



SCHALTBAU HOLDING AG
CSR REPORT 2017 IN ACCORDANCE WITH
THE GERMAN SUSTAINABILITY CODE

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1. INTRODUCTION

1.1. Foreword by the Executive Board

Dear readers

With its broad range of products and services, Schaltbau Group makes an important contribution to providing safe, comfortable, sustainable mobility. Rail transport – whether long- or short-distance, for passengers or freight – contributes significantly to reducing greenhouse gas emissions and is the more eco-friendly alternative to air and road transport. It is therefore all the more important to make this form of mass mobility sustainable and assured of a good future. Schaltbau Group companies work continually to achieve this objective, for example, with the digitalisation and automation of rolling stock, by reducing weight through the lightweight manufacturing of train doors, by producing components for storing green energy, or by conserving resources through the refurbishment of used trains.

Due to the high relevance of Schaltbau in terms of environmentally friendly mobility, we have made a point of aligning our value chains to ensure a sustainable future. This includes, for example, minimising emissions and saving energy as well as showing commitment to our employees and respect for human rights by avoiding conflict materials. We see investment in sustainability as an investment in the future and the long-term competitiveness of the Schaltbau Group.

In addition to complying with legal stipulations and recognised compliance and corporate governance standards, we have set ourselves the goal of acting in accordance with recognised CSR standards. This CSR Report documents both a starting point and the progress we have made over the past year in terms of sustainable development. It also describes the measures we have already initiated to ensure these standards over the coming months and years. By next year we want to be in a position to achieve and comprehensively document other sustainability targets that are important for our stakeholders.

16 April 2018



Dr Bertram Stausberg
Chief Executive Officer



Thomas Dippold
Chief Financial Officer



Dr Martin Kleinschmitt
Chief Restructuring Officer

1.2. About this report

In accordance with the requirements of the Corporate Social Responsibility (CSR) Directive Implementation Act (CSR-RUG), which came into force in 2017, the Schaltbau Group is required to publish non-financial information on environmental, social and employee issues, the fight against corruption and bribery, and respect for human rights. The non-financial Group report is part of this CSR Report for 2017, which the Schaltbau Group published for the first time in 2018 in accordance with the guidelines of the German Sustainability Code (DNK). Moreover, the report is based on the requirements of the Global Reporting Initiative (GRI G4), which is available on the Schaltbau website at www.schaltbau.com. The report covers the period from 1 January 2017 to 31 December 2017.

With this CSR Report, Schaltbau Group is addressing its stakeholders, primarily customers, CSR-oriented rating agencies and platforms, analysts and investors, employees and representatives from the worlds of science, research, education and politics.

The information in this report relates to the activities of the following Schaltbau companies operating within Germany:

- Gebr. Bode GmbH & Co. KG
- Schaltbau Refurbishment GmbH
- Schaltbau GmbH
- Pintsch Bamag Antriebs und Verkehrstechnik GmbH
- Pintsch Tiefenbach GmbH
- Pintsch Bubenzer GmbH (sold with effect from 1 March 2018)
- Schaltbau Holding AG

Any deviations are marked accordingly. Reporting will be rolled out on a Group-wide basis in 2018.

1.3. Company profile

1.3.1. The Schaltbau Group business model

Schaltbau Group's business model embraces the entire value chain – from research and development to the manufacturing, sale and distribution of its products and services. It is supplemented by product maintenance and a range of aftersales services. Schaltbau Group supplies components and systems to the railway, automotive and capital goods industries and partners prestigious customers in the rail infrastructure, mobility and logistics markets.

The various companies in the Schaltbau Group operate 38 sales and manufacturing sites in 17 different countries worldwide. The companies each have their own sales offices in strategically important regions and others are covered by external sales partners.

Schaltbau Group's business model is primarily based on long-term customer contracts. It is closely linked to the rail sector, the most important market for the Schaltbau Group, and the receipt of orders from railway companies and train manufacturers. In addition, bus manufacturers are among Schaltbau Group's largest customers in the field of door systems for buses.

1.3.2. Organisational structure of the Schaltbau Group

Schaltbau Group's operations are divided into three segments:

- The **Mobile Transportation Technology segment** mainly comprises the Schaltbau Bode Group (Gebr. Bode GmbH & Co. KG and its subsidiaries) and Schaltbau Alte (Alte Technologies S.L.U.). Schaltbau Sepsa (Albatros S.L.U.) was put up for sale in November 2017. The segment also includes Schaltbau Refurbishment GmbH.
- The **Stationary Transportation Technology segment** comprises the activities of the Schaltbau Pintsch Group (including Pintsch Bamag Antriebs- und Verkehrstechnik GmbH, Pintsch Tiefenbach GmbH, Pintsch Aben B.V. and their respective subsidiaries) in the field of rail infrastructure. The industrial brakes business (Pintsch Bubenzer GmbH) was sold with effect from 1 March 2018.
- The **Components segment** comprises the Schaltbau GmbH Group (i.e. Schaltbau GmbH and its subsidiaries).

