

Sustainability Report 2022

# **GEARing up for Sustainability**

**IMS:GEAR**

# CONTENT

## Company & Strategy

- 4 Foreword
- 5 Company Portrait
- 7 Sustainability Strategy
- 11 Compliance and Governance

## Products & Related Processes

- 15 Sustainable Products
- 20 Sustainable Processes
- 21 Material Compliance

## Supply Chain

- 24 Supplier Social and Environmental Practices

## Environment

- 27 Energy Efficiency and Decarbonization
- 31 Resource Use and Circular Economy
- 33 Waste Prevention
- 35 Water Consumption

## People

- 39 Employer Attractiveness
- 40 Employee Development
- 42 Health and Safety
- 44 Diversity and Equal Opportunities

## Society

- 46 Social Engagement

## Additional Disclosures

- 49 About this report
- 50 GRI content index
- 55 Publisher information







# **Company & Strategy**

# FOREWORD

Dear readers,

As a family-owned company that has evolved from a local mechanic's shop when it was founded in 1863 into an international specialist for gear and drive technology, we at IMS Gear think and act on a long-term scale. Our focus has always been on long-term, lasting success in terms of sustainable development.

Business success and sustainability go hand in hand. The economical use of finite resources in a manner that is environmentally friendly and the respectful treatment of our employees are basic principles of our company. At the end of the day, the same also applies to our relationships with our partners, our customers, and suppliers.

In order to bundle our previous, wide ranging actions and to intensify them further, we developed a sustainability strategy for IMS Gear in 2022. It involves incorporating the three fundamental pillars of the environment, society, and the economy into our corporate vision; setting goals for the various action areas; and, last but not least, creating the conditions within our organization that enable us to execute our plans in practice.

After all, sustainability must apply to every product, process, and the entire organization of a company. As the Executive Board, we view ourselves as the driving force behind this issue at IMS Gear, especially when it comes to our corporate culture. We initiate the process of change internally and a shift in thinking towards a greater awareness of sustainability. Only through a shared understanding and by combining all our forces can we live up to our responsibility as a company and make a substantial contribution to growth that will ensure a prosperous future.

You can learn more about the subject of sustainability at IMS Gear on the following pages of our first-ever Sustainability Report. We hope you find it to be an informative read.

Your Executive Board

Bernd Schilling | Wolfgang Weber | Dieter Lebzelter



# COMPANY PORTRAIT

## COMPANY & STRATEGY

### PRODUCTS & RELATED PROCESSES

**IMS Gear is one of the leading companies in the sector for gear and drive technology, operating internationally, serving as a partner to global customers, and consistently innovating.**

### SUPPLY CHAIN

### ENVIRONMENT

### PEOPLE

With our engineering solutions for components, modules, and transmissions, we are a permanent fixture in the automobile industry. In-depth expertise in development, a diverse range of products, knowledge of various processes, and internationalization are key factors in our success. Add to that a mature corporate culture that emphasizes working together at every level.

### SOCIETY

We take working closely with our customers literally. Whether in North America, the Far East, or Europe, we have production facilities in important markets and can begin producing new products at any of those locations quickly. This ability stems from the consistent standardization of our processes. We can transfer entire lines of production to other locations without spending time and effort on retooling. In Germany, we develop, validate, and optimize our processes and produce our own tools.

### ADDITIONAL DISCLOSURES

IMS Gear manufactures products in its markets for those specific markets. From Germany, we supply the EU single market. From the US and Mexico, we deliver to the American market, and from China, we supply the Asian market.



COMPANY & STRATEGY

PRODUCTS &  
RELATED PROCESSES

SUPPLY CHAIN

ENVIRONMENT

PEOPLE

SOCIETY

ADDITIONAL  
DISCLOSURES

Besides our focus on the automotive industry, which accounts for roughly 90% of our total revenue, we concentrate on applications for industry, medical technology, and e-mobility concepts. Our modular toolkits for planetary gears (PLG) play a key role in those last two sectors in particular.

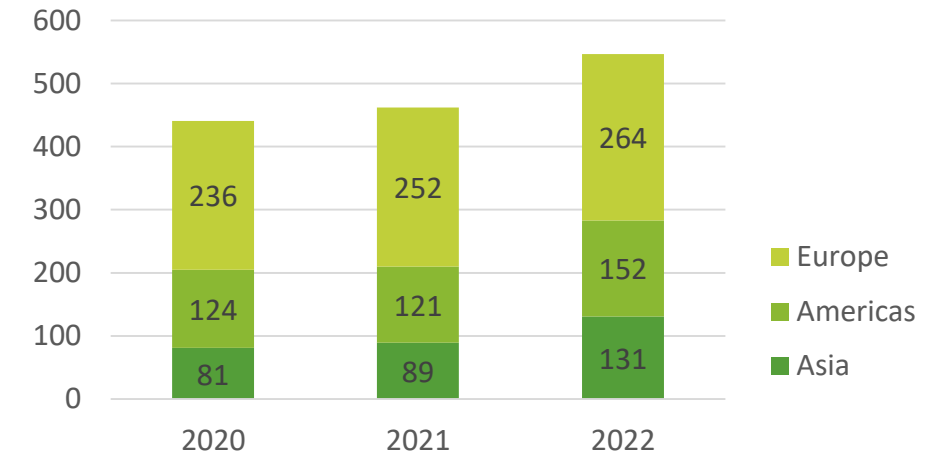
After generating roughly EUR 460 million in revenue in the previous year, IMS Gear took grew to EUR 545 million in 2022.

IMS Gear currently employs approximately 3,100 individuals around the world. 1,700 of them in Germany, 800 in North America, and 600 in China.

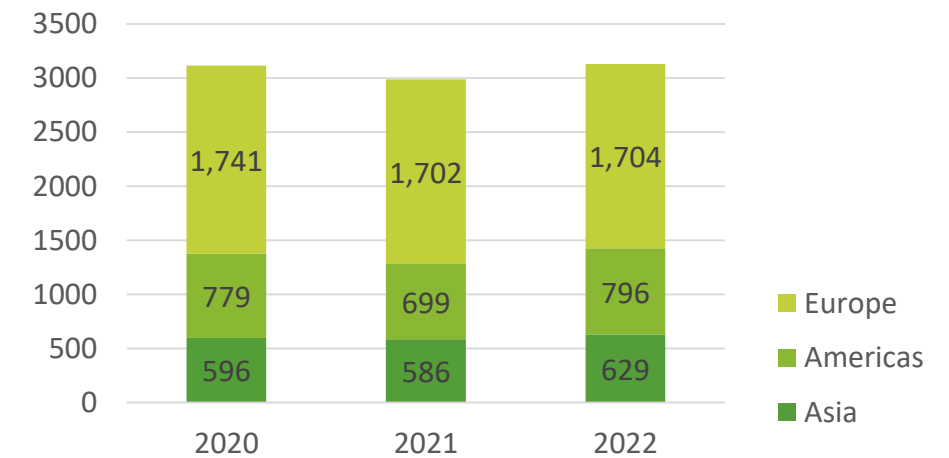


Headquarters and Technology Center in Donaueschingen

**Sales IMS Gear Group**  
In EUR million/year



**Associates IMS Gear Group**  
Headcount



COMPANY & STRATEGY

PRODUCTS & RELATED PROCESSES

SUPPLY CHAIN

ENVIRONMENT

PEOPLE

SOCIETY

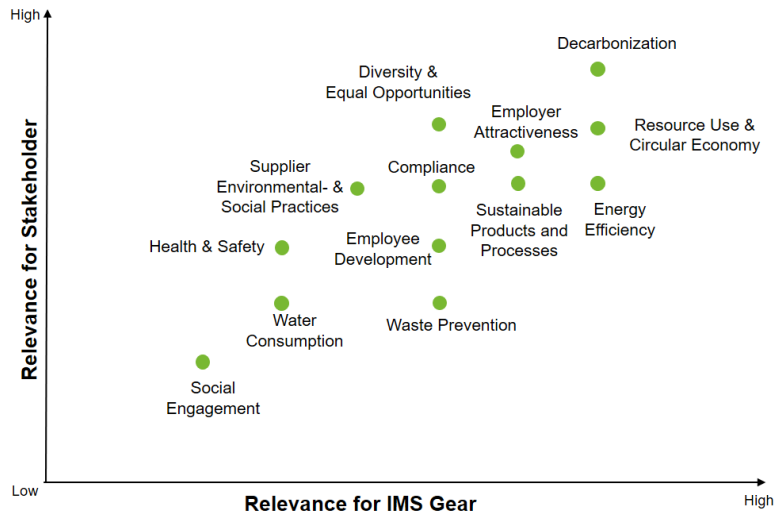
ADDITIONAL DISCLOSURES

# SUSTAINABILITY STRATEGY

IMS Gear places extreme importance on sustainability, and we incorporated it into our vision in 2022. In doing so, we have taken a conscious step towards a sustainable future, in line with principle of assuming responsibility for future generations.

With the aid of our materiality analysis, we determine what aspects of sustainability to focus our activities on. In 2021, we devised the key topics for the first time in collaboration with an external consulting agency. In 2022, our sustainability team expanded on those core issues, revised them and ultimately brought them into their final form with input from our senior management board and officials in charge of each strategic field. Their efforts were based on a precise analysis of our stakeholders and their concerns and demands placed on IMS Gear.

Materiality matrix

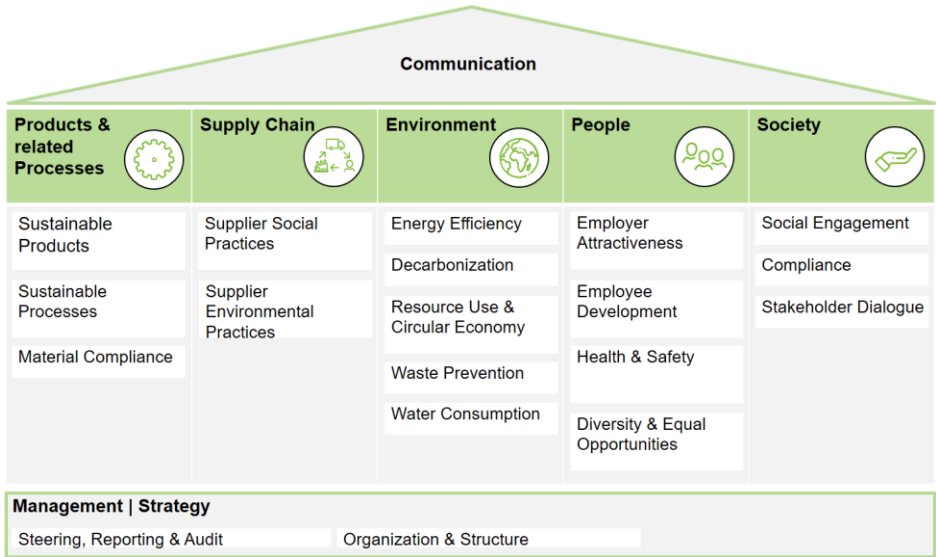


We also analyzed what issues IMS Gear can have a significant influence on.

The matrix below illustrates which areas requiring action were considered to be of material importance to IMS Gear and its stakeholders. The results of the analysis also serve as the basis for selecting the topics covered in this Sustainability Report.

IMS Gear’s system of sustainability management is divided into five strategic areas. Areas of action were allocated to each one, and clear responsibilities were assigned. Our sustainability strategy is the foundation for the system. Consistent communication is paramount.

