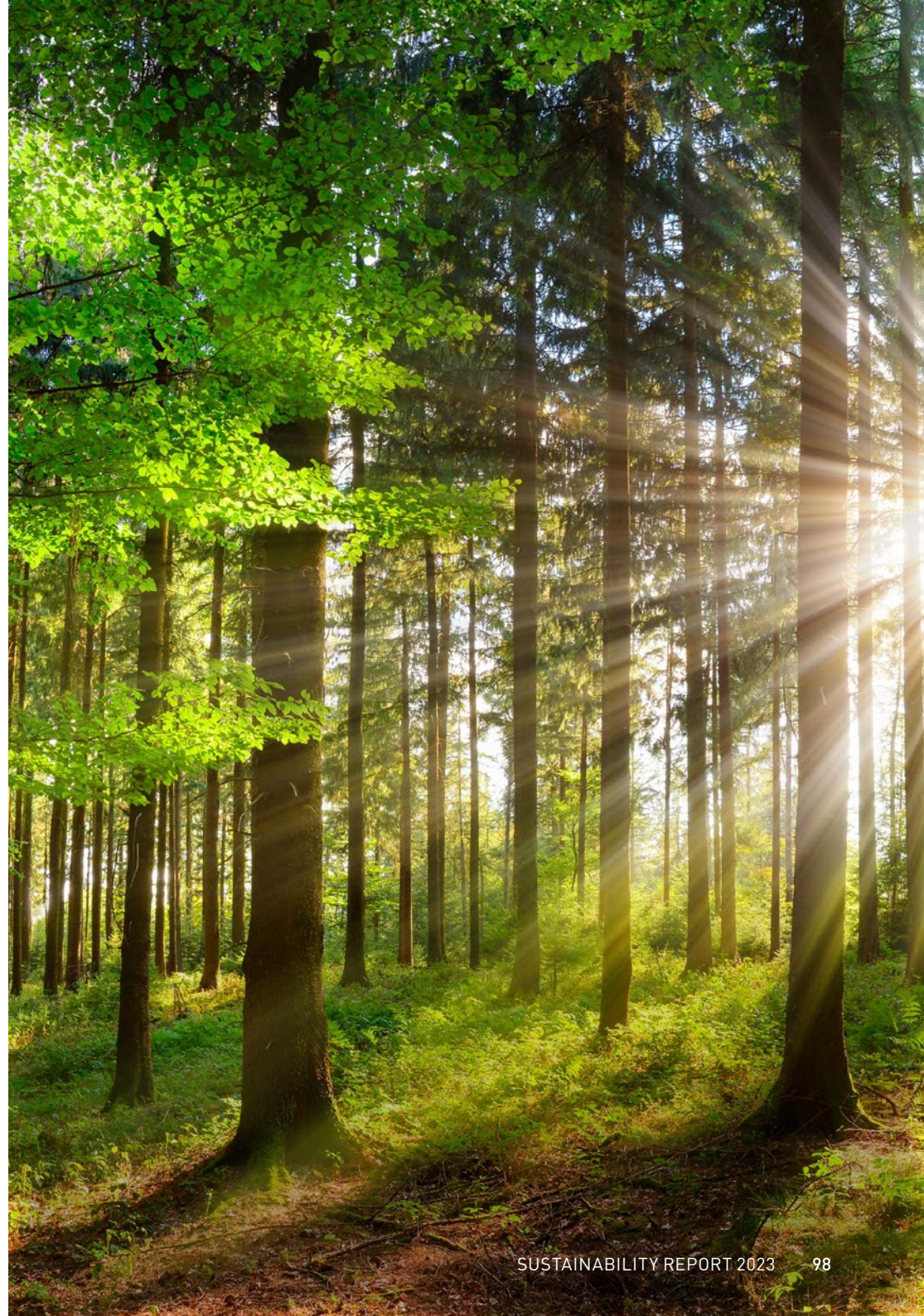
GRI 201-2 | SDG 13.1

The increased frequency and severity of extreme weather events in the past year around the globe have clearly demonstrated that climate change is a growing risk to businesses worldwide, including Flender. Therefore, we put an increasingly strong focus on climate-related risks and opportunities in our strategic planning by identifying actual and potential impacts on our business, strategy, and financial planning.

Flender has begun identifying the opportunities and risks associated with climate change within our business for the first time in 2022 voluntarily, adopting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We are reporting our progress as per the requirements of the TCFD framework including information on governance, strategy, risk management, and metrics and targets. During this reporting period, we have made progress in all four dimensions of the TCFD framework.

