

Corporate governance declaration in accordance with Sections 289f, 315d of the German Commercial Code (HGB) Financial year 2023

In this declaration, the Executive Board and Supervisory Board report on the Company's corporate governance in accordance with Sections 289f and 315d of the German Commercial Code (HGB) and in compliance with Principle 22 of the German Corporate Governance Code (hereinafter also referred to as the "GCGC" or "Code").

The Executive Board and Supervisory Board of GESCO SE are committed to corporate governance geared towards sustainability. The business model is designed for the long term and all measures are geared towards the goal of sustainable positive development. The Executive Board and Supervisory Board of GESCO SE identify with the aim of the Code to promote good, trustworthy corporate governance that is orientated towards the benefit of shareholders, employees and customers. § Section 161 of the German Stock Corporation Act (AktG) requires an annual declaration of compliance with the recommendations of the Code. The possibility of a justified deviation from the Code's recommendations is expressly provided for in the preamble to the Code. It is intended to enable companies to take industry- or Company-specific particularities into account. Accordingly, deviations from the Code should not be seen as negative per se, but can be in the interests of good corporate governance, particularly for smaller companies.

In December 2023, the Management Board and Supervisory Board issued the statutory declaration of conformity as required by law and made it permanently available to shareholders on the Company's website (www.gesco.de). This declaration is based on the currently valid version of the Code dated 28 April 2022.

The declaration of conformity dated December 2023 is part of this corporate governance declaration. Historical declarations of compliance are also available to the public on our website www.gesco.de under "About us/Compliance and Corporate Governance". The Articles of Association of GESCO SE are also available on the website under this heading.

Compliance management system

GESCO Group counters compliance risks such as corruption, antitrust violations and criminal behaviour with a suitable compliance management system, which includes a Group-wide Code of Conduct, accompanying guidelines and work instructions, an online information system (Rulebook) for GESCO Group employees, accompanying training, case-related spot checks and a whistle-blower system for employees and external parties. The managing directors of the subsidiaries are responsible for anchoring the respective requirements and principles in their companies. The Code of Conduct for GESCO Group employees can be viewed on the website www.gesco.de under “About Us/Compliance and Corporate Governance”, along with further information on the whistle-blower system that has been set up.

For GESCO Group companies, the protection of human rights and the environment is one of the fundamental requirements of their business activities. GESCO Group companies have therefore adopted a declaration of principles in which they define their strategy for the protection of human rights and certain environmental assets and formulate their expectations regarding respect for human rights and certain environmental assets vis-à-vis their employees and suppliers. The policy statement also describes how GESCO Group companies fulfil their legal obligations to protect human rights and certain environmental goods in detail and which risks they pay particular attention to due to their specific business activities.

In order to organise the protection of these goods as effectively as possible, GESCO Group has set up a complaints system that can be used to report (possible) violations

of human rights and certain environmental goods if these (possible) violations have been committed by GESCO Group companies or their suppliers.

The complaints system was set up at the end of 2023 at <https://www.gesco.de/ueber-uns/human-rights-and-environmental-risks> in accordance with the Supply Chain Duty of Care Act, which will apply to GESCO Group from 1 January 2024.

Shareholders and Annual General Meeting

Shareholders exercise their rights and voting rights at the Annual General Meeting. Each GESCO SE share entitles the holder to one vote. GESCO SE publishes all documents relevant to the agenda in good time prior to the Annual General Meeting on its website at www.gesco.de under “Investor Relations”. In the invitation to the Annual General Meeting, the Company expressly requests that shareholders exercise their voting rights. To make it easier for shareholders to exercise their voting rights, the Company appoints a proxy who votes at the Annual General Meeting in accordance with the shareholders' instructions. The Company uses an online tool to enable shareholders to order admission tickets, cast postal votes and authorise the Company's proxy, among other things. The Company believes that maximising the presence of shareholders at the Annual General Meeting makes a significant contribution to shareholder democracy and to the majority of shareholders forming an opinion at the Annual General Meeting. GESCO SE publishes the invitation to the Annual General Meeting as well as reports and information required to pass resolutions in accordance with the provisions of the German Stock

Corporation Act. This information is also available on the Company's website. Since the IPO in 1998, the Company has published the voting results on its website on the day of the Annual General Meeting.

The Annual General Meeting on 12 June 2023 was held in person as usual. The Executive Board and Supervisory Board have spoken out in favour of holding future Annual General Meetings in person, provided that external circumstances permit.

Executive Board and Supervisory Board

The Executive Board is responsible for managing the Company, while the Supervisory Board monitors the management and advises the Executive Board. The Executive Board and Supervisory Board work together closely and in a spirit of trust within the scope of their legally defined duties.

The Executive Board informs the Supervisory Board regularly, promptly and comprehensively about corporate planning, the earnings and financial position, risk management, strategy development and acquisition projects. A catalogue of transactions requiring approval defines those Executive Board decisions that require the approval of the Supervisory Board.

There was no remuneration or benefits granted to members of the Supervisory Board for services provided personally, such as consulting and mediation services, either in the reporting year or in the previous year. There were no conflicts of interest for members of the Executive Board or the Supervisory Board.

Executive Board

The Executive Board is responsible for managing GESCO SE and conducting its business. The members of the Executive Board jointly manage the Company's business in accordance with the law, the Articles of Association and the rules of procedure issued by the Supervisory Board. The Executive Board develops the Company's strategic development,

coordinates it with the Supervisory Board and implements it. The Executive Board also defines the objectives, prepares the planning and manages the Company's internal control and risk management system as well as controlling. The Executive Board also prepares the quarterly reports and quarterly statements, the half-year financial report, the separate financial statements of GESCO SE and the consolidated financial statements. The Executive Board bases its actions and decisions on the interests of the Company.

The rules of procedure for the Executive Board issued by the Supervisory Board regulate the responsibilities of the Executive Board and further organise the work of the committees. The rules of procedure also regulate the details of the Executive Board's reporting to the Supervisory Board. They also stipulate which decisions of the Executive Board require the approval of the Supervisory Board. The age limit for the Executive Board is 65.

In the reporting year, the Executive Board consisted of Mr Ralph Rumberg (CEO) and Ms Andrea Holzbaur (CFO).

Relevant disclosures on corporate governance practices

The members of the Executive Board conduct the Company's business with the diligence of a prudent and conscientious manager in compliance with the statutory provisions, the Articles of Association and the Executive Board's rules of procedure.

In addition, the GESCO Code of Conduct contains the basic rules and principles for our actions resulting from our self-image, including our behaviour towards customers, business partners, competitors and other third parties and the public. The GESCO Code of Conduct is available on our website www.gesco.de under "About us/Compliance and Corporate Governance".

There are no relevant corporate governance practices at GESCO SE that go beyond these requirements.

Long-term succession planning for the Executive Board

Together with the Management Board, the Supervisory Board ensures long-term succession planning for the Management Board. The Supervisory Board regularly deals with succession planning for the Management Board, regardless of the occasion. Taking into account the requirements of the German Stock Corporation Act, the Code and the target set by the Supervisory Board for the proportion of women on the Management Board, the Supervisory Board draws up a requirements profile with the key characteristics and qualifications of candidates who could be considered for Management Board positions. The profile of requirements is also influenced by the departments likely to be filled and the Company's strategic planning. In the event of a necessary new appointment or replacement on the Management Board, the Supervisory Board conducts structured selection interviews with selected candidates, on the basis of which the new appointment or replacement is made. If necessary, the Supervisory Board is supported by external consultants in the development of job profiles and the selection of suitable candidates.

Supervisory Board

The Supervisory Board appoints the Executive Board, monitors its management and advises it on the management of the Company. Detailed information on the work of the Supervisory Board in the reporting year can be found in the Report of the Supervisory Board.

The Supervisory Board of GESCO SE is deliberately kept small. This has proven to be extremely effective, as both strategic issues and detailed questions can be discussed intensively by the full Supervisory Board. We see a particular strength in the fact that all members of the Supervisory Board are equally involved in all issues. Beyond the Audit Committee, which is required by law from 1 January 2022 and has since been established, the formation of committees is therefore not considered expedient. Accordingly, the Supervisory Board of GESCO SE did not have any other

committees in the reporting year. In this respect, the Executive Board and Supervisory Board declare a deviation from recommendation D.5 GCGC.

In accordance with the requirements of the law and the Articles of Association, the Supervisory Board has adopted rules of procedure in line with the recommendation in D.1 GCGC, which are available on the website www.gesco.de under "About us/Compliance and Corporate Governance". The Chairman coordinates the work of the Supervisory Board, chairs its meetings and represents the interests of the Supervisory Board externally.

In the reporting year, the Supervisory Board consisted of Mr Klaus Möllerfriedrich (Chairman until 12 June 2023; thereafter ordinary member), Mr Stefan Heimöller (Deputy Chairman until 12 June 2023; thereafter Chairman), Mr Jens Große-Allermann (ordinary member until 12 June 2023, thereafter Deputy Chairman) and Dr Nanna Rapp. In the opinion of the Supervisory Board, it is appropriate for at least two members of the Company's Supervisory Board to be independent within the meaning of the Code. All members of the Supervisory Board currently fulfil the independence criterion. Mr Möllerfriedrich has been a member of the Company's Supervisory Board for more than thirteen years, but the Supervisory Board still considers Mr Möllerfriedrich to be independent within the meaning of recommendation C.7 of the GCGC. In view of his previous performance in office, the Supervisory Board is convinced that, despite his many years of service on the Supervisory Board, Mr Möllerfriedrich continues to have the critical distance to the Company and its Executive Board that is necessary for the performance of his office. Furthermore, Mr Möllerfriedrich has no personal or business relationship with the Company or its Management Board that could give rise to a conflict of interest; nor does he hold any shares in the Company. All members of the Supervisory Board are also qualified as financial experts in accordance with Section 100 (5) AktG. The members of the Supervisory Board as a whole are familiar with the sector in which GESCO SE operates.

Composition of the Supervisory Board and diversity on the Supervisory Board, Executive Board and managers

According to recommendation C.1 sentence 1 GCGC, the Supervisory Board should specify concrete objectives for its composition and draw up a profile of skills and expertise for the entire Board. In doing so, the Supervisory Board should pay attention to diversity.

For the Supervisory Board of GESCO SE, diversity is not only defined by gender or nationality, but also and especially by professional diversity and a well-balanced mix of expertise from different specialist areas. The areas of expertise to be covered by the Supervisory Board of GESCO SE include, in particular, accounting, auditing and monitoring the effectiveness of internal control systems (“financial expert”), capital market experience, entrepreneurial expertise and experience as well as broad-based expertise in strategic, operational and financial entrepreneurial functions. The Supervisory Board believes that these competences are fully covered by the current composition of the Board and are represented as follows:

The age limit for members of the Supervisory Board stipulates that the term of office of a Supervisory Board member generally ends at the end of the regular term of office following the member’s 70th birthday. Details on the election and term of office of Supervisory Board members, the constitution of the Supervisory Board, its meetings and resolutions as well as the rights and obligations of its members are governed by the Articles of Association of GESCO SE.

Working methods of the Audit Committee

As required by law, the Audit Committee monitors the accounting process, the effectiveness of the internal control system (ICS), the effectiveness of the risk management system (RMS), the effectiveness of the internal audit and the audit of the financial statements (in particular the independence of the auditor). The Audit Committee discusses the assessment of the audit risk, the audit strategy and audit planning as well as the audit results with the auditor.

Area of competence	Heimöller	Große-Allermann	Möllerfriedrich	Dr Rapp
Organisation of the Supervisory Board’s work			x	
Corporate Governance			x	
Legal			x	
Taxes			x	
Controlling and risk management	x	x	x	x
Accounting	x	x	x	x
Personnel	x	x		x
Production	x			x
Financing	x	x	x	x
Capital market		x	x	
M&A	x	x	x	x
Strategy	x		x	
Internationalisation		x		x

Target quotas for the proportion of women

The “Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector”, which came into force on 1 May 2015, requires the definition of target quotas for the proportion of women on the Supervisory Board, Management Board and in the two top management levels as well as the specification of deadlines for achieving these target quotas. The Management Board and Supervisory Board defined corresponding targets on 13 August 2015 and have since reported on the status of target achievement and, if necessary, adjustments to the targets in the annual corporate governance statement.

GESCO Group companies expressly and unreservedly pursue a policy of equal opportunities in their daily practice. Irrespective of legal obligations, this is a matter of course. The companies make every effort to attract female applicants, they support applications from female candidates, take part in campaigns such as “Girls’ Days” and seek dialogue with schools and universities. None of this is due to quota pressure, but rather out of conviction and the need to fill vacancies with qualified candidates. Overall, the GESCO Group companies have a vital interest in positioning themselves as an attractive employer.

In 2017, the Supervisory Board of GESCO SE set a target quota of 25% for the proportion of women on the Supervisory Board. This quota is currently being met.

In 2015, the Supervisory Board of GESCO SE set a target quota of 30% for the Executive Board. This quota is currently being met.

A first management level below the Executive Board was added to the organisational structure of GESCO SE as at 1 September 2020. There is still no second management level below the Executive Board. The Executive Board has set a target quota of 25% for the first management level. This quota is currently not met.

The deadline for the next review of target achievement is 30 June 2024.

Comprehensive and transparent communication

GESCO SE informs shareholders, the capital market, the media and the general public about all relevant events and the economic development of the Company at the same time and with the same content. Financial reports, announcements, the financial calendar, Annual General Meeting documents and a wide range of other information are available on the Company’s website at www.gesco.de under “Investor Relations”.

Shareholdings of board members

GESCO SE immediately publishes transactions in shares and debt instruments of the Company or related financial instruments by the persons named in Article 19 of the Market Abuse Regulation, in particular members of the executive bodies and persons closely associated with them, in accordance with the statutory provisions. The transactions reported to GESCO SE are available on the Company’s website at www.gesco.de under “Investor Relations”. No transactions were reported in financial year 2023.

Remuneration report/remuneration system

The applicable remuneration system for the members of the Management Board pursuant to Section 87a (1) and (2) sentence 1 AktG, which was approved by the Annual General Meeting on 30 June 2021, and the resolution adopted by the Annual General Meeting on 18 June 2020 pursuant to Section 113 (3) AktG on the remuneration of the members of the Supervisory Board are publicly available on the website www.gesco.de under “Compliance and Corporate Governance”. The remuneration report and the auditor’s report in accordance with Section 162 AktG are made publicly available in the published annual reports at <https://www.gesco.de/en/investor-relations/financial-reports/>.

Accounting and auditing

The separate financial statements of GESCO SE are prepared in accordance with the German Commercial Code, while the consolidated financial statements of GESCO SE have been prepared in accordance with the International Financial Reporting Standards (IFRS) since financial year 2002/2003. The separate and consolidated financial statements were audited by Mazars GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Düsseldorf. The responsible auditor is Mr Heiko Wittig.

Mazars GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Düsseldorf, also audited the individual financial statements of the subsidiaries. The audit of the foreign sub-subsidiaries was predominantly carried out by international partners of our German auditor.

In accordance with legal requirements, the auditor is elected by the Annual General Meeting for one financial year at a time. At the Annual General Meeting on 12 June 2023, the Annual General Meeting elected Mazars GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Düsseldorf, as the auditor of the annual and consolidated financial statements for the 2023 financial year and as the auditor for any audit review of the condensed financial statements and the interim management report as at 30 June 2023, as proposed by the Supervisory Board. On the basis of this resolution, the Chairman of the Supervisory Board commissioned the auditor for the single-entity and consolidated financial statements. An audit or review of the half-year financial report and/or the quarterly statements for the first and third quarters did not take place in the reporting year.

GESCO SE, Wuppertal

Security identification number A1K020
ISIN DE000A1K0201

Declaration of compliance in accordance with Section 161 AktG

The Executive Board and Supervisory Board of GESCO SE declare in accordance with Section 161 AktG that the recommendations of the Government Commission on the German Corporate Governance Code in the version dated 28 April 2022, published in the official section of the Federal Gazette on 27 June 2022, have been and are being complied with since the last declaration of compliance was issued in December 2022, with the following exceptions:

A.1: Systematic identification and assessment of risks and opportunities and of the environmental and social impacts of the Company's activities, and consideration of environmental and social objectives in corporate strategy and planning

Due to the lead time required to implement the new recommendations on ESG, which came into force in June 2022, the necessary processes have not yet been fully completed. However, GESCO SE intends to fully comply with the recommendations in the future.

A.3: Coverage of sustainability-related objectives in the internal control and risk management system

Due to the lead time required to implement the new recommendations on ESG, which came into force in June 2022, the necessary processes have not yet been fully completed. However, GESCO SE intends to fully comply with the recommendations in the future.

A.5: Description of the main features of the overall internal control and risk management system and statement on its adequacy and effectiveness

In accordance with legal requirements, the presentation in the management report is currently limited to a description of the key features of the internal control and risk management system with regard to the accounting process. Due to the lead time required to implement the new recommendation, which came into force in June 2022, the necessary processes have not yet been fully finalised. In the future, GESCO SE intends to expand its reporting in line with the more extensive recommendation.

D.4: Formation of a nomination committee

The Supervisory Board of GESCO SE consists of four members. Due to the small size of the Supervisory Board, both overarching strategic issues and detailed questions can be discussed and decided upon intensively by the full Supervisory Board without any loss of efficiency. We therefore do not consider it expedient to form committees over and above the Audit Committee required by law. Instead, we believe that the fact that all members of the Supervisory Board are equally involved in all topics is a strength.

F.2, 1st half-sentence: Publication of financial information (90-day deadline)

Personnel changes at the Company and the associated increased coordination effort with the auditor mean that the consolidated financial statements and the Group management report cannot be published within 90 days of the end of the financial year. Publication in accordance with the GCGC is planned for the 2024 financial year.

G.18: Remuneration of the Supervisory Board

The remuneration system for the Supervisory Board of GESCO SE approved by the Annual General Meeting on 18 June 2020 includes a fixed component as well as a performance-related component based on Group net income after minority interest. Any Group net losses are carried forward to the next year and offset against positive amounts. We are convinced that this arrangement is in line with a sustainable and entrepreneurial mindset and should also fulfil the focus on the long-term development of the company required by the Code. However, as it cannot be ruled out that other opinions may be held in this regard, we declare a deviation from this recommendation of the Code as a precautionary measure.

Wuppertal, December 2023

GESCO SE

For the Supervisory Board
Stefan Heimöller
(Chairman of the
Supervisory Board)

For the Executive Board
Ralph Rumberg
(Spokesman of the
Executive Board)

Remuneration report

Report on the Remuneration of the Executive Board and the Supervisory Board of GESCO SE in 2023

Remuneration of the members of the Executive Board

I. Introduction

A. Review of the financial year from a remuneration perspective

GESCO SE (“GESCO”, or the “Company”) acquires successful industrial SMEs as a long-term investor. Proven business models are continued and further developed over the long term. The central task is to utilise growth potential and secure the Group’s future viability in the long term. In this way, GESCO SE creates added value for all stakeholders: **shareholders**, employees, customers, suppliers and business partners of all kinds. Under the umbrella of a lean holding company, the companies operate independently, but with the support of GESCO. The goal: a strong group of hidden champions, market and technology leaders. The prerequisite for this is an experienced management team (“Executive Board” or “Executive Board members”) that acts responsibly and operates efficiently with the resources granted by the shareholders. On 13 May 2021, the members of the Supervisory Board (“Supervisory Board” or “Supervisory Board members”) adopted a remuneration system for this management, which applies to all new Executive Board service contracts to be concluded or extended with effect from the Annual General Meeting on 30 June 2021. The remuneration system complies with the applicable statutory provisions of the German Stock Corporation Act (“AktG”) in the current version following the implementation of the

Second Shareholders’ Rights Directive (“ARUG II”)¹⁾ and takes into account the recommendations of the German Corporate Governance Code (“GCGC”) in the version dated 28 April 2022.

This remuneration report was prepared jointly by the members of the Executive Board and the Supervisory Board of the Company and audited by the auditor in accordance with the statutory requirements with regard to its formal completeness.

The current Chief Executive Officer (CEO), Mr Ralph Rumberg, has held his position since 1 July 2018 and his term of office was extended for a further two years with effect from 1 July 2022. Ms Andrea Holzbaur was appointed Chief Financial Officer (CFO) of the Company with effect from 26 September 2022. The current remuneration system applies to both Mr Rumberg and Ms Holzbaur. The employment contracts run until 30 June 2024 (CEO) and 30 September 2025 (CFO).

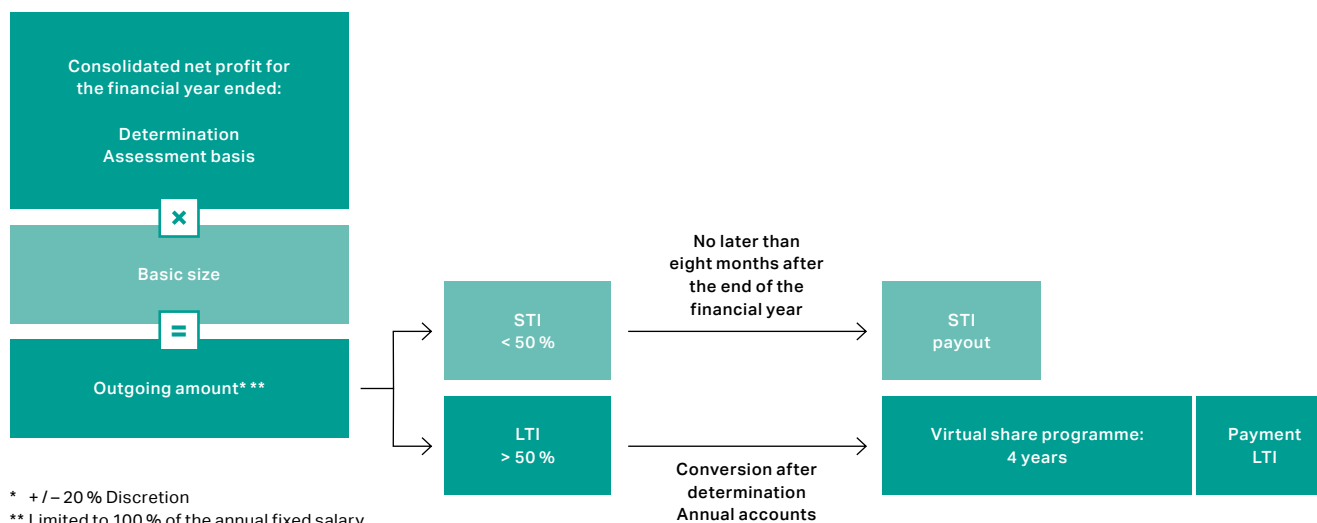
1. Overview of variable remuneration

The performance-related remuneration elements (“**variable remuneration**”) consist of a one-year component (Short Term Incentive, “STI”) and a multi-year element (Long Term Incentive, “LTI”). Both elements are linked to the consolidated net earnings after minority interests (“**consolidated net earnings**”). After the end of the financial year, the consolidated net earnings reported in the approved consolidated financial statements is determined. The consolidated net earnings then serves as the starting point for the variable remuneration (“**assessment basis**”). The assessment basis is then multiplied by an individual percentage for each member of the Executive Board (“**base figure**”) to

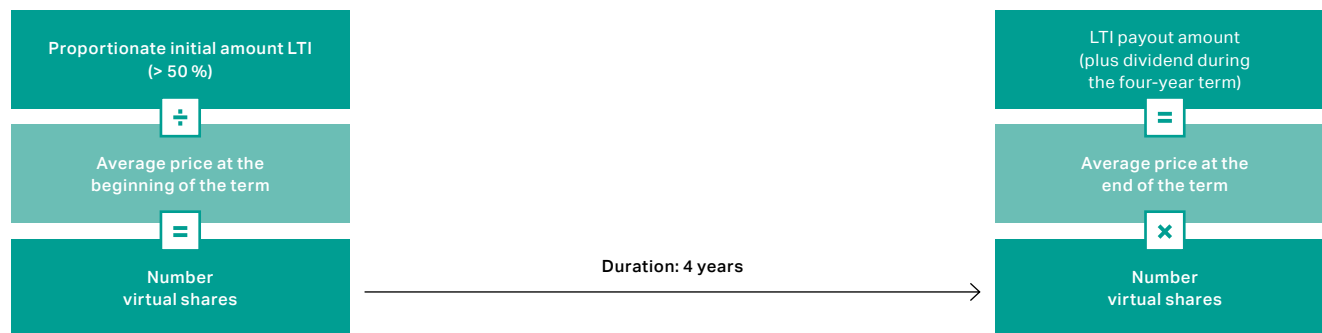
obtain the individual starting amount for each Executive Board member (“starting amount”). This base amount for the variable remuneration is determined by the Supervisory Board after the end of the financial year, whereby the Supervisory Board has the discretion to change the base amount upwards or downwards by 20%. The initial amount is limited to 100% of the fixed annual salary (“Cap I”), but can also be zero. If a Management Board member is not employed for the entire financial year, the variable remuneration is reduced in proportion to the length of service in the corresponding financial year. While a smaller proportion of the base amount, and therefore of the initial amount, is allocated to the STI, the proportion of the LTI is always greater than the proportion of the STI in order to focus on the long-term development of the Company. The portion of the performance-related remuneration granted as STI is paid out in cash to the members of the Executive Board no later than eight months after the end of the financial year. The portion of the initial amount attributable to the LTI is granted in the form of a virtual share programme with a four-year term (“share-based component”).

The majority of the variable remuneration is granted as a LTI in the form of virtual shares with a term of four years. The amount of variable remuneration attributable to the LTI is divided by the average XETRA closing price of the GESCO share on the consecutive trading days in the last three months prior to the date of adoption of the consolidated financial statements for the corresponding year in order to obtain the initial number of virtual shares (“virtual shares”). This number of virtual shares (commercially rounded to the nearest whole number) is recorded as a calculation item. At the end of the four years, the phantom shares are multiplied by the average XETRA closing price of the GESCO share on the consecutive trading days in the last three months prior to the date of approval of the consolidated financial statements for the fourth financial year, plus the dividend accrued during the four years. The amount calculated in this way is paid out in cash up to the maximum remuneration (Cap II, see section B.).

Overview of variable remuneration



Functionality of the LTI (virtual share programme)



The remuneration system supports the corporate strategy and the sustainable and long-term development of the Company by placing particular emphasis on promoting a long-term and sustainable orientation in the actions of the Management Board. In particular, the alignment of the variable remuneration components with the consolidated net earnings for the year takes into account the fact that other quantitative targets in the remuneration of a holding company are subject to potentially large and not always predictable fluctuations and should therefore be avoided. At the same time, this assessment basis for variable remuneration ensures the greatest possible alignment with the interests of the shareholders, the Company as a whole and the employees. The introduction of a multi-year, share-based remuneration component is also aimed in this direction and serves to optimise the alignment between strategy, strategy implementation and shareholder interests.

The remuneration system is designed to be clear and comprehensible. At the same time, incentives to take disproportionate risks are avoided. In particular, the Supervisory Board aims to offer Executive Board members appropriate and competitive remuneration in order to ensure that qualified Executive Board members remain loyal to GESCO in the future and that new Executive Board members can be recruited for the Company.

B. Compliance with the maximum remuneration and principles for determining remuneration

In accordance with the remuneration system, the maximum possible total remuneration (“Cap II”) that a member of the Management Board can receive for a financial year is limited to EUR 950 thousand for Mr Rumberg and EUR 850 thousand for Ms Holzbaur.

Compliance with the maximum remuneration for the 2023 financial year can only be reviewed and reported in the 2027 remuneration report once the 2023 LTI has been settled.

The remuneration system is the responsibility of the Supervisory Board. In doing so, the Supervisory Board ensures that remuneration is appropriate compared to other companies and its own employees. The remuneration system was approved by 86.61% of the Annual General Meeting on 30 June 2021.

II. Application of the remuneration system in the 2023 financial year

A. Non-performance-related remuneration (fixed remuneration)

In 2023, the fixed remuneration comprises of three components: the annual fixed salary, fringe benefits and pension benefits. The **fixed annual salary** is paid in 12 monthly instalments. In addition to the fixed annual salary, the members of the Executive Board receive **fringe benefits**, which mainly include the private use of company cars, contributions to employers' liability insurance associations and health insurance subsidies. The **pension benefits** for the CEO and CFO each amount to 20% of the fixed annual salary. The members of the Executive Board can decide whether the retirement benefits are provided by the Company or whether the amount is paid out as part of the monthly salary payment and the Executive Board member arranges the retirement benefits themselves. For reasons of transparency, the amount attributable to the retirement benefits is recognised separately, even if it is paid out in the form of a monthly payment.