IMS Gear’s strategic areas and action areas for sustainability





# TARGET VISION

## COMPANY & STRATEGY

### PRODUCTS & RELATED PROCESSES

### SUPPLY CHAIN

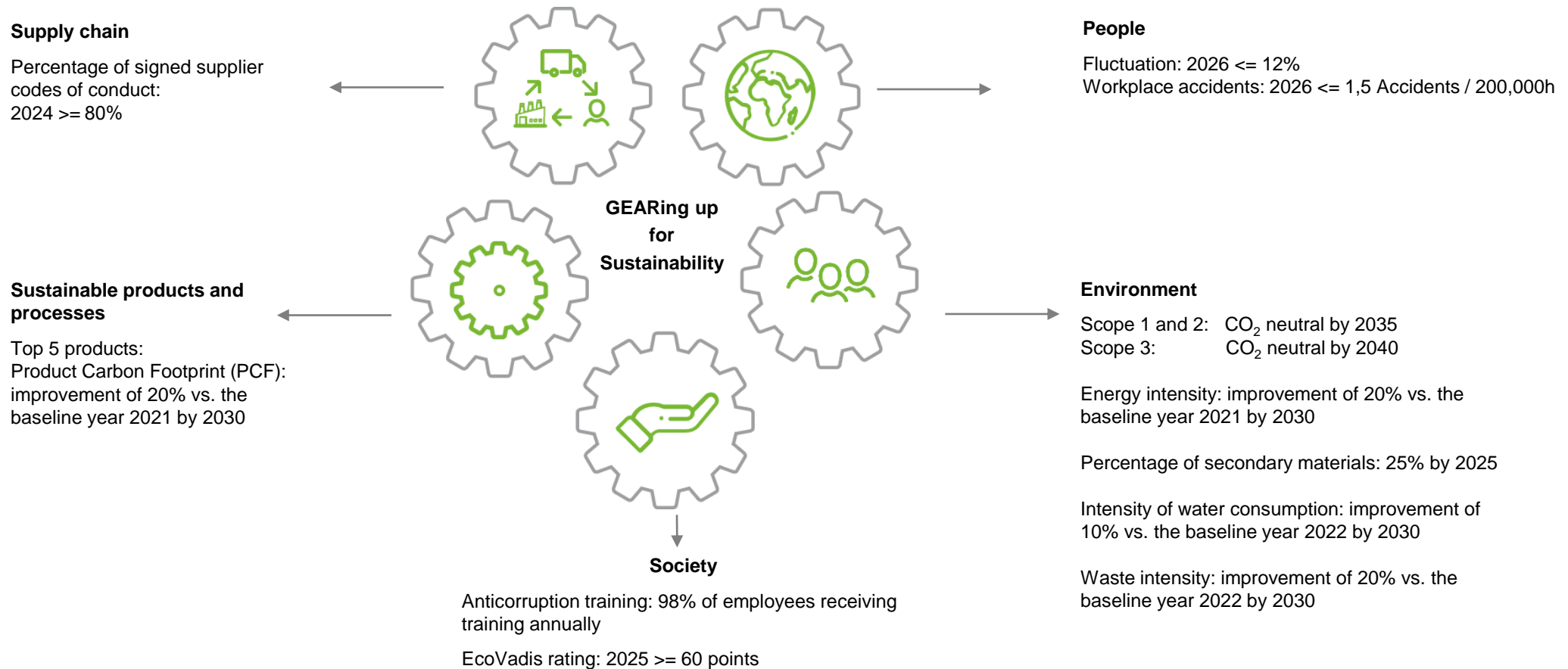
### ENVIRONMENT

### PEOPLE

### SOCIETY

### ADDITIONAL DISCLOSURES

Based on our five strategic areas, we drew up a clear vision in 2022. For each strategic area, we have defined KPIs and targets that we intend to use to make progress in the area of sustainability measurable.





COMPANY & STRATEGY

PRODUCTS &  
RELATED PROCESSES

SUPPLY CHAIN

ENVIRONMENT

PEOPLE

SOCIETY

ADDITIONAL  
DISCLOSURES

SUSTAINABILITY ORGANIZATION

Our Executive Board – together with the Strategy field Responsibles, the Vice President of Industrial Engineering, who is responsible for sustainability, and the Sustainability Director – represents the senior management board in charge of sustainability. This board drives the continuous development of IMS Gear in the field of sustainability.

The Executive Board and Vice President of Industrial Engineering coordinate the performance plans and management reviews pertaining to sustainability and environmental issues. Reports cover environmental impacts and incidents as well as current issues of sustainability. The board meets for discussion once a year.

The Sustainability Director is responsible for sustainability management, especially for preparing plans for further development, pursuing KPIs, and presenting the sustainability report. Maintaining online platforms and self-assessments devoted to sustainability also falls within their area of responsibility. Our EcoVadis rating has been defined as a KPI for measuring the sustainability performance of the company as a whole. Our goal is to earn a score of at least 60 in 2025. Our score for 2022 was 53 already, so we are well on our way to reaching that target.

The Sustainability Department and Executive Board regularly discuss as well as critical issues related to sustainability.

The Vice President of Human Resources is responsible for internal communication and public relations.

The subject-matter officials in the central units and business units are responsible for implementing the sustainability strategy and monitoring achievement of each of the goals. In the future, the KPIs will be calculated quarterly and appropriate measures taken.

Organizational structure for sustainability	
Target agreement / management review	CEO & Vice President Industrial Engineering
Sustainability strategy	CEO & Strategy field Responsible, Vice President Industrial Engineering & Director Sustainability
↕	
Sustainability management and report	Director Sustainability
Sustainability communication	Vice President Human Resources
↕	
Implementation and monitoring of the sustainability strategy and targets	Specialists at headquarter and devisions

COMPANY & STRATEGY

PRODUCTS &  
RELATED PROCESSES

SUPPLY CHAIN

ENVIRONMENT

PEOPLE

SOCIETY

ADDITIONAL  
DISCLOSURES

# STAKEHOLDERS

We will provide transparency and make IMS Gear’s commitment clear by issuing reports. This report is aimed at all IMS Gear stakeholders.

We maintain a continuous dialogue with all stakeholder groups in order to understand our stakeholders as well as possible and make their needs the standard for our activities.

Only through a collaborative and in-depth exchange of information with them can we design our activities so that they meet the expectations of the respective parties while also having the maximum impact. Below is a list of our stakeholders and the ways in which we have contact and communicate with them.

Stakeholder	Dialogue format
Shareholder	Supervisory Board meetings, Annual General Meeting, personal exchange
Customers	Direct contact with customer through purchasing and sales functions, customer portals, supplier surveys from customer, workshops, co-engineering
Employees	Employee surveys, yearly employee dialogue/appraisal, CEO all-employee talks, yearly Information Meeting
Suppliers	Direct contact with supplier through purchasing function, supplier self-assessments, supplier surveys, supplier evaluation
Financial institutions	Direct contact, meetings, loan negotiations, reporting
Policymakers	Direct contact with government departments through dialogue, requests and inspections
Civil society and local stakeholders	Direct contact with NGOs and education/research community, press conferences
Educational institutions	Direct contact with high schools / universities, fairs, project-related research work
Networks and associations	Participation in chambers of commerce, forums and events, memberships of initiatives and associations

# COMPLIANCE AND GOVERNANCE

## COMPANY & STRATEGY

## PRODUCTS & RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES

**Compliance means adhering to legal and internal company regulations. At IMS Gear, compliance is a permanent part of our values-based corporate culture.**

To this end, we have clearly stated our attitude towards statutory requirements and ethical issues in our Code of Conduct, which is applicable worldwide. Together with the IMS Gear values, it lays the foundation that we all deem essential to the success of IMS Gear as a business. Our values are openness, respect, community, reliability, enthusiasm, and courage.



## Organization

Each country has a Country Compliance Officer, who reports directly to the Group Compliance Officer. The latter reports directly to the Executive Board. Critical issues are reported directly to the Executive Board and recorded in the monthly report. Each reported issue is investigated and appropriate measures are put in place. All violations of the Code of Conduct are reported to the Supervisory Board.

## Code of Conduct

The Code of Conduct serves as a guide for all employees of IMS Gear on behaving in a manner that is in line with our values and thus ethical and beyond legal reproach. Its guidelines are further specified in corresponding organizational instructions, thus breaking them down at the operational level.

The Code of Conduct also encompasses a respect for human rights and a prohibition against forced or child labor. We apply those standards to our business partners as well (Supplier Code of Conduct, see section entitled "Supply Chain").

The Code is available to all employees in their respective national languages in each country where we have facilities. Each employee joining the company receives a brochure entitled "Business Code of Conduct." It is also available for download on our website. [\[IMS Gear Code of Conduct\]](#)

## COMPANY & STRATEGY

## PRODUCTS & RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES

### Training and Communication

Employees in a direct area receive a one-time, in-person training session. Employees in an indirect area receive training on the compliance rules online every two years. Our goal is for more than 98% of our employees to receive training. In 2022, we achieved a level of 98% throughout the group. In the year before that, our rate was 96% as a result of the coronavirus pandemic.

In our HR, Sales, Controlling, Purchasing, and Accounting departments, we have been conducting special training on the subjects of bribery and corruption since 2023.

Employees who suspect possible misconduct – for example, a violation of applicable laws or the Code of Conduct – can contact their direct supervisor, HR department, works council, Executive Board, or Compliance Officer in person or in writing ([compliance@imgear.com](mailto:compliance@imgear.com)).

Another option available to business partners and other third parties is the whistleblower portal on our website. There, individuals can leave anonymous tips of potential misconduct. [\[Whistleblower portal\]](#)

We place great emphasis on protecting whistleblowers throughout the examination process. Every tip is looked into. We perform a plausibility check and categorize the case. We then start an independent investigation and conclude it with a report detailing the investigation. Once the review of the matter is complete, we determine what lessons were learned and make adjustments if necessary.

### Responsible Corporate Governance

Since it was founded in 1863, IMS Gear has been family owned and operated and can look back on successful growth as a company. The collaboration between the Executive Board and Supervisory Board in a spirit of trust and clear separation of responsibilities for corporate management and oversight are the unequivocal cornerstones of the corporate governance structures at IMS Gear.

The company's ownership structure is as follows:

59.134% held by MZM Holding GmbH

1.533% held by SZM Vermögensverwaltungs GmbH

39.333% held by BWK GmbH Unternehmensbeteiligungsgesellschaft

IMS Gear Management SE is the general partner in IMS Gear SE & Co. KGaA. Represented by its managing directors, it runs the business conducted by IMS Gear SE & Co. KGaA.

The Supervisory Board of IMS Gear SE & Co. KGaA oversees IMS Gear Management SE as it runs the business conducted by IMS Gear SE & Co. KGaA. The Supervisory Board of IMS Gear Management SE appoints the members of the Executive Board of IMS Gear Management SE and oversees the Executive Board as it runs the business conducted by IMS Gear Management SE and IMS Gear SE & Co. KGaA.

Additional details on the Supervisory Board and Executive Board can be found in the latest annual report.

The Code of Conduct governs conflicts of interest and therefore applies to the senior management board.





COMPANY & STRATEGY

PRODUCTS &  
RELATED PROCESSES

SUPPLY CHAIN

ENVIRONMENT

PEOPLE

SOCIETY

ADDITIONAL  
DISCLOSURES

Risk Management

IMS Gear SE & Co. KGaA does business both in Germany and outside Germany. As with any company, its international nature creates a wide variety of opportunities and risks. The selective control of risks and opportunities is an essential prerequisite for long-term success. That is why we assign a high degree of importance to managing risks and opportunities as part of our corporate governance.

To supplement our risk and opportunity management system, we have installed an internal control system (ICS), which exists in the form of an electronic Management Handbook published for the entire company and group and is available online.

Additional details on our risk management system and a description of the key risks can be found in the latest annual report.