### GOVERNANCE

The Corporate Social Responsibility Board ("CSR Board") **(7 please refer to chapter 3.3)** is the main governance body for all CSR and climate-related topics. Along with the company's top management, the CSR Board is responsible for climate-related risks and opportunities and management of the same. The CEO is responsible for all strategic sustainability areas and is supported by the CSR department, which in turn has a direct line of communication with the functional and local managers. Wherever Flender locations face climate-related risks, respective mitigation measures are implemented within a timeline and are incorporated within budget. These measures are subsequently followed up by Flender Real Estate.







## STRATEGY

In line with the TCFD recommendations, we focus on two groups of risks:

1. Transition risks related to transition to a lower-carbon economy. These include policy and legal, technology, market and reputation risks.
2. Physical risks resulting from direct acute damage or longer-term shifts in climate patterns.

From these two groups of risks, physical risks have the greatest potential impact on our business. According to the transition to a lower-carbon economy, consumer direction of travel, as well as politics / regulations, we see a certain risk in some of our customer areas. However, we estimate this as not material considering our broad product and service portfolio across several industries. An analysis carried out together with one of our insurance partners (see following section on Risk Management) revealed that Flender was rated with an overall natural catastrophe score considered moderate to high. This indicates an elevated risk for Flender on average, taking into account all

regions and locations. At the same time, it shows that Flender's diversified global presence with production facilities across all continents has a positive effect on the organization's resilience to regionally contained, climate-related risks.

With respect to opportunities, we follow the TCFD recommendations and include opportunities arising from resource efficiency, alternative energy sources, innovative products, and services as well as market-developments in our analysis. Savings from rising energy efficiency in our production facilities and self-produced renewable energy will have a positive impact on Flender's cost structure in the future. We are convinced that the biggest short- to medium-term opportunities derive from the global rising demand for a carbon-neutral energy infrastructure.

## RISK MANAGEMENT

Analyzing climate-related risks is becoming an increasingly important part of our annual risk assessment and risk management system. As part of this, we have performed a "Global Peril Diagnostic" with one of our insurance partners in 2022. This covered a

wide range of climate-related physical risks across Flender's locations and included extreme weather events (such as various types of floods, storms, and wildfires). Out of this analysis, an overall natural catastrophe score was calculated, indicating how Flender's global risk exposure compares to thousands of other organizations globally. In order to meet SBTi and TCFD requirements, we are in the process of identifying a new tool to evaluate climate-related risks and track developments in our risk exposure. In addition, we will continue to refine the methodology of our climate risk scenario analyses. We are further aiming to continually standardize our risk management processes across different functions and locations for further transparency around risks and corresponding control processes. We have also started to carry out a regular analysis of decarbonization potential across its different production sites as well as along the value chain as part of our commitment to the SBTi (see above).

## METRICS AND TARGETS

Setting targets and tracking developments is at the center of our approach towards managing climate-related risks and opportuni-

ties. We have therefore continuously been working on developing KPIs that monitor the development of our own carbon emissions (direct and indirect), track our performance in reaching our CO<sub>2</sub>-reduction targets and measure our exposure to climate-related risks. We are gathering, consolidating, and analyzing sustainability data from all of our production and service locations worldwide in a more structured and scalable manner, which is being used for a reporting for our management board. In the upcoming years, we will voluntarily continue to further align with the recommendations of the TCFD framework and continuously extend our set of KPIs. Specifically, we plan to integrate further KPIs that measure our exposure to climate-related risks and their potential impact on our business.

## CLIMATE-RELATED TARGETS 2023

For our climate-related targets and indicators and the current status, please [see the corresponding chapter 4 – Environmental Sustainability](#).



9

OUTLOOK





# 9 OUTLOOK

In the last year it was our goal to accelerate Flender’s CSR journey and ensure that the company is best in class. Looking back, we are pleased that CSR is now an integral

part of Flender’s corporate strategy and culture, and that we have developed a holistic CSR strategy with ambitious goals covering all areas of environmental sustainability,

social affairs and governance. We have already started to implement initiatives to achieve these goals, but our work will not end here. In the following graphic you will

find our focus tasks for each pillar for the coming year:

## Environmental Sustainability

- Roll-out of the new coordinated global water and waste prevention program, and implementation of the first measures
- Roll-out of the energy management system at our largest international production sites, analogous to the ISO 50001 certified system at the German sites
- Systemized primary data collection from suppliers including product carbon footprint data
- Prioritization of the use of green steel
- Establishment of joint CO<sub>2</sub> reduction measures with hotspot suppliers
- Implementation of a tool for climate risks in line with SBTi and TCFD requirements



## Employer of Choice

- Development of the Global Community Engagement Policy
- Further development and communication of the DEIB program
- Development of an employer branding



## Governance & Compliance

- Participation in Business and Human Rights Accelerator – UN Global Compact
- Implementation of targeted measures to further strengthen the compliance culture based on the results of the compliance survey 2023
- Next wave of onsite training for high-, low- and medium-risk countries
- Roll-out of a compliance awareness campaign for blue-collar workers
- Improving digital exchange of CSR data with suppliers to comply with sustainability management requirements
- Develop reporting readiness to comply with the Corporate Sustainability Reporting Directive (CSRD) requirements



