

# **Sustainability Report**

## **of Maschinenfabrik Berthold Hermle AG and the Group 2022**

**(summarised non-financial statement pursuant to Sections 289b and 315b of the German Commercial Code (HGB))**

This Sustainability Report presents the summarised non-financial statement pursuant to Sections 289b and 315b of the German Commercial Code (HGB) of the Hermle Group and Maschinenfabrik Berthold Hermle AG. It supplements the Group Management Report and Management Report of Maschinenfabrik Berthold Hermle AG 2022, which is part of the Annual Report and can be accessed at [www.hermle.de](http://www.hermle.de).

The non-financial statement provides information on essential factors in the five areas concerning environmental, employee, social, human rights and anti-corruption issues. It describes for each area the concept pursued, the corresponding measures and results as well as the possible risks involved.

### **Essential sustainability criteria**

The essential aspects for reporting on sustainability (Corporate Social Responsibility, CSR) at Hermle are determined primarily by their importance for ensuring customer satisfaction and the long-term and sustainable success of the company. The main focus is on the direct impact of our activities on business partners, employees and the immediate business environment, as well as ensuring efficient and sustainable business operations. As such, we pursue our own concept for reporting on CSR that is suitable for small and medium-sized enterprises. We do not follow a framework of external factors, as its implementation in companies of our size would demand unreasonably high and economically unjustifiable effort. In preparation for the reporting requirements, which will be more heavily regulated in the future, we started an initial workshop in 2022 to review our sustainability strategy together with an external service provider with the aim of adapting it where necessary and deriving suitable measures. This cooperation will continue in 2023.

### **EU taxonomy**

The EU Taxonomy Regulation 2020/852 Article 8 adopted by the European Commission is only of limited relevance to Hermle. So far, the machine tool manufacturing sector has not been directly included in the EU Commission's list of environmentally sustainable economic activities. The machine tool manufacturing sector provides products that are often at the beginning of the value chain in an array of industries and contribute significantly to making production processes more efficient as well as generally preparing for the new challenges of sustainability. As such, our company could be classified as a so-called "enabler", since we enable our customers to contribute to the achievement of EU environmental targets through the use of our machines. Due to our extensive customer base from a wide range of technological sectors (see chapter Business model), we are unable to assess the extent to which our customers are taking advantage of this opportunity. The direct share of Hermle's



Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities — disclosure covering year 2022

Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria							DNSH criteria ("Does not significantly harm")					Mindestschutz (17)	Taxonomy-aligned proportion of CapEx, year N (18)	Taxonomy-aligned proportion of CapEx, year N-1 (19)	Kategorie (ermöglichte Tätigkeiten) (20)	Kategorie ("Übergangstätigkeiten") (21)
				Klimaschutz (5)	Anpassung an den Klimawandel (6)	Wasser- und Meeresressourcen (7)	Kreislaufwirtschaft (8)	Umweltverschmutzung (9)	Biologische Vielfalt und Ökosysteme (10)	Klimaschutz (11)	Anpassung an den Klimawandel (12)	Wasser- und Meeresressourcen (13)	Kreislaufwirtschaft (14)	Umweltverschmutzung (15)	Biologische Vielfalt und Ökosysteme (16)					
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>		lm	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
<b>A.1. Environmentally sustainable activities</b>																				
Installation of energy-efficient devices	7.3	0,0	0,0%														0,0%	0,6%		
<b>CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>0,0</b>	<b>0,0%</b>														<b>0,0%</b>	<b>0,6%</b>		
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)</b>																				
Renovation of existing buildings	7.2	0,1	1,0%																	
<b>CapEx of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)</b>		<b>0,1</b>	<b>1,0%</b>														<b>1,0%</b>	<b>7,9%</b>		
<b>Total (A.1 + A.2)</b>		<b>0,1</b>	<b>1,0%</b>														<b>1,0%</b>	<b>8,5%</b>		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																				
CapEx of non-taxonomy-eligible activities (B)		10,3	99,0%																	
<b>Total (A + B)</b>		<b>10,4</b>																		

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities — disclosure covering year 2022

Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial contribution criteria							DNSH criteria ("Does not significantly harm")					Mindestschutz (17)	Taxonomy-aligned proportion of OpEx, year N (18)	Taxonomy-aligned proportion of OpEx, year N-1 (19)	Kategorie (ermöglichte Tätigkeiten) (20)	Kategorie ("Übergangstätigkeiten") (21)
				Klimaschutz (5)	Anpassung an den Klimawandel (6)	Wasser- und Meeresressourcen (7)	Kreislaufwirtschaft (8)	Umweltverschmutzung (9)	Biologische Vielfalt und Ökosysteme (10)	Klimaschutz (11)	Anpassung an den Klimawandel (12)	Wasser- und Meeresressourcen (13)	Kreislaufwirtschaft (14)	Umweltverschmutzung (15)	Biologische Vielfalt und Ökosysteme (16)					
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>		lm	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
<b>A.1. Environmentally sustainable activities</b>																				
Renovation of existing buildings	7.2	0,1	0,6%	100						J	J	J	J	J	J	J				
<b>OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>0,1</b>	<b>0,6%</b>														<b>0,6%</b>	<b>0,0%</b>		
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)</b>																				
Renovation of existing buildings	7.2	0,1	1,5%																	
<b>OpEx of Taxonomy-eligible but non-environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>0,1</b>	<b>1,5%</b>														<b>1,5%</b>	<b>0,8%</b>		
<b>Total (A.1 + A.2)</b>		<b>0,1</b>	<b>1,5%</b>														<b>1,5%</b>	<b>0,8%</b>		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																				
OpEx of non-taxonomy-eligible activities (B)		9,8	98,5%																	
<b>Total (A + B)</b>		<b>9,9</b>																		

## **Management and Compliance System and involvement of the Management Board**

The Management Board of Hermle AG continuously addresses the key sustainability issues related to the operational business, for example during regular Management Board meetings. Our Management and Compliance System for sustainability includes the annual review by the Management Board of the various aspects included in the reporting on CSR. If key figures are set for specific targets, they can be adjusted annually if this is appropriate for the company. Further, it is monitored whether the level achieved in one aspect (performance level) is at least maintained - according to the specific area, annually, monthly or by means of random checks. If targets are not met, we identify the causes and try to remove the obstacles that prevent their achievement. For measures that are integrated into our Internal Control System (ICS), random checks are generally carried out once a year and staff refresher courses take place every two to three years. In our view, this type of Management and Compliance System is currently sufficient from a cost/benefit standpoint.

## **Business model**

Maschinenfabrik Berthold Hermle AG is one of the world's leading suppliers of high-quality milling machines and machining centres as well as complete automation solutions from a single source. Our 5-axis machining centres and high quality standards set benchmarks in the industry. Hermle's customer base includes domestic and foreign companies from high-tech industries such as tool and mould making, medical technology, the electronics and chip industries, packaging technology, the optical industry, aerospace, energy technology and the automotive industry, as well as their supplier industries.

The Hermle Group is made up of the parent company Maschinenfabrik Berthold Hermle AG and various domestic and foreign subsidiaries, support centres and representative offices. The corporate structure changed slightly in the reporting period. A subsidiary was founded in China in 2022. The two Russian subsidiaries Hermle Vostok and Hermle Ulyanovsk were deconsolidated against the backdrop of the Ukraine war.

## **Environmental issues**

### *Concept:*

As an internationally active manufacturer of machine tools, we provide society and our customers with safe products that are not harmful to their health and ensure the efficient use of resources. Both in terms of our machines and our production processes, we traditionally pay attention to high energy efficiency and resource conservation. Our customers benefit from this approach just as much as we do.

### *Specific measures and results:*

At Hermle, the **products and the manufacturing processes** as well as the installed components are generally CE-compliant, low in emissions and risks and environmentally compatible. By using materials which are as recyclable as possible, by safely storing, handling and properly disposing of hazardous materials in accordance with

the relevant regulations, and by manufacturing highly durable and retrofittable products, we help to conserve resources.

Hermle machines are equipped with extremely powerful and efficient drives, heat and power recovery systems, LED lighting and consumption-reducing warm-up and standby functions. Energy-saving features also include the lightest possible construction in the area of moving masses and the optional equipment with systems for measuring and tracking energy consumption. To ensure efficient machine use, we also offer our customers training courses for maintenance personnel. This allows them to maintain their machines themselves while avoiding travel. Basically, the high degree of automation of our systems results in optimised capacity utilisation and therefore a high level of efficiency for our customers. In addition, we permanently monitor our products after delivery to customers with regard to potential hazards which could arise from their operation.