# **Products & Related Processes**

# PRODUCTS & RELATED PROCESSES

## COMPANY & STRATEGY

## PRODUCTS & RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES

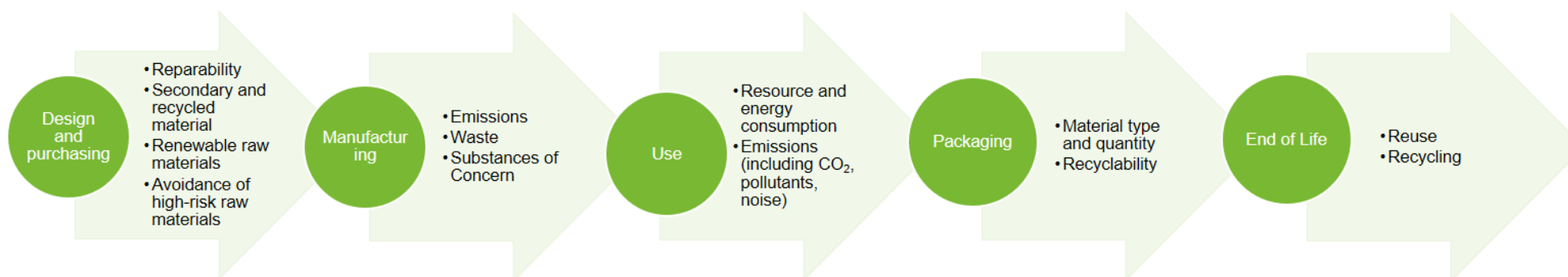
### We develop products using a “cradle-to-grave approach” (Eco.Design)

Environmental aspects are incorporated into the development of new products during the different stages of the product development process. This is done using a checklist that follows the product life cycle. It helps developers take all relevant aspects of the individual process steps into account and evaluate them accordingly. The criteria are based on ISO 14006.

Digitalization is supporting the ecological development process, contributing significantly to the realization of a decarbonized, resource-efficient circular economy and control of complex ecological systems.

In our strategic area designated “Products and related Processes,” we have defined sustainable products, sustainable processes, and material compliance as action areas. They are explained in the following section.

### Eco.Design.Check: environmental aspects



# SUSTAINABLE PRODUCTS

## COMPANY & STRATEGY

### PRODUCTS & RELATED PROCESSES

#### Research and Development for a Sustainable Future

*Through the intelligent use of pollutant-free and sustainable resources, we develop and manufacture energy-efficient, environmentally friendly, sustainable, dedicated, easy to repair, reusable, and recyclable products that have the greatest possible benefits for all parties along the value chain, that have minimal impact on the environment, and that are made under socially fair conditions for all parties involved in the process. IMS Gear determines its CO<sub>2</sub> emissions using a recognized model for calculation so that we can sustainably reduce the environmental impact of our products in the future from the cradle to the grave.*

Innovativeness is one of our biggest strengths. Right now, we are already working on the technologies of tomorrow. The associated issue of sustainability is not only of extreme relevance to our company, but it is also rapidly becoming increasingly important to our customers.

At the same rate that technology has advanced in recent years, the demands that companies around the world do their part to protect the environment and climate have risen. From development to production and logistics, energy generation, energy consumption, and emissions monitoring all the way to the most efficient use of resources – the regulations in every sector of industry are very strict and being subjected to increasingly stricter oversight.

It is our employees who practice IMS Gear's culture of innovation in their work every day. They take an integrated approach to overcoming challenges and solving problems, particularly in our strategic fields of the future, thinking outside the proverbial box as they do.

With our Eco.Design.Check initiative, we are helping not least of all our customers to reduce their negative impact on the environment to a bare minimum. We deliver valid statements concerning the CO<sub>2</sub> emissions of our products and subject them to a process of constant optimization. Resource conservation, recyclability, innovativeness – to ensure the transition to products that are as CO<sub>2</sub>-neutral as possible, both we and our customers will need to undergo a transformation process.

In order to assess the effectiveness of these measures objectively, our product development process comes with an integrated assessment process that puts our products to the value stream-based ecological test. Careful attention is paid to the manufacturing processes, logistics and distributions, period of use, and later recycling. That is our Eco.Design.Check approach. To that end, we also make use of tools that transparently indicate the CO<sub>2</sub> footprint of our products and processes and make it certifiable.

### SUPPLY CHAIN

### ENVIRONMENT

### PEOPLE

### SOCIETY

### ADDITIONAL DISCLOSURES



## COMPANY &amp; STRATEGY

PRODUCTS &  
RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

ADDITIONAL  
DISCLOSURES

In the application field of braking and steering, our electromechanical steering assist and braking booster are already reducing the fuel consumption of conventional, combustion-based vehicles by more than 1 liter per 100 kilometers. In fiscal year 2021, we selectively and systematically further developed these two product lines to ensure that they will enable sustainable, highly automated driving in the future.

When it comes to internal combustion engines powered by fossil fuels or e-fuels, we developed lightweight mass balance shaft drive systems in the application field of engineering. They increase the smoothness and comfort with which small-scale and thus low-pollutant internal combustion engines operate. Those kinds of engines significantly lower vehicle weight, making a substantial contribution to shrinking their CO<sub>2</sub> footprint.

Our goal is to generate AI model-based parameter recommendations for process optimization as early as during the product development phase. This allows us to forgo fill studies, which use up considerable amounts of material (and thus resources) for products made of plastic. In addition, by determining the physical material properties in detail in our laboratory, we can increase the power density of our products, which in turn intensifies lightweight construction and reduces material consumption.

This approach makes the constant simplification, the lightweight construction, and the use of environmentally sustainable and resource-saving materials in the field of our industrial applications possible in the first place. For example, the range offered by our modular system for planetary gears enables the selection of drive solutions that meet customer requirements. When coupled with the use of sustainably recyclable raw materials, this reduces material consumption, in turn making a significant contribution to the creation of a circular economy.

In addition, we have launched a series of "lighthouse projects." One example is the development of an actuator for locking systems that is "minimalistic" from an ecological standpoint. Through specifically selected joining techniques, it can be completely dismantled, thus ensuring that valuable raw materials are returned and reused by type. These measures result in a project-specific reduction of CO<sub>2</sub> emissions by more than 65%.

The creative freedom enjoyed by our highly qualified employees during the preliminary and series development of products and processes leads to long-term innovative strength and thus to unconventional approaches and solutions that are reliably protected by many patents and utility models.



## COMPANY &amp; STRATEGY

PRODUCTS &  
RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

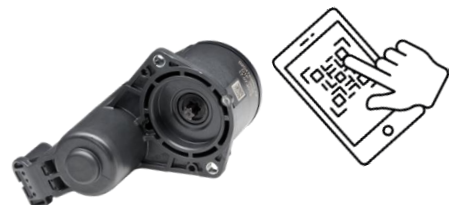
ADDITIONAL  
DISCLOSURES

Overall, it can be stated with respect to the development of our products that sustainability is a permanently integrated component of our processes. That also holds true for the items contributed by the involved suppliers and their subcontractors. We will be taking the cradle-to-gate approach that currently still dominates the industry and gradually expand on it, turning it into a certifiable cradle-to-cradle approach in the future and with a view towards the anticipated legally required digital product passport. However, this will require end-to-end transparency and the cooperation of all parties involved in the value stream. This is the only way for the philosophy of a circular economy to become reality.

***“We are already preparing for it now...”***

#### Digitalization reduces our environmental footprint.

Digitalization offers many opportunities for sustainable development. Software models and digital twins provide an innovative toolkit for achieving sustainability goals and facilitate the optimization of product design chains, supply chains, and value creation chains, thereby enabling us to conserve resources. Intelligent, AI-based evaluation of physically recorded data enables us to perform more precise diagnostics, conduct systematic monitoring, and have a better overall understanding of complex changes.



Making a sustainable future possible is going to take both sustainable product development and its associated digitalization. After all, the deployment of digital technologies can assist and accelerate sustainable development in many areas. However, it is the digital processes and technologies themselves that also need to be made more sustainable.

Moreover, digitalization can contribute significantly to creating a decarbonized, resource-efficient circular economy, bringing about the energy transition and controlling complex ecological and societal systems. That is the only way for the pace of digitalization to give an added boost to sustainable development and unite the two major transformations.

The key to making products and manufacturing sustainably is the end-to-end digitalization of corporate processes. Comprehensive data models digitally map out the manufacturing process from the first design sketch to the finished product and the entire product usage phase, including recycling.

Using a digital twin allows a complete rethinking of how products are developed and manufactured. The digital twin is a virtual model of a real-life object and is continuously fed with data from the real world and compared to the physical product using an AI system. During the development stage, specific parameters can be applied and adjusted if need be. Specially designed software enables us to conduct simulations and testing in the virtual world to determine how the object will work later – even before an actual product exists.

## COMPANY &amp; STRATEGY

## PRODUCTS &amp; RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES

Testing with physical prototypes, which would be necessary at every individual stage of development, is reduced to a minimum. This saves not only time and expense, but it also and in particular avoids the waste generated by unusable prototypes, which are often tough to recycle, thereby conserving natural resources.

Additive manufacturing is considered to be a sustainable technology of the future because it enables components to be produced in an especially resource-efficient manner, making another contribution to sustainability. This reduces the need for raw materials. It also eliminates the need to develop and build forms, especially during the prototype phase.

Additive manufacturing of spare parts also significantly helps to prevent waste as part of upcycling and recycling efforts.

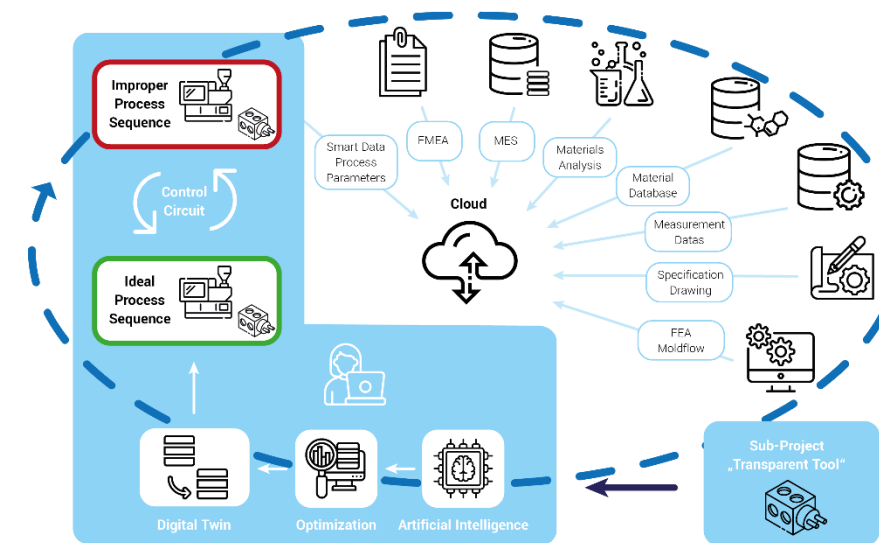
On the other hand, it is also worth noting that, although digitalization offers potential solutions to a large number of areas of sustainable development requiring action (such as environmental and climate protection), it can also have negative effects through increased consumption of energy and resources which, in turn, go against the goal of protecting the environment and climate by emitting more CO<sub>2</sub> and pollution.

Especially in light of the rapid development and spread of new digital applications, such as cloud computing, Industry 4.0, streaming services, artificial intelligence, and digital twin technology, the enormous amount of power being consumed as a result urgently needs to be limited. This appeal remains valid even if the electricity needed can be generated from renewable sources. Therefore, unnecessary efforts to store, transfer, analyze, and process data must be avoided.

The development of materials also plays a key role in sustainable product design. Less material consumption, substitution of non-sustainable raw materials, and more durable components will create significant added value.