Schaltbau Holding AG is based in Munich and, as lead company of the Schaltbau Group, is responsible for strategy and the higher-level operational management of the Group. It is also responsible for functions that concern the entire Group, such as the appointing of staff to management positions in the Group's subsidiaries, the provision of IT systems, investor relations and corporate communication. Schaltbau Holding AG is also responsible for Group compliance, including internal auditing, risk management, financial accounting, controlling, and cash management. Schaltbau Holding AG is listed in the Prime Standard segment of the Frankfurt Stock Exchange.

1.3.3. Range of products and services

Schaltbau Group's range of product and services includes:

- Door and boarding systems for trains, buses and commercial vehicles
- Interior fittings, master controllers, driver's desk equipment and sanitary systems for rolling stock
- High- and low-voltage electrical components for rolling stock and other applications
- Complete level crossing systems, shunting and signal technology

Schaltbau Group is one of the world's leading suppliers of smart boarding systems, driver's desk and passenger equipment, and electromechanical components to rolling stock systems manufacturers. Furthermore, our safety-related products are used in a range of technical applications such as buses and electric vehicles.

Schaltbau's range of products is systematically supplemented by an array of services that cover the entire life cycle of rolling stock and commercial vehicles.

1.3.4. Depth of the value chain

Schaltbau Group covers the entire value chain, including research and development, manufacturing, sales and product maintenance. Our high-quality, long-lasting products need to meet stringent requirements and for that reason we invest intensively in research and development. The Group's systems and components are largely developed and manufactured at its own sites within Germany. However, our regional presence worldwide also enables us to meet the growing regulatory requirement for local content and thus secure direct market access. Our production and business processes are all designed to consume a minimum of resources. The durable nature of our railway industry products contributes to the responsible use of resources in the best interest of our customers.

In general, we endeavour to manufacture our products with the least possible impact on water, air and soil. When selecting materials, we essentially opt for substances that are RoHS- and REACH-compliant and do not contain any critical conflict materials. Fire protection requirements are also taken into account. In addition to rolled steel, stainless steel and cast iron, we also use the raw materials aluminium, nickel and silver in our production processes. Schaltbau GmbH uses gold to manufacture some of its electronic components. Gold is listed among products subject to risks with regard to its origin and therefore subject to a series of internal control mechanisms designed to ensure that no conflict minerals are used to manufacture Schaltbau products.

We largely forgo the use of hazardous substances and in many locations produce packaging from recycled materials. The Schaltbau Group also ensures the use of environmentally friendly technologies in its production processes.

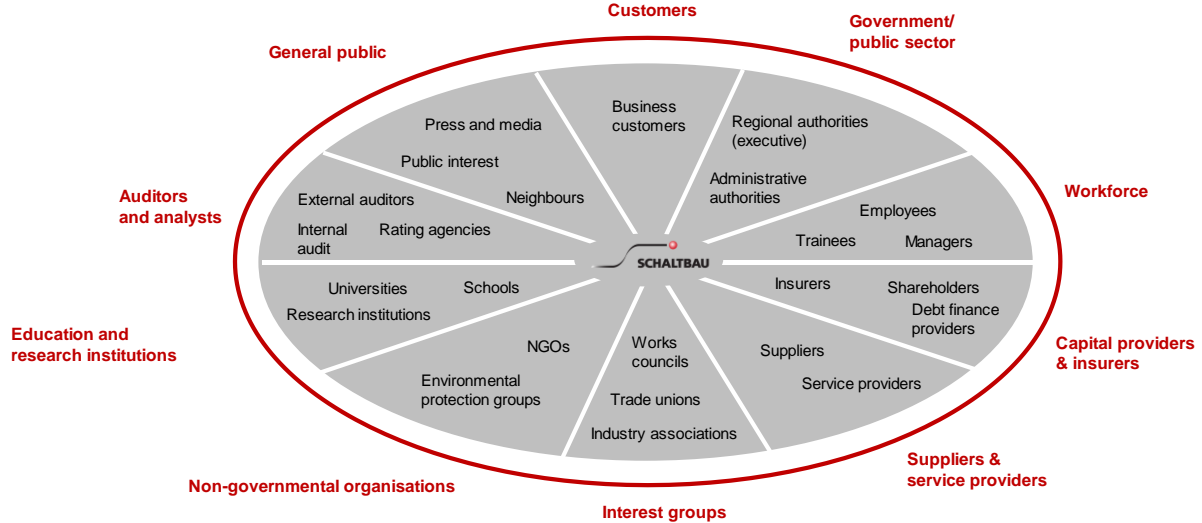
The principles set out in the Group's Code of Conduct are applicable throughout the entire organisation, both in Germany and abroad, and for all companies in which Schaltbau Group holds a majority stake, either directly or indirectly. The Code also applies in our dealings with external business partners, suppliers and third parties. We expect our business partners and suppliers to adopt similar principles and to ensure that their activities are always in line with legal requirements. Schaltbau Group provides its business partners with Company-specific information that includes certificates regarding the non-use of conflict minerals, the origins of raw materials and compliance with REACH regulations. We also offer our business partners assistance in improving their corporate principles.