B. Variable remuneration

1. Target achievement in 2023

The key performance indicator for the variable remuneration (the STI and the LTI) is the consolidated net earnings for the year. **This amounts to TEUR 20,885 for the 2023 financial year.**

For Mr Rumberg and Ms Holzbour, the initial amount of the variable remuneration for 2023 results from the multiplication with the respective base figure of 1.24% (Mr Rumberg) and 0.75% (Ms Holzbour). Of this, 49.2% will be paid out as an STI in 2024 and 50.8% will be granted as a LTI. The following table shows the respective calculation of the variable remuneration for Mr Rumberg and Ms Holzbour:

Variable remuneration 2023		
	Ralph Rumberg	Andrea Holzbour
TEUR		
Consolidated net earnings for 2023	20,885.4	20,885.4
Individual base value	1.24 %	0.75 %
Initial amount	259.0	156.6
thereof		
STI	49.2 %	127.4
LTI	50.8 %	77.1
		79.6

In total, the variable remuneration for Mr Rumberg for 2023 amounts to TEUR 259.0, of which TEUR 127.4 will be paid out as a cash component (STI) in 2024 and TEUR 131.6 will be converted into virtual shares as part of the LTI.

Ms Holzbour's total variable remuneration for 2023 amounts to TEUR 156.6, of which TEUR 77.1 will be paid out as STI in 2024 and TEUR 79.6 is attributable to the LTI.

2. LTI 2023

In accordance with the remuneration system, the majority of the variable remuneration is converted into a share-based component. This is granted in the form of virtual shares and has a term of four years. The amount of variable remuneration attributable to the LTI is divided by the average XETRA closing price of the GESCO share on the consecutive trading days in the last three months prior to the date of adoption of the consolidated financial statements for 2023. This number of virtual shares (commercially rounded to the nearest whole number) is recorded as a calculation item.

TEUR 131.6 is attributable to the LTI for Mr Rumberg and TEUR 79.6 for Ms Holzbour. These amounts are each divided by the average XETRA closing price in the last three months prior to the adoption of the consolidated financial statements for 2023 in order to obtain the number of phantom shares. As the remuneration report was prepared before the consolidated financial statements were adopted, the average XETRA closing price, and therefore also the calculation of the phantom shares, is determined after the remuneration report was prepared.

3. Number of virtual shares from LTI 2022

The number of virtual shares from the LTI 2022 was calculated in 2023 after the adoption of the consolidated financial statements for 2022 (and after the preparation of the remuneration report for 2022). The average XETRA closing price in the three months prior to the adoption of the consolidated financial statements for 2022 was EUR 25.00.

For Mr Rumberg, TEUR 106.5 were attributable to the LTI 2022. Divided by the average XETRA closing price of EUR 25.00, Mr Rumberg was allocated 4,261 phantom shares as part of the LTI 2022. Mrs Holzbaur's LTI 2022 amounted to TEUR 34.7, which corresponds to 1,386 phantom shares.

C. Obligation to hold shares (Share Ownership Guidelines)

In order to align the interests of shareholders and the Management Board and to further align the actions of the CEO and CFO with a sustainable increase in Company value, guidelines for the share ownership of Management Board members were introduced ("Share Ownership"). As part of the share option programme, which was offered for the last time for the 2021 financial year, the members of the Management Board are obliged to acquire and hold shares in the Company ("Share Ownership Guidelines").

D. Benefits in the event of withdrawal & payment cap

In the event of the dismissal of a Management Board member, the fixed annual salary, the performance-related bonus and the pension benefits are granted at most until the end of the fixed term of the contract. In the event of dismissal, the Company may release the Executive Board

member from the obligation to provide its services, taking into account any existing holiday entitlements, provided that the employment relationship is otherwise properly settled until the end of the employment contract.

All payments and fringe benefits to the Executive Board during the period after the end of the Executive Board mandate may not exceed the total value of two years' remuneration (based on the total remuneration for the past financial year and, if applicable, on the expected total remuneration for the current financial year) and in any case may not remunerate more than the remaining term of the employment contract ("payment cap"). Both the regulations in the event of resignation and the payment cap are applicable under the remuneration system.

III. Remuneration in 2023

In accordance with Section 162 (1) sentence 1 AktG, Executive Board remuneration for 2023 is shown separately for all Executive Board members active in the financial year in the tables below. The tables include all amounts that actually accrued to the Executive Board in the reporting period ("remuneration granted") and all remuneration that is legally due but has not yet accrued ("remuneration owed"). The short-term variable remuneration (STI) is regarded as "remuneration owed", as the underlying service was rendered in full by the reporting date. The STI is therefore recognised for the reporting year, even though payment is only made after the end of the respective reporting year. In contrast, the LTI does not represent "remuneration granted" or "remuneration owed", as the bonus payment depends on the parameters after the end of the four-year term. After the end of the four-year term, any remuneration from the LTI 2023 will be owed and recognised in the remuneration report for the 2027 financial year in accordance with the above provisions.

T€	Ralph Rumberg		Andrea Holzbour	
	01/01/2023 – 12/31/2023		01/01/2023 – 12/31/2023	
	Absolutely	Relatively	Absolutely	Relatively
Remuneration independent of performance	556.2	81.4 %	341.1	81.6 %
Annual fixed salary	439.0	64.2 %	270.0	64.6 %
Ancillary services	29.4	4.3 %	17.1	4.1 %
Retirement benefits	87.8	12.8 %	54.0	12.9 %
Variable remuneration	127.4	18.6 %	77.1	18.4 %
STI	127.4	18.6 %	77.1	18.4 %
LTI	0.0	0.0 %	0.0	0.0 %
Total 2023	683.6	100.0 %	418.2	100.0 %

Remuneration of the members of the Supervisory Board

I. Introduction

A. Overview

At the end of the financial year on 31 December 2023, the Supervisory Board consisted of a total of four members, including the Chairman of the Supervisory Board (“**Supervisory Board Chairman**”) and his deputy (“**Deputy Chairman**”).

The members of the Supervisory Board receive a fixed annual remuneration (“**fixed remuneration**”), which is payable at the end of the respective financial year. Performance-related remuneration (“**variable remuneration**”) is also possible. This is based on the consolidated net earnings after minority interests (“**consolidated net earnings**” or “**basis of assessment**”). In the event that the Supervisory Board forms committees, the members of the Supervisory Board also receive an additional fixed annual remuneration (“**committee remuneration**”) for each position on a committee that meets at least once a year.

Like the remuneration system for the Management Board, this remuneration for the members of the Supervisory Board supports the sustainable development of the Company through a performance-related orientation in the exercise of Supervisory Board activities.

B. Principles of determining remuneration

Every four years, the Annual General Meeting decides on the remuneration of Supervisory Board members and on the remuneration system. The corresponding resolution can also confirm the current remuneration. If the Annual General Meeting does not approve the proposed remuneration system, a revised remuneration system should be presented at the following Annual General Meeting at the latest.

The current system for the members of the Supervisory Board was approved by 93.26% at the Annual General Meeting on 18 June 2020.

II. Application of the remuneration system in 2023

A. Remuneration elements

The remuneration of the members of the Supervisory Board can consist of up to three elements. The fixed remuneration and the committee remuneration are function-dependent, while the variable remuneration depends on the consolidated net earnings for the year. If a member of the Supervisory Board is not a member of the Board or a committee for the entire financial year, the remuneration is paid pro rata temporis.

1. Fixed remuneration

Since the 2020 financial year, the members of the Supervisory Board receive a **fixed annual remuneration** payable at the end of the respective financial year. It amounts to TEUR 50 for each individual member, TEUR 75 for the Chairman of the Supervisory Board and TEUR 55 for the Deputy Chairman.

2. Variable remuneration

The members of the Supervisory Board also receive performance-related remuneration. This amounts to 0.15% of the consolidated net earnings for the year (per Supervisory Board member) and is due after the adoption or approval of the annual and consolidated financial statements. If the assessment basis is negative, it is carried forward to the next year and offset against positive amounts.

The consolidated net earnings for the year of TEUR 20,885.4 results in performance-related remuneration of TEUR 31.3 per Supervisory Board member for 2023.

3. Committee remuneration

In the event that the Supervisory Board forms committees, the members of the Supervisory Board also receive an additional fixed annual remuneration of TEUR 3 for each position on a committee that meets at least once a year. This remuneration amounts to TEUR 5 for the chairmen of committees.

Another component of the remuneration is the reimbursement of training costs for the members of the Supervisory Board.

Furthermore, the Company reimburses the members of the Supervisory Board, but not as part of the remuneration, for reasonable expenses incurred in the exercise of their office as well as any value added tax payable on the remuneration and reimbursement of expenses. The Company includes the activities of the members of the Supervisory Board in the cover provided by a financial loss liability insurance policy it has taken out. The premiums for this are paid by the Company.

B. Maximum remuneration

The total annual remuneration for the individual member is limited to twice the sum of the fixed remuneration and committee remuneration.

III. Remuneration in 2023

The remuneration granted and owed to the members of the Supervisory Board in 2023 in accordance with Section 162 (1) sentence 1 AktG is shown in the table below:

	Fixed remuneration		Variable remuneration		Committee remuneration		Total 2023
	T€	% from total	T€	% from total	T€	% from total	T€
Supervisory Board							
S. Heimöller	66.0	67.8 %	31.3	32.2 %	0.0	0.0 %	97.3
J. Große-Allermann	52.8	59.2 %	31.3	35.2 %	5.0	5.6 %	89.1
N. Rapp	50.0	59.3 %	31.3	37.2 %	3.0	3.6 %	84.3
K. Möllerfriedrich	61.3	64.1 %	31.3	32.8 %	3.0	3.1 %	95.6
Total	230.0	62.8 %	125.3	34.2 %	11.0	3.0 %	366.3

There were no committees until the 2021 financial year. An Audit Committee has been in place since 1 January 2022.

Comparison of the change in remuneration and earnings development at GESCO

The following overview shows the average remuneration of GESCO Group employees and the performance of GESCO in 2023. The table also compares the average remuneration of employees and the development of earnings with the remuneration of the current Executive Board and Supervisory Board members in 2023. The remuneration granted and owed within the meaning of Section 162 para. 1 sentence 1 AktG is decisive here.

The note “continuing operations” corresponds to the presentation in the 2020 and 2021 consolidated financial statements insofar as the “discontinued operations”, i.e. seven subsidiaries or groups of subsidiaries that were sold in December 2020 and February 2021, are not included.

In accordance with the presentation in the 2020 Group management report, the 2020 Executive Board remuneration includes remuneration components from share option programmes (fair value of commitments) amounting to TEUR 36.

	2023	2023 vs. 2022	2022	2022 vs. 2021	2021	2021 vs. 2020	2020
	TE	%	TE	%	TE	%	TE
Remuneration Executive Board							
Ralph Rumberg	684	- 17 %	823	4 %	793	36 %	585
Andrea Holzbaur (since 26 September 2022)	418	235 %	125	-	-	-	-
Kerstin Müller-Kirchhofs (until 30 April 2022)	-	-	298	- 59 %	729	35 %	542
Remuneration Supervisory Board							
Stefan Heimöller	97	- 8 %	106	51 %	70	27 %	55
Jens Große-Allermann	89	- 16 %	106	63 %	65	30 %	50
Dr Nanna Rapp	84	- 19 %	104	60 %	65	30 %	50
Klaus Möllerfriedrich	96	- 26 %	129	43 %	90	20 %	75
Remuneration employees							
Average remuneration employees	67	1 %	66	4 %	63	7 %	59
Personnel expenses excluding Executive Board remuneration	124,816	4 %	120,271	8 %	111,392	8 %	102,899
Employees (average, incl. trainees) (continued)	1,873	3 %	1,823	4 %	1,759	2 %	1,731
Performance GESCO Group							
Net income / loss GESCO SE (HGB)	7,827	- 71 %	26,970	- 12 %	30,662	- 631 %	- 5,769
Group earnings after minorities (total) (IFRS)	20,885	- 38 %	33,824	26 %	26,862	- 262 %	- 16,576
Group earnings after minorities (continued) (IFRS)	20,885	- 38 %	33,824	26 %	26,876	361 %	5,829
Group sales (continued) (IFRS)	560,724	- 4 %	582,273	19 %	488,051	23 %	397,225

Outlook from a remuneration perspective

No changes to the remuneration or the remuneration system are planned for the members of the Executive Board and the Supervisory Board in 2024.

03

Sustainability

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Non-financial report / DNK Declaration

General information

As a long-term investor, GESCO SE acquires successful technology-leading industrial SMEs. GESCO was founded in 1998 with the aim of maintaining successful SMEs without succession and securing jobs. GESCO went public in 1998 and has been listed in the Prime Standard ever since.

GESCO sees its activities as long-term and sustainable. GESCO continues to pursue and further develop proven business models. The central task is to utilise growth potential and secure the future viability of the Group in the long term. The goal: a strong group of hidden champions, market and technology leaders.

GESCO SE takes the claim of hidden champions seriously. Our NEXT LEVEL strategy includes excellence programmes to take the Group's medium-sized companies to the next level. GESCO is systematically and sustainably developing the Group's companies with programmes for operational excellence, active development of market presence and product portfolio as well as sharpening leadership skills and corporate culture. Ultimately, almost all companies are already hidden champions, or at least recognisably on their way to becoming so.

In this way, GESCO creates added value for everyone involved: shareholders, employees, customers, suppliers and other stakeholders. Under the umbrella of a lean holding Company, the companies operate independently, but with the support of the SE. The individual subsidiaries are managed by independent managing directors. As a rule, the holding Company does not perform any centralised functions for the companies. Exceptions relate in particular to compliance issues and individual insurance policies at Group level.

GESCO strives for profitable growth through the further development of existing portfolio companies and the acquisition of additional industrial, technology-leading SMEs. The management of the Group by the holding Company is orientated towards this goal.

The subsidiaries are predominantly small and medium-sized industrial companies, which are allocated to the following segments:

Process Technology

- MAE group
- INEX-solutions GmbH
 - Sommer & Strassburger GmbH & Co. KG (under the umbrella of INEX-solutions GmbH)
 - Hubl GmbH (under the umbrella of INEX-solutions GmbH)
- Kesel group

Resource Technology

- Doerrenberg group
- SVT GmbH
- Pickhardt & Gerlach group

Healthcare and Infrastructure Technology

- Setter group
- Franz Funke Zerspanungstechnik GmbH & Co. KG
- United MedTec Holding GmbH (UMT)
- AstroPlast Kunststofftechnik GmbH & Co. KG

The individual business models of the subsidiaries are widely diversified. The products range from mechanical and plant engineering, tool steel and refined steel strip to paper sticks for the confectionery and hygiene industry. Further information on the business models and areas of activity of the individual subsidiaries can be found in the GESCO SE Annual Report and on the websites of GESCO SE and the GESCO Group companies.

Criteria 1 – 10: Sustainability concept

Criteria 1 – 4 for Strategy

1. Strategic analysis and measures

Sustainability and a long-term approach have been an integral part of GESCO's strategy since it was founded in 1989. Most of our companies are many decades old and are established as hidden champions. Without sustainable thinking and action, these SMEs would not be where they are today.

The purpose of the Company, our strategy and our goals are designed for the long term. Our actions today should therefore have a lasting positive effect on the future. Our corporate philosophy is based on the principles of good corporate governance and a responsible approach to the environment.

Entrepreneurial thinking characterises the actions of the Executive Board and Supervisory Board. Together, they are committed to corporate management based on sustainability.

As a specialist in succession issues, we secure the future of companies and safeguard jobs. We focus on long-term partnerships with customers and suppliers. We see positive and constructive interaction with our employees as an investment in the future of GESCO.

The subsidiaries' business models are highly diversified. Each Company has a different production process, a different value chain and therefore a different consumption of energy and resources.

However, we have a common understanding of our sustainability strategy. Everyone at GESCO Group is aware that we need to conserve our resources, reduce our ecological footprint, make our contribution to society and take responsibility for society. We also focus on sustainable products and solutions for our customers. We also focus on responsibility for our employees, safe and fair working conditions and the management of risks and due diligence in the supply chain.

Our sustainable actions are based on the knowledge that every individual, every participant in economic life and every Company has a duty to use all resources sparingly. With our products and solutions, we help our customers to conserve resources. By taking responsibility in the supply chain and creating transparency, we support our customers' sustainability strategy.

Since 2021, the German Sustainability Code (DNK) has been used as the framework for reporting on sustainability aspects and their management, with the extension in accordance with the requirements of the CSR Directive Implementation Act (CSR-RUG). The transparency requirements of the EU Taxonomy Regulation are met in 2023. In addition, voluntary reporting on the "National Action Plan for Business and Human Rights of the Federal Government" (NAP) has been carried out since 2022.

Five fields of action were identified as part of the extended materiality analysis (see criterion 2). GESCO prioritises these areas and is actively working on them:

Environment	Social	Governance
Climate protection and energy management	Employees	Development of modern sustainability management
Resource management and sustainable products	Responsibility in the supply chain	

The development of modern sustainability management has been a focus since 2021 and is being continuously expanded. In 2023, data quality with regard to the EU and data collection in preparation for the ESRS in the areas of diversity and discrimination as well as waste indicators were expanded and improved. For 2024, sustainability management will be expanded to include the disclosure requirements under the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainable Reporting Standard (ESRS) that will apply from the 2024 reporting year.

By establishing modern sustainability management, GESCO SE will fulfil the non-financial regulatory disclosure requirements (EU, federal government, B2B customers), increase the valuation and value of the subsidiaries in the medium term in line with the NEXT LEVEL strategy and continue to strengthen GESCO Group's adaptability (resilience) in a changing environment.

A particular focus in 2023 was on responsibility in the supply chain. A comprehensive analysis of the supply chains and the establishment of human rights due diligence were carried out. Transparency in the supply chains was significantly increased. The requirements of the LkSG will therefore be fully met from the 2024 financial year.

The subsidiaries have so far acted independently in the other three areas of action. Due to the different business models of the subsidiaries, the focus must also be set differently. This is the responsibility of the respective company. The focus across the subsidiaries is on reducing energy consumption and conserving resources for our customers and us. Our employees are our most important

2023

both data quality and data collection were expanded and improved in preparation for the ESRS standards.

resource. Their perspectives and needs are therefore given due consideration in all business decisions. Working conditions are regularly evaluated and adjusted if necessary. Compliance with and fulfilment of legal requirements and guidelines is a matter of course.

A system of key figures for non-financial performance indicators is used for the targeted management of relevant sustainability issues and for transparent reporting. This covers the areas of action:

- Energy consumption
- Resource consumption
- Occupational safety/health protection
- Diversity
- Training and further education
- Social commitment
- Staff recruitment and retention
- Compliance
- Dialogue with interest groups
- Responsibility in the value chain
- Sustainability management
- Employee mobility
- Upstream and downstream logistics

2. Materiality

For GESCO SE as a listed holding Company, the topic of sustainability is becoming increasingly important. GESCO SE and its subsidiaries are also affected by the growing legal requirements such as the CSR Directive Implementation Act (CSR-RUG), the EU Taxonomy and, from 1 January 2024, the Supply Chain Duty of Care Act (Lieferkettensorgfaltspflichtengesetz). Even if the corresponding requirements regarding the recording of key figures initially entail greater effort, GESCO SE sees the long-term opportunity to minimise economic risks through active and transparent sustainability management.

GESCO SE strives across the Group to create value for the environment and society, reduce negative impacts in a meaningful way and conserve resources.

In order to implement the available measures in as targeted a manner as possible, an extended materiality analysis was carried out in 2021 to identify and prioritise the relevant topics. In a first step, the criteria of the Sustainability Code and other relevant trends and developments were analysed as part of desk research. The managing directors of all subsidiaries and key investors were then interviewed by telephone to prioritise their assessments. As a result, six of the 22 potentially material ESG topics were given special prioritisation*:



GESCO SE strives to create value for the environment and society across the Group, to sensibly reduce negative impacts and to conserve resources.

Environment

- Business travel and fleet management
- Climate protection and energy management*
- Product responsibility*
- Resource management*

Social

- Compliance with employee rights
- Training and further education*
- Company health management
- Diversity
- Social commitment
- Sustainable organisational development*
- Staff recruitment and retention
- Work-life balance

Governance

- Compliance
- External communication
- Dialogue with interest groups
- Responsibility in the value chain
- Risk management
- Sustainability management*

The negative effects of GESCO Group's business activities in 2021 were identified primarily in the consumption of energy and resources. This topic is therefore also of particular strategic relevance for GESCO SE, and the subsidiaries are implementing optimisation measures in this area.

Due to the changing regulatory framework, this materiality analysis was strategically developed further in the ESG@GESCO Steering Committee at the end of 2022 and focussed on the following five topics:

Environment	Social	Governance
Climate protection and energy management	Employees	Development of modern sustainability management
Resource management and sustainable products	Responsibility in the supply chain	

Field of action 1: Economic efficiency and good corporate governance

GESCO Group is characterised by economic efficiency, corporate governance with integrity and high internal safety standards. The interests of all stakeholders are taken into account in our actions. Measures relating to this area of action are presented in **critterion 20**.

Field of action 2: Innovative, safe and sustainable products

Our products and solutions “Made by Mittelstand” are based on the highest safety and quality standards and are the result of the excellence programmes we pursue. Measures for this area of action are presented in **critterion 10**.

Field of action 3: Sustainable employer

GESCO Group is a major employer in Germany and is globally connected through majority shareholdings at various locations. We offer attractive and secure jobs in a modern and forward-looking environment. Measures for this area of action are presented in **critterion 16**.

Field of action 4: Climate protection and resource efficiency

Operational environmental protection and the economical use of resources are a high priority at GESCO Group. All employees are committed to protecting people and the environment in their working environment. Measures relating to this area of action are presented in **critterion 12**.

Field of action 5: Social responsibility and transparency

We use our expertise to advise our customers and seek industry-specific and cross-industry dialogue. We assume social responsibility through the tax payments resulting from our economic success, as well as through our involvement in educational projects and donations to charitable causes. Measures in the area of social responsibility and transparency are presented in **critterion 18**.

Within GESCO SE, the opportunities, risks and effects depend to a large extent on the business model of the respective subsidiary. The following criteria were used for the uniform assessment and prioritisation of the topics:

1. Particular opportunities or risks for the course of business, the annual financial statements or the situation of the Company
2. Probable positive or negative impact of business activities, business relationships, products and services on at least one subsidiary
3. Key stakeholder concerns
4. Significant contribution to positioning in the sustainability context
5. Reference to the fulfilment of future regulatory requirements

These criteria apply in particular to the topics prioritised in 2023.

All subsidiaries of GESCO SE are subject to the typical opportunities and risks of their respective industries as well as general economic risks in their operating business. Within GESCO Group, all relevant risk topics are regularly assessed according to the extent and probability of occurrence. In addition to the economic situation, there are risks as well as opportunities for the subsidiaries in the strategic orientation of the companies, taking technological change into account. These include, in particular, the replacement of the combustion engine with other drive types, digitalisation, the emergence of new competitors, the political and economic development of regional markets, the change in social values, the political goal of reducing CO₂ emissions and other regulatory conditions, such as the human rights due diligence obligations imposed on GESCO Group. Risk management was established for the latter in the course of financial year 2023. The relevant sustainability issues that primarily affect GESCO are also derived from this area of tension: climate change, scarcity of resources and training and further education of the workforce. GESCO addresses these issues by implementing excellence programmes (OPEX, MAPEX, DIGITEX, LEADDEX) in the subsidiaries, among other things. These are complemented by the development of modern sustainability management

and due diligence obligations in the value chain. The regular dialogue between the Executive Board of GESCO SE, the investment managers of GESCO SE and the managing directors of the subsidiaries and their teams serves to analyse and further develop strategic topics.

The managing directors of the subsidiaries attribute the greatest negative impact of business activities on sustainability issues to the area of energy and resource consumption. GESCO SE endeavours to reduce environmental impacts in a meaningful way through the core business of the respective subsidiary and thus make important contributions to society as a whole.

Further information on dealing with opportunities and risks can be found in GESCO SE's opportunity and risk report as part of the Annual Report, which also includes non-financial performance indicators. (<https://www.gesco.de/en/investor-relations/financial-reports>)

3. Targets

GESCO is systematically developing its sustainability strategy. Sustainability issues also play an important role in balancing the portfolio architecture and developing the subsidiaries into hidden champions. The short and medium-term fulfilment of the constantly increasing regulatory requirements forms the corresponding basis. The ESG@GESCO steering committee meets regularly to further develop sustainability issues. In addition to the two Executive Board members responsible for sustainability management at GESCO, this committee also includes the heads of Investor Relations and Legal & Compliance as well as an employee from Finance who is assigned to the ESG topic.

Key objectives for 2023 were the further development of sustainability management, the implementation of human rights due diligence obligations and the reduction of energy consumption and conversion to renewable energies.

To this end, the governance of ESG@GESCO set up in 2022 was consolidated. The ESG and LkSG coordinators in the subsidiaries received further training: Several online training courses and regular exchanges took place. The coordinators communicate the aspects to the respective employees and sensitise them to the numerous links between the individual functional areas.

All-in-one sustainability reporting software was introduced in Q4 2023 to improve the transparency and future viability of sustainability management. The software enables standardised recording and compliance with control and approval routines. It covers the requirements of the CSRD, EU taxonomy and LkSG, enables emissions to be calculated and offers options for tracking sustainability targets and measures.

The development of systematic human rights due diligence was completed in 2023 and integrated into all relevant business activities.

In 2024, the materiality analysis and ESG KPI recording will be expanded with regard to the new EU CSRD Directive (ESRS).

The design and objectives in the three other areas of action – employees, climate protection and energy management as well as resource conservation and sustainable products – are the responsibility of the subsidiaries. The decentralised Group structure and the diverse business models mean that targets and priorities must be set individually depending on the respective business models. The unifying element in the strategy and management approach is the conservation of resources and reduction of energy consumption. No long-term strategic goals have yet been set for this across the Group. However, this will take place with the expansion of sustainability management to include the new EU Corporate Sustainability Reporting Directive (CSRD) in 2024. The initial plan for 2024 is to carry out a materiality analysis based on the new EU directive. Based on these results and taking into account the different focal points of the

subsidiaries, the Executive Board and Supervisory Board will define the strategic Group targets by the end of 2024 at the latest. There are currently no plans to align these targets with the SDGs.

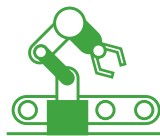
The ESG@GESCO Steering Committee will manage the achievement of the stated objectives. The Supervisory Board's Audit Committee is responsible for monitoring target achievement.

4. Depth of the value chain

GESCO SE is an industrial group with market- and technology-leading companies specialising in process, resource, healthcare and infrastructure technology. GESCO Group companies are allocated to these three segments accordingly.

GESCO SE's value chain can be characterised by the investment process. Since its foundation in 1989, GESCO has built up a strong group of "hidden champions", market and technology leaders. GESCO continues and further develops proven business models. The central task is to utilise growth potential and secure the future viability of the Group in the long term. In this way, GESCO creates added value for all stakeholders. Most of the companies in the Group are many decades old; without sustainable management, these SMEs would not be where they are today.

In recent years, GESCO has intensively promoted and established dialogue between the subsidiaries and built up extensive methodological expertise at GESCO SE level. This also includes building up expertise in ESG topics that have been categorised as material in the process to date.



The companies in the **Process Technology** segment are primarily mechanical and plant engineering companies as well as technology-intensive manufacturing service providers. They mainly support manufacturing industries and their processes with their products and services.



The subsidiaries in the **Resource Technology** segment supply material-intensive industrial companies in particular. The companies provide customised processing of primary materials, which are further processed into end products by the customers. They also produce systems for loading raw materials and energy sources.



The **Healthcare and Infrastructure Technology** segment comprises companies that supply suppliers for end-consumer-related mass markets in the fields of medical technology, hygiene, food and construction. The companies mostly supply components, assemblies or preliminary products. In addition to metal processing, materials such as plastic granulate or raw paper are also processed here.