The application of digital methods, such as computer simulations and “digital twins” in materials and product development, will allow us to design entirely new materials with previously unknown properties, improving, for example, the ability to recycle them.

We are focusing on a variety of approaches, including more sustainable product launches and digital test operation. As previously mentioned, those techniques allow us to do without physical prototypes and test runs prior to serial production.



# SUSTAINABLE PROCESSES

## COMPANY & STRATEGY

## PRODUCTS & RELATED PROCESSES

**Sustainable processes require close collaboration between R&D and Industrial Engineering.**

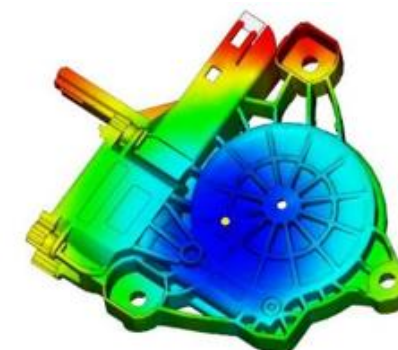
When picking materials and designing parts, we have considerable influence over the conditions for sustainable process design. For that reason, those two units at IMS Gear work closely together. As early as the product development stage, they use software models, which virtually simulate the later process, thus ensuring a design that is appropriate for the manufacturing process (design to process).

At this stage, we determine what the expected CO<sub>2</sub> footprint is so we can perform further optimization as early as possible. Where sprues cannot be avoided for technical reasons in the plastic injection molding process, we use a closed-loop production. The Industrial Engineering division configures machinery to significantly reduce its energy consumption by using the latest technologies. In our Metals Processing division, we are increasingly relying on reforming processes to minimize our use of resources.

As for the equipment and injection molding tools we produce in house, IMS Gear places high value on durability in order to avoid or reduce the need to use resources to procure replacements. Through efficient maintenance and refurbishment, we can further extend the useful lives of equipment and tools. An increasing number of the systems we make ourselves are being equipped with electric drive systems in order to reduce the energy-intensive use of compressed air. Built-in digital meters enable further optimization of energy consumption.

When producing our own equipment and tools, we are already implementing a high degree of digitalization in the value chain. For example, we have been using a paperless production process for many years now.

Industrial Engineering places extreme importance on close partnership with institutions, universities, and research facilities in order to keep abreast of the latest developments related to sustainability.



## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES



# MATERIAL COMPLIANCE

## COMPANY & STRATEGY

## PRODUCTS & RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES

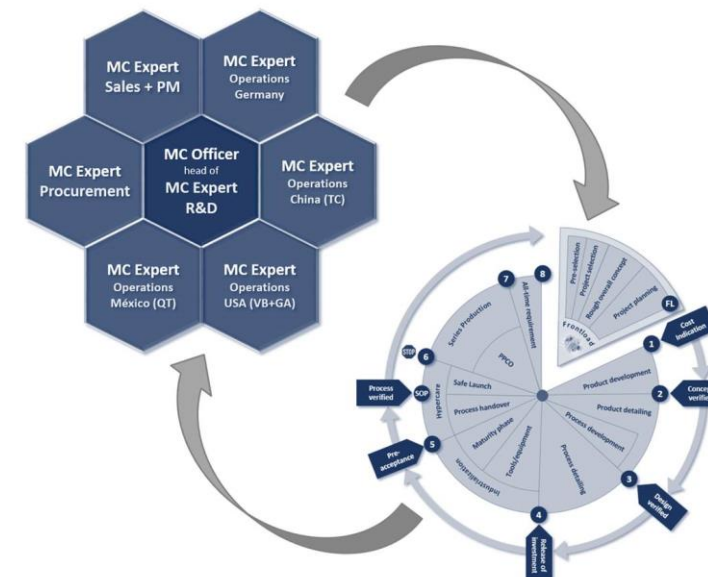
***IMS Gear pursues the goal of complying with all relevant materials requirements arising from laws, public standards, client specifications, and our own guidelines. We also make every effort to take them into account when selecting the materials we use to meet ecodesign requirements.***

Besides quality, functionality, and safety, compliance with applicable laws, such as environmental regulations, is a key component of our products. The material compliance regulations issued by policymakers thus far are intended to protect people and the environment from pollution, prevent uncontrolled logging of protected tree species, and combatting the financing of warlords in crisis regions through illegal mining. If material compliance product properties are not fulfilled, then the product does not meet our quality standards.

As a company that does business and makes products around the world, IMS Gear is subject to a large number of environmental protection standards and legal regulations. IMS Gear takes complying with them as a matter of course. Examples of those regulations include the European Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) and the EU Directive on the Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS). We reduce our use of pollutants and hazardous substances to a necessary minimum while adhering to statutory regulations and make every effort to minimize their effects on people and the environment as much as possible.

Going beyond the legal requirements, we intend to take a comprehensive inventory of all problematic chemicals. On that basis, we will create a plan of action with the aim of reducing the harmful chemicals – for example, biocides as additives in cooling lubricants or plastics, both in our own products and processes and in our chain of suppliers.

To ensure these normative and statutory requirements are met, IMS Gear will establish a global committee of experts. This body will devote itself to the previously mentioned requirements along the product development process, revising them for specific projects, monitoring them, and performing corrective intervention.



COMPANY & STRATEGY

PRODUCTS & RELATED PROCESSES

SUPPLY CHAIN

ENVIRONMENT

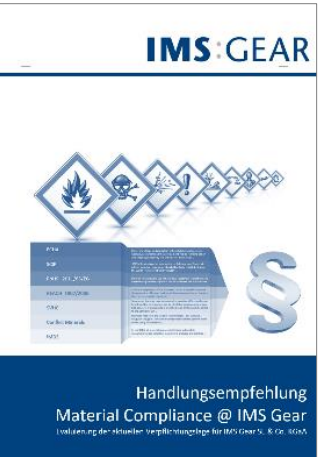
PEOPLE

SOCIETY

ADDITIONAL DISCLOSURES

For this purpose, IMS Gear uses certified software tools that, in particular, perform advance plausibility checks of mandatory reporting using the International Material Data System (IMDS) and the Substances of Concern In Products (SCIP) database so we can declare the chemical composition of components with respect to their later recyclability. With the aid of these material data sheets, this information is stored in databases at the component level.

To standardize these procedures globally across all our production facilities and ensure adherence to all material compliance regulations, we have drawn up a list of recommended actions specifically for IMS Gear. The next step is for us to take these recommendations and adopt them as a company norm for both our internal procedures and as a binding requirement for our suppliers.



Despite the fact that many environmental regulations and laws have been harmonized worldwide, regional and individual pieces of legislation deviating from the standard, particularly those that address items on the list of banned substances, must be observed.

However, IMS Gear's intention with these measures is not merely to ensure compliance with applicable guidelines, standards, and legislation. Instead, we are also attempting to identify substances that are suspected of being potentially harmful to human health and prophylactically avoid using them by applying our Eco.Design.Check process during the development stage of new products and to find substitutes for use in products that are already being produced.

Case in point: Over the past few months, we have replaced plastics containing formaldehyde, DPPD, PFAS, and GMA with plastics that are environmentally safe from a technical standpoint, as long as it was possible to use them and they were readily available. Another goal in doing so is that the substitute also must fundamentally reduce our CO<sub>2</sub> footprint.

# **Supply Chain**

## COMPANY &amp; STRATEGY

PRODUCTS &  
RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

ADDITIONAL  
DISCLOSURES

# SUPPLY CHAIN

## SUPPLIER SOCIAL AND ENVIRONMENTAL PRACTICES

**IMS Gear makes its procurement of raw materials and products as efficient as possible throughout the company to conserve resources. We take both internal and external sustainability requirements on supply chains into account.**

Because we know the only way for us to be successful is if our partners are successful, we are transparent, fair, and dependable in our interactions with them. We, of course, count our suppliers among our partners, not least of all because a company, when viewed systematically, is able to function smoothly only when there are no flaws in its supply chain.

The sustainability requirements within our supply chain are coordinated by the Strategic Procurement department. The starting point for compliance with the sustainability requirements is our Supplier Code of Conduct. This Code of Conduct and all our general terms and conditions of purchasing state our basic understanding of partnership and collaboration in addition to our rules concerning issues of compliance as well as environmental and social standards. Our terms and conditions of purchasing serve as the basis for contractual agreements with our suppliers. As a substantial part of these agreements, our suppliers also commit to making the same requirements binding on their subcontractors.

Acceptance of the IMS Gear Code of Conduct, in which we outline our high demands on social, ethical, and environmental standards, is a fundamental prerequisite for continued partnership. Our Code of Conduct itself is based on the quality management guidelines of the automotive industry laid out in IATF 16949.

### Requirements of IMS Gear Suppliers

Our Code of Conduct contains rules governing the following issues:

- Human rights: prohibition of forced labor and child labor, promotion of equal opportunity, protection from discrimination, and freedom of association
- Labor conditions: working hours, vacation days, as well as occupational health and safety
- Ban on corruption and bribery
- Free and fair competition
- Data protection and confidentiality
- Environmental and climate protection

Our objective is to implement the Code of Conduct at 80% of our suppliers throughout the IMS Gear Group by the end of 2024. To enable that, the global IMS Gear procurement organization is receiving appropriate training. To verify whether our suppliers are adhering to the Code, we will implement suitable control mechanisms, including voluntary disclosure and auditing procedures. It is in the interest of our customers that we expect our suppliers to provide impeccable quality and meet high standards on all purchased parts and capital goods. Even before placing an order, IMS Gear performs a thorough check of the supplier's abilities in terms of technologies and processes. In this context, adherence to the strictest environmental standards is a basic prerequisite. The same principle applies to how we develop and produce top-quality, specific powertrain solutions for our customers.



COMPANY & STRATEGY

PRODUCTS &  
RELATED PROCESSES

SUPPLY CHAIN

ENVIRONMENT

PEOPLE

SOCIETY

ADDITIONAL  
DISCLOSURES

## Supplier registration and evaluation

When choosing suppliers, we examine various aspects, including whether they work according to certified quality and environmental management standards. In the future, we intend to introduce uniform supplier scorecards that will enable comprehensive evaluation of our suppliers on the basis of quantitative key performance indicators (KPIs). In addition to social aspects, our plan is to measure criteria pertaining to the environment, hazardous substances, and carbon footprint. When registering new suppliers, we ask them to provide proof of certification via our supplier portal. Examples include IATF 16949, ISO 9001 (Quality Management), and ISO 14001 (Environmental Management). In mid-2023, we will introduce a software system called IntegrityNext for monitoring risks that can arise in the supply chain using 24 indicators in various dimensions.

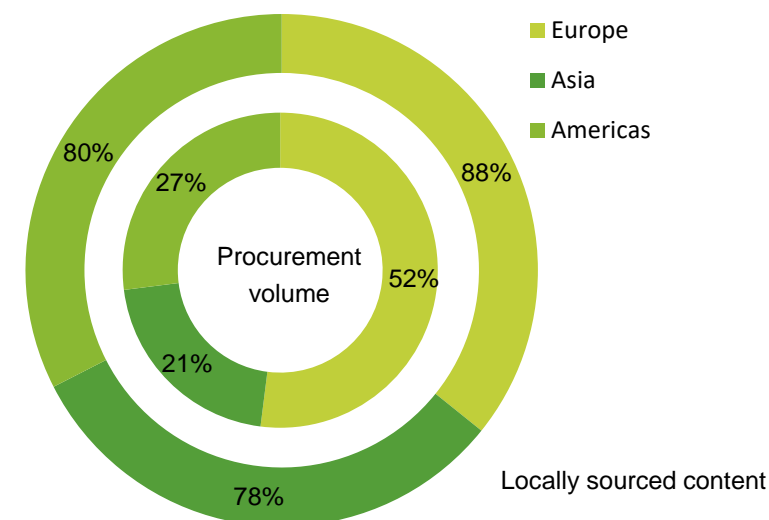
## The IMS Gear Supplier Network

Our network encompasses roughly 180 suppliers for production materials alone. The most important countries where we buy materials are Germany, China, and the US. We procure raw materials such as metals and plastics as well as semifinished products and prefabricated components – from simple plastic parts to complex mechatronic modules. On top of that, we obtain special chemicals and other auxiliary and operating materials.