To reduce **CO<sub>2</sub>emissions**, we work predominantly with local suppliers, manufacture in just one region and rely, as far as possible, on CO<sub>2</sub> neutral transport logistics companies for shipping our products. Our second production site in Zimmern ob Rottweil, where we manufacture mineral casting beds and components and also sheet metal parts, is located in the district neighbouring our headquarters and is close to both suppliers and the motorway, which also helps to minimise transport routes and CO<sub>2</sub> emissions. Moreover, our entire fleet of vehicles is equipped with modern, low-emission technology. With few exceptions, fork lift trucks and industrial trucks are operated electrically and internal transport orders are processed in a route-optimised manner. As our machines can be serviced online, this also reduces the number of trips to our customers. In addition, we also offer training courses for our customers online.

When **expanding and constructing new buildings**, we pay attention to minimising land use by vertical construction, high energy efficiency, e.g. by the consistent use of LED technology for lighting, as well as heat and noise protection with the aid of good insulation. Especially with the new buildings constructed at the installation location in Zimmern in recent years, we have been able to meet these requirements without any restrictions due to the existing basic fabric. The new buildings were connected to the company's own existing heating network which was expanded to include a second, highly efficient heat pump which is used for both cooling and heating the production buildings. We also installed a heat exchanger to be able to recycle the waste heat generated and reduce cable paths and losses by extending the internal 20kV network. Furthermore, the buildings have been prepared for the installation of a photovoltaic system. External blinds also help to regulate the temperature inside the building. The relocation of sheet metal production from Gosheim to Zimmern ob Rottweil in 2021 has also had a positive effect on CO<sub>2</sub> emissions, as the new location is much closer to our main supplier, thereby reducing the net transport routes for delivery of the painted, ready-to-install sheet metal to our assembly workshop.

Our existing buildings are also being successively equipped with the latest lighting and insulation technology. For the heating and air conditioning of various production facilities at the headquarters in Gosheim, we use energy-efficient combined heat and power plants and absorption refrigeration systems and plan to replace and supple-

ment them with new, more efficient systems over the next few years. In 2022, the installation of new, even more energy-efficient ventilation technology was also started as part of the renovation of the existing production areas.

The findings from previous **energy audits** were incorporated into the development of a new energy concept. Further, we have also derived measures to further reduce our level of consumption in the future and to smooth out peaks of demand. At the Gosheim site, for example, various transformer stations have been renewed or supplemented in recent years in order to reduce line losses, increase efficiency and at the same time reduce CO<sub>2</sub> emissions by using vegetable oil instead of mineral oil for their operation. Other measures include the use of high-speed doors to reduce heat loss, the replacement of older heating pumps with highly efficient modern systems, and the ongoing conversion of other areas to LED lighting.

We design access routes to our sites as directly as possible in order to reduce traffic congestion in the local area and always encourage delivery drivers to use bypasses and relief routes. Since 2020, we have been using a new access road to our largest employee car park at the site in Gosheim. This access road runs exclusively through the industrial estate, thereby helping to reduce the amount of traffic in the town and in residential areas.

In order to **avoid waste and save raw materials**, our production is always optimised in terms of structure, order and offcuts. We use specialist companies to recycle chips and sheet metal waste produced during operation. Any accumulating old cardboard boxes are used on site for the repackaging of parts. Where possible, we also use recyclable transport packaging for shipping. In addition, we are planning to introduce a transport container recycling system between us and parts suppliers for the procurement of suitable series parts in order to reduce the use of disposable packaging.

#### *Risks:*

To avoid environmental risks, we have embraced a preventive approach. Overall compliance is monitored by, among others, the Technical Law Department. This department carries out technical risk analyses, for example, and ensures compliance with protection standards. Our testing department carries out EMC tests on machines and components to determine the effects of electromagnetic radiation. Environmental risks and the resulting rights of recourse and damage to the company's image are therefore highly unlikely at Hermle.