In the subsidiaries' own business activities, the greatest leverage currently lies in the areas of resource scarcity and consumption. Although the increasing scarcity of resources, e.g. fossil fuels, cheap electricity, availability of water, etc., is creating more and more risks for the subsidiaries, this also offers opportunities in terms of tapping into environmentally friendly business areas and further developing business models.

For example, the subsidiary SVT GmbH, a global leader in the field of loading technology, is continuously working on further developing its ship loading systems for the transport of liquid gas and developing new solutions, e.g. for loading liquid hydrogen (see criterion 10). The Setter group, on the other hand, has switched 100% of its production to the manufacture of sticks from PEFC® and FSC® certified cellulose, a renewable raw material (see criterion 10).

In addition to the sustainable further development of business models, efficient energy consumption in our own business area is one of the main starting points in our own value chain. The majority of subsidiaries have already had specific environmental management systems in place for several years and monitor environmental sustainability criteria, such as energy consumption in their own business operations, on their own responsibility. As part of this, positive and negative environmental impacts that are wholly or partly attributable to the activities, products or services of GESCO subsidiaries are managed in a targeted manner. Subsidiaries that do not have a certified environmental management system carry out regular energy audits in order to adjust their energy use and introduce further measures on this basis.

In addition, all subsidiaries have been analysing their own supply chain since 2022. To this end, the visualisation of the supply chains by product group was initiated with the help of an external consultancy firm and direct suppliers were identified at the individual nodes (e.g. raw material extraction, further processing, logistics, sales, etc.). This process is intended to help us gain an understanding of the



100%

of Setter group's sticks are produced from renewable, certified cellulose.

impacts in our own supply chain beyond our own business boundaries and, with the help of a risk analysis, to identify which social and environmental problems are potentially to be expected within the supply chain (see criterion 17). This process has not yet been finalised, which is why no definitive statements on potential risks in the supply chain can be made at this time.

In the future, this mapping of suppliers is to be deepened so that information on indirect suppliers is also available for further use. This is also a viable step in view of future EU directives (Corporate Sustainability Due Diligence Directive) in order to be prepared as a Company in good time for the growing requirements. This can result in potential areas of focus with increased risk disposition, which must be addressed in the individual context of the subsidiaries. Information on dealing with suppliers or business partners can be found in criterion 17.

Further insights into the business models of the individual companies can be found in the 2023 Annual Report.

In acquisition processes, the potential company to be acquired is comprehensively analysed and evaluated in terms of risks, opportunities and future viability as part of due diligence. The review includes financial, legal and tax criteria as well as technology and market-related aspects. ESG aspects are also taken into account. From an environmental perspective, this includes in particular the assessment of contaminated sites and the review of licences granted. With regard to social and employee issues, the personnel structure, occupational safety and corporate culture, among other things, are included in an investment decision. GESCO uses both internal and external expertise for due diligence.

Criteria 5 – 10 on Process management

5. Responsibility

Overall responsibility for sustainable development lies with the Executive Board of GESCO SE. In addition, a central ESG@GESCO steering committee has been established, which includes the Executive Board as well as the Investor Relations & Communications, Legal & Compliance and, since 2023, Finance departments. A sustainability consultancy company supplements the ESG@GESCO Steering Committee. The sustainability consultancy advises the members of the ESG@GESCO Steering Committee and supports all ESG activities within GESCO Group on its behalf until March 2024.

In the course of 2023, the Finance department was increasingly involved in sustainability reporting as part of the anticipation of the ESRS. The Finance department is also responsible for implementing and supporting the all-in-one software for sustainability reporting.

For the preparatory implementation of the obligations arising from the Supply Chain Duty of Care Act (LkSG) and other compliance issues, the sustainability consultancy works together with the Legal & Compliance department. The role of Human Rights Officer for GESCO SE will be filled internally from the Legal & Compliance department in 2024.

In the subsidiaries, the management is responsible for the implementation of and input to sustainability activities. The Executive Board has appointed an ESG Officer and an LkSG Officer for operational implementation. The LkSG officers usually have a thematic connection to supply chain management via purchasing and actively shape the topic within their own company. The ESG officers have a stronger connection to general sustainability issues and can have a broader impact on the subsidiaries in particular. In four of the companies, one person combines both functions.

The LkSG coordinators are responsible for implementing the obligations arising from the Supply Chain Sustainability Act. The ESG coordinators are entrusted with the development and implementation of systematic sustainability management. They implement guidelines from the GESCO holding Company, the recording of key figures and the strategy process in coordination with the Executive Board. The subsidiaries are encouraged to go beyond the GESCO specifications to identify their own focal points and to set up suitable regulations and processes for the management of sustainability-related topics in line with these.

All information from the ongoing process is collated in the ESG@GESCO steering committee, further implementation steps are discussed and, if necessary, the extended steering committee including the managing directors from the subsidiaries is convened, e.g. in the strategy process.

6. Rules and processes

The subsidiaries of GESCO SE generally have the opportunity and responsibility to identify their own focal points and establish suitable regulations and processes for the management of sustainability-related topics. GESCO SE supports all efforts, including those that go beyond compliance with legal standards and regulations, provided they are justifiable from a business perspective. This is also anchored in the Group's Code of Conduct.

As a central basis for internal management and transparent reporting, the GESCO Group's key performance indicator system was standardised and expanded in reporting year 2022. Based on the GRI performance indicators specified in the GSC, the first step was to check which key figures could be recorded by the subsidiaries. To date, data has been collected annually. Due to the ESRS published in 2023, the existing data collection logic will have to be specified in more detail. In the medium term, the aim is to measure performance on a quarterly basis. To this end, all-in-one ESG reporting software was implemented in 2023, which GESCO SE used in 2023 for the CSR-RUG and from 2024 will use for ESRS reporting, emissions calculation, the EU taxonomy key figure accrual and for the management of human rights due diligence obligations in the supply chain.

The Code of Conduct will be expanded to include further ESG aspects in 2024 and will also be disseminated in the companies through regular compliance training. A central purchasing guideline, a confidentiality agreement and general terms and conditions of purchase are planned for 2024 as part of the responsibility for the supply chain.

Responsibility for the other three areas of action (employees, climate protection & energy management, resource management and sustainable products) lies with the subsidiaries. The implementation of rules and processes is decentralised and independent. In the current structure, the ESG coordinators of the subsidiaries appointed by the respective managing directors will report on progress to the

ESG@GESCO steering committee. In future, the plan is to integrate sustainability activities and the status of target achievement into the monthly meetings between investment managers and managing directors.

7. Control

The targets and measures defined as part of the sustainability strategy are continuously reviewed and adjusted. The non-financial performance indicators serve as a management tool for GESCO's sustainability activities. The ESG indicators are collected by the subsidiaries and summarised at Group level as part of non-financial reporting.

The non-financial performance indicators cover the following areas:

- Energy and resource consumption
- Occupational health and safety
- Diversity
- Training and further education
- Social commitment
- Staff recruitment and retention
- Compliance
- Dialogue with interest groups
- Responsibility in the value chain
- Sustainability management
- Employee mobility
- Upstream and downstream logistics

The ESG coordinators in the subsidiaries coordinate the recording of key figures on a decentralised basis. Authorisation management has been established within the reporting software, within which the commercial managers check and approve the data input of the subsidiaries in the data consolidation process. At holding company level, clear personnel resources are allocated to the Finance department for consolidation and verification. ESG coordination at Group level consolidates the data, checks it on a random basis and takes changes in the Group structure into

account. As part of ESRS anticipation, quality specifications are successively developed centrally for individual complex data points to be collected. All German locations, the holding company and the foreign production companies of GESCO Group record the key figures.

For the 2023 targets, progress was monitored as part of the monthly meetings of the ESG@GESCO Steering Committee. From 2024, the definition and monitoring of the subsidiaries' sustainability targets will be integrated into the investment discussions between investment managers and managing directors.

Performance indicators for criteria 5 to 7

Performance indicator GRI SRS-102-16: Values

GESCO Group pools the strength and potential of technology-driven SMEs. Many of the subsidiaries are niche players, while some are already global market leaders. GESCO SE's vision is to form a strong and balanced group of hidden champions through the targeted, systematic and sustainable development of its subsidiaries and further acquisitions. The NEXT LEVEL strategy uses its excellence programmes to set the course for the strategic and operational expansion of the Group in the coming years. As a listed industrial holding company, GESCO SE aims to generate an attractive return for its shareholders. Values such as personal responsibility, openness and transparency as well as legally compliant and ethically correct behaviour play an essential role in this.

These values are set out in the GESCO SE Code of Conduct. They are binding for all executive bodies and employees of GESCO Group. The Code of Conduct thus functions as the corporate constitution of GESCO Group. It sets out the inalienable basic principles for cooperation within GESCO Group and for the behaviour of GESCO Group members towards their business partners and other third parties.

GESCO SE's principles include the goal of generating added value in order to guarantee all employees an attractive and safe workplace and to be a strong partner for customers, business partners, suppliers and shareholders. An important concern is to take the necessary measures to minimise risks and avert dangers in the areas of environmental protection, health, occupational safety, product quality and liability as well as data protection. The development and dissemination of environmentally friendly technologies is welcomed and initiatives to promote environmental awareness are supported. The Code of Conduct is supplemented by specific guidelines as part of the compliance management system.

The Code of Conduct for GESCO Group employees is available for download on the Company website at <https://www.gesco.de/en/about-us/compliance-and-corporate-governance>. It will be expanded to include human rights and other ESG aspects in 2024.

8. Incentive systems

On 13 May 2021, the Supervisory Board approved a new remuneration system that applies to all new Executive Board service contracts to be concluded or extended with effect from the Annual General Meeting on 30 June 2021.

The extended Executive Board service contract of Mr Rumberg, CEO, of 30 June 2022 and the service contract concluded in the third quarter of 2022 with Ms Andrea Holzbaur, CFO, were concluded on the basis of the remuneration system in place since 30 June 2021.

The remuneration system for members of the Executive Board consists of two components: a non-performance-related remuneration component and a performance-related remuneration component. The latter consists of a one-year component (Short Term Incentive, “STI”) and a multi-year element (Long Term Incentive, “LTI”). Both elements are linked to the consolidated net earnings for the year after minority interests.

A modified Executive Board remuneration system was submitted to the 2021 Annual General Meeting for approval, which takes into account the changes resulting from the Act Implementing the Second Shareholders’ Rights Directive (ARUG II) and the recommendations of the current version of the German Corporate Governance Code (GCGC). Although non-financial, social and ecological aspects are taken into account as part of the new remuneration system in terms of sustainable action when determining the initial amount of variable remuneration for the past financial year of the Executive Board, these have not yet been measured against any specific sustainability targets. The Executive Board is developing a sustainability strategy in close consultation with the Supervisory Board, the implementation of which will be used by the Supervisory Board to assess the work of the Executive Board. The achievement of targets is also monitored by the Supervisory Board: In principle, the exchange of information on key figures and their target achievement takes place annually at the Supervisory Board meeting, which is also used as a planning and control meeting.

Further information can be found in the valid remuneration system approved by the Annual General Meeting at <https://www.gesco.de/en/about-us/compliance-and-corporate-governance>.

As GESCO is not an integrated Group, the remuneration systems for managers and all other employees in the subsidiaries are structured differently, depending on the respective business model, the historical development of the individual Company and, in some cases, the provisions of collective labour agreements. No sustainability targets have been integrated into these systems to date and none are planned.

Performance indicators for criterion 8

Performance indicator GRI SRS-102-35: Remuneration policy

The non-performance-related remuneration component for members of the Executive Board currently consists of a fixed annual salary, fringe benefits and pension benefits. The fringe benefits granted mainly consist of the private use of company cars, directors’ and officers’ liability insurance, contributions to employers’ liability insurance associations and contributions to health insurance. The pension benefits for the CEO and CFO each amount to 20% of the fixed annual salary.

The performance-related remuneration component is generally granted in the form of a performance-related bonus, which is based on the consolidated net earnings for the year after minority interests.

Under the current remuneration system, the performance-related remuneration consists of a one-year component (short-term incentive, “STI”) and a multi-year element (long-term incentive, “LTI”). Both elements are linked to the consolidated net earnings for the year after minority interests. After the end of the financial year, the consolidated net earnings reported in the approved consolidated financial statements is determined. The consolidated net earnings then serves as the basis for the STI and the LTI. The assessment basis is then multiplied by an individual percentage rate for each Executive Board member in order to arrive at the individual starting amount for each Executive Board member. The initial amount for the variable remuneration is determined by the Supervisory Board after the end of the financial year, whereby the Supervisory Board has the discretion to change the initial amount by 20% upwards or downwards. The initial amount is limited to 100% of the fixed annual salary (“cap”), but can also be zero.

The members of the Executive Board are granted pension contributions amounting to a certain %age of their fixed salary.

Additional details on Executive Board remuneration can be found in the remuneration report on the GESCO SE website at <https://www.gesco.de/en/about-us/compliance-and-corporate-governance>.

**Performance indicator GRI SRS-102-38:
Ratio of total annual remuneration**

The ratio of average total annual remuneration between the Executive Board of GESCO Group and all other employees is 1:9.9 in 2023 (2022: 1:13.1).

9. Participation of stakeholder groups

GESCO SE is in regular dialogue with its stakeholder groups.

In 2021, the most important stakeholders of GESCO SE were identified as part of an internal analysis based on business operations experience. These were then surveyed in guided interviews. The focus was on the managing directors of the subsidiaries and institutional shareholders.

Private and institutional shareholders are a key external stakeholder group for GESCO SE. Analysts and media representatives are another group of external stakeholders. In financial year 2023, these groups were asked about their assessments and expectations with regard to the sustainability issues of GESCO SE that are classified as material. In the three-digit number of discussions held with investors, analysts and media representatives, as well as in the numerous Q&A sessions at capital market conferences, roadshows and conference calls, sustainability issues play almost no role. This is also confirmed by other listed companies.

Accordingly, it is not just our experience that ESG issues are essentially a political issue. Other stakeholder groups such as investors, employees, customers and business partners criticise the enormous effort, overregulation and the associated obligations and restrictions that are imposed on them. However, neither GESCO nor its stakeholder groups equate this with a rejection of the concept of sustainability. On the contrary: it is in the interests of every well-managed company to use the available and accessible resources as efficiently and sparingly as possible and to minimise the impact on the environment. This also applies to staff development, particularly in view of the shortage of skilled labour.

Since the IPO, GESCO has maintained active and open investor relations and seeks dialogue with its owners, e.g. at capital market events and conferences, roadshows, one-on-one meetings and conference calls.

For personal dialogue with private investors, we not only use the Annual General Meeting, but also stock exchange days and events organised by associations that represent the interests of private investors. We also have a wide range of contacts and enquiries during the year in the form of emails and telephone calls.

In addition, further dialogues are held with selected stakeholders at the level of the individual investments as required. The next systematic stakeholder engagement will take place in 2024 as part of the implementation of a materiality analysis in accordance with ESRS.

Performance indicators for criterion 9

Performance indicator GRI SRS-102-44: Key topics and concerns

GESCO Group takes the concerns of investors very seriously, is in dialogue with other market participants and continues to monitor developments in the European regulatory process. On the other hand, the EU taxonomy and CSRD reporting open up the opportunity for ESG data to become more meaningful and therefore more comparable in the future.

In addition to the regular information published on the website, investors, analysts and media representatives also have the opportunity to engage in personal dialogue. The Executive Board and Investor Relations also regularly took part in investor conferences in 2023. Direct communication is also possible at any time by email, telephone or video call. The contact details of Investor Relations with a personal contact person are published on the GESCO SE website. All options were utilised in 2023. Issues and concerns were also recorded and answered via these channels.

The topics and concerns expressed by investors, analysts and other dialogue partners in 2023 were predominantly limited to the general strategy of GESCO SE, the economic environment and its impact on GESCO SE and its subsidiaries.

2024

as part of the implementation of a materiality analysis in accordance with ESRS, the next systematic stakeholder involvement will take place.

10. Innovation and product management

GESCO SE strives to systematically and sustainably develop all Group companies. To this end, resources are utilised as efficiently as possible in the core business of the subsidiaries. At the same time, products are continuously improved during their utilisation phase, also from an ecological perspective. A centralised innovation and product management system has not yet been installed. Statements on quantifiable data can therefore not be made.

The effects of the main products cannot be determined centrally, as the subsidiaries of GESCO SE represent a diverse product portfolio. This structure also means that there is no centralised innovation management. The impact on the environment and society must be considered at the subsidiary level. Each subsidiary aims to minimise its negative impact on the environment and society. A detailed assessment, such as the evaluation of products in a product life cycle analysis, has not yet been carried out.

A few selected examples from the subsidiaries show how sustainability performance is promoted through innovation processes at GESCO SE:

For example, the paper sticks produced by the subsidiary Setter are also used as stirrers. This allows Setter's customers to significantly replace products previously made from plastic with sticks made from chlorine-free pulp. In contrast to plastic, this is a renewable raw material from controlled forestry (PEFC® and FSC®), which – unlike crude oil as the base material for polypropylene sticks – will only be available for a limited period of time. In addition, the Company processes sugar cane as a paper alternative and has already brought the production process to series maturity.

The subsidiaries are endeavouring to find innovative solutions to tackle ecological and social problems, sometimes in collaboration with business partners and research institutions.



Sugar

The Setter group processes sugar cane as an alternative to paper and has already brought the production process to series maturity.

– 256 °C

is the temperature of liquid hydrogen. This requires new materials in the loading systems, which the SVT group is helping to design and develop.



SVT GmbH, the world's leading manufacturer of loading systems for liquid and gaseous media, is working with Forschungszentrum Jülich GmbH to develop ship loading systems specifically for the loading of liquid hydrogen with third-party funding from the German Federal Ministry for Economic Affairs and Climate Protection. In order to secure the energy supply in the future, it is essential that new technologies are researched and applied. In hydrogen transport, for example, the main components of the process pipeline must fulfil the extended operating conditions. This includes the design of swivel joints, safety disconnect couplings or the connection couplings, as the handling of liquid hydrogen (–256°C) requires special materials, insulation, etc.

In addition, Doerrenberg introduced an internal suggestion scheme in 2023, revised management systems and set up an energy data recording system.

One significant innovation took place at MAE in 2023. This concerns the disposal or recycling of the machines produced. After the utilisation phase by the customer, all machine components can be recycled. All machine components are therefore recyclable.

As part of the DIGITEX (Digital Excellence) strategy, the subsidiary Kesel has developed and launched the Kesel Connect customer portal. The customer portal serves as a central information platform for customers, also providing information about the company's sustainability measures. Customers are actively involved in the company's sustainability activities. For example, customers can use the portal

to submit ideas and suggestions on how the company can improve its sustainability measures, or they can take part in community activities to help protect the environment. The customer portal helps the company to be more transparent and credible with regard to its sustainability activities. Customers can access the portal at any time and find out about the company's progress in terms of sustainability. The customer portal provides information about the products purchased from Kesel and the resources used in the manufacture and operation of the products. Advice is given on how best to dispose of old products or machines or how they can be retrofitted to extend their service life. This ensures that existing resources are used responsibly.

In contact

The interactive portal Kesel Connect enables a direct direct line between the Kesel group and its customers. They can in particular about the sustainability aspects of the products.



Performance indicators for criterion 10

Performance indicator G4-FS11

The financial investments do not undergo a selection review based on environmental or social factors because they are demand deposits. Therefore, no review is planned.

Criteria 11 – 20: Sustainability aspects

Criteria 11 – 13 on Environmental concerns

11. Consumption of natural resources

GESCO Group considers resource efficiency as well as energy and climate management to be essential. In addition to the general increase in importance, which is reflected in stricter legal requirements and competition for raw materials, the topics of energy and resource savings have also become a competitive factor for the subsidiaries.

The Doerrenberg group and the Pickhardt & Gerlach group generate a greater environmental impact with their business activities in the fields of metallurgy and electroplating. For this reason, they have had environmental management systems in place for several years to continuously reduce emissions, waste water and waste. Environmental pollution is continuously reduced through the ongoing modernisation and further development of environmentally friendly production processes.

The Setter group already uses renewable raw materials from controlled forestry for the production of paper sticks. However, it is not yet possible to completely dispense with the use of virgin fibres.

Across all companies, resource consumption is recorded within GESCO Group with regard to the materials used in the four clusters of raw materials, auxiliary and operating materials, semi-finished products/parts and packaging materials (see performance indicator GRI SRS-301-1).

There is currently no centralised, more detailed recording of the resources used at Group level.

In terms of purchasing volume, a high proportion of steel products (strip steel, stainless steel, stainless steel tubes, precision cast round bars, steel components) is purchased across the entire Group (32%), while 7% metal parts (iron, castings, etc.) and 3% granulates are either resold or further processed.

There is currently no cross-group recording of resource volumes. The figures are taken from an evaluation of supplier data as part of the LkSG risk analysis for the 2022 financial year.

12. Resources management

GESCO Group's overarching environmental goals are:

- Reduction in energy consumption
- Saving resources

The companies are also endeavouring to replace environmentally harmful materials and processes with more environmentally friendly ones.

To date, GESCO SE has not further specified and quantified these targets. Corresponding target formulations, including action planning and monitoring, are being sought for financial years 2024ff. as part of the further development of the sustainability strategy by 2024.

The management of environmentally relevant issues is generally decentralised within the individual companies. Responsibility for this lies with the respective managing directors (and ESG coordinators). The GESCO Group subsidiaries have conducted an energy audit and identified opportunities to save energy. Individual measures have already been implemented in the companies.

The resource-conserving measures focus primarily on the following areas:

- Energy efficiency in business operations
- Transport and logistics
- Packaging management
- Circular economy in the production processes


Some subsidiaries began implementing resource-saving measures in 2022 (**energy efficiency in business operations**). INEX, SVT and AstroPlast have partially converted the lighting in their business operations to LED lighting, which consumes less energy. In addition, INEX (Sommer & Strassburger) has invested in a photovoltaic system, which at times covered 25% of its electricity consumption. PGW and Doerrenberg also obtain part of their electricity consumption from a photovoltaic system installed on the company premises. In 2023, Kesel also realised a PV system on its own company premises.

MAE has already started planning its own PV system in 2022 and will install it in 2024. The goal is to reduce externally sourced electricity by a third. The Hubl Company is also planning to install its own PV system in 2024. In addition, hazardous substance management has been reorganised. Kesel will switch its external electricity supply to green electricity from 2024. United MedTec has increased its energy and space efficiency by merging two sites into one.

In terms of **transport and logistics**, some subsidiaries (Kesel, INEX [Hubl], Doerrenberg) will soon be converting their fleets to electric or hybrid vehicles.

When it comes to **packaging management**, the Company mainly endeavours to avoid disposable packaging, use reusable solutions and, if it proves to be more efficient, substitute plastic packaging. Kesel promotes the reuse of packaging and reduces the weight per unit area of packaging by choosing lighter options (cardboard instead of disposable wooden crates). In addition, disposable Euro pallets for shipping have been replaced by reusable pallets and shipments to China and the USA have been optimised through groupage freight. In addition, Kesel substitutes plastic packaging with wooden packaging if the ratio of product weight to packaging is appropriate. The MAE Company is also focussing on the reuse of packaging materials.

In the area of the **circular economy in production processes**, the subsidiaries have already implemented a wide range of energy and resource-saving measures with the help of the results of the energy audits, and many more are in the pipeline. The concept of the circular economy is being pursued in various areas and the associated R-strategies are being implemented in many places:

Circular economy		Strategies	
	Smarter product use and manufacture	R0 Refuse	Make a product redundant by abandoning its function or by offering the same function with a completely different product
		R1 Rethink	Intensify product use (e. g. through sharing)
		R2 Reduce	Efficiency in production or use by using fewer resources / materials
	Extend the life of the product and its components	R3 Reuse	Reuse of a discarded product that is still in good condition and fulfils its original functions
		R4 Repair	Repair and maintenance of a defective product so that original functions are retained
		R5 Refurbish	Restore an old product and bring it up to date
		R6 Remanufacture	Use of parts of a discarded product in a new product with the same function
	Useful use of material	R7 Repurpose	Use of parts of a discarded product in a new product with a different function
		R8 Recycle	Processing of materials to obtain the same (high quality) or a lower (inferior) quality
Linear economy		R9 Recover	Combustion of materials with energy recovery

(Source: Potting et al., 2017)

All companies are endeavouring to increase energy efficiency, particularly in production processes. MAE is leading the way here, with its hydraulic presses not only saving 70% energy, but just as much oil compared to its competitors. The energy consumption of the hydraulic presses is roughly equivalent to that of a kettle. The use of pneumatic systems is also minimised. We have also succeeded in developing a product type without pneumatics. MAE products are also characterised by an extremely long service life of more than 20 years. This is complemented by offers such as the replacement of drive technology with new generations of controls, which further extends the product life cycle.

Kesel fulfils its product responsibility in the area of resource conservation by using a new process to generate oil savings of 75% during the use phase of the products at the customer's premises. This is made possible by recycling the oil that has already been used. In addition, Kesel has achieved significant resource savings by switching to a modular principle (30% less steel used). The companies MAE and INEX-solutions (Sommer & Strassburger) also saved resources in 2023 by increasingly using cast elements for machine parts. At MAE, these are no longer manufactured as welded constructions, but as cast parts with a hollow mould, which means that machine parts are significantly lighter and require considerably less material.

The refurbish strategy is another strategy in the area of **circular economy** in production processes: With its Retrofit department, MAE overhauls used systems at the customer's premises and brings them back up to the state of the art. An expansion of the used machinery business area with the return of old products and their remanufacturing was implemented in 2023. The Company Kesel also expanded its range of B-goods products in the area of clamping technology in 2022, enabling it to save resources. SVT has also been building up the general overhaul division since 2021. A general overhaul of used products is offered for ship and land loading arms, which significantly increases cost and resource efficiency.

Setter also uses **pre-consumer recyclate**, which is used as a secondary raw material in the production of cotton buds. AstroPlast in particular provides significant impetus with regard to the careful use of materials and thus makes a significant contribution to saving resources. For example, the proportion of 46% recycled material, i.e. recycled plastic, in the entire product portfolio was maintained in 2023. In addition, the recycling of old parts is being optimised and the use of lightweight construction and foams, the development of innovative and future-oriented material mixtures and the use of bioplastics are being driven forward.

Furthermore, production residues (scrap) are increasingly being fed back into the same production process or utilised elsewhere in the value chain (e.g. by suppliers). Doerrenberg also works with the use of scrap, return scrap and recycled scrap in production. These activities are part of the **Remanufacture** and **Repurpose** R-strategies.

46 %

recyclate, i. e. recycled plastic, was maintained in the entire product portfolio in 2023.

The aforementioned measures contribute to the qualitative objectives

- reduction in energy consumption, and
- saving resources.

As further concretisation is still pending, the exact degree of target achievement cannot yet be specified.

Most of the production sites are located within Germany and are therefore subject to very high standards and legal requirements. By complying with laws and standards and taking great care in their processes, the companies consider themselves sufficiently well equipped to minimise their environmental impact.

GESCO therefore considers the risks to the environment from GESCO Group's business operations to be comparatively low overall. All subsidiaries are surveyed monthly on relevant environmental risks for risk assessment purposes. All recorded risk issues are assessed in terms of the extent and probability of occurrence and reported to the Executive Board. Energy consumption and the respective resource consumption of the Group companies are particularly emphasised as potential risks.

The high level of political uncertainty in particular is seen as a risk, which also has an impact on the subsidiaries' operating business (due to sanctions against Russia). In particular, developments on the global energy and commodities markets affect the subsidiaries in different ways.

As the development of the geopolitical situation is extremely complex, it is difficult to forecast and conclusively assess the risks for the operating business (for more information, please refer to the GESCO SE Annual Report 2023, p. 75ff).

Performance indicators for criteria 11 to 12

Performance indicator GRI SRS-301-1: Materials used

Material used by group

	2023	2022*	Change on previous year
Non-renewable materials	78,273 t		
Renewable materials	22,241 t		
Raw materials*	25,951 t	77,687 t	+ 10 %
Semi-finished products / parts*	66,582 t	5,205 t	
Consumables and supplies	6,404 t	5,248 t	+ 18 %
Packaging materials	1,576 t	1,536 t	+ 3 %

* The low value of purchased raw materials in 2023 is partly due to more accurate recording. In the previous year, some semi-finished products were incorrectly counted as raw materials.