## Health & Safety

- Implementation of a new Flender Performance Assessment, as the current concept will be replaced by “Lean goes agile” to target development potential more effectively
- Continued global communication to strengthen the stakeholder network and exchanges, aiming to prevent repetitive accidents and maintain high safety
- The tender for a new certifier for our management systems (9001, 14, 45, 50) is currently underway to achieve our goal of “ONE GLOBAL ISO Certifier”



# 10 ABOUT THE REPORT



# 10 ABOUT THE REPORT

GRI 2-5

## REPORT PROFILE

For Flender, sustainability and the contribution to the energy transition have long been important and closely linked. Together with and for our stakeholders, we want to make an impact with our business and create long-term value. We are aware of our corporate responsibility and contribute to overcoming current and future challenges – such as climate change, the energy crisis, changes in global supply chains, health, poverty, education and diversity. Our goal is to make a significant contribution to the energy transition and to set standards.

This Sustainability Report 2023 is our third, independent and voluntary such report. It was prepared with reference to the Global Reporting Initiative (GRI) Standards 2021, the October 2018 Industrial Machinery and Goods Standard and the October 2018 Wind Technology and Project Developers Standard as developed by the Sustainability Accounting Standards Board (SASB) to ensure transparency and comparability.

In this report we provide information about our CSR strategy and goals in the various areas as well as our previous initiatives, progress and planned activities. No external audit of the 2023 Sustainability Report was carried out.

## REPORTING FRAMEWORK

GRI 2-1, 2-2, 2-3, 2-4

The reporting period for this report is October 2022 to September 2023, and this corresponds to the reporting period of the financial report. It refers to our entire company Flender International GmbH (Flender) with our headquarters in Bocholt. Since the spin-off from Siemens AG in October 2020, we have been working as an independent limited liability company since March 2021 and are subject to German law and primarily to the law on limited liability companies (GmbHG). The shares of Flender Group GmbH are held 100% by CEP V Investment 9 S.à r.l. held indirectly by fund companies that are advised by the Carlyle Group.

Flender has also integrated the former wind turbine business of Siemens AG. The historical data presented can therefore relate to different periods and reporting entities. This will be disclosed where possible. Furthermore, Flender took over Moventas Holdings Oy based in Finland in 2022 and is reporting sustainability-related data with Moventas in-scope for the first time in the present report unless otherwise specified in the respective section.

Some of the previously reported information has been corrected and restated in the present report due to improved data availability.

The Sustainability Report 2023 is published in English. The publication date is April 30, 2024.

If you have any comments or questions about this report, please contact our CSR team at: [csr@flender.com](mailto:csr@flender.com)

## ESG CONSULTING AND DESIGN

Silvester Group, Hamburg  
[www.silvestergroup.com](http://www.silvestergroup.com)

## PHOTO CREDITS

Flender International GmbH  
Adobe Stock  
Swiss Steel Group



# 11 GRI INDEX



## 11 GRI Index

GRI STANDARD	DISCLOSURE	CHAPTER	PAGE NUMBER	COMMENT
2-1	Organizational details	2.1, 2.4, 10	8, 11, 103	
2-2	Entities included in the organization's sustainability reporting	2.4, 10	12, 103	
2-3	Reporting period, frequency and contact point	10	103	
2-4	Restatements of information	10	103	
2-5	External assurance	10	103	
2-6	Activities, value chain and other business relationships	2.1, 2.4	8, 11	
2-7	Employees	5, 5.1, 5.2	57, 58, 65	
2-8	Workers who are not employees	5.1	58	
2-9	Governance structure and composition	2.1, 3.3	8, 22	The highest governance body of Flender International GmbH (subject and scope of this sustainability report) with regard to sustainability-related impacts and reporting is its management board, specifically the CSR Board. For more information, see also <a href="https://www.flender.com/de/company/management">https://www.flender.com/de/company/management</a> .
2-10	Nomination and selection of the highest governance body			The owner appoints the management board, pending approval of the supervisory board of Flender GmbH has to approve.
2-11	Chair of the highest governance body			The CEO is the head of the management board and of the CSR Board.
2-12	Role of the highest governance body in overseeing the management of impacts	3.3, 3.4	22, 23	
2-13	Delegation of responsibility for managing impacts	3.3	22	
2-14	Role of the highest governance body in sustainability reporting			The voluntary sustainability reporting is currently overseen and coordinated by the Head of CSR. Before publishing, the Chairman of the CSR Board approves the report.
2-15	Conflicts of interest	7.1	83, 87	
2-16	Communication of critical concerns	7.1	86, 87	
2-22	Statement on sustainable development strategy	1.1	4	
2-23	Policy commitments	7.1	82, 86	
2-24	Embedding policy commitments	7.1	82, 86	
2-25	Processes to remediate negative impacts	7.1	82	