Customer audits are regularly performed throughout the entire Schaltbau Group, for example by DB Netz AG. Furthermore, supplier assessments contribute towards improving the value chain.

2. CSR STRATEGY AND MANAGEMENT

2.1. Stakeholder commitment

Schaltbau's main stakeholder groups were identified in the course of an analysis. These include our customers, CSR-oriented rating agencies and platforms, analysts and investors, employees and representatives from the worlds of science, research, education and politics:

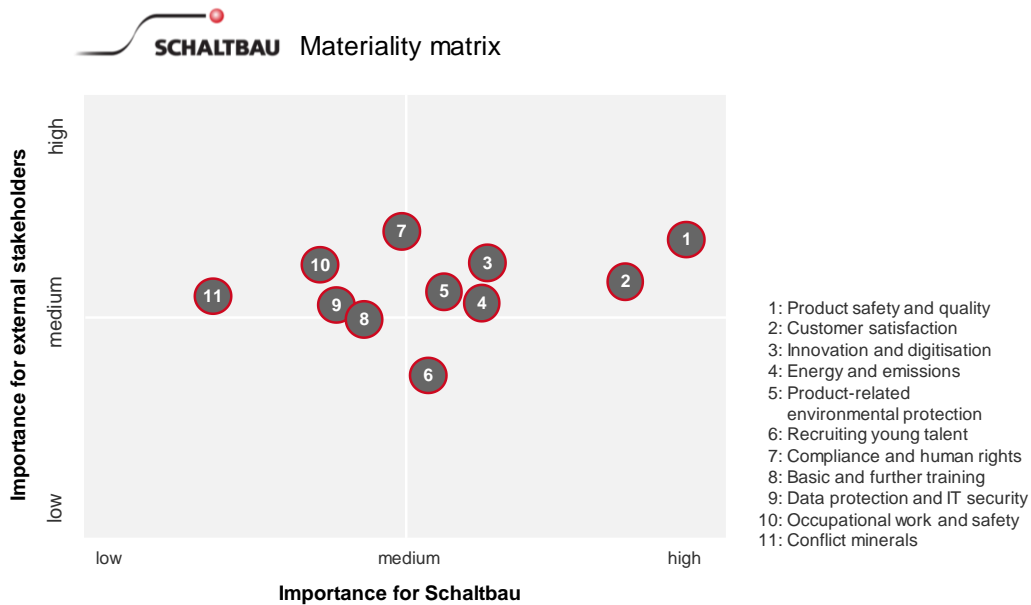


During the fiscal year 2017, Schaltbau Group established a stakeholder management system. We communicate regularly with our stakeholders via a range of communication channels, including the Schaltbau website, an investor relations website, the EcoVadis CSR rating and the CSR Report. We also engage in dialogue with stakeholders and participate in employee surveys and customer surveys as well as committee and association meetings. Schaltbau Group companies are evaluated by EcoVadis and provide their business partners with detailed information on the EcoVadis rating. In future, we also want to implement an institutionalised stakeholder dialogue, which will enable us to evaluate CSR topics relevant for individual stakeholder groups and address them in greater detail.

The insights we gain from our stakeholder commitment efforts are directly incorporated in our CSR strategy. They help us identify risks and opportunities in good time and gear our business activities to them in the best possible way.

2.2. Results of the materiality analysis

During the fiscal year 2017, the major issues in the field of CSR were defined in the course of a materiality analysis. The starting point for determining these topics was a competition and trend analysis involving the Executive Board and the management teams of Schaltbau Group's various companies. The requirements of CSR ratings and reporting frameworks as well as sector-specific CSR challenges were also taken into account. In accordance with the materiality approach pursuant to section 289c (3) of the German Commercial Code (HGB), the CSR topics identified are relevant for understanding the Group's financial performance, business performance and position. They also have a significant impact on the non-financial aspects of our business. The topics identified cover all required aspects of CSR-RUG and are illustrated in the following diagram.