Performance indicator GRI SRS-302-1: Energy consumption

Fuel consumption within the organisation

	2023	2022	Changes compared to the previous year
Total fuel consumption from non-renewable sources	344,866 l*	316,994 l	+ 9 %
Total fuel consumption from renewable sources	0 l	-	-

* To calculate the total energy consumption, the total fuel consumption (in litres) from non-renewable sources is converted into kWh. To do this, the various fuel types were multiplied by the corresponding conversion factor and totalled (2023: 3,138,434 kWh).

Energy consumption within the organisation

	2023	2022	Changes compared to the previous year
i. Power consumption	36,621,883 kWh	41,597,334 kWh	-12 %
ii. Heating energy consumption	30,858,236 kWh	35,746,509 kWh	-14 %
iii. Cooling energy consumption	13,776 kWh	-	-
iv. Vapour consumption	0 kWh	0 kWh	-

Energy sold within the organisation

	2023	2022	Changes compared to the previous year
i. electricity sold	13,588 kWh	16,370 kWh	-17 %
ii. heating energy sold	0 kWh	-	-
iii. cooling energy sold	0 kWh	-	-
iv. steam sold	0 kWh	-	-

Self-generated energy within the organisation

	2023	2022	Changes compared to the previous year
Self-generated electricity that is not sold	93,167 kWh	102,370 kWh	-9 %
Total energy consumption	70,711,907 kWh	77,780,363 kWh	-9 %

The data originate from consumption measurements or are calculations from fuel calculations.

Performance indicator GRI SRS-302-4: Reduction of energy consumption

Total energy consumption within the organisation

	2023	2022	Changes compared to the previous year
Total energy consumption	70,711,907 kWh	77,780,363 kWh	-9 %

In the reporting year, total energy consumption was reduced by 9% from 77,780,363 kWh to 70,711,907 kWh. There is currently no precise definition of what proportion of the reduction is attributable to a direct energy-saving initiative.

Performance indicator GRI SRS-303-3:

Water withdrawal

Water withdrawal within the organisation

	2023	2022*	Change compared to previous year
Total water withdrawal	48,511,000 l	-	-
i. Surface water	23,865,000 l	-	-
ii. Groundwater	434,000 l	-	-
iii. Seawater	0 l	-	-
iv. produced water	0 l	-	-
v. Water from third parties	23,437,386 l	26,782,000 l	- 12 %

No water withdrawal is made from areas with water stress. Only water from third parties (from other sources) is given as 50 litres in 2023.

Breakdown of water withdrawal within the organisation

	2023	2022*	Change compared to previous year
i. Fresh water (\leq 1,000 mg / L total dissolved solids)	23,865,000 l	-	-
ii. Other water ($>$ 1,000 mg / L total dissolved solids)	0 l	-	-

* This data was not yet collected in 2022.

Performance indicator GRI SRS-306-3 (2020):

Waste generated

Waste generated within the organisation

	2023
Total quantity	7,337 t
Of which non-hazardous waste	85 %
Of which hazardous waste	14 %

This distinction could not yet be made for 2022.

The composition of the waste consists of

- Old varnishes
- (Waste) wood
- Building rubble
- Organic waste
- Chlorinated waste oil
- Electrolytes (acidic, cyanide)
- Emulsions
- Filter sludge
- Slide
- Galvanic sludge
- Plastic
- Solvent
- Paper and cardboard
- Residual waste
- Oil-contaminated operating materials
- Lubricant
- Scrap (metal, mixed scrap, cables, electronics)
- Municipal waste
- Hazardous waste
- Spray cans
- Blasting material

13. Climate-relevant emissions

Climate protection and energy management particularly affect the production facilities of the GESCO subsidiaries. Energy is required for manufacturing processes in all three segments (Process, Resource, Healthcare and Infrastructure Technology). For the mechanical and plant engineering companies, the use of products by customers in the downstream value chain is an important aspect.

Companies with integrated environmental management systems regularly carry out systematic analyses of the most important sources of emissions. The most relevant of these come from the use of energy in the various production processes and the use of raw materials, particularly various metals, in the production process. Subsidiaries in which ISO 14001 is not economically viable due to their size comply with the statutory regulations as part of the regular energy audit. There is no Group-wide climate strategy as yet. The plan is to develop one by 2024. However, all subsidiaries have already been called upon to reduce climate-relevant emissions.

Composition of waste (by type in tonnes)

	2023	2022	Change compared to previous year
Metal	2,049 t	1,493 t	+ 27 %
Paper	2,525 t	3,042 t	- 17 %
Residual waste	1,150 t	1,149 t	- 1 %
Slide	50 t	71 t	- 30 %
Organic waste	13 t	17 t	- 19 %
Wood	372 t	327 t	+ 12 %
Commercial waste*	0 t	-	-
Hazardous substances*	1,089 t	-	-
Slag*	78 t	-	-
Mixed construction waste*	7 t	-	-

* In 2022, the differentiation of waste types could not yet be recorded in detail for reporting purposes, which is why no comparative values are available for these waste types.

The companies have already taken numerous measures to reduce greenhouse gas emissions. Sommer & Strassburger, for example, implemented a Company car policy in 2023 that still provides for hybrid and electric cars after a transition phase in 2023, but only electric cars from 2024. Hubl, MAE and SVT have also established similar regulations. Kesel wants to switch to a purely electrified Company fleet.

PGW and Hubl are systematically investing in their own photovoltaic systems. As a result, MAE will be able to run the electric forklift truck to be purchased in 2024 on its own electricity.

In 2021, GESCO began recording Scope 1 and 2 emissions in accordance with standardised specifications in all companies for the previous years 2019 and 2020 in accordance with the GHG Protocol. Indirect greenhouse gas emissions (Scope 3) were recorded for the first time in 2022 – more specifically, employee mobility and, in part, upstream and downstream logistics. This laid the foundation for the expansion of data collection in Scope 3 in the past reporting year. This is to be improved in subsequent years, particularly in 2024. The expansion of the balance sheet to include purchasing emissions is being examined.

Some foreign second-tier subsidiaries were also included in the data collection for the 2023 financial year. However, these will only be included in the balance sheet in the next reporting period. The subsidiaries listed under the “General information” tab and the activities of the GESCO SE holding Company in Wuppertal are therefore included in the carbon footprint for 2023.

Climate accounting software programmes have been used to calculate the corporate carbon footprint (CCF) since 2022. Activities such as energy consumption in kWh or transport performance in kilometres are calculated using specific emission factors and the GHG emissions caused are reported accordingly. This accounting methodology is more accurate than the one used previously, which was also based on the GHG Protocol. A first comprehensive Scope 3 footprint is planned for 2025. The recording of purchased goods will be piloted for the 2024 financial year.

As the emissions for the 2022 financial year were recorded using a different calculation method, they are only comparable with the 2023 survey to a limited extent because different emission factors were used in some cases. For the sake of comparability, the climate accounting for both the 2023 and 2022 reporting years is therefore reported according to the future survey methodology and adjusted accordingly ex-post for 2022.

Total emissions (Scope 1 & 2) for 2023 are 10,704 CO₂e [t]. Compared to the previous year, this corresponds to a decrease of 60% (2022: 26,603 CO₂e [tonnes]), although the following fact must be taken into account: In the accounting procedure in accordance with the GHG Protocol, a grid-specific approach was still used in 2022 for the emissions caused by electricity consumption, as the emission factors of the energy operators were not available for energy emissions across all subsidiaries. From 2023, all data and emission factors of the energy service providers will now be available. This results in an 80% reduction in Scope 2 emissions in the balance sheet, as many Group companies purchase green electricity that could not be accounted for as such across the Group in previous years.

Across all scopes, 19,915 tonnes of CO₂e were reported Group-wide in 2023 in accordance with the GHG protocol. As explained, all significant Scope 3 emissions are not expected to be recognised until 2025. It can be assumed that a complete mapping of Scope 3 emissions will result in this scope area accounting for the largest share of GESCO's emissions. A meaningful overall comparison with previous years is only meaningful from the first complete Scope 3 recording. The recording of Scope 1 and 2 emissions is of good quality in this reporting year, and analysing them will enable the Group companies to initiate further reduction measures.

GESCO uses its sales as a reference figure when recording CO₂ emissions, as it pursues a growth-orientated corporate strategy. The CO₂ intensity of the investment portfolio is therefore a key indicator for GESCO SE when assessing development. The CO₂ equivalents are expressed per € million in sales. In financial year 2023, the carbon intensity of the investment portfolio was 19.1 CO₂e [t]/€ million in sales (Scope 1 and 2). In 2022, this was 45.8 CO₂e [t]/€ million in sales according to the current and future measurement methodology – and 63.2 CO₂e [t]/€ million in sales in 2020. Between 2020 and 2023, the CO₂ intensity of the sales generated was thus reduced by 70%. This shows that GESCO Group is already on a clear decarbonisation path with regard to Scope 1 and 2 emissions.

Performance indicators for criterion 13

Performance indicator GRI SRS-305-1 (see GH-EN15): Direct GHG emissions (Scope 1)

Direct GHG emissions in tonnes of CO₂ equivalent amount to 7,054 tonnes of CO₂e in the 2023 reporting year (66% of total emissions in Scope 1 and 2).

In addition to CO₂, the CCF takes into account all other greenhouse gases defined in the Kyoto Protocol, including methane (CH₄), nitrous oxide (N₂O), hydrocarbons (HFCs, PFCs), nitrogen trifluoride (NF₃) and sulphur hexafluoride (SF₆). For better comparability, the greenhouse gases are converted into CO₂ equivalents (CO₂e) according to their global warming potential (GWP) in relation to CO₂.

Biogenic CO₂ emissions, e.g. from the combustion of biomass, were not included in the calculation.

No Group-wide base year has been defined to date, as the Corporate Carbon Footprint (CCF) is not complete. The first year of accounting in normal operation after the coronavirus pandemic in 2021 serves as the base year for the German sites for the Scope 1 survey. Scope 1 emissions in this year amounted to 10,177 CO₂e [tonnes]. Scope 1 emissions for the German sites were therefore reduced by around 31%.

The emission factors were obtained from the software provider's database, which is updated annually. Emission databases of German and British federal offices were predominantly used or studies by renowned environmental NGOs and institutes were included. Care was always taken to use the most up-to-date factors. The updated GWP100 values of the IPCC's Fifth Assessment Report currently apply, referenced from: https://ghgprotocol.org/sites/default/files/ghgp/Global-Warming-Potential-Values%20%28Feb%2016%202016%29_1.pdf

Operational control was used as the consolidation approach. However, only German sites were included in the calculation. Some of the locations of foreign second-tier subsidiaries were included. A complete survey and accounting is planned for the 2024 reporting year.

The CCF was carried out in accordance with the Greenhouse Gas Protocol Corporate Standard using the emissions calculation module of the Envoria software from Financial Software Architects GmbH. This is based on the GHG Protocol of the WRI (World Resources Institute) and the WBCSD (World Business Council for Sustainable Development), which is the most widely used international standard for a detailed survey of GHG emissions.

Performance indicator GRI SRS-305-2: Indirect energy-related GHG emissions (Scope 2)

Indirect emissions from energy provided (Scope 2) amount to **3,650 CO₂e [tonnes]** in the 2023 reporting year (34% of total emissions in Scope 1 and 2).

The gross volume of market-based indirect energy-related GHG emissions (Scope 2) amounts to **3,650 CO₂e [tonnes]** in the 2023 reporting year.

In addition to CO₂, the CCF takes into account all other greenhouse gases defined in the Kyoto Protocol, including methane (CH₄), nitrous oxide (N₂O), hydrocarbons (HFCs, PFCs), nitrogen trifluoride (NF₃) and sulphur hexafluoride (SF₆). For better comparability, the greenhouse gases are converted into CO₂ equivalents (CO₂e) according to their global warming potential (GWP) in relation to CO₂.

No Group-wide base year has been defined to date, as the Corporate Carbon Footprint (CCF) is not complete. The first year of accounting in normal operation after the coronavirus pandemic in 2021 serves as the base year for the German sites for the Scope 2 survey. Scope 2 emissions in this year amounted to **15,282 CO₂e [tonnes]**. Scope 2 emissions for the German sites were therefore reduced by

around 76%. The switch to electricity from renewable energy sources is the main factor here.

The emission factors were obtained from the software provider's database, which is updated annually. Emission databases of German and British federal offices were predominantly used or studies by renowned environmental NGOs and institutes were included. Care was always taken to use the most up-to-date factors. The updated GWP100 values of the IPCC's Fifth Assessment Report currently apply, referenced from: https://ghgprotocol.org/sites/default/files/ghgp/Global-Warming-Potential-Values%20%28Feb%2016%202016%29_1.pdf.

Operational control was used as the consolidation approach. However, only German sites were included in the calculation. Some of the locations of foreign second-tier subsidiaries were included. A complete survey and accounting is planned for the 2024 reporting year.

The CCF was carried out in accordance with the Greenhouse Gas Protocol Corporate Standard using the emissions calculation module of the Envoria software from Financial Software Architects GmbH. This is based on the GHG Protocol of the WRI (World Resources Institute) and the WBCSD (World Business Council for Sustainable Development), which is the most widely used international standard for a detailed survey of GHG emissions.

Performance indicator GRI SRS-305-3: Other indirect GHG emissions (Scope 3)

After 2022, Scope 3 emissions were recorded for the second time in 2023, but with a different assessment methodology. Other indirect emissions (Scope 3) amounted to **9,211 CO₂e [tonnes]** in the 2023 reporting year (46% of total emissions in Scope 1, 2 and 3). A comparison with the previous year is only meaningful within the individual emission categories. The share of Scope 3 emissions in total emissions will continue to rise in subsequent years with an expanded survey.

In addition to CO₂, the CCF takes into account all other greenhouse gases defined in the Kyoto Protocol, including methane (CH₄), nitrous oxide (N₂O), hydrocarbons (HFCs, PFCs), nitrogen trifluoride (NF₃) and sulphur hexafluoride (SF₆). For better comparability, the greenhouse gases are converted into CO₂ equivalents (CO₂e) according to their global warming potential (GWP) in relation to CO₂.

Biogenic CO₂ emissions, e.g. from the combustion of biomass, were not included in the calculation.

The Scope 3 survey included:

- Waste
- Business trips by hire car and train
- Air travel
- the arrival and departure of employees
- upstream and downstream logistics for the largest subsidiaries (in 2023: AstroPlast, Doerrenberg, Hubl, MAE, Pickhardt & Gerlach and SVT)
- Paper consumption
- Water consumption
- Print and advertising products including toner consumption
- IT Purchasing (new 2023)

For 2024, a decision will be made on the piloting of purchasing data from selected Group companies.

There is not yet a complete accounting of indirect GHG emissions according to Scope 3. Once this has been achieved, a base year can be defined.

The emission factors were obtained from the software provider's database, which is updated annually. Emission databases of German and British federal offices were predominantly used or studies by renowned environmental NGOs and institutes were included. Care was always taken to use the most up-to-date factors. The updated GWP100 values of the IPCC's Fifth Assessment Report currently apply, referenced from: https://ghgprotocol.org/sites/default/files/ghgp/Global-Warming-Potential-Values%20%28Feb%2016%202016%29_1.pdf

In some cases, there is double accounting for e-cars that are charged at the locations. This will be corrected in the next data collection.

For employee travel to and from work, all subsidiaries asked a significant proportion of their employees about their choice of transport and extrapolated this to 100%. Public holidays, holidays, sick days and home office days were taken into account.

In the previous year, Scope 3 emissions were included for energy and heat carriers. This is no longer possible in the new survey procedure. These were still reported in 2022 at 2,983.29 CO₂e [t] and accounted for 31% of Scope 3 emissions under the old reporting method.

Due to these and other calculation changes, we have also rebalanced the indirect GHG emissions ex-post for 2022.

Performance indicator GRI SRS-305-5: Reduction of GHG emissions

Total emissions (Scope 1 & 2) for 2023 are **10,704 CO₂e [tonnes]**. Compared to the previous year, this corresponds to a reduction of 60% (Scope 1 & 2 in 2022: 26,603 CO₂e [tonnes]).

In the GHG Protocol accounting procedure, a grid-specific approach was still used in 2022 for the emissions caused by electricity consumption, as the emission factors of the energy operators were not available across all subsidiaries for energy emissions. From 2023, all data and emission factors of the energy service providers will now be available. This will result in an **80% reduction in Scope 2 emissions in the balance sheet**, as many Group companies purchase green electricity that could not be accounted for as such across the Group in previous years.

In addition to CO₂, the CCF takes into account all other greenhouse gases defined in the Kyoto Protocol, including methane (CH₄), nitrous oxide (N₂O), hydrocarbons (HFCs, PFCs), nitrogen trifluoride (NF₃) and sulphur hexafluoride (SF₆). For better comparability, the greenhouse

gases are converted into CO₂ equivalents (CO₂e) according to their global warming potential (GWP) in relation to CO₂.

The base year for the German sites for the Scope 1 and 2 survey is the first year of balancing in normal operation after the Corona pandemic in 2021. For Scope 3 emissions, no base year can yet be defined due to the data situation.

The measures are not managed centrally. The subsidiaries are required to reduce emissions at their own discretion. An exact delineation of what proportion of the reduction is attributable to a direct initiative to reduce emissions is not currently recorded. The following are certainly decisive for the reduction of emissions:

1. Switch to renewable energy contracts
2. Development of in-house power generation capacities in the photovoltaic sector
3. Production efficiency measures: Combined heat and power generation
4. Fleet optimisation

The year 2021 was set as the base year. Scope 1 emissions in 2021 amounted to 10,177 CO₂e [tonnes]. Scope 1 emissions for the German locations were therefore reduced by approx. 31%. Scope 2 emissions amounted to 15,282 CO₂e [tonnes] in 2021. Scope 2 emissions for the German sites were therefore reduced by around 76%. The switch to electricity from renewable energy sources was the main factor here.

The CCF was carried out in accordance with the Greenhouse Gas Protocol Corporate Standard using the emissions calculation module of the Envoria software from Financial Software Architects GmbH. This is based on the GHG Protocol of the WRI (World Resources Institute) and the WBCSD (World Business Council for Sustainable Development), which is the most widely used international standard for a detailed survey of GHG emissions.

EU taxonomy

For 2023, GESCO SE can report **taxonomy-compliant sales of 12.8%** for the first time. In 2022, 13.3% of sales were still taxonomy-compliant but not compliant because the minimum social standards have only been met since the end of the 2023 reporting year.

	2023	2022
Sales (in € million)	560.7	582.3
of which taxonomy-eligible in € million / in %	71.9 / 12.8	77.4 / 13.3
of which taxonomy-compliant (aligned) in € million / in %	71.9 / 12.8	0 / 0
OpEx (in € million)	11.5	11.6
of which taxonomy-compliant (aligned) in € million / in %	1.2 / 10.4	0 / 0
CapEx (in € million)	15.6	15.6
of which taxonomy-compliant (aligned) in € million / in %	1.6 / 10.3	0 / 0

An economic activity is considered EU taxonomy-compliant if it makes a significant contribution to at least one of the six environmental objectives (climate change mitigation, climate adaptation, protection of water and marine resources, transition to a circular economy, pollution prevention and protection or restoration of biodiversity and ecosystems) without running counter to the other objectives and the minimum social standards. In addition to taxonomy eligibility, three taxonomy ratios must be presented for taxonomy-compliant activities (“alignment”): In terms of Art. 3 of the Taxonomy Regulation, these are the environmentally sustainable share of sales, capital expenditure (CapEx) and operating expenditure (OpEx).

I. Sales

The EU taxonomy defines sales as net sales of goods or services, including intangible goods. The share of sales associated with taxonomy-eligible economic activities is placed in relation to net sales.

II. Capital Expenditure (CapEx)

Taxonomy-eligible capital expenditure relates to assets or processes (IAS 16, 38, 40, 41 and IFRS 16).

III. Operating Expenditure (OpEx)

Operating expenditure within the meaning of the EU taxonomy includes direct, non-capitalised costs relating to research and development (R&D), building refurbishment measures, short-term leases, maintenance and repairs, as well as all other direct expenditure in connection with the day-to-day maintenance of property, plant and equipment that is necessary to ensure its functionality.

SVT GmbH manufactures infrastructure for low-CO₂ shipping (6.16.), which is intended for the transshipment of goods between modes of transport. Specifically, the ship shippers are terminal infrastructure and superstructure for loading, unloading and transshipping goods. This fulfils the first test criterion. The second test criterion is only met for the “Chemicals and Carbon Capture Shippers” business unit, as no fossil fuels are loaded here. The ship shippers for natural gas (LNG and CNG) are nevertheless included in the SVT, as these were also assessed politically as a bridging technology in many taxonomy activities. For 6.16., no official adjustment has yet been made to this effect, but the SVT intends to submit a petition to the EU.

1. Identification of taxonomy-eligible activities (“eligibility”)

Supported by a consulting firm, the investment management of GESCO SE updated and expanded the NACE code classification of economic activities in the reporting year 2023 by also including foreign second-tier subsidiaries in this process.

For financial year 2023, in addition to the climate-related environmental objectives (prevention of climate change and adaptation to climate change), the taxonomy-eligible sales (“eligibility”) for the four newly operationalised, non-climate-related environmental objectives (protection of water and marine resources, transition to a circular economy, reduction of environmental pollution and preservation of biodiversity) had to be collected for the first time.

The comparison of GESCO Group’s economic activities with the EU taxonomy extended by the four non-climate-related environmental objectives did not reveal any further taxonomy-eligible economic activities.

As in financial year 2022, two Group companies will continue to have taxonomy-eligible economic activities in 2023, which will be reviewed with regard to the environmental protection objective of “preventing climate change”. Doerrenberg Edelstahl GmbH has five business divisions: In the segment with the highest sales, “Special Steels”, it primarily trades in tool steel products (NACE code 46.12). In steel production, the two divisions “Steel Mill” (steel mill) and “Steel Foundry” (mould casting) (NACE code 24.52) contribute to the taxonomy-eligible activity “Manufacture of iron and steel (3.9)”. The sales of the “Steel Mill” division was not yet included in 2022. This will be adjusted retrospectively for 2022. The economic activities of “Casting Products” (NACE code 46.72) and “Coating & Hardening” (NACE code 25.61) are not covered by the EU taxonomy.

SVT GmbH develops and produces technologically high-quality and safety-related complex systems for loading and unloading ships, tankers and tank wagons with liquid and gaseous substances. Even if the NACE codes assigned to SVT (28.22 Manufacture of lifting and handling equipment; 33.20 Installation of machinery and equipment; 28.29 Manufacture of other non-industry specific machinery) are not listed under “**Infrastructure for low-CO₂ emissions shipping (6.16.)**”, the technical screening criteria for the environmental objective of climate protection result in taxonomy eligibility, as this activity includes the construction of infrastructure, especially transshipment infrastructure: “the infrastructure and facilities are intended for the transshipment of goods between modes of transport: Terminal infrastructure and suprastructure for loading, unloading and reloading of goods.” Due to the consequences of the war in Ukraine and the jeopardised security of energy supply for Germany and Europe, natural gas has been re-evaluated in the European Union as a bridging technology and supplemented in some taxonomy-capable economic activities. Although this addition has not yet been officially made for 6.16., it seems sensible to consider the taxonomy eligibility as extended here as well. With the exception of the land shippers and the ship shippers “Oil”, the sales for ship shippers “Chemicals”, whose sales was already included as taxonomy-eligible in the 2022 reporting, as well as ship shippers “LNG” and “CNG” and “Carbon Capture” were also included. The ship shippers for carbon capture enable the loading of liquid carbon dioxide, which can be stored in former oil and gas fields, for example. LNG and CNG in general act as a bridge technology to the loading of hydrogen. Loading hydrogen as a derivative (bound with ammonia, for example) is already possible today using LNG loading arm technology. SVT is also continuing to develop ship loaders for hydrogen, but these are not yet fully ready for the market.

In order to enable comparability between the financial years, sales were not only delimited for the 2023 reporting year but also retrospectively for 2022 in six business units (SVT: four and Doerrenberg: two), each of which contributes to the following two taxonomy-eligible economic activities:

The **production of iron and steel (3.9)** corresponds to the “Steel Mill” and “Steel Foundry” business units of Doerrenberg Edelstahl GmbH.

Infrastructure for low-CO₂ shipping (6.16.): SVT develops loading equipment and manufactures complete loading systems for the safe loading of liquids and gases. The manufacture of loading equipment for oil was not categorised as “eligible/taxonomy-capable”, unlike that for natural gas, and was therefore excluded. The following were taken into account:

- Shiploaders for chemicals (already 2022)

New in 2023:

- Shiploaders for liquefied natural gas (LNG)
- Shiploaders for natural gas (CNG)
- Shiploaders for carbon capture

SVT is also in the process of developing loading facilities for liquid hydrogen and has already invested in the development of this further taxonomy-capable economic activity in 2022, also using funding from the Federal Republic of Germany.

	Subsidiary	2023 in TEUR	2022 in TEUR
"Production of iron and steel (3.9)"	Doerrenberg GmbH (%age share at subsidiary level)	28,241 / 14.7 %	31,251 / 15.8 %
"Infrastructure for low-carbon shipping (6.16.)"	SVT GmbH with natural gas (LNG +DNG) (percentage share at subsidiary level)	43,618 / 80.8 %	46,129 / 86.1 %
"Infrastructure for low-carbon shipping (6.16.)"	SVT GmbH without natural gas shares	6,813 / 12.6 %	5,231 / 9.8 %
Taxonomy-eligible sales ("Eligibility")		71,859	77,380
GESCO Group		560,724	582,273
Share of taxonomy-eligible (eligibility) sales in total net sales of GESCO Group		12.8 %	13.3 %

Accordingly, 12.8 % of GESCO Group's sales in 2023 (2022: 13.3%) will be taxonomy-eligible.

If the EU does not classify the natural gas share of SVT's loading arm business as taxonomy-eligible, a lower share of 6.3% (EUR 35,054 thousand in sales) would have to be deferred for 2023. GESCO SE and SVT have made a joint submission to the EU in this regard. A response is still pending at the time of reporting.

2. Examination of taxonomy conformity

a. Technical inspection

The business units contributing to the taxonomy-eligible activities of **iron and steel production (3.9)** and **infrastructure for low-CO₂ shipping (6.16.)** were reviewed with regard to the environmental objective of climate protection:

The **production of iron and steel (3.9)** corresponds to the "Steel Mill" and "Steel Foundry" business units of Doerrenberg Edelstahl GmbH.

Both the "Steel Mill" with its electric arc furnace and ladle furnace and the "Steel Foundry" with its induction furnaces comply with the limit values of 0.266 t CO₂e/t product for high-alloy steel produced in the preheating and casting process. This means that the first technical test criterion

continues to be fulfilled. Around 90% of the steel melted in the "Steel Mill" has an alloy content of more than 8%. This corresponds to approx. 85% of the total annual volume melted at Doerrenberg Edelstahl GmbH. In the "Steel Foundry", approx. 70% of the steels melted there have an alloy content of more than 8%. This corresponds to approx. 15% of the total annual volume melted at Doerrenberg Edelstahl GmbH. In addition to customer material for remelting orders and alloy metals, more than 80% of steel scrap is used in both divisions. Some of this scrap comes from the Company's own returns, e.g. through output losses from the "Steel Foundry" division or as saw cuttings from the "Special Steels" division, but most of it is purchased for recycling. This fulfils the second technical test criterion with regard to the environmental goal of kilo protection.