## 11 GRI Index

GRI STANDARD	DISCLOSURE	CHAPTER	PAGE NUMBER	COMMENT
2-26	Mechanisms for seeking advice and raising concerns	7.1	86	
2-27	Compliance with laws and regulations	4, 7.1	30, 82	
2-28	Membership associations	2.4	14	
2-29	Approach to stakeholder engagement	3.4	23	
2-30	Collective bargaining agreements	5.1	60, 61	
3-1	Process to determine material topics	3.4, 3.5	23, 27	
3-2	List of material topics	5.3	27	
3-3	Management of material topics	3.2, 4, 5, 6, 7	20, 30, 50, 74, 79	
201-1	Direct economic value generated and distributed	5.4	71	Only regarding community investments; further information can be found in the annual report upon request.
201-2	Financial implications and other risks and opportunities due to climate change	8	98	
201-3	Defined benefit plan obligations and other retirement plans			Information can be found in the annual report upon request.
201-4	Financial assistance received from government	7.2	88	
205-1	Operations assessed for risks related to corruption	7.1	87	
205-2	Communication and training about anti-corruption policies and procedures	7.1	87	
205-3	Confirmed incidents of corruption and actions taken	7.1	82	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	7.1	87	
207-1	Approach to tax	7.2, 7.3, 7.5	88, 89, 91	
207-2	Tax governance, control, and risk management	7.2, 7.3, 7.5	88, 89, 91	
301-1	Materials used by weight or volume	4.2	39	
301-2	Recycled input materials used	4.2	39	
301-3	Reclaimed products and their packaging materials	4.2	37	
302-1	Energy consumption within the organization	4.3	42, 43	
302-3	Energy intensity	4.3	42, 43	
302-4	Reduction of energy consumption	4.3	42	
303-1	Interactions with water as a shared resource	4.5	52	
303-2	Management of water discharge-related impacts	4.5	51, 52	



## 11 GRI Index

GRI STANDARD	DISCLOSURE	CHAPTER	PAGE NUMBER	COMMENT
303-3	Water withdrawal	4.5	52, 53	
303-4	Water discharge	4.5	52	
303-5	Water consumption	4.5	52, 53	
305-1	Direct (Scope 1) GHG emissions	4.4	46, 47	
305-2	Energy indirect (Scope 2) GHG emissions	4.4	46, 47	
305-3	Other indirect (Scope 3) GHG emissions	4.4	46, 47	
305-4	GHG emissions intensity	4.4	46, 48	
305-5	Reduction of GHG emissions	4.4	46	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	4.4	48	
306-1	Waste generation and significant waste-related impacts	4.5	52	
306-2	Management of significant waste-related impacts	4.5	51	
306-3	Waste generated	4.5	51	
306-4	Waste diverted from disposal	4.5	51	
306-5	Waste directed to disposal	4.5	51	
308-1	New suppliers that were screened using environmental criteria	7.5	92, 94	
308-2	Negative environmental impacts in the supply chain and actions taken	4.4, 7.5	50, 92, 94, 95	
401-1	New employee hires and employee turnover	5.1, 5.2	58, 59, 66	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.1	60, 61	
401-3	Parental leave	5.1	61	
403-1	Occupational health and safety management system	6	77	
403-2	Hazard identification, risk assessment, and incident investigation	6	76, 77	
403-4	Worker participation, consultation, and communication on occupational health and safety	6	76	
403-5	Worker training on occupational health and safety	6	76	
403-8	Workers covered by an occupational health and safety management system	6	76	

## 11 GRI Index

GRI STANDARD	DISCLOSURE	CHAPTER	PAGE NUMBER	COMMENT
403-9	Work-related injuries	6	76, 77	
403-10	Work-related ill health	6	77	
404-1	Average hours of training per year per employee	5.1	60	
404-2	Programs for upgrading employee skills and transition assistance programs	5.1, 5.3	60, 68	
404-3	Percentage of employees receiving regular performance and career development reviews	5.1	60	
405-1	Diversity of governance bodies and employees	5.2	65, 66	
405-2	Ratio of basic salary and remuneration of women to men	5.1	61	Work in progress – KPI will be reported in the future.
406-1	Incidents of discrimination and corrective actions taken	5.2	62	
408-1	Operations and suppliers at significant risk for incidents of child labor	7.5	94	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	7.5	94, 95	
414-1	New suppliers that were screened using social criteria	7.5	92, 93	
414-2	Negative social impacts in the supply chain and actions taken	7.5	92	
416-1	Assessment of the health and safety impacts of product and service categories	4.1	34	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	4.1	34	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	7.4	90	

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