In the view of our stakeholders, product safety, quality, and customer satisfaction are of outstanding importance due to the growing requirement for both safety and convenience. Innovation and digitalisation are also playing an increasingly key role in this age of advancing digitalisation and the connectivity of both rail infrastructure and passenger information systems.

CSR issues are addressed in chapters 3 to 8 of this report, which also deal with the respective goals, concepts, results and reportable risks. The CSR-relevant risks discussed in the Management Report 2017, which were classified as material in terms of probability of occurrence and consequences, must be reported. Risk reporting in the Management Report is based on the quarterly risk inventory at the level of Schaltbau Group subsidiaries.

2.3. Strategic CSR management

As an active, responsible corporate citizen, Schaltbau Group works continuously to make its business activities and products sustainable, to use resources even more efficiently, and to present itself on the market as an attractive employer. Our business activities are based on responsibility, trust, reliability and innovation.

In the year under report, Schaltbau Group adopted its CSR strategy and has already initiated key processes for its implementation. Based on the results of the materiality analysis and the legal requirements of CSR-RUG, a detailed catalogue of measures was developed for Schaltbau Group. They include specific targets, measures, KPIs and responsibilities and will form the basis for CSR activities in the years to come. Key reporting processes have already been implemented and responsibilities defined.

Another milestone in 2017 was the first Group-wide rating by the rating agency EcoVadis, which acknowledges Schaltbau Group's sustainability performance. In the year under report, Schaltbau Group achieved bronze status in this rating with a score of 45 points. EcoVadis is a rating platform that specialises in monitoring supplier compliance with CSR indicators and sustainability aspects within global supply chains. The methodology underlying the rating is based on international CSR standards, including the Global Reporting Initiative (GRI), the United Nations Global Compact (UNGC) and the ISO 26000 standard. It covers 150 categories and 140 countries.

Our activities are aimed at continuously improving the competitiveness of Schaltbau Group in strict compliance with internationally recognised ethical and legal principles, taking market requirements into account.

The main focal points of our CSR strategy:

- Legal compliance: We act strictly in accordance with legal requirements (CSR-RUG, European legislation) and rigorously pursue compliance management.
- EcoVadis CSR rating: We set ourselves the minimum requirement of maintaining the bronze status achieved in the first Group-wide EcoVadis CSR rating. The rating certifies that our business activities comply with internationally acknowledged CSR standards.
- Transparency: We maintain a lively exchange with our stakeholders and report regularly on our activities in the field of CSR.
- Measurability: We work constantly to improve, regulate and measure the sustainability of our actions. The management systems, some of which have already been implemented, provide us with information and data that enable us to specifically optimise our behaviour.

In addition, our Code of Conduct defines clear standards that promote a responsible, open management culture throughout the Schaltbau Group and impeccable conduct towards stakeholders such as customers, suppliers, authorities, business partners and others. The Code of Conduct is binding for all employees of the Schaltbau Group worldwide and can be downloaded from Schaltbau Group's website at www.schaltbau.com/investor-relations/corporate-governance/code-of-conduct/.