SVT GmbH manufactures **infrastructure for low-CO₂ shipping (6.16.)**, which is intended for the transshipment of goods between modes of transport. Specifically, the ship loaders are terminal infrastructure and superstructure for loading, unloading and transshipping goods. This fulfils the first test criterion. The second test criterion is only met for the "Chemicals" and "Carbon Capture" shippers business unit, as no fossil fuels are loaded here. The ship shippers for natural gas (LNG and CNG) are nevertheless included in the SVT, as these were also assessed politically as a bridging technology in many taxonomy activities. For 6.16., no official adjustment has yet been made to this effect, but the SVT intends to make a submission to the EU.

b. Do-No-Significant-Harm criteria (DNSH)

The DNSH criteria for the two economic activities were reviewed and documented with the managing directors and other employees on site using checklists in accordance with the technical review criteria of the regulations filed in the EU taxonomy. No negative effects on the achievement of the EU's other environmental objectives were identified. However, the EU has yet to provide improved guidance in terms of threshold values for operationalisation.

c. Minimum social standards

Compliance with minimum social standards is intended to ensure that the following principles are observed:

- the OECD Guidelines for Multinational Enterprises,
- the United Nations Guiding Principles on Business and Human Rights (UNGPR),
- the ILO core labour standards
- the International Bill of Human Rights.

The compliance management system proactively addresses the issues of bribery and corruption, taxation and fair competition. Comprehensive compliance training courses were held in 2021 and 2022. The Group's Code of Conduct covers the aforementioned topics. GESCO Group plans to develop a tax guideline for 2024 that complies with OECD requirements. At the end of 2022, GESCO Group began to set up a human rights due diligence process that is based on international agreements and is suitable for fulfilling the due diligence obligations defined in the Supply Chain Due Diligence Act (see criterion 17). Clear responsibilities and processes have been defined in all subsidiaries.

3. Disclosure of sales, investments (CapEx) and operating expenses (OpEx)

In the two subsidiaries concerned, Doerrenberg GmbH and SVT GmbH, in addition to the managing directors, the heads of financial accounting and members of other specialised departments were consulted as necessary for the further audit. Only these two subsidiaries were taken into account for the calculation of capital expenditure (CapEx) and operating expenditure (OpEx). The consideration of the investment plans of all Group companies for the 2023 financial year envisaged in the last report was not implemented, as the EU has clarified here that investment and operating expenses may only ever be allocated in the proportions that are actually linked to a current taxonomy-eligible economic activity or the establishment of a taxonomy-eligible economic activity. The three KPIs sales, capital expenditure and operating expenditure were derived from the existing financial reporting systems in accordance with the KPI definitions of the delegated act explained above. For this reporting period, a switch was also made to digital data collection.

3.1. Sales

The proportion of taxonomy-compliant sales ("alignment") was and is to be reported as zero for the 2021 and 2022 financial years, although the technical criteria and the DNSH criteria are considered to have been met following the audit. As the minimum social standards can now also be met for 2023, taxonomy-compliant sales of EUR 71,859,502 (12.8%) can be reported for the first time (2022: 0% due to non-compliance with the minimum social criteria).

3.2. Capital expenditure (CapEx)

SVT GmbH invested EUR 1,415,362 (78.8% of total investments) in 2023 (2022: EUR 479,325/87.4%) in taxonomy-compliant activities. In 2023, Doerrenberg GmbH invested 8.7% (EUR 194,322) in maintaining the taxonomy-compliant activity "Production of iron and steel (3.9)" (2022: 19.5% or EUR 513,428). In relation to GESCO Group, this corresponds to EUR 1,609,695 or a share of 10.3% in 2023 (2022: 6.4%; EUR 992,744 of EUR 15.6 million).

3.3. Operating expenses (OpEx)

At EUR 735,553, SVT GmbH's share of operating expenses according to the EU taxonomy was 80.8% in 2023 (2022: EUR 866,964/86.1%). Doerrenberg GmbH had an OpEx share of 25.7% (EUR 464,770) in 2023 and 28.9% (EUR 511,290) in 2022.

At Group level, this results in a taxonomy-compliant OPEX of € 1,200,332 in the 2023 reporting year, or 11.1% (comparison 2022: € 1,378,254/11.9%).

The OpEx indicator for GESCO Group was defined as follows in accordance with the EU taxonomy:

in EUR	2023	2022
Leasing	3,896,473	3,822,011
Maintenance and repair	170,567	168,324
Maintenance	6,700,168	7,635,517
OpEx according to EU taxonomy in the overall group	10,767,208	11,625,852
Taxonomy-enabled OpEx	1,200,323	1,378,254
OpEx according to EU taxonomy	11.1 %	11.9 %

In 2023, GESCO Group reports OpEx of 11.1% (EUR 1,200,323).

Criteria 14 – 20 on Society

Criteria 14 – 16 on Employee relationships

14. Employee rights

GESCO endeavours to guarantee all employees an attractive and secure workplace. It is in line with the Company's principles that cooperation between the Executive Board, management and employees is characterised by open and constructive dialogue as well as mutual trust and respect.

The topics of occupational safety/health protection and sustainable organisational development are of great relevance to GESCO SE. Both topics promote employee satisfaction and motivation. GESCO sees risks in the health impairment of employees and in the challenge of recruiting and retaining suitable employees in the future. The organisational development objective for the years 2023 to 2025 is to train the management teams of the subsidiaries and the managers of GESCO SE for four days per year as part of the LEADEX programme. The target was achieved in 2023. The managers of the subsidiaries and GESCO SE took part in the LEADEX programme for four days.

In the course of financial year 2023, a risk analysis was carried out as part of the implementation of the LkSG for the entire GESCO Group's own business area. In order to holistically identify risks in the area of "employee matters", not only legal interests covered by the LkSG, such as compliance with employee rights and employee protection, were analysed, but also relevant compliance issues in the area of "employee rights". The risks identified in this context are countered with suitable preventive measures (including training, organisational adjustments, technical improvements, monitoring). In future, this risk analysis will be carried out once a year or on an ad hoc basis outside of the annual cycle. In particular, the existing and now adapted preventive and remedial measures will be analysed.

GESCO derives the following overarching objectives in the area of employees from the existing materiality analysis and the risk analysis for its own business area:

- High occupational safety
- High level of health protection
- Employee-friendly corporate culture

GESCO Group's goal is to avoid accidents at work with serious consequences through appropriate occupational safety measures and health protection. The individual subsidiaries also endeavour to keep the number of accidents at work as low as possible and to continue to reduce them. In addition, the sickness rate is reported to the Executive Board on a monthly basis and discussed so that appropriate measures can be initiated in the event of anomalies. Relevant indicators can be found under Performance indicators (14–16).

There is no Group-wide personnel management or management of occupational health and safety. These tasks are decentralised to the individual companies, which report to GESCO on a regular and ad hoc basis. Any undesirable developments in the areas of personnel management or occupational health and safety management can be reported to GESCO by employees via the Group-wide Whistleblower Protection Act. Corresponding reports led to personnel adjustments and personal sanctions in the reporting year.

GESCO Group companies emphasise appropriate, ergonomic workplaces, regular training and medical examinations of employees by Company doctors. In addition, regular occupational safety committee meetings are held at all companies. As a long-term investor, GESCO SE favours modern technologies and adequate safety equipment. These guidelines are set out in the GESCO Group Code of Conduct.

GESCO SE records monthly sickness rates in the companies and communicates these within GESCO Group. Significant deviations or increases are discussed in monthly meetings with the subsidiaries.

At some subsidiaries, employee aspects are particularly affected by their products and their use by customers. The subsidiaries that are active in mechanical and plant engineering also contribute to safe and appropriate deployment at the customer site with a range of measures. These include training, familiarisation and commissioning as well as comprehensive documentation of the delivered products and after-sales services and support.

For GESCO Group, sustainable organisational development and an appropriate corporate culture are essential for securing the future of the Company from an employee perspective. This includes measures to increase sustainability awareness and motivation within the workforce, the establishment of a continuous change process and appropriate information on sustainability goals and measures, as well as issues relating to organisational structure, positioning as an employer and training and development. As in the previous year, the exchange of knowledge between the subsidiaries continues to be strengthened through intensive communication between the ESG and LkSG coordinators appointed in each GESCO Group Company. To this end, the opportunity to exchange information on sustainability-related processes within their Company was also provided at regular intervals in 2023. If it is determined during this exchange that adjustments or changes to the process are necessary, this is realised accordingly.

In 2023, the transfer of knowledge about the LkSG was also extended beyond the purchasing departments of the subsidiaries to other relevant areas of the Company. This primarily related to the implementation of risk analyses in the Company's own business area and the ability to fulfil future due diligence obligations imposed on companies by the legislator in a broader corporate context (see criterion 17).

In addition, the employees of the subsidiaries are encouraged to contribute their own ideas for sustainability management within their Company. The subsidiaries have various channels such as the suggestion scheme, the works council or the anchoring of employee participation as part of the labour or health policy, which offer their employees the opportunity to help shape the Company. At Doerrenberg Edelstahl GmbH, in addition to the general channels for employee participation, there is also an ideas management system on the topic of environmental safety.

GESCO SE attaches great importance to filling positions at all levels with suitably qualified, loyal, motivated and high-performing employees. As part of the NEXT LEVEL 25 strategy, the LEADEX programme was continued in 2023 in order to specifically promote and develop the subsidiaries' managers and hone their leadership skills in a dynamic environment. The managers of the subsidiaries took part in the LEADEX programme for four days in 2023. By implementing the provisions of the Whistle-blower Protection Act, GESCO Group employees can also express their concerns anonymously to GESCO SE or an external lawyer.

As the holding Company, GESCO SE is based in Wuppertal and operates exclusively in Germany. The direct subsidiaries of GESCO SE also have their headquarters in Germany. In the case of international locations, the laws, regulations and rules applicable there are implemented.

15. Equal opportunities

Respecting human diversity within the workforce and treating each other with respect is in line with the principles of GESCO SE as set out in the Code of Conduct. GESCO does not tolerate discrimination based on national or ethnic origin, gender, marital status, age, sexual orientation, personal health, religion, ideology or physical appearance. Personnel decisions are based solely on competence, personal suitability and work performance. No cases of discrimination were reported in the reporting year, which GESCO views as confirmation of the Code of Conduct and the corresponding objectives.

GESCO Group companies expressly and unreservedly pursue a policy of equal opportunities in their daily practice. Irrespective of legal obligations, this is a matter of course.

The companies support applications from female candidates, take part in campaigns such as "Girls' Days" and seek dialogue with schools and universities. All of this is not due to quota pressure, but out of conviction.

In 2017, the Supervisory Board of GESCO SE set a target quota of 25% for the proportion of women on the Supervisory Board. This quota is currently being met. In 2015, the Supervisory Board of GESCO SE set a target quota of 30% for the Executive Board. This quota is currently being met. A first management level below the Executive Board was added to the organisational structure of GESCO SE as at 1 September 2020. There is still no second management level below the Executive Board. The Executive Board has set a target quota of 25% for the first management level. This quota is currently not being met. GESCO does not plan to set any targets for the composition of executive bodies or functional groups within the Group.

GESCO Group companies pursue and strengthen equal opportunities among their employees through a variety of measures.

The integration of people with a disability or migration background is a matter of course. GESCO Group promotes access to the primary labour market for all people of employable age. Employees with a migration background are supported in their integration through language courses or assistance with visits to the authorities if required.

GESCO Group naturally employs people with disabilities as well as people of different ethnic backgrounds and nationalities.

The possibility of working from home and flexible working hours promotes a good work-life balance. Parental leave is also particularly favoured by male employees.

A high level of occupational health and safety is ensured through appropriate measures, e.g. regular (safety) training, Company medical care and preventive health promotion for the workforce.

Co-determination is practised through regular and trusting interaction with the works councils. Appropriate remuneration at the companies is ensured by, among other things, membership of IG Metall and the associated collective labour agreements.

16. Qualification

Attracting qualified and motivated employees and retaining them in the Company in the long term – this is the key objective for ensuring the future viability of GESCO Group. This objective is reflected in a high level of satisfaction and low staff sales, but also in economic success.

The ongoing shortage of skilled labour is also a significant corporate risk for GESCO Group. Potential applicants' perception of the Company's attractiveness as an employer is closely linked to the implementation of a consistent digitalisation strategy, among other things. This includes adapting the respective work processes to the technical possibilities both at holding Company level and in the subsidiaries in order to be optimally prepared for the future.

The key is training and further education. This is a high priority at GESCO. A wide range of training and qualification opportunities are offered within the companies. The measures range from traditional apprenticeships to dual study programmes. The companies provide training in both commercial and technical professions within the scope of their possibilities and operational requirements. In 2023, the training ratio in GESCO Group (Germany) was 2.8% (2022: 3.3%). Collaborations with schools, universities and institutes offer professional exchange and also increase the Company's attractiveness as an employer. In the medium term, the aim is to achieve a trainee ratio of at least 3%. Further targets have not yet been defined, as the qualification requirements and the need for further training vary greatly in the individual companies. An expansion of the targets is planned for 2024.

In addition to promoting training, particular attention is paid to promoting the employability of employees who have completed their training. In 2023, not only were a wide range of training and further education programmes made available to employees at the subsidiaries, but the focus was also placed on promoting the health of the workforce. This includes measures such as health check-ups and counselling, vaccinations by Company doctors and the provision of ergonomic workstations, which took place at Kesel, Sommer & Strassburger, PGW and Setter.

Performance indicators for criteria 14 to 16

Performance indicator GRI SRS-403-9: Work-related injuries

	2023	2022	Deviation from previous year
i. Number of documentable work-related injuries	83	142	- 59
ii. Work-related fatalities	0	0	0
iii. Number of work-related injuries with serious consequences	0	0	0
iv. Main types of work-related injuries	Cuts, bruises		
v. Number of hours worked	2,244,508	2,511,638	- 267,130 (- 11 %)

83 injuries with 1,647 employees corresponds to a rate of 5% (-3% compared to the previous year; 2022: 8%).

	2023	2022*	Deviation from previous year
i. Number and rate of documentable work-related injuries	0	-	-
ii. Work-related fatalities	0	-	-
iii. Number of work-related injuries with serious consequences	0	-	-
iv. Number of hours worked	139,203	-	-
v. Main types of work-related injuries			

* The figures for all employees who are not employees but whose work and / or workplace is controlled by the organisation were collected in detailed form for the first time in 2023.

Performance indicator GRI SRS-403-10: Work-related illnesses

	2023	2022	Deviation from previous year
i. Work-related fatalities	0	0	-
ii. Number of documented work-related illnesses	0	3	-3
iii. Main types of work-related illnesses	-		

	2023	2022*	Deviation from previous year
i. Work-related fatalities	0	-	-
ii. Number of documented work-related illnesses	0	-	-
iii. Main types of work-related illnesses	-	-	-

* The figures for all employees who are not salaried employees but whose work and / or workplace is controlled by the organisation were collected in detail for the first time in 2023.

Performance indicator GRI SRS-403-4:

Employee participation in occupational health and safety

Occupational safety committees are installed in all GESCO

Group companies:

	2023*	2022*	Deviation from previous year
Members	78	81	- 4 %
Meetings per year	46	41	+ 11 %

* exclusive GESCO SE

Across the Group as a whole, 78 employees are involved in these committees. The number of committee members has decreased by 3 (comparison 2022: 81).

Across all eleven companies, these committees met 46 times in 2023. This means that they met an average of 4.1 times, which corresponds to an increase of 0.4 compared to the previous year.

People who are not employed by GESCO also work in GESCO Group companies. These are cleaning staff, service providers such as maintenance companies or contractors for renovation work on the buildings. All service providers are selected according to objective criteria. It goes without saying that we also attach great importance to compliance with the law and corresponding standards of behaviour that are in line with the respective national regulations when working with our partners and service providers, regardless of location. There is no further employee involvement of these groups of people.

Performance indicator GRI SRS-404-1 (see G4-LA9):

Hours of training and education

	2023	2022	Change on previous year
Training and further education – male	9.24	*	
Training and further education – female	12.85	*	
Training and further education costs (TEUR)	825.77	949	– 13 %
Training and further education costs per employee (EUR)	499	521	– 4 %

* An incorrect calculation was subsequently identified in the figures for training and further education hours for 2022. A correction cannot be made at this time.

Performance indicator GRI SRS-405-1:

Diversity

	2023	2022*
Male	88.9 %	66.6 %
Female	11.1 %	33.3 %
Under 30 years	0 %	0 %
30 – 50 years	27.8 %	0 %
Over 50 years	72.2 %	100 %

* The figures for 2022 for controlling bodies relate solely to the Executive Board and Supervisory Board of GESCO SE and not to the controlling bodies of all Group members. These were only recorded in 2023.

	2023	2022	Change on previous year
Male	80.9 %	73.6 %	+ 10 %
Female	19.1 %	26.4 %	– 28 %
Under 30 years	12.4 %	–	–
30 – 50 years	45.4 %	–	–
Over 50 years	42.2 %	–	–

Performance indicator GRI SRS-406-1:

Incidents of discrimination

No (0) cases of discrimination were reported in the reporting year.

Criterion 17 on Human rights

17. Human rights

Respect for human rights is a matter of course for GESCO. The avoidance of human rights and environmental violations in the supply chain is one of the sustainability issues identified as material. The resulting risks from social responsibility in the value chain primarily affect relationships with suppliers. The potential negative effects range from direct suppliers (direct suppliers) to their upstream supply chain (indirect suppliers) and the procurement of raw materials.

GESCO Group companies are predominantly based in Germany and therefore operate in a highly regulated environment. As medium-sized companies, they purchase raw materials, primary materials and components primarily from established, mainly German suppliers. Approximately 80% of sales are also generated in Germany and other European countries, i.e. also in a regulated environment.

GESCO Group will be subject to the German Supply Chain Due Diligence Act (LkSG) from 1 January 2024. The aim is to avoid human rights and environmental violations in the value chain at suppliers and in its own business area. In 2023, GESCO SE carried out an abstract and concrete risk analysis of its own business area and supply chains in relation to suppliers in accordance with the LkSG. At the end of 2023, GESCO Group also issued a human rights policy statement in accordance with the LkSG and set up a complaints procedure in accordance with the LkSG, which expands the existing whistleblower system in accordance with the Whistleblower Protection Act. As at 1 January 2024, GESCO Group will implement all obligations that must be fulfilled at this time in accordance with the LkSG. Accordingly, GESCO SE aims to continuously analyse and prevent human rights and environmental risks. The processes required for this will be fully established in 2024. The quantitative target is to audit 80% of existing and 80% of new suppliers for compliance with human rights and environmental obligations by the end of 2024.

Management concept

The conceptualisation and systematic implementation of the obligations arising from the LkSG is managed by the ESG@GESCO steering committee. This is made up of the Executive Board (CEO and CFO) and the Legal, Tax and Administrative Services and Investor Relations & Communications departments. The steering committee is supported by a service provider specialising in sustainability consulting, a compliance officer and the ESG officer at GESCO SE. The ESG@GESCO steering committee centrally conceptualises the processes and measures and coordinates them with the LkSG officers of the GESCO SE subsidiaries through the Head of Legal, Tax and Administrative Services in his role as Human Rights Officer (control function) and the responsible Compliance Officer in his role as LkSG Implementation Officer (operational unit). An LkSG officer has been appointed for each subsidiary. Through their daily work, the LkSG officers have a close thematic connection to supply chain management and are actively involved in shaping the topic within their own Company. The LkSG officers received sufficient training in 2023 from the external service provider in collaboration with the Human Rights Officer and the LkSG Implementation Officer.

GESCO SE separates the operational processing and monitoring of compliance with the due diligence obligations under the LkSG by appointing a human rights officer and an independent operational LkSG implementation officer.

The risk analysis carried out for the supply chain was initially performed centrally by GESCO SE and its service provider using the risk catalogue provided by the German government. The results identified showed the abstract risks of the supply chains used by the GESCO Group companies (so-called abstract risk analysis). A start was then made on concretising these risks using questionnaires specifically tailored to the supply chain (concrete risk analysis). The questionnaires were also developed at GESCO SE level and designed in collaboration with the external consultancy firm. The questionnaires were addressed to GESCO Group companies and their direct suppliers.

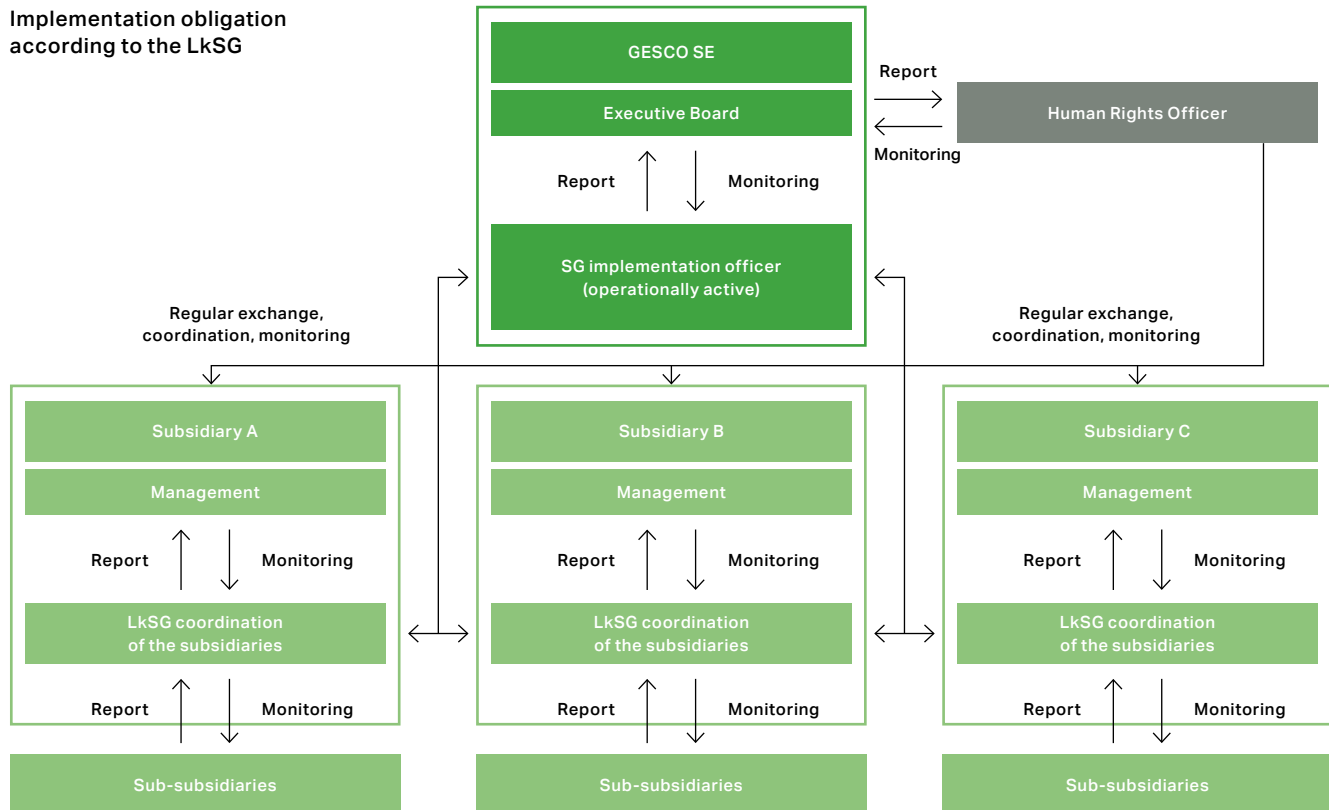
These questionnaires are analysed at GESCO SE level once they have been returned and, if necessary, remedial and preventative measures are agreed and implemented in consultation with the respective LkSG coordinators at subsidiary level. The implementation of due diligence obligations in accordance with the LkSG is monitored by the GESCO Group Human Rights Officer appointed for this purpose.

Together with the external service provider, questionnaires were also developed for GESCO SE's own business area, which were sent to the individual companies of the subsidiaries and had to be answered by them.

The responses to the questionnaires are currently being analysed. Relevant risks are determined and implemented in consultation with the executive bodies of the respective companies and their LkSG officers. The Human Rights Officer of GESCO SE monitors the correctness of this procedure.

The organisational structure described is partly prescribed by law (appointment and function of the Human Rights Officer at GESCO Group). The effectiveness of the LkSG officer concept and the respective processes are regularly reviewed. If the concept needs to be adapted, this can be addressed by all participants in the meeting and then implemented accordingly.

Implementation obligation according to the LkSG



Measures

In order to ensure compliance with the law, GESCO Group began systematically analysing the requirements and implementing them in processes as early as 2022. The expertise of an external service provider specialising in sustainability was consulted for the design and implementation. The implementation status to date is as follows:

- the appointment of responsible persons (Human Rights Officer, LkSG Implementation Officer, LkSG Officer)
- Regular exchange formats
- the conception of the requirements
- training and sensitisation of managing directors and employees from the subsidiaries
- the preparation of an abstract risk analysis for all direct suppliers of the subsidiaries
- the creation of multilingual questionnaires for the specific risk analysis of the subsidiaries' and sub-subsidiaries' own business areas
- the creation of multilingual questionnaires to specifically analyse suppliers' supply chains
- the establishment of a complaints procedure in accordance with Section 8 LkSG and the establishment of rules of procedure in this regard
- the processing and dispatch of the questionnaires on the Company's own business area and suppliers in November 2023 by the LkSG coordinators
- the evaluation of the questionnaires on the own business area and the suppliers at the end of November/beginning of December 2023 by the GESCO Group and the preparation of remedial and preventive measures in cooperation with the respective LkSG officers
- the preparation of a human rights policy statement in December 2023

Employees at the subsidiaries were sensitised and trained as part of an ongoing series of workshops on the topic of "Requirements from the LkSG and implementation of risk analysis". The aim of the workshop series was and is to enable the LkSG officers and employees of GESCO Group companies to raise awareness of, comply with and enforce human rights and environmental due diligence obligations. This initially required an introduction to the regulatory context, followed by training in the operational implementation of specific risk analyses and the establishment of any necessary remedial and preventive measures.

Goal and derived strategies

As the avoidance of human rights and environmental risks in our own supply chain and in our own business area is an overriding objective of GESCO Group, we endeavour to implement the extended requirements conscientiously and consistently. To this end, solid processes have been developed that will enable us to implement the due diligence obligations under the German Supply Chain Act in a legally compliant manner in the long term, but also to prepare for future tightening under the EU directive currently in preparation. An appropriate and effective risk analysis is particularly relevant for this. In addition to the traditional approach (outside-in), the inside-out perspective is applied, i.e. human rights and environmental risks are analysed from the perspective of those potentially affected. The risk analysis is also divided into

- a regular risk analysis, which is repeated annually and in which abstract risks are analysed and prioritised
- an event-related risk analysis, which must be carried out immediately if there is substantiated knowledge
- a concrete risk analysis of the Company's own business area and the business area of its suppliers

Identification of risks

Potential risks are identified with the help of an appropriate and effective risk analysis. For this purpose, abstract human rights and environmental risks of direct suppliers and service providers were researched in 2023 by type of product and country of origin using a database of the Agency for Business and Human Rights. The abstract risks were then concretised. For this purpose, the business relationship with the supplier was taken into account, as well as the extent for those affected, the scope and the irreversibility of the human rights or environmental violation. The probability of the negative impact occurring was then analysed. The specific risk was then prioritised from GESCO Group's perspective. To this end, the Company's ability to influence the avoidance of the risks was assessed. In addition, it was considered whether the Company is significantly or indirectly involved in the negative impact (type of causal contribution). This analysis is carried out on an ongoing basis and ensures that potential human rights and environmental risks are systematically recorded, specified and prioritised for GESCO Group.

Based on the regular risk analysis, tailored questionnaire catalogues were developed and sent to the suppliers of the subsidiaries in 2023. Depending on the result of the specific risk analysis, i.e. the specific risk disposition of a supplier, different escalation levels were determined in order to counter the risks of human rights or environmental violations. Cancellation of an existing business relationship is the last of these escalation levels.

GESCO SE pursues a partnership-based approach for its Group, if the business relationship permits. The aim is to actively avoid potential risks together. In addition, GESCO Group has established a complaints procedure in accordance with Section 8 LkSG, which enables affected parties to report risks to or violations of protected goods in accordance with the LkSG. For this purpose, GESCO Group has developed rules of procedure in which the complaints procedure is set out.

In addition, GESCO Group drafted, agreed and adopted a human rights declaration in accordance with the LkSG in December 2023.

The objective of fulfilling the responsibility to protect human rights will therefore be fulfilled in accordance with the LkSG by 1 January 2024, as GESCO Group will actively implement all due diligence obligations required by the LkSG by this date on 1 January 2024.