## Procurement of Goods by Region and Percentage of Locally Sourced Content

Roughly 150 suppliers from 17 countries around the world supply the various production facilities of the IMS Gear Group. In the 2022 business year, we procured 52% of purchased parts and raw materials from suppliers in Europe. Another 27% came from North America, and 21% from Asia. That means our suppliers account for approximately 40% of our value created. The total percentage of locally sourced content in each region is 84%. In this way, we make the local economies stronger and minimize transport distances. At the same time, we create an increasing number of local jobs.

## Percentages for Procurement Volume and Locally Sourced Content



With over 60% of products manufactured in-house, we protect not only our know-how, but we are also able to control the individual steps in production ourselves. That enables us to guarantee the high level of quality characteristic for IMS Gear when it comes to both our products and our processes.

## The Particular Challenge Posed by Conflict Minerals

Our suppliers are required to confirm to us that the metals we incorporate into our products are conflict free. For this purpose, we use the internationally standardized form known as the Conflict Minerals Reporting Template (CMRT) and monitor report filings using a computer-aided system. If we determine that any suppliers are using conflict minerals, we will insist that they switch to conflict-free metals as quickly as possible.

The background is an abstract composition of green geometric shapes. A grid of rhombi is visible, with a diagonal line separating a darker green area on the left from a lighter green area on the right. The word "Environment" is written in white, bold, sans-serif font on the left side.

**Environment**





COMPANY & STRATEGY

PRODUCTS &  
RELATED PROCESSES

SUPPLY CHAIN

ENVIRONMENT

PEOPLE

SOCIETY

ADDITIONAL  
DISCLOSURES

# ENVIRONMENT

**The activities conducted by IMS Gear should have as little negative impact on the environment as possible.**

Our environmental and energy policies are the basis for careful use of natural resources and a steady decrease in our company’s ecological footprint.

To ensure this gradual improvement in our environmental impact for the long term, we have continuously increased the number of facilities that maintain an environmental management system certified according to ISO 14001 in recent years. As of the end of 2022, they include every factory in Germany and China as well as our facility in Gainesville, Georgia, USA. We have started the certification process for our location in Querétaro, Mexico. A certification is planned in Virginia Beach, Virginia, USA. At our German sites, we also maintain an energy management system in accordance with ISO 50001.

While developing our sustainability strategy dubbed “GEARing up for Sustainability,” we designated corresponding action areas for the issues of energy efficiency, decarbonization, resource use and circular economy, waste prevention, and water consumption identified as important within the strategic field for the environment.



# ENERGY EFFICIENCY AND DECARBONIZATION

## COMPANY & STRATEGY

## PRODUCTS & RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES

### Our Path to Climate Neutrality

We are taking responsibility and doing our part to achieve the goals set in the Paris Agreement. In 2022, we set ourselves the goal of making production within our business areas CO<sub>2</sub> neutral (Scope 1 and 2 emissions) by 2035. To reach that goal, an international team dedicated to the “decarbonization” action area is devising concrete plans for reduction across every IMS Gear facility. We consider reducing our energy consumption as much as possible to be an important contribution to climate protection. That is why our first step towards climate neutrality is boosting our energy efficiency as the result of an effective energy management system.

The second step will be for us to use renewable CO<sub>2</sub>-neutral energy sources wherever possible. Only when these two measures have been fully exhausted will we possibly resort to a system of compensation for the remaining CO<sub>2</sub> emissions. That system would be based on certified standards.

### Energy Efficiency

After taking the first step by laying the foundation for documenting our CO<sub>2</sub> emissions for Scopes 1 and 2 throughout the company, we created an energy team interconnected across all our facilities worldwide in 2022. The team determines which activities and experiences have been proven at each facility. Through best practice sharing, they then transfer those approaches with the other

sites. In this way, facilities that have not yet been certified according to ISO 50001 benefit from the experiences of those that are already certified.

### Energy use

IMS Gear Group, in GJ

	2020	2021	2022
<b>Fuels*</b>		8,324	<b>7,835</b>
<b>Fuel oil</b>	4,011	4,205	<b>3,345</b>
<b>Gas</b>	34,218	41,244	<b>37,874</b>
<b>Electricity</b>	354,809	367,241	<b>374,058</b>

\* Worldwide data is available for fuels only as of 2021.

### Energy intensity

KWh per thousand EUR of value added

	2020*	2021	2022
<b>IMS Gear Group</b>		400.0	<b>363.7</b>

\* Worldwide data is available only as of 2021.

## COMPANY & STRATEGY

## PRODUCTS & RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES

At our German facilities, we have been using a system of consistent recovery of waste heat generated by our production operations for many years now. In addition to the established standards of utilizing waste heat from compressors and recovering heat from ventilation systems, IMS Gear is implementing an innovative process at its facility in Donaueschingen. Waste heat from hardening furnaces is used as a source of heat during the necessary washing processes before and after hardening. This technology was started as a pilot project in 2017. Ever since the final phase of its expansion was implemented in 2021, we have saved approximately 600 MWh in electricity annually.

When establishing future production processes, we will be able to directly influence our energy efficiency thanks to the tight integration of product development and process development within our own company. In accordance with our strategy known as “Securing the Future through Innovation,” we concentrate on energy-saving processes from the very beginning when determining the ideal production processes within our Industrial Engineering units.

We have all the processes and tools we need in house for calculating a product carbon footprint (PCF) in order to evaluate the climate impact of our products at the earliest possible stage of development.

### Decarbonization through the use of Renewable Energies

The significance of renewable energies has increased considerably with their implementation in our sustainability strategy and their increasing incorporation into our corporate processes. This refers to procurement of electricity from renewable sources from our energy service providers as well as in-house generation of power from renewable sources. For the most extensive

conversion to CO<sub>2</sub>-free electricity possible, we are working on a viable concept that will reveal our options for generating climate-neutral electricity ourselves and procuring it from utilities at all IMS Gear locations and be gradually implemented. In 2022, we took the first step by converting all facilities in Germany to using 100% hydroelectric power. For 2023, we are planning to install solar panels at several IMS Gear locations. Besides that, we are making other changes related to purchasing sustainably generated electricity.

### Greenhouse gas emissions

IMS Gear Group, in tons of CO<sub>2</sub>

	2020	2021	2022
<b>Scope 1*</b>		3,276	<b>2,958</b>
<b>Scope 2**</b>	37,277	38,245	<b>32,860</b>

\*Scope 1: direct emissions from sources such as natural gas, fuels, heating oil. Worldwide data is available only as of 2021.

\*\* Scope 2: Indirect emissions from sources such as electricity.

### Emission intensity

Kg of CO<sub>2</sub>\* per thousand EUR of value added

	2020	2021	2022
<b>IMS Gear Group</b>	136.0	130.8	<b>101.7</b>

\* Scope 2 only

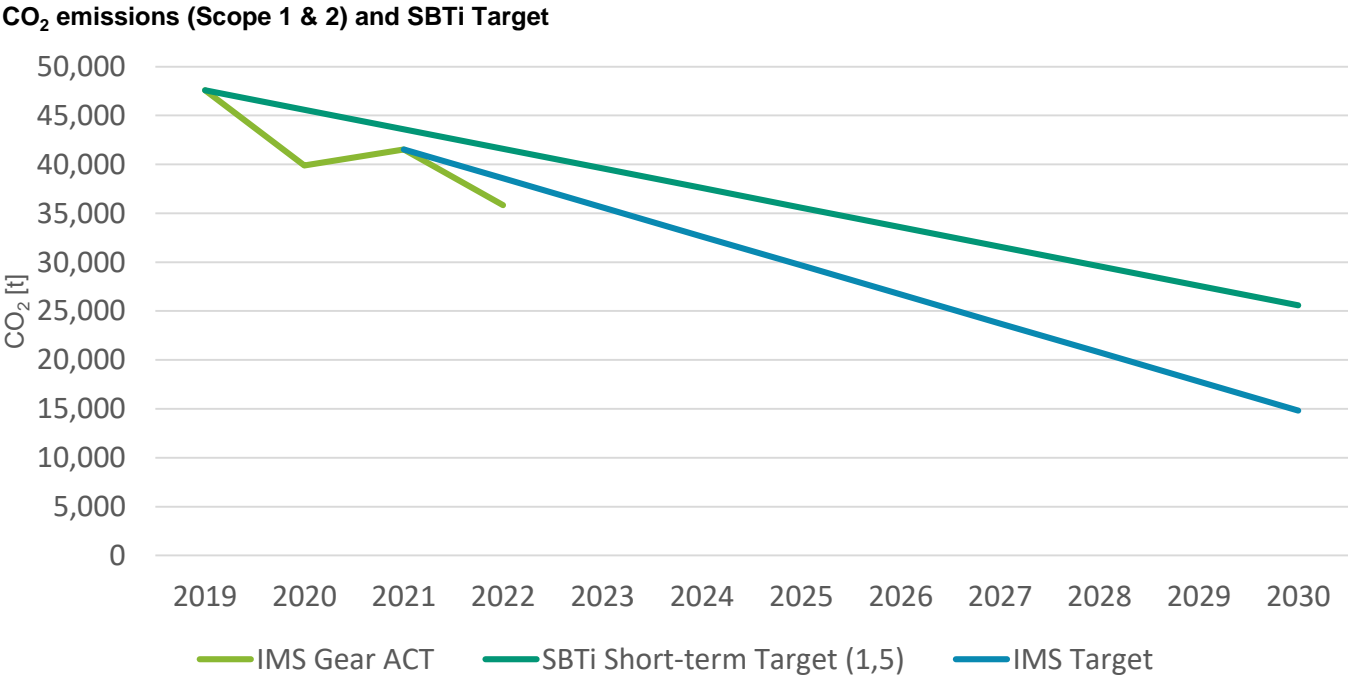


- COMPANY & STRATEGY
- PRODUCTS & RELATED PROCESSES
- SUPPLY CHAIN
- ENVIRONMENT
- PEOPLE
- SOCIETY
- ADDITIONAL DISCLOSURES

With the increasing electrification of our vehicle fleet and the further expansion in the percentage of green electricity, we are taking advantage of additional opportunities for reducing our direct CO<sub>2</sub> emissions (Scope 1). Furthermore, we are expanding our use of waste heat and optimizing the energy efficiency of our buildings through a continuous process in order to further reduce our Scope 1 emissions generated by heating.

Decarbonization in the Supply Chain

A large portion of the CO<sub>2</sub> footprint of our products can be attributed to our upstream value chain (Scope 3). We are working to create a system for quantifying those upstream Scope 3 emissions as the first step in giving appropriate consideration to these emissions as well. In order to eventually achieve across-the-board success in reducing our greenhouse gas emissions, we rely on effective and constructive partnerships with our suppliers. We view establishing this end-to-end collaboration for the sake of an increasingly CO<sub>2</sub>-neutral value chain as both a key challenge and a major opportunity, one that we wish to deliberately and actively take advantage of.