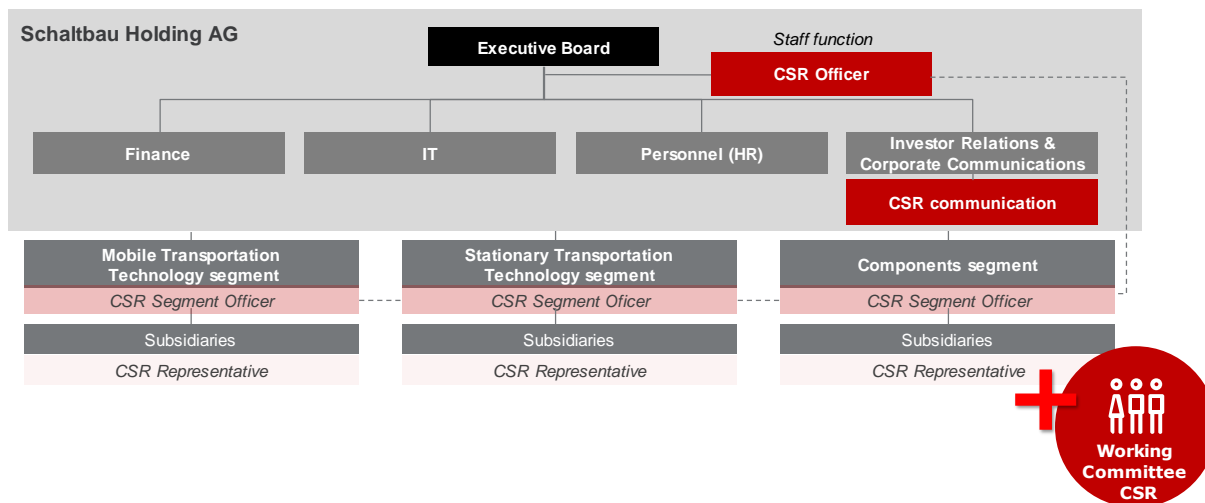
2.4. Objectives

Schaltbau Group pursues long-term CSR objectives and laid the foundation for successively pursuing and expanding these in fiscal year 2017 with the active involvement of the Executive Board of Schaltbau Holding AG and the managing directors of consolidated Schaltbau Group companies. In fiscal year 2017, the initial focus was on structural challenges, with the aim of recording data transparently and designing processes accordingly. These included setting up and systematising CSR management, systematising stakeholder management, conducting a materiality analysis, organising CSR and establishing a reporting system. As of 2018, in addition to expanding systematisation, CSR management will increasingly focus on content-related targets and the measurement of CSR performance using KPIs. These content-related targets are to be developed in workshops in collaboration with the various internal departments (e.g. environmental management, innovation management). Moreover, Group-wide reporting will be conducted as of 2018.

From now on, as part of its annually published CSR Report, Schaltbau Group will regularly inform its stakeholders about its corporate objectives and their degree of implementation. The information from 2017 is mainly of a qualitative nature. However, quantitative data will be increasingly reported in the course of 2018.

2.5. Responsibility

Objectives for organising CSR reporting were developed in 2017 and will be completed and implemented in the course of fiscal year 2018. The following chart shows how the CSR organisational structure will look, based on the CSR strategy and the requirements of CSR reporting. Accordingly, the reporting channels run hierarchically from subsidiary level to holding company level. A working group dedicated to the topic of CSR will also be formed.



At subsidiary level, CSR representatives will be responsible for coordinating the collection and provision of data. At segment level, however, apart from collecting and consolidating data, CSR segment officers will also provide support in implementing CSR issues.

At holding company level, the CSR officer is the main contact person for CSR-related topics. The CSR officer reports directly to the Executive Board of the Schaltbau Group and coordinates reporting. In addition, the officer takes decisions on and monitors CSR projects and the implementation of measures. The CSR officer is also responsible for reporting processes and tools. He or she validates and consolidates the data reported by Schaltbau Group subsidiaries. The Investor Relations & Corporate Communications department manages the internal and external communication of the CSR Report.

2.6. Rules and processes

The reporting process is structured hierarchically from the subsidiaries of Schaltbau Group through the three Schaltbau segments to Schaltbau Holding AG. CSR reporting is based on a two-stage consolidation and validation process at segment and holding company level in order to ensure the high reliability, quality and consistency of the data. The CSR Report is prepared on the basis of the aggregated data pool.

At holding company level, there is currently no CSR management based on standardised non-financial performance indicators. Data is already being collected at segment level, particularly in the areas of occupational safety and environmental management. In the medium term, data will also be collected at holding company level and standard performance indicators defined. In the fiscal year 2018, for example, specific Group-wide goals will be defined in the area of resource management. These include the implementation of a consolidation-wide collection system for environmental data (water, waste, energy, emissions).

A Group-wide CSR corporate policy is currently still at the introductory stage. In addition, Schaltbau Group's Code of Conduct is designed to ensure that employees act in compliance with the law across the entire Group. Violation of the Code of Conduct will not be tolerated and can result in disciplinary action.

2.7. Incentive systems

The principal features of the compensation systems for members of the Executive Board and the Supervisory Board as well as their total compensation are disclosed in the compensation report section of the Group Management Report. Schaltbau Group's compensation system is based on the principles of performance and earnings. Criteria for the appropriateness of compensation include the particular tasks performed by each of the Executive Board members, their personal performance, the performance of the Executive Board as a whole, the economic situation, the success and the future prospects of the business, taking the market environment into due consideration, the customary amount of compensation and the compensation structure compared with the wage and salary structure, both within the enterprise itself and in other companies of comparable size and industry.

In accordance with statutory provisions, the structure of the compensation system for the members of the Executive Board is reviewed and determined by the full Supervisory Board. Specific proposals for the compensation of Executive Board members are prepared either by the Personnel Committee or the full Supervisory Board in each individual case, to enable maximum flexibility in the handling of questions of compensation for Executive Board members in the course of Supervisory Board work. The procedure is in accordance with the Declaration of Compliance regarding sections 5.2/5.3 of the recommendations of the Government Commission on the German Corporate Governance Code, which is available on the company website at www.schaltbau.com/investor-relations/corporate-governance/declaration-of-compliance/.

The compensation system does not currently stipulate any explicit CSR targets. However, the structure of the target agreements for specialists and managerial staff allows CSR targets to be implemented in the target agreements.