Declaration in line with the NAP Business and Human Rights

GESCO SE has a Code of Conduct that is published on its website. This includes parts of the ILO core labour standards, such as the explicit rejection of child labour and the focus on occupational health and safety. As part of the ongoing processes for LkSG compliance, the Code of Conduct will be adapted and expanded in 2024. https://www.gesco.de/fileadmin/user_upload/about-us/corporate-governance/GESCO_Code_of_Conduct_2023.pdf

The Code of Conduct was adopted by the Executive Board of GESCO SE. However, as GESCO SE is not a group organised centrally by the holding Company, the respective managing directors of the subsidiaries are the point of contact in the

event of questions or misconduct that deviates from the principles of the Code of Conduct. The Code of Conduct is addressed both internally to the Company’s own employees and externally to its business partners. When entering into business partnerships, GESCO SE expects a code of conduct that is similar in nature to its own. The scope of the Code of Conduct covers all GESCO Group employees. In the case of joint ventures and minority shareholdings, GESCO SE works towards the introduction of a code of conduct in accordance with this set of rules within the scope of its possibilities under Company law. Further information is provided in Criterion 7 (Control).

As part of the appropriate and effective risk analysis, particularly vulnerable groups of people are also included in the analysis. This is reflected in the legal positions of the LkSG, in particular in position 1 (prohibition of child labour), position 2 (prohibition of forced labour) and position 7 (prohibition of unequal treatment of employees). The assessment of human rights risks and the Company’s own opportunities to exert influence will be analysed in 2023 as part of the regular risk analysis in accordance with the criteria of the LkSG. The exact description of the procedure is described in the section “Identification of risks”.

As part of the processes for LkSG compliance, employees were sensitised to the issue of compliance with human rights and environmental due diligence obligations (see “Identification of risks” above). Compliance with human rights and environmental due diligence obligations is ensured on the one hand by requiring business partners to have a similar code of conduct as GESCO SE and on the other hand by analysing risks as part of the LkSG (see “Identification of risks” above). GESCO SE has implemented a separate LkSG complaints mechanism on its corporate website, which is available in the languages of those potentially affected on the supplier side (Italian, French, Taiwanese, Chinese, Spanish, Turkish) as well as in German and English. The protection of whistleblowers is guaranteed and includes not only all employees but also third parties (business partners or customers). The measures for the complaints mechanism are continuously reviewed for their effectiveness as part of LkSG compliance and adjusted accordingly.

There is currently no code of conduct for supplier companies at holding Company level. In accordance with the LkSG, supplier companies will in future be analysed for compliance with the relevant human rights and environmental due diligence obligations. Effective compliance, preventive and remedial measures and concepts for redress are also currently being reviewed and developed as part of the LkSG. Reporting will take place from 2024 as part of the LkSG’s documentation requirements.

Performance indicators for criterion 17

Performance indicator GRI SRS-412-3: Investment agreements screened for human rights impacts

Investment agreements or contracts do not yet contain any human rights clauses.

Of course, all contractual partners are already required to comply with the law. The mandatory introduction of a human rights and environmental clause for future investment agreements and contracts is planned for the first quarter of 2024 as part of an LkSG Group guideline. With regard to existing contracts, the LkSG guideline instructs that the clause should be made part of the contract as part of addenda, so that the human rights and environmental clause will also be continuously added to existing contracts.

Performance indicator GRI SRS-412-1: Operations screened for human rights impacts

During the reporting period, the following locations were audited for compliance with human rights:

	2023
Number of audited business locations	18
Share of all business locations worldwide	54.5 %

This audit prioritised the locations with the highest number of employees. This means that 90% of employees across all Group companies were included in the audit. This can also be found in the human rights policy statement. In a next step, the foreign subsidiaries are to undergo an audit of their own business area. This is planned to be completed by the beginning of 2025.

**Performance indicator GRI SRS-414-1:
New suppliers screened for social aspects**

a. To date, new suppliers have not been included in the assessment of social aspects. By the end of 2024, it is planned that 80% of new suppliers will be screened for compliance with human rights and environmental obligations.

**Performance indicator GRI SRS-414-2:
Social impacts in the supply chain**

a. Number of suppliers that were screened for social impacts and b. where potential negative social impacts were identified:

	2023
Number of suppliers screened for social impacts	420
Number of suppliers identified as having significant potential negative social impacts	403

c. Significant actual and potential negative social impacts identified in the supply chain

Potential negative social impacts in the supply chain:

- Child labour
- Forced labour & slavery
- Occupational safety
- Freedom of association
- Unequal treatment in employment
- Reasonable wage

At the time of publication, the determination of the **actual negative social impact (b.)** had not yet been finalised, meaning that a conclusive assessment cannot yet be made. As a result, no statement can be made at this time as to the extent to which agreements on improvements will be made (d.) or the last resort will be used to terminate the business relationship (e.).

Criterion 18 on Social / community affairs

18. Community

The founding idea and business model of GESCO is to facilitate company succession and to develop companies for the future as part of the long-term investment approach. This goes hand in hand with the creation of wealth and income for shareholders, employees, business partners and society. The aim is to ensure succession solutions for all Group companies.

In addition to providing extensive publicly available information, GESCO SE seeks contact with regional politicians and the financing banks of the acquired Company, particularly in the context of Company takeovers, in order to present itself as the new owner. After the takeover, the location, workforce and corporate identity of the acquired companies should be preserved so that the existing network and stakeholders of the acquired Company, such as customers, suppliers, local authorities, neighbours and banks, retain their proven partners.

In terms of social commitment, GESCO Group focuses on promoting STEM subjects. Since 2019, GESCO SE has included a support programme for the Wuppertal Children's and Youth University for the Bergische Land gGmbH – Junior Uni for short – based in Wuppertal. As part of this programme, GESCO supports Junior Uni with € 60,000 per year. Founded in 2008, the educational institution is a unique teaching and research centre in Germany that offers young people from the age of four up to A-levels courses in experimentation and research. It aims to inspire and prepare young people for entry into technical professions. GESCO Group companies particularly support sports and cultural organisations in their respective regions.

In the public sector, there are always risks where companies have to cut jobs or experience economic losses due to changes in general conditions, which have a negative impact on wages and salaries, social security contributions and pension expenses. We do not believe that a dedicated analysis of risks or a specific management concept is expedient here. Instead, the aim is to ensure that GESCO Group's value development is positive and that potential risks do not arise in the first place.

GESCO Group's performance on the capital market is reflected in the share price performance and dividend payment. The GESCO share price fell by 22.8% in the reporting year 2023. If the dividend payment of EUR 1.00 per share is taken into account, the decline is reduced to 18.7%. The benchmark SDAX share price index rose by 14.4% in the same period.



STEM

GESCO has supported the Junior Uni in Wuppertal for many years. STEM subjects are at the centre of the extracurricular educational institution's offerings.

The subsidiaries strengthen the community at their locations by favouring cooperation with local companies where it makes economic sense to do so, or by supporting local social, cultural and sports associations through donations.

Performance indicators for criterion 18

Performance indicator GRI SRS-201-1:

Direct economic value generated and distributed

	Financial year 2023 in TEUR	Financial year 2022 in TEUR	Deviation from the 2022 financial year in TEUR
i Direct economic value generated	562,358	585,190	-22,832
Proceeds	-	-	-
ii Spent economic value			
Operating costs	391,641	413,270	-21,629
Wages and benefits for employees	126,128	121,657	+ 4,471
Payments to investors	15,504	14,332	+ 1,172
Payments to the state	11,072	14,534	-3,462
iii Retained economic value			
i-ii	18,013	21,397	-3,384

Criteria 19 – 20 for Compliance

19. Political influence

A whole series of current legislative procedures that primarily affect our investments are relevant to GESCO Group's work, such as the Corporate Sustainability Reporting Directive (CSRD) and the Carbon Border Adjustment Mechanism (CBAM) at EU level and the Supply Chain Sustainability Obligations Act (Lieferkettensorgfaltspflichtengesetz) at national level. We analyse these projects and the resulting requirements for us via our risk management, evaluate them and implement appropriate measures at an operational level.

GESCO SE is a member of the German Investor Relations Association (DIRK). DIRK is the largest European professional association for dialogue between issuers and the capital market. Among other things, the association represents the interests in a sensitive interplay of forces between issuers, legislators, trading platforms, capital providers and other stakeholders. To this end, the association maintains an ongoing dialogue with the numerous institutions that are key to capital market processes, such as Deutsche Börse, the German Federal Financial Supervisory Authority (BaFin), Deutsches Aktieninstitut (DAI), the German Association for Financial Analysis and Asset Management (DVFA), the German Investment and Asset Management Association (BVI), Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW), Schutzgemeinschaft der Kapitalanleger e.V. (SdK) and many more. GESCO SE is also a member of the DAI. On behalf of its member companies, the DAI contributes the perspectives of the real and financial economy to the political debate through professional dialogue with politicians and supervisory authorities.

GESCO Group companies do not make donations to political organisations. The subsidiaries maintain memberships in relevant employer and industry associations in accordance with the compliance guidelines.

Consequently, there are no risks from GESCO's business activities due to political influence.

Performance indicators for criterion 19

Performance indicator GRI SRS-415-1:
Party donations

No political donations are made by GESCO Group.

20. Compliance with the law and guidelines

GESCO Group is a group of medium-sized companies that are primarily active in the industrial manufacturing sector, with customers and suppliers in many countries around the world. The risks that affect all commercial companies are of relevance to the Group companies. In particular, these include corruption and conflicts of interest, for example by operating in countries with a different legal culture or by using sales intermediaries, as well as violations of tax and social security laws, labour laws and occupational health and safety regulations, data protection and antitrust regulations. In addition, production and product-related regulations must be complied with. Due to its international orientation, there are also risks of violations, particularly of the applicable export and export control regulations, the applicable customs regulations and violations of foreign law. Finally, due to its listing in the Prime Standard, GESCO SE must comply with special capital market law requirements. No significant new risks were identified for the 2023 reporting year.

GESCO SE demands and promotes behaviour within its companies that complies with the law and guidelines. It respects applicable law and is committed to complying with laws, regulations, case law and official decisions as well as internal guidelines and resolutions. This applies to all areas of regulation affecting GESCO Group, in particular the provisions on combating corruption.

To this end, GESCO SE has set up a compliance management system involving all Group companies:

The aim of the compliance management system is to prevent violations of the law from the outset through the measures taken (prevention). This is initially achieved through the voluntary commitment of the Executive Board of GESCO SE and the managing directors of the subsidiaries to comply with the law (tone from the top). This voluntary commitment is set out in the Group-wide Code of Conduct and is once again explicitly addressed personally to employees by the relevant bodies in compliance training sessions. The Code of Conduct for GESCO Group employees is available on the website at <https://www.gesco.de/en/about-us/compliance-and-corporate-governance>.

The Code of Conduct is substantiated by guidelines and work instructions in order to regulate typical behavioural issues for the executive bodies and employees in the areas of activity that are important for the Group companies in individual cases. These areas of action are determined by means of a risk analysis that is repeated at regular intervals or carried out on a case-by-case basis.

The guidelines are made available to GESCO Group employees in paper form, electronically and via an online information system (Rulebook). The applicable regulations are communicated to the executive bodies and employees of the Group companies through training courses, which are organised by GESCO SE and its subsidiaries with the support of external experts, where possible in physical presence. The executive bodies and employees of the Group companies also have the opportunity to seek advice from GESCO SE or an external compliance officer appointed by GESCO SE in case of doubt.

To ensure efficient protection against violations of the law, regular audits are also carried out in the Group companies, which focus on specific issues and are conducted by external third parties. In addition, employees of GESCO Group and the other Group companies as well as outsiders, i.e. external parties not employed by the Group companies, can report legal violations anonymously to a whistle-blower system set up by GESCO Group and an external ombudsman. GESCO Group has appointed an external lawyer for this purpose. This lawyer receives reports from all GESCO Group employees and third parties (e.g. business partners or customers) of suspected criminal offences and/or other violations of laws and regulations relating to GESCO Group. Detailed information on the whistleblower system can be found on the GESCO Group website at <https://www.gesco.de/ueber-uns/compliance-und-corporate-governance/> No violations were reported for reporting year 2023. In addition, a number of consultations on individual employee issues were carried out by the external ombudsman and internal staff. The whistle-blower hotline also repeatedly received reports of breaches of the law, which were checked for conclusiveness and counteracted by investigations and sanctions where necessary. The existing compliance management system therefore helped to clarify any breaches of the law and remedy them as quickly as possible.

The task of the subsidiaries' executive bodies is to embed the respective requirements and principles in their companies. If specific risks exist for the respective Group Company, it is responsible for taking appropriate measures in the form of risk analysis, training, guidelines, work instructions and monitoring in accordance with the Code of Conduct, e.g. with regard to embargo regulations against countries, organisations or persons. GESCO SE supports these measures, if necessary with external support from experts. At GESCO SE level, the Compliance department is anchored in the Finance Executive Board department.

The compliance management system is dynamically orientated. It enables new risks to be identified on an ongoing basis and targeted measures to be taken to counteract them, whether because the legal situation changes or because the realignment of business areas at GESCO Group companies gives rise to new risks that require appropriate preventive measures. In this way, the compliance management system is continuously developed in order to continue to fulfil compliance requirements throughout the Group in an increasingly complex environment.

One example of the ongoing development of the compliance management system is the establishment of a complaints procedure in accordance with Section 8 LkSG. In addition, an updated risk analysis on employee compliance was carried out in the reporting year.

Risks relating to compliance include corruption, antitrust offences and other criminal activity. There are also risks relating to violations of the Supply Chain Duty of Care Act as well as employee protection and environmental law.

All of the components of the GESCO Group compliance management system described above have been fully implemented (100% degree of fulfilment). The content of the compliance management process is subject to constant dynamic change: New legal requirements require adaptation, as do new findings from the compliance risk analysis of the GESCO companies, information about the whistleblower protection system or the regular audits carried out by external parties at the GESCO companies. Depending on these developments and findings, GESCO will adapt the existing regulations, the existing training programme and the existing advisory services, if necessary with external

support. Among other things, GESCO will roll out further guidelines for the entire Group for this reason. These include an employee protection guideline and a supplier guideline. In 2023, the GESCO companies were primarily concerned with the introduction of the LkSG requirements. The implementation of the LkSG requirements was largely completed by the end of the year. The introduction of these guidelines, including accompanying training, is scheduled for 2024. Further guidelines and training courses will follow as required from 2025.

GESCO Group counters these risks with the compliance management system described above, which includes a Group-wide Code of Conduct, accompanying guidelines and work instructions, an online information system (Rulebook) for GESCO Group employees, accompanying training, case-related spot checks and a whistleblower system for employees and external parties. The managing directors of the subsidiaries are responsible for anchoring the respective requirements and principles in their companies.

In the reporting year, internal investigations were initiated at a subsidiary on the basis of a tip-off via the whistleblower system, which led to the dismissal of an employee for violations of general personal rights, among other things.

Otherwise, no material violations were identified in the reporting year.

The risk analysis in the area of employee protection led to some minor risks, which are to be addressed in 2024 through a Group-wide guideline and accompanying training.

Performance indicators for criterion 20

Performance indicator GRI SRS-205-1: Operations assessed for risks related to corruption

- a. All locations (100%) were checked for corruption risks.
- b. The GESCO Code of Conduct and the associated guidelines and work resolutions as part of the governance system apply to all locations (100%) (see criterion 20).

Performance indicator GRI SRS-205-3: Incidents of corruption

- a. No incidents of corruption were identified in 2023
- b. – d. Not relevant.

Performance indicator GRI SRS-419-1: Non-compliance with laws and regulations

- a. Not relevant.
- b. No cases of non-compliance with laws and/or regulations were identified in the 2023 reporting year.
- c. Not relevant.



04

Combined Management Report

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GESCO SE, Wuppertal Combined Management Report for the 2023 financial year (01/01 until 12/31/2023)

The management report of GESCO SE is combined with the management report of the Group. This management report will be published in the GESCO Annual Report 2023 and together with the annual financial statements of GESCO SE. Unless otherwise stated, the information relates to GESCO Group and GESCO SE together, whereby the explanations refer to the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS). The information on GESCO SE are contained in a separate section and relate to the annual financial statements prepared in accordance with the provisions of the German Commercial Code (HGB) and the supplementary provisions of the SEAG and the German Stock Corporation Act (AktG).

The contents of websites or publications to which we refer in the management report are not part of the management report, but merely serve to provide further information. This does not include the corporate governance statement in accordance with Sections 289f and 315d HGB.

01 _ Fundamentals of the Group

Business model

Founded in 1989, GESCO SE is a long-term investor that acquires economically sound industrial SMEs in order to hold and develop them over the long term. Acquisitions are often made in the course of succession planning, with GESCO SE generally acquiring a majority stake, usually 100%. In the case of one German company, its managing director holds a 20% stake. The subsidiaries are operationally independent. They are integrated into GESCO Group's reporting and risk management system.

As at the reporting date, GESCO Group consists of GESCO SE, its 10 direct subsidiaries and their subsidiaries in Germany and abroad.

GESCO SE has been listed on the stock exchange since 24 March 1998; the GESCO share is listed in the Prime Standard segment of the Frankfurt Stock Exchange.

"NEXT LEVEL 25" strategy

The Executive Board and Supervisory Board of GESCO SE developed and adopted the "NEXT LEVEL" strategy in autumn 2018. Based on a jointly developed vision for GESCO as a group of "hidden champions", the strategy defines key points for the strategic and operational development of GESCO Group in the coming years. The core elements are the balancing of the portfolio architecture on the one hand and the development of the operating companies into hidden champions on the other. The strategy was further developed at the beginning of 2022 and concretised into the NEXT LEVEL 25 strategy.

The core of the strategy is to expand the portfolio to three anchor investments and twelve basic investments; to make the portfolio more balanced and resilient. In addition to the Doerrenberg group, we want to implement two further anchor holdings. The target markets should have as low a correlation as possible with the markets that are important to Doerrenberg. The anchor investments can either be acquired or developed on the basis of an existing subsidiary through organic growth and strategic acquisitions. The focus is on developing existing subsidiaries into anchor investments, whereby one subsidiary has already been identified. We round off the portfolio with twelve basic holdings with substantial sales and earnings contributions in various target markets. As part of the NEXT LEVEL 25 strategy, we focus our acquisitions on companies with sales of between € 20 million and € 50 million. Strategically motivated bolt-on acquisitions of subsidiaries are made at lower sales levels. The plan is to finance acquisitions from equity and borrowed capital.

With the NEXT LEVEL 25 strategy, which was adjusted at the beginning of 2022, we have positioned GESCO as a European and increasingly internationally orientated industrial SME group. In 2022, the conversion of the legal form from a German stock corporation (AG) to a European stock corporation (SE) was initiated. With the entry in the commercial register in January 2023, the conversion of GESCO AG into GESCO SE was completed and has been formally effective since then. The European orientation is thus visible. Acquisitions of basic shareholdings in other European countries as well as acquisitions of supplementary investments outside Europe are now part of our inorganic growth strategy.

The existing portfolio was consistently developed further through the established excellence programmes. The methodological expertise available within GESCO SE provides our subsidiaries with broad and comprehensive operational expertise for the continuous implementation of upcoming activities.

The CANVAS business model analyses, which were carried out for the first time in 2019, have now become an integral part of the annual strategy review at the subsidiaries and serve to jointly align our activities. Depending on the specific needs and status of the respective subsidiary, we launched or continued a large number of MAPEX and OPEX programmes in the past financial year. MAPEX serves to analyse and develop target markets and product portfolios with the focus on expanding sales volumes and gaining market share. OPEX serves to optimise processes in all business functions and thus increase efficiency. DIGITEX aims to digitalise work processes and business models. The LEADEX programmes were launched in 2021, intensified in 2022 and continued in 2023. They establish a shared corporate culture with a balanced focus on performance.

For us, LEADEX also means working with the managing directors of the subsidiaries to develop and implement concepts tailored to the “High Performance Teams” target.

The aim of the NEXT LEVEL 25 strategy is to position GESCO Group for the future, generate added value at all levels and thus achieve above-average sales growth, margins and cash flow.

Significant changes in the scope of consolidation

In January 2023, SVT GmbH acquired 100% of the shares in the steel construction division of its long-standing Hungarian supplier BAV Tatabánya Kft. The acquired division of BAV, which was founded in 1992, employs around 60 people.

The previously non-consolidated company Connex SVT Inc., Houston, USA, also a subsidiary of SVT GmbH, was included in the scope of consolidation in January 2023.

In May 2023, Doerrenberg Specialty Steel Corp. acquired 100% of the shares in Tremblay Tool Steels, LLC in Ohio, USA. Tremblay Tool Steels has been a sales partner of the Doerrenberg group in the USA since 2014 and a supplier of special steel for various industries. As part of the acquisition of Tremblay Tool Steels LLC, 100% of the shares in the associated Doerrenberg Real Estate LLC, Macedonia (OH), USA, which owns a factory building that is leased to Tremblay Tool Steels LLC, were also acquired.

In May 2023, GESCO SE acquired the 5% share in Doerrenberg Edelstahl GmbH held by the former managing partner Mr Gerd Böhner. GESCO SE now holds 100% of the shares in the company.

In June 2023, Molineus & Co. GmbH + Co KG was merged with Grafic Beteiligungs-GmbH, both based in Wuppertal.

In addition to the parent company, a total of 51 companies are included in the consolidated financial statements in accordance with the principles of full consolidation and two other companies are included using the equity method. Five companies are in liquidation: GRAFIC Beteiligungs-GmbH, So-Stra Verwaltungs GmbH, Q-Plast GmbH & Co. Kunststoffverarbeitung, Q-Plast Beteiligungs-GmbH and IMV Verwaltungs GmbH.

Control system

GESCO Group is planned and managed at the level of the individual subsidiaries and GESCO SE. The framework for the operational development, personnel measures and investments of the subsidiaries is provided by an annual plan prepared by the management of the respective company and approved jointly with the Executive Board of GESCO SE. As part of regular reporting, GESCO SE receives data from the subsidiaries during the year and at least on a monthly basis. This information is recorded and analysed by GESCO SE, supplemented by figures from the finance and accounting department of GESCO SE itself and consolidated. The findings from the subsidiaries' reporting are analysed between the responsible investment manager at GESCO SE and the respective managers of the companies in at least monthly meetings on site or in video meetings and evaluated with regard to the degree of target achievement. Options for action on both the opportunity and risk side are discussed together in order to be able to react promptly to changes in the market situation.

GESCO SE prepares Group planning based on the planning of the individual subsidiaries. At the annual accounts press conference, the Executive Board of GESCO SE provides an outlook for consolidated sales and consolidated net earnings after minority interest for the new financial year; this outlook is further specified in the course of quarterly reporting. Other performance indicators include incoming orders, EBIT and the equity ratio. In the economic and forecast report within this management report, consolidated sales and consolidated net earnings after minority interests are included in the explanations as the most important indicators. For the holding company, this applies to income from investments and net income for the year as well as the equity ratio.

Research and development

Most of our subsidiaries are small and medium-sized companies whose research and development activities are largely market- and customer-driven. Technical innovations as well as new products and applications are generally developed in project work as part of customer orders. Depending on the task at hand, the companies cooperate with universities and institutes and take part in publicly funded research projects.

In addition to focussing on the various applications of additive manufacturing (3D printing) at Doerrenberg Edelstahl GmbH, steel strip finishing specialist Pickhardt & Gerlach has developed innovative steel strip for the inner workings of batteries for e-mobility. The steel strip is moulded and welded for the battery module in such a way that it connects the various cells of the lithium-ion battery. It conducts the electrical energy generated in the cells with virtually no loss. At the same time, it emits as little heat as possible so that the battery does not overheat. Pickhardt & Gerlach developed its own brand name for this: EMONI®. Together with a spin-off from RWTH Aachen University, EMONI® was tested for use in e-bike batteries, with the result that the electrical efficiency is even slightly better than the market standard. Further developments relate to the combination of stainless steel and nickel. SVT started a project focussing on hydrogen charging in 2021 and received a research contract from the Federal Ministry of Economics for a hydrogen charging arm in 2022. This is to be presented to the first customers in the course of the 2024 financial year. Setter, the world's leading manufacturer of paper sticks, has developed sticks based on sugar cane in order to expand its product range.

02 _ Economic report

Macroeconomic and sector-specific framework conditions

The German economy treaded water in the 2023 financial year. High inflation eroded the purchasing power of private households and prompted the European Central Bank to raise key interest rates sharply. The consumer and construction sectors suffered as a result, as real household incomes fell and financing costs rose. However, the industrial economy also ran out of steam. The supply-side bottlenecks, which were still noticeably hampering production last year, became increasingly less significant. On the demand side, however, the slowdown in the global economy became increasingly noticeable. In many places, central banks put the brakes on the economy by raising key interest rates quickly and sharply in order to get inflation under control. In addition, a noticeable turnaround in production in the energy-intensive industries in Germany has so far failed to materialise despite a sharp fall in energy prices.

Consumers benefited from the fall in energy prices. This is the main reason why consumer prices have fallen in recent months. On the other hand, the rise in prices for other goods and services proved to be sluggish. Here, the significant rise in labour costs is likely to have counteracted a faster decline. The economic slowdown also left its mark on the labour market. The number of unemployed is also rising as a result of increasing company insolvencies and business deregistrations.

The mood in the German economy has not improved as expected over the course of the year. Almost all sectors of the economy are reporting gloomy business prospects. The construction industry in particular, and especially the residential construction sector, is slowly running out of orders, as the extensive cancellations of existing orders and the decline in new orders have continued until recently. It is therefore to be expected that construction output will continue to decline in the coming quarters.

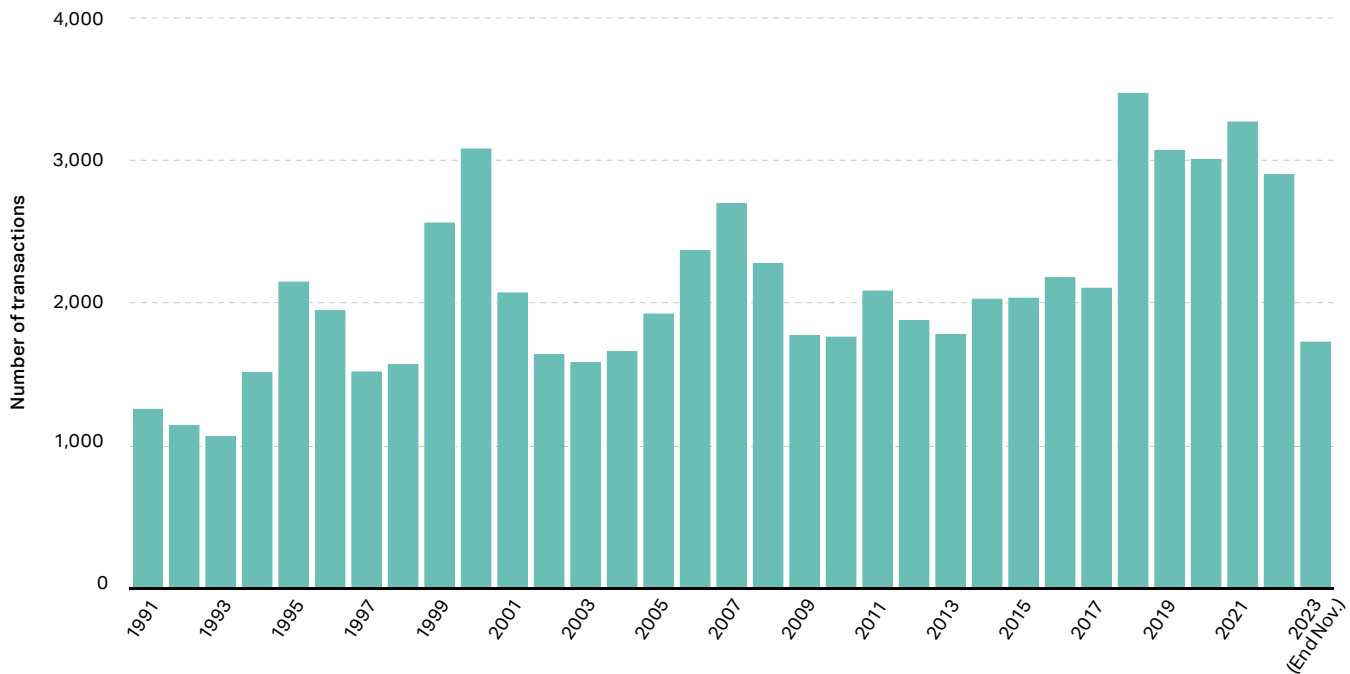
Last year, economic momentum in Germany was still clearly characterised by the after-effects of the previous crises. The massive rise in energy prices, which also had a delayed impact on downstream stages of the value chain, led to a sharp rise in consumer prices across the board. The resulting significant loss of purchasing power in particular had a noticeable dampening effect on domestic demand. The central banks' monetary policy responses to high inflation also weakened economic momentum in key trading partners, which had a noticeable negative impact on external demand. This was exacerbated by an exceptionally high level of sick leave among the labour force in the past year, which is likely to have had a negative impact on value added through a reduced volume of work. After economic output in Germany virtually stagnated over the course of 2023, it declined at the end of the year according to the available data. This results in a year-on-year decline in price-adjusted GDP of 0.3% for the year as a whole.