# RESOURCE USE AND CIRCULAR ECONOMY

## COMPANY & STRATEGY

## PRODUCTS & RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES

**We use resources carefully.**

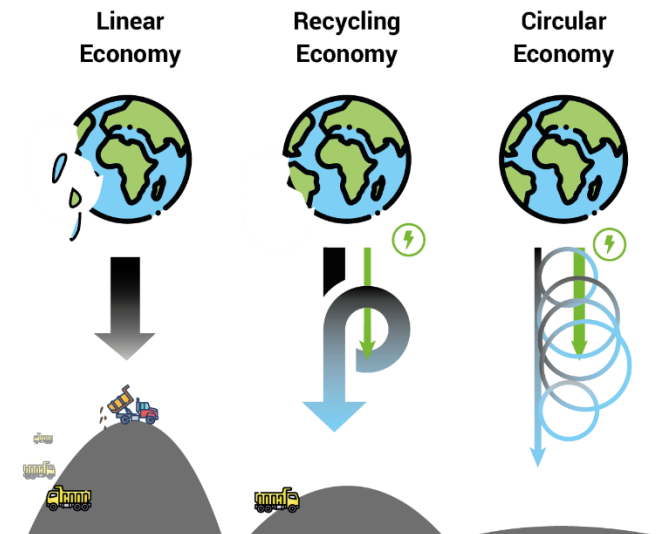
***IMS Gear places extreme importance on the responsible use of finite resources. With the help of a circular economy, raw materials can be recovered without any negative environmental impact. That's why it is important to recycle and reuse those materials. Our aim is to make extensive use of those recycled materials in our products.***

Fossil, mineral, and metallic resources on our planet are available only in limited quantities, and they don't grow back. That is why it is absolutely essential to reclaim those raw materials and incorporate them into a circular economy. As the population grows, leading to equivalent increase in consumption, the use of resources will climb sharply, further exacerbating their scarcity. IMS Gear has made a firm commitment to resource efficiency and a circular economy as important goals in its sustainability strategy. Our thinking and actions will be geared for the long term, meaning decisions will not be aimed exclusively at a short-term return on investment.

The principles of our corporate philosophy include resource conservation and the maintenance of natural resources. As part of that, we make sure we are working with certified business partners who also place importance on the economical use of resources.

Therefore, IMS Gear selects potential suppliers who are concerned about sustainability extremely carefully and with the goal of long-term and ecologically sustainable partnership.

As seen in our life cycle analyses, the extraction, processing, and transport of raw materials per se cause the lion's share of negative environmental impacts. For that reason, our supply chains with their suppliers and subcontractors as well as the associated logistics chains between parties involved in the process are crucial to achieving our sustainability goals.



COMPANY & STRATEGY

PRODUCTS &  
RELATED PROCESSES

SUPPLY CHAIN

ENVIRONMENT

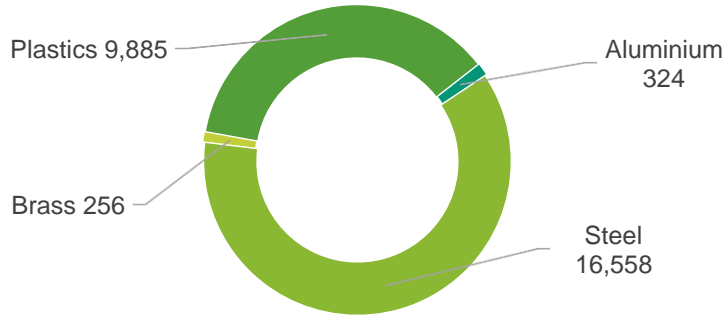
PEOPLE

SOCIETY

ADDITIONAL  
DISCLOSURES

Even though recycling for the sake of environmental protection makes sense, IMS Gear views it as a last resort. Our desire is to reduce the so-called unnecessary procurement of new materials to a minimum. We view our post-production waste as a valuable substance that can be recycled and reused following systematic separation into its base components. Through measures like this, we managed to reintroduce an increasing volume of the non-ferrous metal brass, for example, into the closed loop for reprocessing: 46% in 2020, 45% in 2021, and 48% in 2022.

**Key materials used**  
IMS Gear Group, in tons per year



Even as much as 90% of all the sprues created during the plastic injection molding process using the cold runner technique could be reintroduced into the internal, closed production cycle as “reclaimed material” at IMS Gear. The remaining 10% could be shipped to external recyclers as a cleanly separated, post-production material.

As a rule, however, our objective is to use the development process to help avoid the later generation of this post-production waste. The production-specific design process (design to process) we apply as part of our Eco.Design.Check sustainability initiative reduces the consumption of material and energy in our products. Thanks to the use of lean production methods and quality initiatives that are coupled with targets, it also reduces the potential number of rejects during production to a minimum.

The development of high-performance plastics enables consistent lightweight construction in applications where the use of thermoplastics was deemed unsuitable. At the end of their useful lives, these plastics can be recycled using energy- and resource-efficient methods and reused as cleanly separated secondary material suitable for additional recycling. Processing these secondary materials is especially challenging due to their physical and chemical fluctuations, particularly when the secondary materials are intended for reuse in safety-related products. In this context, it should also be mentioned that IMS Gear is participating in subsidized collaborative projects intended to ensure the classification and traceability of recycled plastics and document them in new standards.



# WASTE PREVENTION

## COMPANY & STRATEGY

## PRODUCTS & RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES

### Waste is a Reusable Material

***Waste prevention means not allowing waste to be generated in the first place. In other words, no products or packaging should be used that need to be recycled or disposed of later. Accordingly, preventing waste is a form of direct environmental protection because it either allows fewer resources to be used for production, or those resources can be immediately reused or recycled as part of a circular economy.***

The primary forms of waste generated at IMS Gear are packaging, metals, and plastics as well as municipal waste. To a lesser extent, we also produce special forms of hazardous waste such as used oil and sludge containing metal. All hazardous waste is handled and stored properly and transferred to certified companies for disposal. In accordance with our system of waste management, we take the following approach in this order: avoid, recycle, dispose.

At our facilities in Germany, we use a sophisticated documentation system that enables us to perform extremely detailed categorization of our waste in compliance with the *Abfallverzeichnis-Verordnung* (AVV – German Regulation Governing a List of Wastes). The system ensures very cleanly separated collection and return of reusable materials to the circular economy so that the volume of residual waste ultimately intended for disposal is kept as small as possible and can be disposed of properly and in compliance with the law.

Non-hazardous waste		
Waste diverted from disposal	Steel	5 Waste key 21 Categories
Preparation for reuse	Plastic	2 Waste key 69 Categories
Recycling	Paper	2 Waste key
Other recovery operations	Aluminium	3 Waste key 8 Categories
Waste directed to disposal	Brass	2 Waste key 7 Categories
Incineration (with energy recovery)	Copper	3 Waste key 8 Categories
Landfilling	Electric motors	1 Waste key
	Bronze	1 Waste key 2 Categories
	Zinc	2 Waste key
	Glass	1 Waste key
	Wood	1 Waste key
	Miscellaneous	8 Waste key 13 Categories

Hazardous waste		
Waste diverted from disposal	Emulsions	1 Waste key
Preparation for reuse	Used Oil (non-chlorinated)	1 Waste key
Recycling	Used Oil (chlorinated > 0,2%)	1 Waste key
Other recovery operations	Grinding sludge	1 Waste key
Waste directed to disposal	Sludges from oil/water separators	1 Waste key
Incineration (with energy recovery)	Oil contaminated operating fluids	1 Waste key
Incineration (without energy recovery)	Electronic waste	1 Waste key
Other disposal operations	Display devices	1 Waste key
	White spirit	1 Waste key
	Acids / acid mixtures	1 Waste key
	Lead-acid batteries	1 Waste key
	Paint / varnish waste (spray cans)	1 Waste key
	Paint / varnish waste (old varnish)	1 Waste key
	Washing liquids (surfactants)	1 Waste key
	Inorganic chemicals	1 Waste key
	Lyes	1 Waste key
	Other solvent mixtures	1 Waste key
	Used waxes and greases	1 Waste key
	Antifreeze	1 Waste key

## COMPANY &amp; STRATEGY

PRODUCTS &  
RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

ADDITIONAL  
DISCLOSURES

The annual reports issued by our corporate waste officer document the results of the internal plant inspections and environmental audits conducted annually at our facilities in Germany. Compliance with regulations and possible deviations are archived centrally and promptly remedied by means of an action plan.

Our plan is to extend the previously described measures, combined with the annually conducted external and independent environmental audit in accordance with DIN EN ISO 14001 as well as the regulatory monitoring appointments, to all our facilities outside Germany in standardized form in the near future. In addition, we have made it our goal to reduce the remaining, unavoidable waste produced, only a limited amount of which can be recycled or which even has to be disposed of definitively by incineration or dumping in a landfill by another 20% by 2030.

**Waste intensity\***

in kg per thousand EUR of value added

	2020	2021	2022
<b>IMS Gear Germany</b>	6.086	4.607	<b>4.305</b>
<b>IMS Gear Group **</b>			<b>4.379</b>

\* Refers only to waste intended for disposal.

\*\* Excludes Gainesville facility; worldwide data available only as of 2022.

**Waste overview**

2022 In tons	IMS Gear Group*	Europe	Americas*	Asia
<b>Utilization</b>	<b>10,341</b>	<b>6,263</b>	<b>1,661</b>	<b>2,416</b>
Preparation for reuse	333	201	29	103
Recycling	9,434	5,489	1,632	2,313
Other recovery operations	574	574		
<b>Disposal</b>	<b>1,306</b>	<b>759</b>	<b>298</b>	<b>249</b>
Landfilling	18		18	
Other disposal operations	209	25		184
Incineration (with energy recovery)	879	728	85	65
Incineration (without energy recovery)	200	6	194	
<b>Total waste</b>	<b>11,647</b>	<b>7,023</b>	<b>1,958</b>	<b>2,666</b>
thereof, hazardous waste	1,441	857	340	244
<b>Utilization rate</b>	<b>89%</b>	<b>89%</b>	<b>85%</b>	<b>91%</b>

\* Excluding Gainesville location



# WATER CONSUMPTION

## COMPANY & STRATEGY

## PRODUCTS & RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES

### Water: a Precious Resource

*At IMS Gear, we have either already implemented or are implementing initiatives for more efficient use of water and less consumption of drinking water for cooling our processes. We are currently developing a water usage plan which will evaluate the climate patterns in the various regions where IMS Gear does business in order to identify the local water management system and calculate availability in order to protect sources of drinking water for the long term.*

The value creation processes established at IMS Gear worldwide already make highly economical use of water per se. Furthermore, the amount of water we consume for purposes of production is relatively low and limited to unavoidable washing and cooling processes.

We fulfill our responsibility to conserve water resources, especially in regions with high water risk as mapped by the World Resources Institute in its *Aqueduct Water Risk Atlas*. That includes our location in Querétaro, Mexico, which Aqueduct classifies as being at high risk.

In Querétaro, we have replaced the evaporative cooling towers for cooling our processes with a centralized, adiabatic cooling system, which absorbs the process heat. This modular system consists of closed adiabatic coolers that take the place of the old technology using conventional evaporative cooling towers. Unlike the previous systems with evaporative cooling towers, this new technology requires

water to absorb heat only when the ambient temperature is extremely high. This can reduce water consumption to a minimum.

In addition, we have significantly reduced the amount of water consumed to water the exterior landscaping at our facility in Querétaro by changing out the species of plants requiring intensive watering for drought-tolerant desert plants.

### Water consumption

in m<sup>3</sup>

	2020	2021	2022
<b>IMS Gear Group</b>	52,917	59,883	<b>57,723</b>
<b>thereof, consumption in areas with water stress*</b>	6,345	12% 7,898	13% <b>4,312</b> 7%

\* Includes factory in Mexico, which lies in an area of “high water stress” according to Aqueduct.