3. COMPLIANCE

The Schaltbau Group's commercial success is based on trust, integrity, fair competition and lawful conduct, both within the Group and towards customers and business partners. The Schaltbau Group undertakes to observe all compliance regulations and ensures adherence by taking appropriate measures and clearly defining responsibilities at all Group levels.

3.1. Compliance with laws and regulations

Schaltbau Group identifies and processes compliance risks within the framework of a risk matrix. Identified compliance risks include the fields of corruption prevention (money laundering), customs law and export control, antitrust issues, data protection, product liability and CSR.

Schaltbau Group's Code of Conduct in particular is designed to heighten awareness of compliance issues. In addition to the Code, regulations will be implemented for individual compliance fields via an introductory process coordinated with the Group companies. Schaltbau Group intends to handle and fulfil legislative initiatives in a timely manner. As a rule, regulations are stipulated at holding company level. Only in exceptional cases do additional local rules exist that take specific regulations for individual countries into account. For each compliance field, regulations are reviewed after three years at the latest to ensure they are up to date.

At holding company level, the Compliance Officer is responsible for managing the Group's compliance activities worldwide and reports directly to the Spokesman of the Executive Board. The Schaltbau Bode, Schaltbau Alte and Schaltbau GmbH subgroups each have compliance officers responsible for their local units who report directly to the Compliance Officer of the holding company. Furthermore, a compliance unit is currently being established in the Schaltbau Pintsch Bamag subgroup.

Compliance regulations must be adhered to by all employees. With the introduction of new regulations or within regular cycles, employees are trained either in classroom scenarios or via e-learning formats on how to deal with topics such as corruption, antitrust and customs law as well as data protection. Audits are also used to complete training measures with the aim of ensuring compliance with statutory regulations and in-house guidelines that are relevant for Schaltbau Group's nationally and

internationally based companies. The aim is to repeat audits on individual topics every four years at the latest. Accordingly, the focus of the audits alternates between German, other European, American and Asian locations. Whereas in 2017 the focus was on the Group's Asian companies, in 2018 the audits will target Schaltbau companies based in Germany in particular.

Compliance violations can be reported either directly or anonymously to the compliance staff of the relevant units. Compliance notifications are processed promptly and if violations are detected, sanctions are imposed on those responsible if deemed appropriate. Schaltbau Group does not tolerate serious compliance violations and pursues these in particular.

As in previous years, no investigations were conducted against Schaltbau Group by state institutions during the year under report. Accordingly, no fines or penalties were imposed in connection with compliance violations against Schaltbau Group companies in 2017.

3.2. Political influence

Any political influence exerted by Schaltbau Group is done exclusively via association activities, such as through its attendance at association meetings (German Railway Industry Association, German Automotive Industry Association, German Electrical and Electronic Manufacturers' Association). Furthermore, Schaltbau GmbH is a member of the Bavarian metal and electrical industry, the German Institute for Standardisation, the German Mechanical Engineering Society, the German Chamber of Commerce, the Industry Pensions Association, the Association for Production and Logistics Management and the Association of Electrical Engineering, Electronics and Information Technology. As part of the industry working group "Legally compliant environmental management in the electronics industry", Schaltbau GmbH is committed to the implementation of RoHS, REACH, WEEE and other environmental requirements and prepares itself for the development and manufacturing of legally compliant products.

In accordance with our donations policy, Schaltbau Group does not give any type of donations or election campaign support to political parties, similar organisations, or candidates for political positions.

4. HUMAN RIGHTS

Schaltbau Group is aware of its responsibility and fully committed to the observance of human rights. Our Code of Conduct exemplifies our dedication to respecting human rights worldwide and is applicable for all Schaltbau employees. In accordance with our Code of Conduct, our business partners are required to ensure that they always act in accordance with legal provisions and respect human rights as well as the laws governing the prevention of child labour.

The compliance principles monitored by compliance officers and also the relevant compliance training courses are designed to ensure that all laws and ethical principles are adhered to. If a supplier or business partner does not meet these requirements, we reserve the right to terminate the business relationship. In the fiscal year 2018, data collection concerning human rights will be systematised and personnel responsibilities defined in the course of workshops.

In order to ensure that ethical principles are observed in the procurement of raw materials, a regulation for the business segment concerned stipulates that no conflict minerals may be either used or purchased from third parties.

No actual or potential negative human rights violations came to our attention in the supply chain in the fiscal year 2017. There are currently no reportable risks in accordance with CSR-RUG.

5. CUSTOMER INTERESTS AND PRODUCT MANAGEMENT

The most important topics with regard to customer interests and product management include product safety and quality, customer satisfaction and the subjects of innovation and digitisation. Our aim is to ensure a high level of product safety and quality and supplement our product portfolio and service offering with innovative and digital solutions by investing in research and development. As an enterprise operating on a global scale, we have a great deal of responsibility for the sustainable development of products that take into account the interests of users and meet the requirements of health, safety and environmental protection. At the same time, we want to create added value for our customers and promote a high level of customer satisfaction.