## **Employee issues**

#### *Concept:*

The more than 1,350 highly qualified workers of the Hermle Group are key to the company's level of success. It is for this reason that we attach great importance to the concerns and interests of our employees. Attractive, safe workplaces and conditions, a high level of individual responsibility in performance-oriented teams as well as regular upskilling opportunities are, in our view, important prerequisites for a motivated, loyal, experienced and productive workforce, as well as the success of our company on the labour market. Our human resources concept is designed for the long term with the aim of retaining jobs even during difficult phases. In order to recruit the best employees out there for the Hermle team and to bring as many different

skills and experiences as possible into the company, we promote diversity and tolerance with regard to gender, nationality and age, as well as towards people with disabilities.

*Specific measures and results:*

By making tasks as interesting and responsible as possible and working in efficient, self-organising teams, Hermle helps to ensure that employees are highly motivated and **identify** fully with the company. Flat hierarchies and a culture of open communication ensure a lively exchange among staff and with the management team throughout the Group. Roughly 76% of the employees in the Group are represented by the works council, which works constructively and shares a relationship of trust with the management team.

**Workplace safety** and preventive **health measures** to avoid accidents are also a top priority at Hermle. To ensure this, we comply with all relevant workplace regulations and employ two in-house safety engineers as well as an occupational health service. Their tasks include, for example, conducting first-aid courses, initial instructions for apprentices and supporting training courses on occupational health and safety, fire protection monitoring and advice on hazardous substances.

Noise protection, excellent ventilation, cleanliness and ergonomics, for example through the use of manipulators, lifting equipment or pre-assembly activities, are also part and parcel of a healthy and safe workplace at Hermle. Together with an external specialist, we examined the main production areas with regard to their ergonomic design and potentials for improvement. To ensure the derived measures and individually suitable practical exercises for the prevention of musculoskeletal disorders are implemented sustainably, so-called ergo-scouts were specifically trained to support and motivate their colleagues. We also promote the health of our employees, for example through discount campaigns for gym or swimming pool entrance tickets.

The number of occupational accidents at Hermle has remained at a low level for many years. Last year there were 22 notifiable accidents at Hermle AG (previous year 22), most of which were classified as minor. Of these, 7 were commuting accidents (previous year 7) which are not within the direct sphere of influence of the company.

Through the use of various measures, we are continuously increasing the **attractiveness of jobs** at Hermle. The modern production hall for the new sheet metal production at the Zimmern site, for example, is significantly higher and better ventilated, thereby providing our employees with a quieter and cooler working environment. Once the modernisation is completed in 2023, the spindle assembly department will move into the rooms in Gosheim that have been freed up by the move, so that the employees in this area will soon also have considerably improved environmental conditions with spacious rooms which are lit and air-conditioned according to the latest standards.

The extensive know-how of the Hermle team, which is often based on vocational training completed at the company, is continuously expanded through regular **training and further education measures**. In 2022, our employees completed around 785 training days (previous year 220) with mainly technical content. In the reporting

year, the focus was on events concerning the topics of combating corruption and bribery as well as IT security, etc. In addition, there were management training courses and further training for training officers (AEVO). There were also regular training sessions in the areas of electrical safety and handling hazardous substances. The training courses were partly held online.

The **financial incentive systems** applied at Hermle include a profit-sharing scheme for Hermle AG employees, provided the company performs well, and performance bonuses on top of the basic wage. There is also a reward system for suggestions that lead to improvements. As in the previous year, around 75 % of the numerous suggestions made by employees were implemented in 2022. Suggestions for improvement are rewarded with gifts in kind or cash bonuses of up to 10% of the savings achieved in that year.

In order to secure jobs even during less than favourable periods and at the same time be able to react flexibly to peaks in demand, Hermle installed an innovative working time system back in 2002. The core of this "**concept of the breathing company**" is a very efficient flexitime regulation. This enabled us to cope with the economic downturn in 2020 and 2021 associated with the Corona crisis without making compulsory redundancies, while continuing to take on apprentices who have passed their exams and are filling vacant apprenticeship positions. It was only after more than half a year that additional short-time work was announced for some of the departments. In 2022, we specifically recruited skilled workers to adapt to the increasing demand.

Information on the current status of the working time accounts and the 2022 bonus can be found in the Employee chapter of the Group Management Report. This chapter also describes our activities to enhance **diversity** within the workforce.