According to the German Engineering Federation (VDMA), the mechanical and plant engineering industry can look back on another mixed year in 2023. While the high order backlog in the first half of the year meant that production was still well utilised and growth of 2.5% was recorded, this supporting effect diminished more and more as the year progressed. The third quarter saw a decline of 1.7% and the fourth quarter even saw a drop of 5.4%. This results in a decline of around 1% for the year as a whole. There is no improvement in sight for the first half of 2024 either. Orders in the German mechanical and plant engineering sector continued to fall at the start of the year. In January, incoming orders were 10% below the previous year's level in real terms, as reported by the VDMA in February 2024. Domestic orders were down 11%, while foreign orders fell by 9% compared to the same month last year. At 19%, the drop in orders from euro countries was much sharper than the 5% decline from non-euro

countries. In the less volatile three-month period from November 2023 to January 2024, orders fell by 10% in real terms compared to the previous year. There were 13% fewer orders from Germany and 8% fewer orders from abroad. Orders from euro countries fell by 13%, while orders from non-euro countries were down 6%. For 2024 as a whole, the VDMA anticipates a decline in production of 1%.

In terms of the number of M&A deals, the M&A market slumped significantly in the 2023 financial year. The sharp rise in financing costs due to higher interest rates and the fact that valuations for attractive target companies remained very high led to this significant decline.

Number of M&A deals in Germany from 1991 to 2023



Source: Institute for Mergers, Acquisitions and Alliances (IMAA), 2023

In addition, the trends and developments of previous years are continuing: the topic of sustainability (ESG) is becoming increasingly important in M&A deals, the professionalisation of the people involved continues to increase and the virtual handling of deals has established itself as the norm.

Furthermore, high demand meets limited supply. In this environment, GESCO is increasingly focussing on actively approaching entrepreneurs both for basic investments and, increasingly, for potential bolt-on acquisitions.

Business performance

GESCO Group countered the economic turbulence and macroeconomic conditions in financial year 2023 with a wide range of measures that demonstrate our high speed of adaptation, especially in adverse conditions. We have demonstrated our resilience in difficult times and achieved a decent result in the face of a wide range of challenges.

Business with stainless steel products for biotechnology, the semiconductor industry and supplies for biogas plants continued to be key drivers. The Setter Group's ongoing international business expansion with paper sticks to avoid plastic waste also continued unabated. Our mechanical engineering companies also performed satisfactorily on the whole. With the exception of Setter, however, the Health-care and Infrastructure Technology segment fell well short of our expectations for the year as a whole.

Like the entire German mechanical engineering sector, GESCO Group companies are confronted with a number of challenges.

On the one hand, there are the energy costs, which continue to be significantly higher than abroad despite the decline. In addition to energy costs, material prices are also highly volatile depending on international commodity prices and material availability. Supply chain disruptions (currently: disruption to international shipping in the Gulf of Aden) play an important role here.

The high price increases have not only led to significantly higher interest rates, but are now also being reflected with a time lag in considerably higher labour costs.

Increased production and labour costs, in turn, are putting pressure on companies' margins. We have deliberately taken a less resolute approach to reducing working capital than originally planned. In addition to the availability of materials, which is so important to our customers, we have also established new business areas that require a corresponding level of stock. However, it remains our goal to significantly reduce working capital in the future by successively reducing inventories.

Overall, the majority of subsidiaries were unable to escape these difficult conditions. As a result, all GESCO Group segments will ultimately report a slight to significant deterioration in business figures in financial year 2023.

GESCO last updated its sales and earnings forecasts in November 2023. The Executive Board then expected consolidated sales of € 555–575 million and consolidated net earnings after minority interest of approximately € 19.5–21.5 million after non-cash impairment losses of € 5–6 million for financial year 2023.

Overall, this adjusted forecast was achieved.

Situation of the Group

Earnings situation

In terms of incoming orders, GESCO Group was unable to match the record level of the previous year. Both the Healthcare and Infrastructure Technology segment and the Process Technology segment recorded significantly lower incoming orders, while the Resource Technology segment, which generates the highest sales, recorded a slight increase. Incoming orders at GESCO Group totalled € 542.7 million in the financial year (previous year: € 588.8 million), 7.8% less than in the previous year.

Consolidated sales totalled € 560.7 million, down 3.7% on the previous year (€ 582.3 million). The financial year ended with an order backlog of € 196.4 million (previous year: € 220.6 million).

Due to the only moderate decline in prices over the course of the year, the cost of materials ratio of 57.1% is only slightly below the previous year (58.8%).

The personnel expenses ratio rose from 20.9% to 22.5%, primarily due to the higher number of employees (+3.2% to 1,899) and wage increases in the workforce.

Other operating income was above the previous year's level, which was partly due to income from the reversal of provisions and income from derecognised impaired receivables.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) reached € 59.0 million (€ 67.7 million). Depreciation and amortisation amounted to € 23.1 million (€ 18.3 million) in the reporting period and includes scheduled depreciation and amortisation as well as impairment losses of € 5.1 million.

Earnings before interest and taxes (EBIT) totalled € 35.9 million (€ 49.4 million). The EBIT margin thus totalled 6.4% (8.5%), which is below our target corridor of 8–10%.

The financial result of € -3.5 million (previous year: € 0.0 million) is primarily due to the significant increase in interest rates. The result from equity investments is reported at € 0.0 million (previous year: € 1.3 million), as the companies responsible for this have been fully consolidated since the beginning of 2023. Interest and similar expenses increased significantly by € 2.2 million to € 4.7 million.

Earnings before taxes (EBT) totalled € 32.4 million (€ 49.5 million). At 31.6%, the tax rate was higher than in the previous year (26.7%). Among other things, this is due to impairment losses that are not tax-effective.

After minority interests in the profit of € 1.3 million (previous year: € 2.4 million), consolidated net earnings after minority interests totalled € 20.9 million, compared to € 33.8 million in the previous year. Earnings per share in accordance with IFRS totalled € 1.93 (previous year: € 3.12).

Sales and earnings by segment

In the **Process Technology segment**, the wait-and-see attitude of market participants due to uncertainty about future economic developments is particularly evident. Due to the marked reluctance to place orders, incoming orders fell to just € 93.3 million in the 2023 financial year (2022: € 121.8 million). This resulted in an order backlog of € 56.5 million as at the reporting date (2022: € 72.7 million).

Segment sales increased by 2.4% from € 105.1 million in the previous year to € 107.6 million. EBIT totalled € 12.0 million in the reporting period after € 13.9 million in the previous year, which corresponds to an EBIT margin of 11.2% (2022: 13.2%). Higher other operating expenses were responsible for the decline.

The **Resource Technology segment** continued to perform robustly in the reporting period, although the decline in material prices had a significant impact on the key figures. Incoming orders totalled € 321.8 million, an increase of 1.2% compared to the previous year. Sales fell slightly by 2.8% from € 330.0 million (2022) to € 321.0 million. Segment EBIT totalled € 28.1 million after € 34.9 million in the same period of the previous year. In addition to the decline in material prices, lower alloy surcharges in particular played an important role here. Alloy surcharges are now back to or even below the level at the end of 2021. The segment's EBIT margin fell accordingly from 10.6% (2022) to 8.8%.

The somewhat subdued demand in the tool and strip steel area, as well as an absolute increase in personnel costs compared to the previous year, are having a moderate negative impact on the outlook in this segment. However, we have initiated product expansions and won new projects with our MAPEX programmes. We are also stepping up our expansion into non-European countries.

The companies in the **Healthcare and Infrastructure Technology segment** experienced very heterogeneous business development in the 2023 financial year. Paper stick production continues to play a special role and is benefiting from the global sustainability movement. Falling paper prices are leading to sales at around the previous year's level. However, profitability is not suffering as a result. The situation is different for the other companies in the segment. A significant drop in incoming orders led to a lower order backlog and thus to inefficient utilisation of production capacity. A number of measures were therefore implemented over the course of the year, including personnel adjustments. This is also reflected in the 6.5% reduction in the number of employees compared to the previous year.

Incoming orders in the segment fell by 14.4% compared to the previous year to € 127.6 million. The decline reflects the restraint in the construction and healthcare sectors. In this segment, orders are generally awarded as longer-term framework agreements and are therefore subject to market cyclicality. The fact that incoming orders were lower than sales is a visible sign of the difficult market conditions and creates corresponding pressure to adjust. The Executive Board is vigorously supporting this process. In line with the lower order intake, the order backlog also fell to € 34.1 million at the end of the year (2022: € 43.5 million).

In addition to GESCO SE, the **GESCO SE/other companies segment** includes a number of companies of minor importance. The **reconciliation** item shows consolidation effects and the reconciliation to the corresponding IFRS Group figures.

Sales by regions

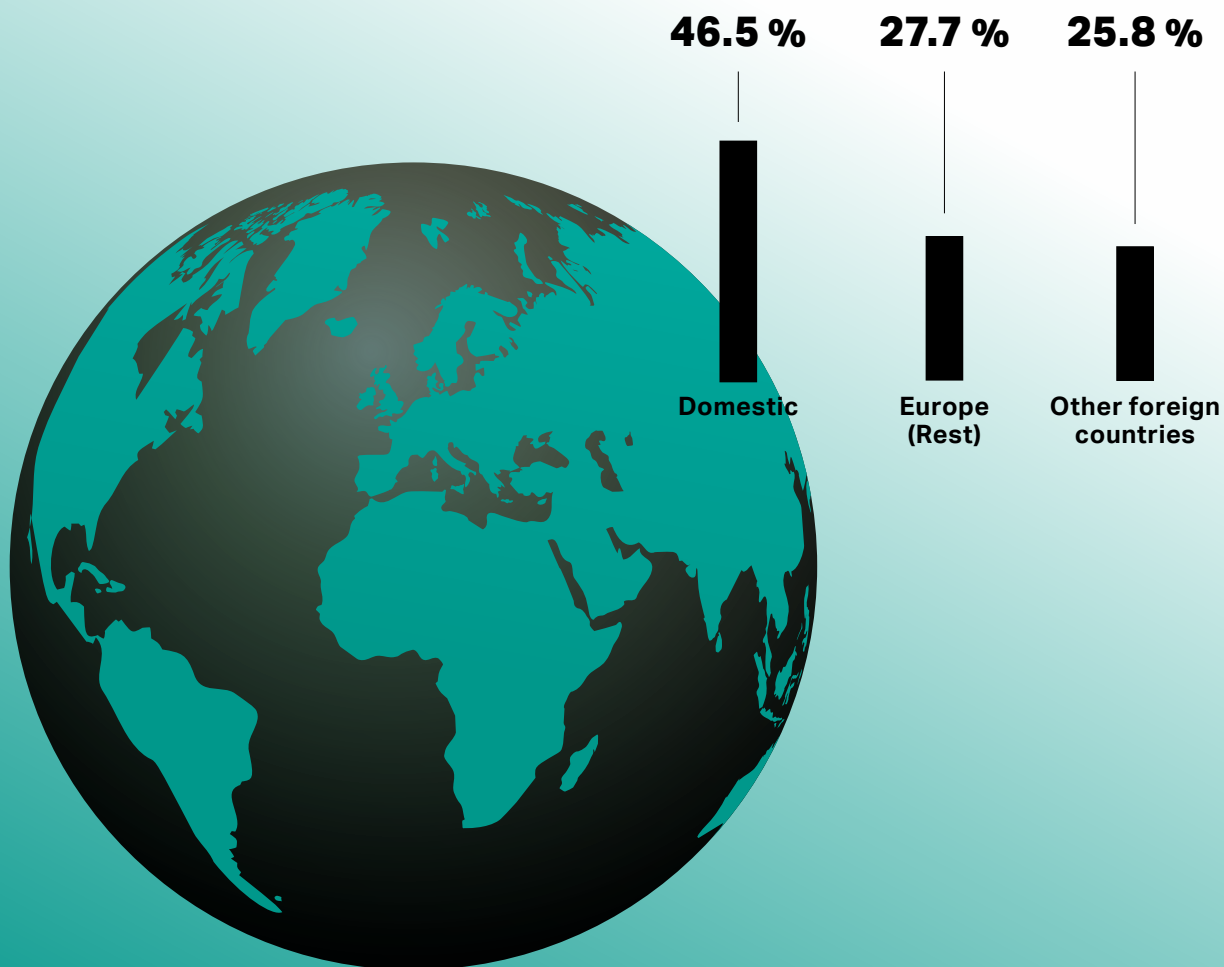
The foreign share of consolidated sales totalled 53.5% (previous year: 51.7%). Europe (excluding Germany) accounted for 27.7% (30.2%) of sales, with France and Italy being the most important individual markets. Asia accounted for 9.8% (10.9%), of which 2.8 (3.7) percentage points were attributable to China. With a share of 12.9% (8.0%), the USA was the most important market outside Germany.

The foreign shares of the individual companies vary greatly depending on the respective business model; several subsidiaries have export quotas of over 70%.

With regard to this regional distribution of sales, it should be noted that many of our companies' domestic customers are themselves export-orientated. GESCO Group is therefore likely to have significant indirect exports, although this cannot be quantified precisely.

Sales by regions

Financial year 2023



Financial position

Capital structure

GESCO Group's balance sheet shows strong balance sheet ratios with high equity. At 14.0% (14.2%) of equity, goodwill is at a low level. Overall, GESCO Group has the necessary financial resources for internal and external growth.

On the liabilities side, equity totalled € 277.7 million, up on the level of € 274.7 million at the beginning of the financial year, which was due in particular to the positive consolidated net earnings for the year. Due to the repayment of current liabilities, the balance sheet total remained at the previous year's level; the equity ratio changed from 58.0% to 59.2% as a result of the increase in equity.

Investments

As a long-term investor, GESCO SE supports regular investments by the subsidiaries in their technical equipment in order to strengthen their competitiveness. This includes investments in property, plant and equipment as well as modern information technology and, in particular, systems for efficient production planning and control.

Overall, investments in property, plant and equipment and intangible assets for all companies totalled € 20.3 million compared to € 15.6 million in the previous year. This includes right-of-use assets recognised as investments in accordance with IFRS 16 of € 3.2 million in the reporting period and € 3.1 million in the previous year.

In the reporting year, the total volume was spread across various replacement, modernisation and expansion investments. This year, investment focussed on the Resource Technology segment. Pickhardt & Gerlach carried out capacity expansions. The plastic mould steel business area was established at Doerrenberg. Further investments were made at Setter. In the previous year, investment focussed on the Setter group, which had significantly expanded its machinery and equipment in the USA as part of the relocation of the site.

As at the balance sheet date, there were order commitments of € 1.0 million (previous year: € 0.5 million). This mainly relates to machinery and technical equipment that has been ordered but not yet delivered. The investments are expected to be completed in the 2024 financial year.

Depreciation of property, plant and equipment, working capital and amortisation of intangible assets amounted to € 23.1 million in the reporting period (previous year: € 18.3 million).

Liquidity and net debt

Cash and cash equivalents totalled € 34.5 million on the balance sheet date, slightly below the previous year's figure of € 36.3 million.

Current and non-current liabilities to banks increased by € 10.7 million to € 87.1 million in total. Current and non-current lease liabilities decreased by € 0.6 million from € 18.6 million to € 18.0 million.

Net debt has thus risen from € 40.1 million to € 52.6 million. Taking lease liabilities into account, this results in a deterioration from € 58.7 million to € 70.6 million.

In relation to EBITDA of € 59.0 million, the net debt-to-EBITDA ratio is therefore 0.9, or 1.2 including IFRS 16.

At the end of the financial year, there were committed but unutilised credit lines amounting to € 58.9 million. The Group was able to fulfil its payment obligations at all times.

Based on the positive result for the period of € 22.1 million, the operating cash flow increased to € 32.2 million (€ 10.7 million) compared to the previous year. Working capital fell slightly by € 4 million compared to the previous year. The working capital ratio deteriorated from 35.6% at the end of 2022 to 37.6% as at 31 December 2023. The cash flow from investing activities of € 21.8 million primarily includes investments in property, plant and equipment. The repayment of loans totalling € 22.8 million is offset by new borrowings of € 33.5 million.

Financial position

GESCO Group's total assets amounted to € 469.0 million as at the reporting date, compared to € 473.9 million in the previous year. Non-current assets increased only slightly by € 1.7 million to € 187.5 million due to significantly higher property, plant and equipment (€ +4.0 million) and a further reduction in intangible assets (€ -3.4 million). Inventories increased by € 2.9 million, while trade receivables fell by € 9.3 million.

The ratio of property, plant and equipment to total assets was 23.3% (previous year's reporting date: 22.2%). The ratio of non-current capital to non-current assets remained unchanged at 1.8 as at the reporting date.

Economic development of GESCO SE

The notes refer to the separate financial statements of GESCO SE prepared in accordance with the German Commercial Code (HGB). GESCO SE has holding company functions within the Group.

At € 11.0 million, GESCO SE's income from investments in 2023 was below the level of the previous financial year (€ 17.2 million). Distributions are determined individually, taking into account the earnings, net assets and liquidity position of the subsidiaries as well as the optimisation of liquidity within GESCO Group.

As in the previous year, no loss transfers had to be recognised in 2023. Income from profit and loss transfer agreements fell from € 20.4 million to € 16.6 million in the reporting year. As at the balance sheet date, there were a total of three profit and loss transfer agreements with the following subsidiaries:

- INEX-solutions GmbH
- Setter Holding GmbH and
- MAE Maschinen- und Apparatebau Götzen GmbH.

The write-downs on financial assets totalling € 6.7 million (€ 0.0 million in 2022) relate to the impairment losses recognised on the carrying amount of the investments in the subsidiaries AstroPlast and Funke.

The slight year-on-year increase in sales of € 2.1 million (previous year: € 1.7 million) is due to the recharging of expenses to the associated companies and consultancy services.

Other operating income totalled € 0.3 million in the reporting year (previous year: € 0.5 million). Other operating expenses increased from € 5.5 million to € 10.6 million. In the 2023 reporting year, other operating expenses included in particular legal and consulting costs, personnel search and acquisition costs as well as value adjustments on receivables from AstroPlast and Funke totalling € 4.5 million.

In the 2023 financial year, the annual result totalled € 7.8 million (€ 27.0 million).

In the management report for financial year 2022, GESCO SE had forecast income from investments and net income for the new financial year 2023 at approximately the same level as in 2022. In November 2023, GESCO SE revised its forecast for the Group figures for 2023 downwards, meaning that the original forecast figures for GESCO SE could no longer be achieved. The significantly lower income from the equity investments and profit and loss transfer agreements as well as write-downs on financial assets in financial year 2023 consequently led to net income for the year that was below the original forecast.

GESCO SE's total assets amounted to € 250.8 million as at the reporting date (previous year: € 255.3 million).

On the assets side, financial assets increased by a total of € 2.0 million due to the increase in shares in affiliated companies. Other loans totalling € 9.7 million (previous year: € 9.4 million) relate to a vendor loan due in two years at the latest in connection with the transaction carried out at the end of 2020.

Cash and cash equivalents totalled € 2.9 million as at the reporting date (previous year: € 10.6 million). In view of the very pleasing result in the 2022 financial year, a dividend of € 1.00 per share – corresponding to a total of € 10.8 million – was distributed to the Company's shareholders in the reporting period.

On the liabilities side, equity fell slightly to € 236.2 million (previous year: € 239.4 million), while the equity ratio rose from 93.8% to 94.2%.

The decrease in liabilities to banks by € 2.7 million to € 5.5 million is due to the repayment of bank loans.

Overall, GESCO SE's balance sheet had very healthy ratios as at the reporting date, with a very high equity ratio, low debt and sufficient cash and cash equivalents. Against this backdrop, GESCO SE continues to have sufficient access to debt capital at attractive conditions. The Company is therefore fully capable of acting both in terms of its equity base and its debt capital.

In the management report for financial year 2022, GESCO SE had forecast an equity ratio of over 80% for the new financial year, and this is clearly being met with an equity ratio of 94.2%.

At the end of the financial year, GESCO SE had committed but unutilised credit lines amounting to € 20.7 million.

Overall assessment of business performance

Against the backdrop of the many challenges, we consider business performance and the economic situation to be solid overall. This applies to both the Group and GESCO SE, even though developments within the Group were very mixed. At the beginning of 2023, we were still confident and expected an increase in annual sales and earnings roughly on a par with the previous year. This assessment proved to be incorrect, as the general conditions deteriorated significantly over the course of the year. With the exception of Setter, the companies in the Healthcare and Infrastructure Technology segment in particular were unable to fulfil expectations and had to pay tribute to the massively gloomier business prospects in their sectors, above all the construction industry.

There were no other significant events or transactions with a material impact on the net assets, financial position and results of operations of GESCO SE or within the Group during the reporting period.

Non-financial performance indicators

Environmental protection

GESCO Group's commitment to environmental protection is firmly anchored in its self-image, even beyond legal requirements and regulations. This applies to production as well as to the life cycle of the individual product through to its recycling. At the same time, aligning development and production with environmental concerns can open up attractive market opportunities for companies, as resource conservation and energy efficiency represent additional sales arguments. However, it is not only products that are relevant from an environmental perspective; energy aspects are also taken into account in construction measures and investments in machinery and equipment at GESCO Group in order to reduce follow-up costs and emissions. As a performance indicator, climate-relevant emissions are calculated as CO₂ equivalents per € million in sales.

Further information on environmental protection is provided in the non-financial Group report in accordance with Section 315b (3) HGB, which is published as a separate report in the annual report and disclosed together with the Group management report. Since 2021, the report has been prepared in accordance with the German Sustainability Code.

Employees

As at the reporting date, GESCO Group employed a total of 1,899 people (previous year: 1,841).

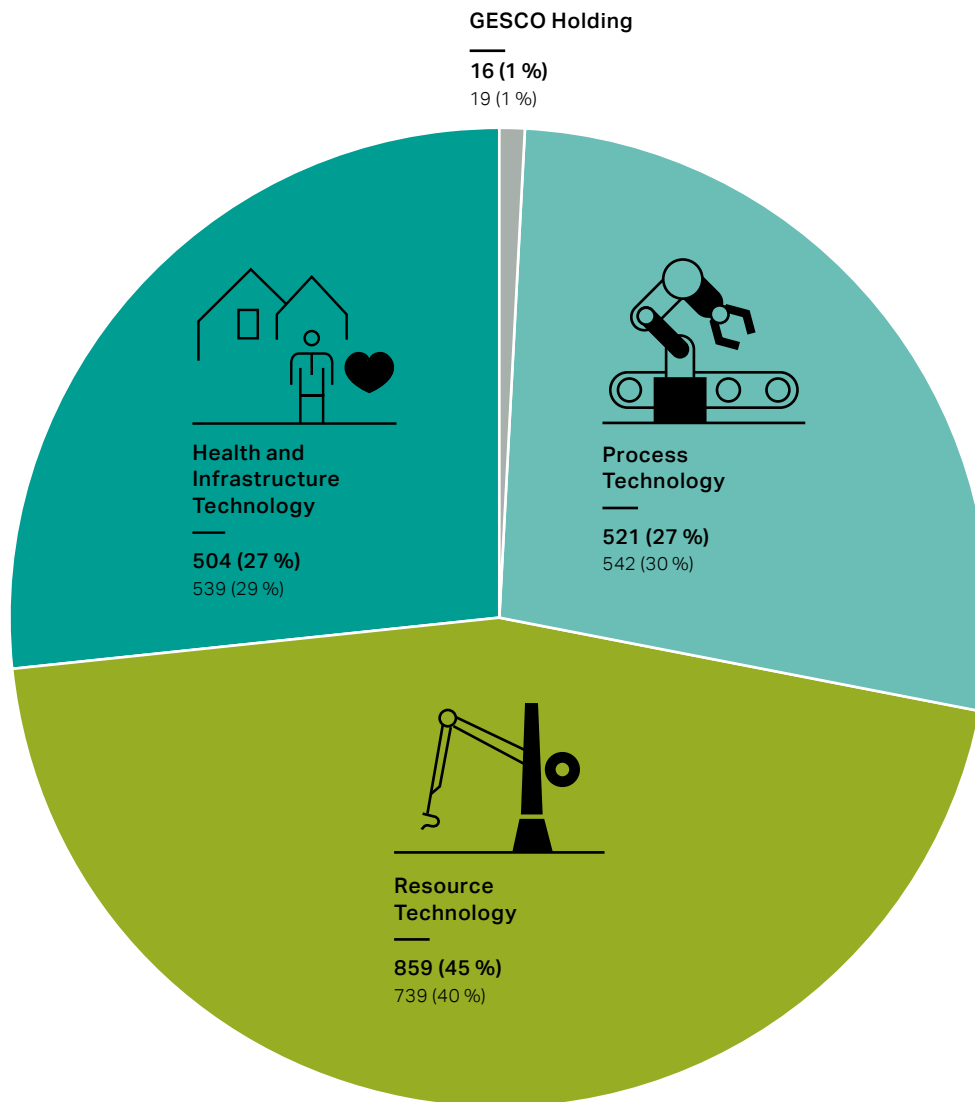
In the fourth quarter of 2023, GESCO offered all domestic employees of GESCO Group the opportunity to purchase employee shares at preferential conditions as part of an employee share ownership programme for the twenty-fourth time. As GESCO SE sees this programme as an important instrument for employee retention, the continuation of the programme is planned.

The future viability of GESCO Group companies depends crucially on attracting and retaining qualified and motivated employees. Training and further education are highly valued within the Group. In addition, the subsidiaries position themselves as attractive long-term employers with a wide range of activities. These activities range from involvement in school activities such as Girls' Days and dual study programmes to cooperation with universities and other educational institutions. For many years, Doerrenberg Edelstahl GmbH has presented the "Doerrenberg Award", an established, high-calibre competition for students in the fields of materials technology/engineering. The training rate, training costs and training hours are determined as performance indicators.

Further information on the topic of employees can be found in the separate non-financial Group report in accordance with Section 315b HGB.

Employees by segment (end of financial year)

Financial year 2023 vs. financial year 2022



03 _ Other information

Remuneration report

Information on the remuneration of the Executive Board and Supervisory Board can be found in the remuneration report for financial year 2023, which was prepared separately and published on the GESCO SE website in accordance with Section 162 AktG.

Own shares

As part of an employee share ownership programme, 36,000 treasury shares were acquired and largely resold in the financial year. As at the reporting date, the company held 11,330 treasury shares. Please refer to the notes for information in accordance with Section 160 AktG.

04 _ Forecast, opportunity and risk report

Forecast report

Based on the developments of the past year, key factors point to a stabilisation of the economic situation in 2024: Inflation fell significantly over the course of 2023 and stood at 2.9% in January 2024. The labour market is remarkably robust: the number of people in employment in Germany recently peaked at over 46 million. The current high nominal wage growth combined with easing inflation – following the sharp losses in 2022/23 – is leading to an increase in real purchasing power again. This should also strengthen domestic demand. The German government is therefore forecasting slight overall economic growth of 0.2 per cent for 2024 despite the continuing difficult conditions, for example with regard to the global economy. At the start of 2024, however, the German economy is still in difficult waters. Economic sentiment, as measured by the Ifo Business Climate Index, the Purchasing Managers' Index for industry and the GfK Consumer Confidence Index, remains at a very low level at the turn of 2023/24. Although some of the negative factors from the previous year, such as the high consumer price increases and the resulting loss of purchasing power, are easing, inflation is likely to remain above the two per cent threshold for some time due to base effects from the expiry of temporary relief measures, among other things.