To ensure outstanding quality and high safety standards, our products are subject to strict quality and defect management procedures. We monitor the resource-saving and efficient use of raw materials in all of our production processes. In this endeavour, we are committed to leveraging environmentally friendly technologies and investing continuously in research and development in order to make our manufacturing processes and products even more sustainable. In general, our railway products have a very long service life of at least 30 years. Furthermore, Schaltbau Refurbishment GmbH specialises in the maintenance and modernisation of trains, which can significantly extend service life, greatly reducing the amount of waste generated as well as the consumption of resources. Schaltbau Refurbishment GmbH thus makes a key contribution to optimising the total cost of ownership across the entire life cycle and at the same time helps our customers meet passengers' needs for greater convenience and functionality.

In the year under report, Gebr. Bode GmbH & Co. KG took part in the cooperation project "For(s)tschritt", which is researching the use of wood-based composite material systems as an alternative to conventional lightweight solutions. The Schaltbau Group wants to use sustainable, wood-based material systems to help reduce the environmental impact caused when manufacturing road vehicles and rolling stock. At the level of Pintsch Bamag Antriebs- und Verkehrstechnik GmbH, the requirements of RoHS and REACH regulations are implemented. The use of highly efficient LEDs and state-of-the-art optical and electronic concepts in signals considerably prolongs not only the service life, but also the efficiency of our products, significantly reducing maintenance and other costs for the customer. At the level of Schaltbau GmbH, the requirements of RoHS and REACH regulations are defined and integrated prior to product development.

Subject to consultation with customers and suppliers, products can also be developed taking certain CSR aspects into account. At Pintsch Tiefenbach GmbH, for example, customers are involved in the specification of products.

The risks that can arise in connection with customer interests and product management are described in detail in the Risk Report, which is part of the Group Management Report 2017. These include warranty risks, capacity bottlenecks and delivery delays as well as reputational damage.

In order to protect the Group's reputation and customer interests, potential production risks are limited by comprehensive regulations and the application of processes relating to quality management, product safety and occupational safety. All Schaltbau Group companies are certified in accordance with ISO 9001 standards and additionally meet other industry-specific quality

management standards. In the course of certification, companies are required to provide information on their objectives, including time periods and the achievement of those objectives. In some cases, stakeholders are involved in quality management in the form of internal or external audits. Quality management measures resulting from these internal or external audits are monitored by the quality department and checked for effectiveness. No Group-wide performance indicators in the field of quality management are currently being recorded.

However, comprehensive performance indicators have already been introduced at Pintsch Bamag Antriebs und Verkehrstechnik GmbH, Schaltbau GmbH and Schaltbau Refurbishment GmbH. These include supplier and production quality, failure costs, warranty costs and repair costs.

In the medium term, Group-wide KPIs are to be defined, based on the structures, processes and performance indicators of the Group's subsidiaries.

The management is formally involved in product and quality management and regularly informed about product and development planning by those responsible.

6. ENVIRONMENT

Schaltbau Group is aware of its social responsibility and acts in a manner that protects and preserves the environment. We have set ourselves the goal of contributing towards conserving resources and promoting social progress. The main topics relating to environmental protection include energy, emissions and product-related environmental protection. Specific objectives were defined at the level of Schaltbau Refurbishment GmbH in collaboration with Pintsch Bamag Antriebs- und Verkehrstechnik GmbH in 2017. These relate to resource conservation, energy consumption and waste separation.

Schaltbau Group's resource management policy is based on its principles, regulations and guidelines, which are implemented in our Code of Conduct. Schaltbau employees are committed to complying with all laws that deal with quality assurance, environmental protection and occupational safety.

In general, the expansion of passenger and freight transportation by rail helps reduce the volume of traffic on public roads and thus to a reduction of particulate matter, CO₂ and NO_x emissions as well as noise pollution overall. Considering the limited availability of fossil fuels, we contribute to the decarbonisation of society by promoting the use of electric rail systems. We maintain long-term customer relationships and manufacture products for the railway industry that generally have a life cycle of at least 30 years. As part of our refurbishment activities, we maintain intensively used railway vehicles and give them a new lease of life, which prevents them from being scrapped and thus conserves both resources and raw materials. Not only the customer benefits, but also the environment and the Schaltbau Group itself.

The Schaltbau Group's Executive Board is also involved in resource management in the course of investment planning. Through continual dialogue with our stakeholders, Executive Board members can also emphasise our resource management standards.