#### *Risks:*

In theory, the risks in the area of employee issues result from the wilful disregard of regulations and the corresponding penalties or claims for damages. Further, there is a risk of no longer being seen as an attractive employer and thus no longer being able to fill vacancies ideally. Due to the extensive expertise and high motivation of our employees, as well as our intensive efforts to secure Hermle's outstanding reputation as an employer, such risks can be classified as low overall.

## **Social issues**

#### *Concept:*

Hermle is a key employer and taxpayer in the Schwarzwald-Baar-Heuberg region and is committed to investing in Germany as a business location. We make our contribution by securing the company's long-term success and earning power, training a large number of young people and collaborating with local training institutions.

#### *Measures and results:*

Of the 1,384 employees actively working for the Hermle Group on 31 December 2022, we employed the vast majority (1,055) at the company headquarters in Gosheim or at the new installation location in Zimmern ob Rottweil. On average, 88



% of the workforce worked in Germany (previous year 86%) and 12 % abroad (previous year 14%). Through our business policy, which is designed to secure the company's long-term future, and our clear commitment to investing in Germany as a business location, we want to secure as many **jobs** as possible **in Germany** and especially in our local region.

Hermle also contributes indirectly to securing the location by participating in various **trade and industry associations**. For example, we are a member of VDMA (German Mechanical Engineering Industry Association), VDW (German Machine Tool Builders' Association) and WVIB (Trade Association of Industrial Companies in Baden).

Hermle's commitment to supporting junior staff is above average. We meet our responsibility to the local region by offering young people interesting **training opportunities**, thereby also helping to prevent an increasing shortage of skilled workers in Germany. At the end of 2022, 87 young people were completing vocational training courses at Hermle AG (previous year 99), this corresponds to a rate of 8.1% (previous year 9.8%). The young professionals learn a modern and future-oriented profession either as part of a classic apprenticeship or a dual study programme. At an early stage of their training, they are taught to work on selected projects independently in teams and to think outside the box. The young people are supervised by seven full-time trainers. In addition, there are around 140 training supervisors available throughout the various departments.

We currently offer ten different training courses in the industrial and commercial sectors. In 2022, the range was expanded to include the occupational profiles of precast concrete worker, metal technology specialist and machine and plant operator. In addition, there is the possibility for our industrial mechanics to acquire an additional qualification in the field of electrical engineering with a Chamber of Industry and Commerce qualification. Students can complete their internships with us in seven different technical and business administration subjects.

The fact that young people at Hermle encounter a constructive and creative environment was also demonstrated by an external award in the reporting year: In the "Digitalisation in Mechanical Engineering" Young Talent Award, which the VDMA industry association presents to outstanding graduates from the fields of engineering and computer science, the first prize for the best Master's thesis went to a student who is completing his internship in our company.

In order to increase the attractiveness of an apprenticeship at Hermle, we have further expanded our offers for young professionals in 2022 and implemented a trainee programme for Master's graduates. It offers the opportunity to get to know different areas of the Hermle working world, such as software engineering or electrical engineering, within 18 months after successfully completing a Master's degree.

As part of our 2021 expanded apprenticeship marketing, the best student and the best apprentice received a success grant. This consists of further training offers, financial support and bonuses. With our EMMA (Electronics, Mechatronics, Mechanics, Automation) programme, we support young women and encourage them during their apprenticeship in supposedly male domains. Moreover, to draw attention to

Hermle as an attractive employer, we are continuing to expand our social media reach.

We work closely with all secondary schools, vocational training colleges and various universities in the local region. In the reporting year, there were again more classroom events at schools and visits to trade fairs. We have equipped several **vocational training colleges and universities** with Hermle machines. Pupils and students can get to know Hermle as a potential future employer by completing technical assignments and term papers. For school pupils, we also offer guided tours of the company and the TechDays exhibition. These were met with great interest by the young people and their parents. They can also find out more about Hermle at training fairs and through our social media activities which we are continuously expanding.

In order to sensitise our trainees to the topic of social responsibility and to offer them added value, we organised the Hermle **Social Days** for the first time in 2022. In cooperation with Lebenshilfe Tuttlingen, our second-year apprentices were each able to spend three days in one of Lebenshilfe's work areas.

Our employees once again showed great commitment to good causes in 2022. As in previous years, a large Hermle team took part in the Black Forest Bike Marathon, where part of the entry fee goes to the Katharinenhöhe rehabilitation clinic for children with cancer. Many Hermle employees also actively **volunteer** in various roles, for example as volunteer fire fighters or as members of the German Federal Agency for Technical Relief (THW) and local mountain rescue teams. Hermle supports these activities and has already received an award from the Baden-Württemberg Ministry of the Interior for being a volunteer-friendly employer.