Rising real wages and the robust labour market trend in particular are likely to promote a domestic economic recovery over the course of the year. In contrast, the outlook for foreign trade remains subdued in view of the many geopolitical crises and tensions as well as the lingering, growth-dampening effects of monetary policy tightening in key trading partners. In addition, there are new national challenges, such as the need to adjust or prioritise the federal government's financial planning as a result of the ruling by the Federal Constitutional Court. Nevertheless, the German government assumes that the negative influences will tend to ease over the course of 2024 and that the positive domestic economic factors will increasingly take effect. A slight increase in price-adjusted GDP of 0.2 per cent is expected for 2024 as a whole.

The forecast for 2024 is based on the prevailing conditions. It is subject to a high degree of uncertainty due to the possible risks arising from the further course of the war in Ukraine, general geopolitical tensions, impaired supply chains and continued high level of interest rates.

According to the VDMA, the ongoing slump in the global economy is also increasingly leaving its mark on the mechanical and plant engineering sector. In 2023, many mechanical engineering companies and the majority of GESCO Group companies were still benefiting from a relatively high order backlog and fewer bottlenecks in supply chains. However, the industry has weakened massively since the second half of 2023 and already fell short of the previous year's level by 1.6% in the third quarter. According to the VDMA, the fourth quarter of 2023 and the first quarter of 2024 will also be weak. The VDMA is forecasting a real decline of 4%.

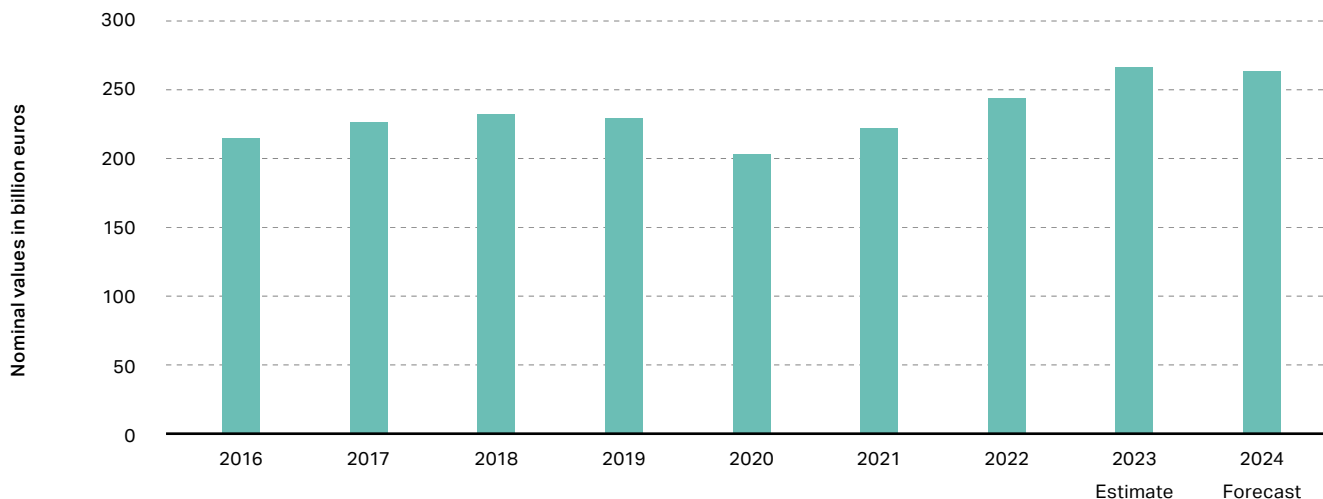
In the medium term, however, investment in machinery and equipment should increase despite relatively high nominal interest rates, also against the backdrop of the high investment requirements in the course of the transformation to a climate-neutral economy, whereas construction investment is likely to continue to decline.

We expect demand to remain weak in the first half of 2024 and expect economic activity to pick up in the second half of the year. The increased labour costs that are now increasingly taking effect will lead to higher production costs and could have a negative impact on earnings. We will endeavour to counteract this by consistently focusing on our MAPEX excellence programmes to expand market share

and OPEX to increase efficiency. We expect our financial performance indicators to develop as follows in the 2024 financial year:

Consolidated sales are expected to increase moderately in 2024. We expect an increase in the single-digit percentage range. We also expect a moderate increase in consolidated net earnings after minority interests for the 2024 financial year (excluding impairments).

Germany: Sales in Mechanical engineering



Source: Statistisches Bundesamt, VDMA e. V.

The ongoing tense geopolitical situation, the increased price level, high interest rates and generally subdued growth expectations may have a significant impact on some of our subsidiaries. Our subsidiaries may also be affected to varying degrees by continued high and volatile energy prices. We have taken individual direct effects into account in our expectations, but the dynamic and current nature of the situation does not currently allow us to make any more precise statements regarding the extent of all direct and possible indirect effects.

GESCO SE is essentially subject to the same opportunities and risks as GESCO Group. GESCO SE expects the following developments for the performance indicators in financial year 2024:

Income from investments and net income are expected to remain at roughly the same level as in 2023. GESCO SE's equity ratio should remain at a level of over 80% in financial year 2024, provided there are no significant changes in the group of shareholdings.

GESCO SE continues to strive for external growth through the acquisition of medium-sized industrial companies. As part of the NEXT LEVEL 25 strategy, we are looking for acquisition targets with sales of between € 20 million and € 50 million. Strategically motivated bolt-on acquisitions of subsidiaries can also be made at a lower sales level. Overall, GESCO pursues a balanced portfolio with three anchor investments and twelve basic investments. The primary objective is to achieve a balanced portfolio across many sectors, with the anchor holdings in particular forming the main pillars, which are dependent on different market cycles. The core investments, on the other hand, offer the opportunity to gain a foothold in new sectors and applications in order to benefit from various trends. We continue to generate a continuous deal flow through our existing network and by approaching entrepreneurs directly.

The statements on future development made in the forecast report are based on assumptions and estimates that were available to GESCO SE from information at the time the report was prepared. These statements are subject to risks and uncertainties, which is why actual results may differ from the expected results. No guarantee can therefore be given for these statements.

The management of opportunities and risks

GESCO SE's business model is entrepreneurial in nature. Entrepreneurial activity is inherently associated with risks – they cannot be ruled out, but they can be handled with appropriate risk management. GESCO Group's concept is geared towards recognising, evaluating and exploiting opportunities on national and international markets on the one hand, and identifying and limiting risks on the other. The management of risks and opportunities is a continuous entrepreneurial process. GESCO Group is structured in such a way that negative developments at individual companies do not jeopardise the Group as a whole.

An overall assessment of the company's situation is carried out both in the planning meeting and in the monthly meetings and annual strategy meetings. On the one hand, this involves analysing the business opportunities and courses of action for expanding the volume of business in Germany and abroad and for increasing profitability, and on the other hand, the respective risks are assessed.

Management of opportunities

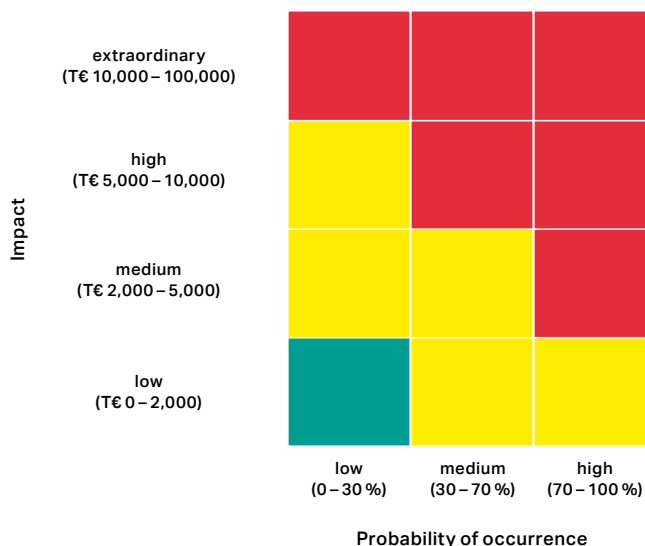
For GESCO SE, there are significant opportunities in the acquisition of further medium-sized industrial companies and the expansion of existing corporate structures. By maintaining the network, increasing awareness of GESCO SE as an investor and approaching interesting companies directly, we generate a deal flow that is evaluated and processed in step-by-step analyses. There are also major opportunities for GESCO SE in the positive operating performance of the portfolio companies and the associated investment income and distributions. To this end, the holding company offers its subsidiaries intensive advice and support in order to leverage and utilise synergy effects for the entire Group in the future.

For the operating subsidiaries, it is essential to constantly identify opportunities on national and international markets and to turn them into successful business activities. Strategy development, sales and marketing, product development as well as quality and innovation management are decisive factors here.

Risk management in the GESCO Group

GESCO Group has an internal risk management system. GESCO Group uses a software-supported system to record risks. Risks are assessed and categorised in the risk statistics by estimating the impact on earnings before interest and taxes (EBIT) and the probability of occurrence, with a focus on the net impact of risk after mitigating measures. Risks are weighted on a company-specific basis, taking into account the sales volume and earnings power of the respective company. Specific categorisations are defined at Group level. The combination of risk impact and probability of occurrence results in an assessment of the risks according to the following matrix, with red indicating the highest risk level.

Risk matrix



The risks reported by the subsidiaries are included in monthly reporting. The risks are reported by the managing directors in consultation with the respective investment managers in the finance department. High risks are also reported by the subsidiaries to GESCO SE on an ad hoc basis.

As at 31 December 2023, there are no individual risks that fall into the red category. The focus of the individual risks recognised within the yellow category was on legacy risks and warranty risks, each with a low impact.

Risk management is the responsibility of the Executive Board and is monitored by the Supervisory Board. The GESCO SE employee responsible for risk management informs the Supervisory Board about the development of risks in quarterly meetings. The Supervisory Board is informed of major risks on an ad hoc basis.

In addition to the individual risks recognised, we see risks for future development in the following areas in particular:

Risks and opportunities when acquiring companies

GESCO SE strives for internal growth based on its existing portfolio as well as external growth through the acquisition of further industrial SMEs. The search for new companies is a continuous process in which analysing opportunities and risks is naturally of particular importance as part of an acquisition due diligence. Prior to the acquisition, the companies are subjected to due diligence in order to identify the risks associated with each company acquisition, insofar as they are recognisable. Key aspects here are financial, tax, technological, market-related and environmental risks, as well as corporate culture, the age structure of the workforce and legal risks. GESCO SE utilises both internal and external expertise.

Every acquisition harbours the risk that the newly acquired company will not develop as planned and expected and that the EBIT margin target set by GESCO will not be achieved. There is also the risk that the company's potential is not sufficient to develop into a hidden champion, i.e. a global market leader in its niche. A critical success factor for GESCO, particularly in succession solutions, is the appointment of a new managing director upon the departure of the previous owner-manager and the cultural change that this often entails.

Following the acquisition, the companies will be integrated into GESCO Group's reporting system in a structured process. The companies will also be integrated into GESCO Group's risk management, compliance, data protection and insurance management systems.

Opportunities may arise from a better development of the acquired company compared to the plan. In addition to positive market influences, the rapid introduction and implementation of the Excellence programmes by GESCO can also contribute to this. The departure of a previous owner-manager can also open up opportunities. A new managing director can utilise his experience to leverage additional potential and promote the development of the company through new perspectives and approaches.

Risks and opportunities in relation to the operating business

In their operating business, all GESCO SE subsidiaries are subject to the typical opportunities and risks of their respective industries as well as general economic risks. As an industrial group with significant direct and indirect exports, we are affected by economic fluctuations in Germany and abroad. Through our strategy of diversification, particularly with regard to customer industries, we endeavour to offset economic fluctuations in individual sectors to a certain extent and thus reduce the risks arising from economic cycles.

In addition to the economic situation, there are risks as well as opportunities for the subsidiaries in the strategic orientation of the companies, taking into account technological and social change. In particular, these include digitalisation, the emergence of new competitors, the political and economic development of regional markets, changing social values, the political goal of reducing CO₂ emissions, the energy transition, geopolitical risks and the tightening regulatory framework. GESCO Group responded to this in financial year 2023 by expanding the MAPEX (Market & Product Excellence) programme to advance market share and the OPEX (Operational Excellence) programme to increase efficiency at the subsidiaries. Regular meetings between the Executive Board of GESCO SE, the investment managers and the managing directors of the subsidiaries and their teams also serve to analyse and continuously exchange information on strategic issues.

Significant regulatory tightening and legislative changes that affect GESCO SE as a Group are managed and implemented centrally by GESCO SE.

In principle, there is a risk of customer complaints and claims due to poor quality, non-fulfilment of promised services or failure to meet agreed deadlines. The companies counter this risk with diligence in their processes, quality management and close contact with their customers.

Risks typical of the respective business model exist in plant engineering in particular. Here, the corresponding Group companies are repeatedly confronted with customer requirements whose technical realisation possibilities in terms of time and costs can only be calculated in advance to a limited extent, meaning that there is a risk of loss-making orders. On the other hand, this can lead to opportunities, as challenging customer projects repeatedly result in innovative approaches that can lead to marketable product innovations.

In order to counter procurement risks, the subsidiaries endeavour to gain planning security by concluding framework agreements with their suppliers and service providers or agreeing price escalation clauses with customers and suppliers. A relationship based on partnership and long-term cooperation with key suppliers supports security of supply.

GESCO Group companies utilise the instrument of trade credit insurance to hedge trade receivables where this is deemed sensible and appropriate. If relevant customers cannot be insured, the subsidiaries analyse the respective situation and define the next steps, usually in direct dialogue with the customer. Significant uninsured risks are coordinated with GESCO SE and the legal department in particular. This is naturally always a balancing act between endeavouring to limit the risks and the need to exploit business opportunities and not lose the customer. This balancing act is further complicated by the instrument of insolvency avoidance, which is, however, covered by group insolvency avoidance insurance.

Currency risks from the operating business are generally hedged at the level of the respective subsidiaries for significant order volumes.

Geopolitical risks

In addition to the typical economic fluctuations and the other operating risks mentioned above, we currently see the greatest risk to our operating business in the generally high level of political uncertainty. Further developments in Ukraine and the generally tense geopolitical situation with its diverse effects on the business development of the subsidiaries and the economy as a whole are naturally difficult to predict. Should there be any significant changes, expansions or intensifications, further sanctions and effects on energy and commodity markets could affect our subsidiaries in various ways.

The strategic competition between the USA and China also harbours further risks. Trade tensions, technological advances and the impact on the energy sector are issues that affect the global economy. Increasing reliance on renewable energy can lead to tensions as countries with fossil fuels resist.

This has led to the emancipation of European foreign trade, energy and environmental policy, the high regulatory and economic requirements of which present European companies with major challenges and will continue to do so in the future.

Climate change has become a highly political issue worldwide, affecting national security and global stability. Extreme weather events, rising sea levels and water shortages are already making themselves felt.

Having available and accessible energy resources is crucial for a country's economic development. Several of the issues mentioned above – namely climate change, cybersecurity threats and the current war in Ukraine – have caused a great deal of concern worldwide about energy security in Europe. This remains one of the relevant geopolitical problems and risks for 2024.

The trade conflict between the US and China and the effects of the coronavirus pandemic have led to a noticeable dismantling of supply chains and a new national industrial policy. A possible victory for Donald Trump in the November elections would make a significant intensification of the trade conflict with China and possibly also with the EU more likely. This could have a negative impact on the global production of goods and services. The European Union is currently pursuing its own legislative mechanisms, such as the CBAM, which provides for a CO₂ border tax and will be directly relevant to the business of GESCO Group sectors.

A potential military conflict between China and Taiwan would have a dramatic economic impact, as Taiwan is an important producer of semiconductors and microchips. A loss of production could lead to a severe global recession.

It is to be feared that increasing international protectionism and escalating trade conflicts will remain constant challenges.

The subsidiaries may be directly and indirectly affected by the global impact to varying degrees. Direct effects may result from a lack of energy supply and rising energy prices. Some subsidiaries are energy-intensive and the availability of energy at competitive prices is crucial for business development. Some subsidiaries have a high export ratio or are partially dependent on international suppliers. They may be directly affected by general geopolitical effects. Indirect effects affect subsidiaries with major international customers. If customers' supply chains are disrupted or general developments have an impact on direct customers, this can lead to changes in customers' purchasing behaviour.

These general geopolitical risks are followed by specific effects for the subsidiaries' operating business, which are referred to as "decoupling" or "derisking" effects and affect the entire industry.

In terms of regulation, there is an enactment of mutually exclusive and often extraterritorial local laws and rules, which, if disregarded, can lead to exclusion from public tenders, fines and even a ban on activities (e.g. CBAM import ban).

In terms of raw materials, this means export and import restrictions on rare earths or export restrictions (e.g. on PV modules).

In terms of sales markets, this means punitive tariffs and non-tariff trade barriers, import and export bans for chips, network equipment and basic materials such as rare earths or certain chemicals, as well as market entry barriers.

With regard to data, this means a ban on the transfer of data to other countries, the obligation to make data and algorithms available to government agencies and related counter-legislation (e.g. the US Cloud Act and the GDPR).

In technological terms, this means setting solely valid norms and standards per region, defining different interfaces and prohibiting the use of business-relevant software.

For environmental protection, this means different environmental standards and the resulting competitive advantages and disadvantages.

As part of the internationalisation strategy and for subsidiaries with existing international locations and international customers, the decoupling effects lead to increased risks. Risks include rising procurement and production costs due to “multiple regional sourcing” instead of “single global sourcing” from the world’s cheapest supplier, multiple costs for research and development, procurement and lower economies of scale due to regional differences in norms and standards. Furthermore, this can lead to additional costs for various compliance management systems, high implementation costs and high implementation effort.

In terms of personnel, this means an impediment or ban on the employment of foreign expats or travel restrictions for business trips (e.g. through work visa restrictions, tax disadvantages and travel restrictions), as well as a ban on the employment of foreign researchers in research institutes. Travel restrictions pose risks for subsidiaries with international customers and international service business in particular, as trade fairs and customer visits and, above all, the deployment of service technicians are no longer permitted.

These overall decoupling effects will intensify in the future.

However, these risks are also offset by opportunities. Aid decided by governments, such as the energy price brake in Germany, is helping to stabilise the energy markets. The market leadership of many of our subsidiaries in conjunction with further internationalisation and the establishment of sustainable supply chains secures and offers opportunities for the further expansion of market shares. For example, the information gained through the implementation of the national Supply Chain Duty of Care Act can be used to stabilise global supply chains and for more effective risk management and the development of resilient supply chains.

In addition, the subsidiaries of GESCO SE source raw materials, materials and services from suppliers/service providers predominantly from Germany and countries in the European Union, which significantly reduces the overall decoupling effects and geopolitical risk.

Against this backdrop, GESCO Group believes that it remains well positioned and ready to master these challenges through consistent risk management and the diversification of its subsidiaries’ business activities. GESCO Group has already demonstrated its resilience in 2023 and will continue to do so in financial year 2024.

Compliance risks

Compliance risks include corruption, breaches of human rights and environmental due diligence obligations, antitrust offences and criminal activity and the resulting fines and claims for damages. These risks can lead to significant financial damage as well as considerable reputational damage. GESCO Group counters these risks with a compliance management system that includes, in particular, a Group-wide Code of Conduct, accompanying guidelines and work instructions, an online information system (Rulebook) for GESCO Group employees, accompanying training, case-related spot checks and a whistle-blower system for employees and external parties, as well as a complaints system in accordance with the German Supply Chain Compliance Act (LkSG). The managing directors of the subsidiaries are responsible for anchoring the respective requirements and principles in their companies.

Compliance management is conceptualised and managed centrally by the Group compliance officer at GESCO SE. Closer cooperation with the subsidiaries and, in particular, the expansion of a compliance governance structure is planned for financial year 2024.

Such a structure will enable the subsidiaries to concentrate more on their core business again, as regulatory requirements are becoming increasingly strict and will become even stricter in the future.

The development of such a structure began in the 2023 financial year with the establishment of an LkSG governance structure and an LkSG compliance management system as part of the compliance management system.

This system is primarily the responsibility of the legal department, which is accountable to and reports to the Executive Board of GESCO SE. To this end, a compliance report on the previous financial year is prepared annually by the fourth month of the financial year and presented to the Executive Board of GESCO SE.

This report also presents the compliance strategy and the specific targets for the current financial year.

Risks and opportunities in relation to personnel

Qualified personnel are of considerable importance for the current performance and future viability of the subsidiaries. For the manufacturing industry in Germany, there is a general risk of finding and retaining sufficiently qualified personnel in the future. Demographic change is further exacerbating this situation. The mechanical engineering industry needs a highly qualified workforce to keep pace with technological developments and drive forward innovative solutions.

GESCO Group companies are meeting this challenge with various measures to position themselves as attractive employers in their respective regions. There is also a risk of a loss of expertise if existing knowledge and skills within the company are inadequately transferred from more experienced to less experienced employees. This can be remedied by measures for the targeted transfer and appropriate documentation of expertise.

The recruitment and retention of suitable managing directors is of particular importance to the companies of GESCO SE. Managers who do not fulfil the expectations placed in them or frequent personnel changes in these key functions represent a considerable risk with negative consequences both internally and externally. GESCO SE counters this risk with great care when selecting personnel in a multi-stage selection process involving the Supervisory Board.

Difficulties in recruiting and retaining qualified employees at GESCO SE can also have a negative impact on the company's success. When it comes to building a trusting, resilient working relationship within the holding company and, in particular, with the subsidiaries, as well as building up expertise, personnel consistency and transparency with regard to the storage of knowledge is both advantageous and necessary.

On the other hand, the right appointment of managing directors and management positions can also result in opportunities. A good management culture leads to low staff turnover, high employee motivation and contributes to the overall success of the company. We see a further opportunity in the LEADEX (Leadership Excellence) programme. With LEADEX, GESCO SE supports the development of leadership skills in the subsidiaries and the holding company. At the same time, the programme strengthens working relationships within the companies and the holding company as well as with the subsidiaries. Three modules on the topics of teams, tools and high-performance teams contribute to the continuous development of leadership skills and teamwork.

In addition, there are plans to sensitise and train managers with regard to employee compliance and specific labour law issues in the 2024 financial year.

GESCO SE's employee share ownership programme regularly offers GESCO Group employees in Germany the opportunity to participate in the Company by purchasing discounted GESCO shares and thus accumulate assets for their retirement provision. GESCO SE sees this programme as an important instrument for employee retention.

Risks and opportunities from information technology

Cyber-attacks are a growing geopolitical risk that threatens companies and national security. Numerous countries have already fallen victim to attacks that jeopardise critical infrastructure. Co-operation to combat cyber-attacks is a challenge given the complex geopolitical relationships and leads to a tense insurance market.

Information technology risks relate in particular to the failure of IT systems at GESCO Group companies and the associated downtime, industrial espionage and loss of expertise, data misuse and unauthorised access to data. GESCO SE counters IT risks by investing in modern hardware and software as well as an information security management system that is regularly reviewed.

Staff training conveys both a basic awareness of IT risks and specific guidelines for the practical handling of these risks.

IT security guidelines govern in particular the handling of the Company's own hardware and software as well as data security issues. In addition, GESCO SE obliges our external IT service providers to comply with specified security standards. In cooperation with an external IT security officer, information security management is regularly developed further and subjected to tests.

Within GESCO Group, GESCO SE conducts regular surveys at its subsidiaries on the status of their information security management.

Another mammoth task is the transformation towards digital technologies and Industry 4.0, which requires considerable investment and a rethink of production processes. Companies must invest in the digitalisation of their production in order to remain competitive and meet market requirements. This can result in risks if competitors succeed in making the change faster and better.

Opportunities arise for GESCO Group from the automation and digitalisation of processes and workflows. These include, for example, the digitalisation of workflows along the value chain and a modern and efficient way of working through mobile working, paperless offices and the associated fast access to data and information that is available at all times. We want to strengthen these opportunities through the Excellence Programme DIGITEX (Digital Excellence). In addition to the digitalisation of internal processes, the digitalisation of business models is another aspect of DIGITEX, which can also result in opportunities for GESCO Group.

Risks in connection with data protection

Risks in the area of data protection lie in the loss or disclosure of confidential internal information, business secrets and personal data and the associated loss of reputation and risk of fines. Violations may result in the imposition of fines and the assertion of lawsuits due to the disclosure of personal or otherwise sensitive data of third parties. GESCO SE works with an external data protection officer in the area of data protection.

Risks and opportunities from financing

Financing risks could arise from the holding company's lack of access to equity and/or debt capital. Access to debt capital at adequate conditions is largely dependent on the operating success of GESCO Group and the associated ability to make interest and redemption payments as agreed. The subsidiaries have a direct influence on this and the holding company has an indirect influence as part of its acquisition decisions and in its reporting and support of the subsidiaries. In the event of negative economic developments at individual subsidiaries, there is a risk of bottlenecks in the supply of debt capital for the respective subsidiary. There is also a risk that the reputation of GESCO SE and possibly other subsidiaries as debtors could deteriorate as a result of such a negative development. In order to limit the interest rate risk associated with variable interest rates, the companies enter into interest rate swaps as required, thereby swapping a variable interest rate for a fixed interest rate. The central banks have been combating the sharp rise in inflation since the first quarter of 2022 to date with significant interest rate hikes since the second half of 2022. It is possible that the central banks will not lower interest rates in 2024. The higher interest rates will increase financing costs in the medium term.

When it comes to accessing equity by way of possible capital increases by GESCO SE, the condition of the capital market at the relevant time, the economic development of GESCO Group, the reputation of GESCO SE and continuous, credible investor relations are key elements. We currently see no need to raise new equity.

With regard to financing structures, GESCO Group is structured in such a way that a negative development of individual companies should not jeopardise the entire Group. For this reason, we largely refrain from using instruments such as cash pooling or contingent liabilities. In the interest of financial stability, GESCO SE refrains from speculative elements both in the investment of free financial resources and on the financing side. GESCO Group works with around two dozen different banks in order to limit its dependence on individual institutions.

Opportunities in the area of financing arise from GESCO's access to the capital market. This gives GESCO access to both new equity and debt capital. A solid balance sheet and good equity ratio enable easy access to debt capital.

Environmental risks

Environmental damage can entail considerable financial and reputational risks and, in extreme cases, can threaten the existence of the company in question. Depending on the respective business model, the subsidiaries pursue different approaches. Doerrenberg Edelstahl GmbH, for example, introduced an environmental management system back in 1997, which is further developed and regularly audited. Regular environmental audits are carried out at Pickhardt & Gerlach Group due to its categorisation as a hazardous incident company. GESCO SE encourages its subsidiaries to ensure that permits and licences are obtained and, in financial year 2023, recorded and evaluated environmental risks using individual questionnaire catalogues in the analysis of its own business area for the implementation of the obligations of the LkSG and transferred them to the LkSG risk management system. In the course of non-financial reporting (particularly with regard to the implementation of the CSR-RUG), environmental risks will also be reported more intensively in future and monitored using software.

Risks at GESCO SE level

At the level of GESCO SE, there is a risk that investments and receivables from affiliated companies may not be recoverable. This is typically caused by operating developments at the subsidiaries concerned that fall short of the premises and expectations underlying the original purchase price determination or the current investment valuation. GESCO SE endeavours to counteract negative developments through sustainable investment management in its support of the subsidiaries.

Risks and opportunities from the insurance cover

GESCO Group's insurance cover is regularly reviewed in order to ensure appropriate cover at adequate conditions. A dualistic insurance management of Group and individual insurance policies is currently in place.

Opportunities arise where synergy effects are possible and insurance policies are concluded as group insurance policies. These include, for example, D&O insurance, insolvency contingency insurance, cyber risk insurance and group accident insurance.

With regard to insurance, GESCO SE, like the entire industry and industrial insurers, is affected by the "decoupling" and "derisking" described above. This leads to risks from rising insurance premiums or risks that are no longer insurable. GESCO Group is endeavouring to counteract this by strengthening and intensifying its insurance management.