### Water intensity

in liters per EUR of value added

	2020	2021	2022
<b>IMS Gear Group</b>	0.193	0.205	<b>0.179</b>
<b>IMS Gear Mexico</b>	0.491	0.555	<b>0.251</b>



**People**

# PEOPLE

## COMPANY & STRATEGY

## PRODUCTS & RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES

**As an independent family-owned and operated enterprise, IMS Gear made the importance of its employees an integral part of its corporate vision a long time ago. For instance, we maintain an international culture with social accountability and assume long-term responsibility for people and the environment.**

IMS Gear's international personnel strategy is built on this vision, the diverse range of challenges facing us in the future, and our divisional strategy. That is how we know our employees are our company's most valuable asset. We focus on hiring suitable employees, retaining them, and allowing them to develop in order to meet the demands of our dynamic and international business environment. At the same time, we nurture our corporate culture by applying our core values to the development of our employees and managers. They are reflected in a variety of ways, including in our principles of teamwork and leadership.

Our Human Resources Department works internationally in a structure that meets the needs of employees and managers with the help of efficient, standardized processes and tools. Besides having competent and motivated employees, continuous improvement and digitalization play an important role.

The highest level of responsibility for the Human Resources Department rests with the Executive Board and the Vice President of Human Resources. They convey the appropriate principles, and all employees and managers together make themselves accountable for complying with them and adhering to them.

A materiality analysis performed as part of our sustainability strategy revealed that action needed to be taken in the areas of employer attractiveness, employee development, workplace health and safety, as well as diversity and equal opportunity. Additional details on these action areas are provided below.



# EMPLOYER ATTRACTIVENESS

## COMPANY & STRATEGY

## PRODUCTS & RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES

IMS Gear is continuously working toward the goal of being an attractive employer. Key factors for our employees and candidates are suitable and interesting duties, a safe and properly designed workplace, fair and transparent pay, plus attractive social benefits and other perks.

Working models and opportunities for personal growth that align private and professional interests with one another are also increasingly playing a role. In all these areas, the interests of our employees and those of IMS Gear need to be balanced. Our corporate objectives and shared values and the principles of teamwork and leadership based on them are crucially important to having an attractive working environment.



# EMPLOYEES IN FIGURES

## COMPANY & STRATEGY

## PRODUCTS & RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES

### Employees

Headcount, as of 12/2022	Employees	thereof, male*	thereof, female*	Percentage of employees covered by collective bargaining agreements **
Europe	1,464	1,172	292	89%
Americas	733	458	275	
Asia	587	278	309	
<b>IMS Gear Group</b>	<b>2,784</b>	<b>1,908</b>	<b>876</b>	
<i>Thereof, working part-time</i>				
Europe	115	26	89	
Americas	3	1	2	
<b>IMS Gear Group</b>	<b>118</b>	<b>27</b>	<b>91</b>	

\* For reasons of confidentiality, a breakdown that includes individuals of “non-binary” gender cannot be made because those cases are limited in number.

\*\* Collective bargaining agreements are matters specific to each country. Therefore, international figures are not available.

### Workers who are not employees

Headcount, as of 12/2022	Temp agency workers	Apprenticeships and internships	Temporary helpers
Europe	64	142	34
Americas	25	38	
Asia	1	41	
<b>IMS Gear Group</b>	<b>90</b>	<b>221</b>	<b>34</b>



# EMPLOYEE DEVELOPMENT

## COMPANY & STRATEGY

## PRODUCTS & RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES

IMS Gear is divided into entrepreneurially run business units, each with its own closed value chain. This creates ample opportunities for employees for development based on their individual passions and abilities. Whether employees are interested in management duties or are pursuing a specialist career – at IMS Gear, we invest a lot in the promotion of each individual. Qualified employees who are assigned duties that focus on their strengths and are therefore motivated contribute substantially to the long-term success of IMS Gear.

### Training and Orientation for New Hires

Every new employee receives an individual training and orientation plan on their first day. The plan is standardized according to the person's role, but it can be supplemented with individual measures. Employees' introduction to their work environment and team and regular feedback discussions between employees and managers also facilitate their adjustment to life at IMS Gear.

### IMS.dialogue

Regular and respectful dialogue is the basis of our success. That is why we conduct formalized meetings with our employees once a year. During the course of the meeting, we jointly agree on job-related and personal targets, discuss the next steps in the employee's development, and determine in what areas he or she needs training. At the same time, our IMS.dialogue system enables employees to provide feedback on their coworkers and supervisor and the company.

### IMS.academy

IMS Gear offers a program of training and professional development that is customized for the individual and tailored to each position. The training provided is based on the needs of each unit.

In addition to teaching the basics, the catalog of courses offered by the IMS.academy also includes specific advanced training. Our wide range of options is supplemented with courses offered by external training institutions. The training we offer is constantly being adapted, as most recently seen through the incorporation of the challenges faced during the pandemic with a course titled "Working in a Virtual Room."



## COMPANY &amp; STRATEGY

PRODUCTS &  
RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

ADDITIONAL  
DISCLOSURES

Our entire training program is made available via our central learning management system and controlled using a standardized workflow. We see it as another important task to continuously train our internal trainers and keep our training centers engaged. In doing so, we provide employees with the qualifications that benefit other employees, both in their development and their execution.

In 2022, the average time spent on professional development per employee was 9 hours.\*

\* Internal training only, excluding the Gainesville facility

**JOB TRAINING AND APPRENTICESHIPS**

IMS Gear strategically invests in its young trainees becoming skilled workers. The company offers a wide variety of vocational apprenticeships and college study programs in many countries, providing them with a successful start to their job careers. For example, we have established an in-house job training department at each of our facilities. Each year, we hire between 60 and 70 new apprentices depending on our needs. The company invests roughly EUR 4 million per year on job training.

Our trainee programs focus on imparting knowledge, through which we lay the foundation for important job-related and personal skills. Following a structured orientation, in which apprentices learn the basics of their respective professions as well as interdisciplinary knowledge, they then receive in-depth instruction in their specialized functions by performing specific tasks and being involved in projects. The central apprenticeship support department ensures the standards and key content stipulated in the master apprenticeship curriculum are fulfilled.



# OCCUPATIONAL HEALTH AND SAFETY

## COMPANY & STRATEGY

## PRODUCTS & RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES

### Stay Fit and Healthy

At IMS Gear, preventive health management means not only spending money on ergonomic workstations but also investing in the know-how of employees and managers when it comes to their health. That is why we provide corresponding training and offer courses on staying healthy as well as internal points of contact, who are available to assist external partners. Regular exercise is one of the most important parts of a healthy lifestyle. IMS Gear supports or subsidizes efforts in that area in many forms.

To restore a person's performance following a prolonged illness, IMS Gear has a system for managing a person's reintegration into the company. For example, affected employees are allowed to become accustomed to the stress of working life again through a process of gradual reintegration.

We ensure they receive expert advice and assistance from our company physicians, who specialize in occupational medicine. We also offer them regular health check-ups and perform the preventive examinations as required by law. We also offer additional services such as vaccinations.

### Psychosocial Stress

We take potential psychosocial stress seriously and view its prevention as an integral part of our risk assessment and employee surveys. In general, communication across all levels and personal discussions are vital factors. For this reason, our executives conduct annual employee assemblies at our facilities to supplement the regular exchange between supervisor and employee. All employees are invited to the yearly Info Meeting. Its purpose is to promote social dialogue.



## COMPANY &amp; STRATEGY

PRODUCTS &  
RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

ADDITIONAL  
DISCLOSURES**Occupational Safety**

Occupational safety is especially important at IMS Gear. Our corporate policy, in which we specify our strict standards of workplace safety, is the basis of the occupational health and safety management we practice. In line with those standards, we issue a monthly report at management level that covers issues related to occupational safety. Furthermore, regular meetings between all vice presidents and the central Health, Safety, and Environment (HSE) department enable a coordinated approach and implementation of the same standards.

The total number of workplace accidents steadily declined in the period from 2020 to 2022. For 2022, there were 1.7 accidents per 200,000 working hours. This was another important step towards the goal of 1.5 workplace accidents per 200,000 working hours by 2026. In the reporting year, there were no workplace accidents resulting in death.

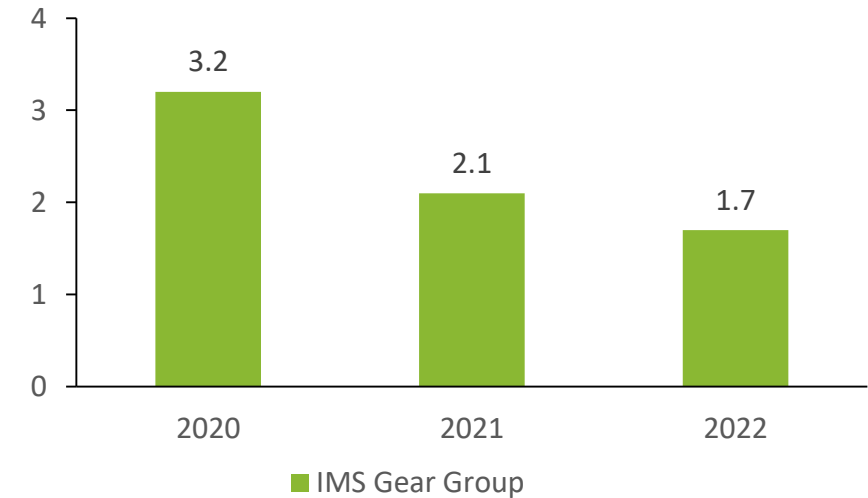
In order to learn from previously occurring workplace accidents and find ways to improve occupational safety moving forward, we conduct a root cause analysis of every accident and devise measures to eliminate the causes. Because we still see room for improvement in avoiding unsafe situations, or rather, in identifying them, all managers at our production facilities received training on the issue in the second half of 2022. Our goal is to consistently avoid “near misses” as well starting in 2023 so that we can proactively ensure a safe working environment.

In order to satisfy our concern for providing every employee with a good and safe working environment, every one of our factories has trained safety officers on-site. They are in regular contact with the HSE department at headquarters and support the officials at the facility in all matters related to occupational health and safety.

To ensure all workplace safety measures are maintained over the long term, we conduct regular training seminars and briefings. Our e-learning platform provides regular updates and transparently describes the process. In addition, we verify compliance with the standards in the form of our 6 IMS inspections (an expansion of the 5S methodology to include safety), which take place monthly at all production facilities.

**Work-related injuries**

Work related injuries\* / 200,000 h



\* Includes accidents subject to mandatory reporting and those that are not



# DIVERSITY AND EQUAL OPPORTUNITY

## COMPANY & STRATEGY

## PRODUCTS & RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

## ADDITIONAL DISCLOSURES

Respect and tolerance already play a central role in our corporate values. That is why a respect for human rights is a key principle of our business activity. We promote equal opportunity and equal rights and do not tolerate harassment or discrimination in the workplace. It is important to us that an employee's abilities and potential play the decisive role in their hiring and further development and that no one be excluded from career opportunities because of their personal traits. We also compensate our employees based on the duties they perform (equal pay for equal work). We value assigning our employees to perform tasks in line with their strengths and promote balanced teams.

We offer a wide range of information and training in this area. We also have internal contact persons as well as options for filing complaints (whistleblowing) and seeking redress of grievances to ensure compliance with these principles and values.