#### *Risks:*

There are no direct risks for Hermle in the area of social issues. Our commitment rather strengthens the company's positive image as a responsible employer, an exemplary training company and an important company for the local region.

## **Human rights issues**

#### *Concept:*

Compliance with human rights standards is a matter of course for Hermle – both in our company and in our influenceable environment. The same applies to compliance with legal requirements - for example with regard to conflict materials. Our business activities are aligned accordingly.

#### *Measures and results:*

The Hermle Group selects its suppliers very carefully and only procures material from reputable companies in the European Union as well as Switzerland, i.e. from countries in which compliance with human rights is prescribed and monitored by law. We do not buy parts from companies known to use dubious subcontractors. Due to our low market weight, we have no direct influence on the production stages upstream of our suppliers, such as the mining of raw materials in developing countries, and cannot realistically check the particular situation on site. We have assessed our supplier materials with regard to the associated risk of human rights violations. In the case of

supplier parts with a suspected increased level of risk, e.g. from a significant admixture or a significant proportion of conflict material, we enquire whether suppliers import raw minerals directly from outside Europe. In this case, we require a declaration of commitment to comply with the statutory provisions. We also strive to agree on a special right to terminate supply contracts if laws are violated and always seek alternatives in the event of violations. In the reporting year, we proactively addressed the requirements of the new Supply Chain Act which we will of course comply with. It came into force on 1 January 2023 and will be applicable to companies of our size from 1 January 2024.

*Risks:*

The risk of human rights violations by Hermle employees or our suppliers is practically irrelevant due to the relevant legal requirements and standards in Germany and Europe - our exclusive direct purchasing regions. We do not source conflict minerals such as gold, tantalum, tungsten or zinc in pure form or relevant quantities, nor directly from outside Europe. However, these substances may be present in the form of small admixtures and minute quantities in processed parts and preliminary products sourced by us from EU countries and Switzerland. Due to the multi-level and, in the case of these materials, global supply chains, it cannot be ruled out with absolute certainty that such substances originate from conflict regions. Systematic, multi-level traceability of our entire supply chain with regard to reliable compliance with human rights is not feasible due to our capabilities and our relatively low purchasing power.

## **Anti-corruption issues**

*Concept:*

Hermle requires and expects all its employees to act in accordance with relevant rules and regulations and promotes anti-corruption measures. We categorically reject bribery and all forms of corrupt behaviour, as they are not compatible with our corporate culture and cause lasting damage to foundations of trust, cooperation and the reputation of all the parties involved.

*Measures and results:*

To ensure compliance with legal and company-specific regulations, corresponding compliance rules and audit processes have been included in our Internal Control System, which is integrated into order processing measures. Further, we ensure the subsequent examination of individual cases. The compliance system includes the monitoring of offers and orders, incoming and outgoing invoices, discounts, commissions and credit notes with regard to their appropriateness in terms of reason and amount. As a matter of principle, we have adopted a principle of dual control. Hermle complies with the EU money laundering directives. We have prepared for the Whistleblower Act passed by the Bundestag in December 2022, which is intended to better protect whistleblowers of misconduct in the future, and we will implement it as soon as it comes into force.

In 2022, random checks of individual transactions were once again carried out due to special features such as high discounts or commissions. This has been conducted annually since 2019. In doing so, we add weight to the vital importance we attach to compliant behaviour. No misconduct was found during the reviews.

In order to sensitise our employees with customer and supplier contact to the topics of corruption and money laundering, we offer training sessions composed of both company-specific and relevant legal regulations and sanctions and have them sign their name to confirm participation. At the end of 2022, a repeat training course was held again on various topics. This was partly designed as an online course in order to make the offer more easily and promptly available to new or remote employees in the future.

*Risks:*

The violation of legal standards and corruption entail the risk of claims for damages, fiscal sanctions and exclusion from tender procedures. Further, bribery has a lasting negative impact on the relationship with a potentially wronged business partner besides damaging the company's image and reputation among peers and the public. We prevent these risks through the corporate culture embedded in the Hermle Group and the measures described.