COMPANY & STRATEGY

PRODUCTS &  
RELATED PROCESSES

SUPPLY CHAIN

ENVIRONMENT

PEOPLE

SOCIETY

ADDITIONAL  
DISCLOSURES

**“We fulfill our duty of care  
toward our employees.”**



**“We treat one another with  
honesty, trust, and respect.”**



**Society**

COMPANY & STRATEGY

PRODUCTS &  
RELATED PROCESSES

SUPPLY CHAIN

ENVIRONMENT

PEOPLE

SOCIETY

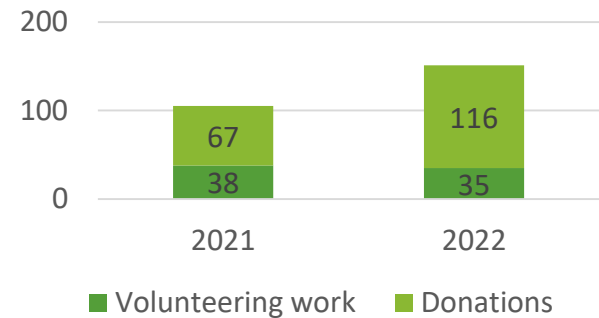
ADDITIONAL  
DISCLOSURES

# SOCIETY

**IMS Gear views itself as a part of society.**

We are a member of the Chamber of Industry and Commerce (IHK) for the region of Schwarzwald-Baar-Heuberg, of the Business Association of Industrial Companies in Baden (WVIB), and of the Association of Metal and Electrical Industries in Baden-Württemberg (Südwestmetall). We are also members of the German-Mexican Chamber of Commerce (CAMEXA), Hampton Roads Chamber of Commerce, Greater Hall Chamber of Commerce, and the German Chamber of Commerce Abroad (AHK) in Shanghai. We also get involved in areas beyond the limits of our business activities. We donate to causes supported by our employees and support their volunteer work.

**Donation and volunteering work**  
IMS Gear Group, in €K



**Donations**

When we make donations, our primary intention is to have a positive impact on society. We donate without receiving or expecting to receive anything of equal value in return. Our donating activities are concentrated in the areas of health, education, sports, the arts, and assistance for local clubs.

**Volunteering**

Volunteer work represents a donation in the form of paid time off from IMS Gear benefiting a qualifying organization. Employees participate of their own free will and without compensation.

**American Cancer Society**

The American Cancer Society is a nationwide, nonprofit corporation in the United States that relies on a large number of volunteers. Its vision is to end cancer. It attempts to do so through advocacy, research, and patient support to ensure everyone has an opportunity to prevent, detect, treat, and survive cancer.

## COMPANY &amp; STRATEGY

PRODUCTS &  
RELATED PROCESSES

## SUPPLY CHAIN

## ENVIRONMENT

## PEOPLE

## SOCIETY

ADDITIONAL  
DISCLOSURES**The Kinder- und Jugendmuseum Donaueschingen**

The Donaueschingen Children's Museum is an interactive museum designed for children from 5 to 16 years of age.

The museum contains hands-on exhibits devoted to the subjects of technology, nature, and human beings. They allow kids and young people to satisfy their urge to explore and scientific curiosity. IMS Gear is also represented with several exhibits, including a so-called "eternal gear box."

There are approximately 100 experiments for children and adolescents to try out. In addition, the museum regularly organizes different workshops on various topics for children and young people. On the issue of sustainability, the museum offers a special workshop called "Cradle2Cradle: Ways to Create an Environmental Footprint." The museum's design follows the cradle-to-cradle design framework put forth by German chemist Prof. Michael Braungart and American architect William McDonough.

IMS Gear is a partner in the foundation established for the Kinder- und Jugendmuseum and has been represented on its board of trustees since it was founded. The museum celebrated its 10th anniversary in 2022.

**Inclusion Factory Taicang**

The Inclusion Factory is a social enterprise that employs people with intellectual disabilities, thereby integrating them into the working world. The employees at the Inclusion Factory perform assembly work for the automotive and electrical appliances industries.

The Inclusion Advisory unit supports companies in the integration of individuals with disabilities. IMS Gear has also succeeded in hiring employees in this way.

One of the biggest obstacles to inclusion is the underlying attitude of society toward people with disabilities. To overcome this barrier, the Social Inclusion Academy, which conducts educational seminars on this issue, was founded. All IMS Gear managers in Taicang complete the seminar.

IMS Gear is a Platinum Partner of the Inclusion Factory and assists with tasks, such as building administration and accounting, through considerable volunteer work performed by our employees. IMS Gear also has members sitting on its board of trustees.





# **Additional Disclosures**



# ABOUT THIS REPORT

This is the first Sustainability Report published by IMS Gear SE & Co. KGaA. This report describes the sustainability management system employed at IMS Gear and its initial progress in the key topics for the 2022 business year (January 1, 2022, to December 31, 2022).

Unless otherwise stated, all information provided in this report pertains to the entire scope of consolidation for the IMS Gear Group.

Name	Headquarters	Capital share
IMS Gear SE & Co. KGaA	Donaueschingen, Germany	Parent company
Subsidiaries:		
IMS Gear Holding Inc.	Gainesville, Georgia, USA	100%
with subsidiaries:		
IMS Gear Braking Systems LLC		
IMS Gear Georgia LLC		
IMS Gear Planetary Gears LLC		
IMS Gear Virginia LLC	Virginia Beach, Virginia, USA	
IMS Gear S.A. de C.V.	Querétaro, Mexico	100%
IMS Gear Holding China GmbH	Donaueschingen, Germany	100%
with subsidiary:		
IMS Gear (Taicang) Co. Ltd	Taicang, People's Republic of China	
IMS Gear Korea Ltd.	Seoul, South Korea	100%
IMS Gear Japan K.K.	Tokyo, Japan	100%
IMSGP – Gear Portugal, Unipessoal Lda	Lisbon, Portugal	100%

We used the internationally recognized standards of the Global Reporting Initiative (GRI) as a guide to writing this report. In our estimation, the report has been reported in accordance with the GRI standards. This report has been released by the senior management board in charge of sustainability. This report has not been externally audited.

Since this is IMS Gear's first Sustainability Report, no information has been restated, and no changes in reporting have been made. A three-year trend cannot be depicted in individual cases, but efforts to do so will be made in the future.

The 2022 Sustainability Report is available in German and English as a PDF file. It will be published on our website in October 2023. The next report is expected to be published in April 2024. Our Annual Report is published in Germany's Federal Gazette.

For reasons of linguistic simplification, we have forgone some use of gender-specific pronouns. Therefore, general designations for individuals of any gender are intended to refer to all people, regardless of gender.

# GRI content index

<b>Statement of use</b>	IMS Gear SE & CO. KGaA has reported in accordance with the GRI Standards for the period from Jan. 1, 2022, to Dec. 31, 2022.
<b>GRI 1 used</b>	GRI 1: Foundation 2021

GRI Standard	Disclosure	Location	Omission	
			Requirement(s) Omitted	Explanation
General Disclosures				
GRI 2: General Disclosures 2021	2-1 Organizational details	12; 50; 56		
	2-2 Entities included in the organization’s sustainability reporting	50		
	2-3 Reporting period, frequency and contact point	50; 56		
	2-4 Restatements of information	50		
	2-5 External assurance	50		
	2-6 Activities, value chain and other business relationships	5-6; 25		
	2-7 Employees	39		
	2-8 Workers who are not employees	39		
	2-9 Governance structure and composition	12		
	2-10 Nomination and selection of the highest governance body	AR*		
	2-11 Chair of the highest governance body	12		
	2-12 Role of the highest governance body in overseeing the management of impacts	7; 9-10		
	2-13 Delegation of responsibility for managing impacts	9		
	2-14 Role of the highest governance body in sustainability reporting	7; 50		
		2-15 Conflicts of interest	12	

\*AR = Annual Report IMS Gear SE & Co. KGaA

GRI Standard	Disclosure	Location	Omission	
			Requirement(s) Omitted	Explanation
<b>GRI 2: General Disclosures 2021</b>	2-16 Communication of critical concerns	11		
	2-17 Collective knowledge of the highest governance body	9		
	2-18 Evaluation of the performance of the highest governance body	9; 50		
	2-19 Remuneration policies		Confidentiality constraints	Data protection
	2-20 Process to determine remuneration		Confidentiality constraints	Data protection
	2-21 Annual total compensation ratio		Confidentiality constraints	Data protection
	2-22 Statement on sustainable development strategy	4		
	2-23 Policy commitments	11		
	2-24 Embedding policy commitments	11		
	2-25 Processes to remediate negative impacts	11f		
	2-26 Mechanisms for seeking advice and raising concerns	11f		
	2-27 Compliance with laws and regulations		Confidentiality constraints	Data protection
	2-28 Membership associations	47		
	2-29 Approach to stakeholder engagement	10		
	2-30 Collective bargaining agreements	39		
Material Topics				
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	7		
	3-2 List of material topics	7		

GRI Standard	Disclosure	Location	Omission	
			Requirement(s) Omitted	Explanation
Sustainable Products and Processes				
GRI 3: Material topics 2021	3-3 Management of material topics	16ff; 20		
Material Compliance				
GRI 3: Material topics 2021	3-3 Management of material topics	21f		
Supplier Environmental & Social Practices				
GRI 3: Material topics 2021	3-3 Management of material topics	24f		
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	25		
Energy Efficiency				
GRI 3: Material topics 2021	3-3 Management of material topics	28		
GRI 302: Energy 2016	302-1 Energy consumption within the organization	28		
	302-3 Energy intensity	28		
Decarbonization				
GRI 3: Material topics 2021	3-3 Management of material topics	29f		
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	29		
	305-2 Energy indirect (Scope 2) GHG emissions	29		
	305-3 Other indirect (Scope 3) GHG emissions		Information unavailable	Data basis is created for future publication of the key figures
	305-4 GHG emissions intensity	29		

GRI Standard	Disclosure	Location	Omission	
			Requirement(s) Omitted	Explanation
Resource Use & Circular Economy				
GRI 3: Material topics 2021	3-3 Management of material topics	31f		
GRI 301: Materials 2016	301-1 Materials used by weight or volume	32		
	301-2 Recycled input materials used	32		
Waste Prevention				
GRI 3: Material topics 2021	3-3 Management of material topics	33		
GRI 306: Waste 2020	306-3 Waste generated	34		
	306-4 Waste diverted from disposal	34		
	306-5 Waste directed to disposal	34		
Water Consumption				
GRI 3: Material topics 2021	3-3 Management of material topics	35		
GRI 303: Water and Effluents 2018	303-5 Water consumption	35		
Employer Attractiveness				
GRI 3: Material topics 2021	3-3 Management of material topics	38		
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	38		
Employee Development				
GRI 3: Material topics 2021	3-3 Management of material topics	40f		
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	41		



GRI Standard	Disclosure	Location	Omission	
			Requirement(s) Omitted	Explanation
Health & Safety				
GRI 3: Material topics 2021	3-3 Management of material topics	42f		
GRI 403: Occupational Health and Safety 2018	403-9 Work-related injuries	43		
Diversity & Equal Opportunities				
GRI 3: Material topics 2021	3-3 Management of material topics	44		
Social Engagement				
GRI 3: Material topics 2021	3-3 Management of material topics	47		

# PUBLICATION DETAILS

Anyone who has additional questions may direct them to the following individuals:

**IMS Gear Non-Financial Reporting**

Tina Eltrich

Tina.Eltrich@imgear.com

**IMS Gear Sustainability Director**

Samuel Matthäus

Samuel.Matthäus@imgear.com

**Photography**

IMS Gear SE & Co. KGaA

**Concept and design**

IMS Gear SE & Co. KGaA

**Text**

IMS Gear SE & Co. KGaA

**Publisher**

IMS Gear SE & Co. KGaA

Heinrich-Hertz-Strasse 16

78166 Donaueschingen

[www.imgear.com](http://www.imgear.com)