The process for introducing a systematic, consolidation-wide collection system for environmental data (water consumption, waste, energy consumption, emissions) has already been initiated. With the exception of Pintsch Bubenzler GmbH and Pintsch Tiefenbach GmbH, all operating subsidiaries of the Schaltbau Group are certified in accordance with ISO 14001, which defines corporate environmental policy, environmental objectives and an environmental programme. The certification also includes the

environmental management of the Schaltbau companies, which is subject to regular reviews and thus creates incentives for a continuous improvement process.

So far, performance indicators have only been defined and implemented at the level of individual subsidiaries, and aggregated data on a Group-wide basis are not yet available. For several years, both Schaltbau GmbH and Gebr. Bode GmbH & Co. KG have had access to a very good environmental data collection system, which covers the aspects of electricity, water, heating oil, natural gas and waste. Based on these best practices, Group-wide data collection systems, targets and KPIs will be introduced via workshops in the fiscal year 2018.

No reportable risks were identified during the reporting year and separate measures for risk minimisation were therefore not necessary. At the operational level of Schaltbau subsidiaries, risk analyses are performed on an ongoing basis, for example to replace materials that are hazardous to health or to prevent groundwater contamination.

6.1. Use of natural resources

Schaltbau Group gives environmental protection a very high priority. For this reason, the manufacturing of long-lasting products and the efficient use of resources and raw materials are an integral part of our corporate philosophy. For both environmental and cost reasons, water and energy consumption as well as waste are reduced to a minimum or ideally even avoided altogether during the production process. Our refurbishment activities help prolong the life cycle of our products. We make sure to use environmentally friendly technologies and avoid environmental pollution. At the end of the production cycle, waste is either recycled or disposed of in an environmentally compatible manner. In doing so, we place great emphasis on only placing orders with waste management and transportation companies that are certified as waste disposal specialists.

Each individual Schaltbau company has already implemented various measures to conserve resources. The measures taken to save energy include the insulation and modernisation of production buildings, the use of solar power systems and more energy-efficient production through the use of cogeneration power plants. Waste statistics have been drawn up for both waste recycling and disposal, making it possible to draw conclusions regarding the development of waste prevention within the Schaltbau subsidiaries and identify potential for improvement. Guidelines on waste prevention and regular information through the publication of newsletters are additional measures intended to raise employees' awareness of the need to separate and recycle waste. Reusable packaging is always used to the extent possible. Schaltbau companies obtain their water exclusively from the local public water supply of their respective towns and cities. Employees are continuously informed about water consumption and thus sensitised to the environmentally conscious use of water.

6.2. Climate-relevant emissions

Schaltbau Group directly generates air emissions primarily through the combustion of heating oil and natural gas (heating, hot water) and indirectly through electricity consumption. Schaltbau Group does not yet have a greenhouse gas footprint in accordance with the Greenhouse Gas Protocol, but initiated the process of systematising data collection during the fiscal year 2017.

Schaltbau GmbH is setting an example in terms of avoiding climate-relevant emissions. By introducing new ventilation systems, for example, it was able to reduce its exhaust air and dust emissions and, thanks to high-quality filter and cleaning systems, to achieve a significant reduction to below the specified threshold values. The exhaust emissions generated by the company's vehicle fleet through

business trips and other transportation are kept to a minimum by avoiding unladen trips and the formation of car pools.

Bode GmbH & Co. KG and Schaltbau Refurbishment GmbH are currently considering the introduction of electric fleet vehicles as part of the E-MoMo project of the North Hesse regional management. Moreover, Schaltbau Refurbishment GmbH plans to achieve ISO 14001 certification with integrated energy management in the fiscal year 2018.

Our aim going forward is to publish our climate-relevant emissions, using a reliable database to draw up a greenhouse gas footprint and successively progress from that point. As a first step, we will conduct workshops in the course of fiscal year 2018, in which specific Group-wide goals and responsibilities will be defined.

7. EMPLOYEES

The main topics with regard to the employees of the Schaltbau Group include the recruitment of junior staff, vocational training and advanced training opportunities as well as occupational health and safety. The health and safety of our employees is our foremost priority. For this reason we take all measures deemed necessary to ensure a safe working environment and minimise risks to our workforce by optimising our work processes. The expertise and the initiative of our motivated employees are essential factors in maintaining the competitiveness of the Schaltbau Group. It is therefore important to us to offer our employees not only a pleasant working climate, but also a host of development and further training opportunities to strengthen individual skills. We see further training as an important investment in the future.

Schaltbau Group complies with both national and international regulations on occupational health and safety. Our corporate philosophy is based on the General Equal Treatment Act (AGG). All employees are treated equally in terms of recruitment criteria, pay, and development opportunities, regardless of gender, origin or religion. Schaltbau Group's remuneration system is performance-oriented and clearly structured, with the aim of being comprehensible and transparent for all employees. As Schaltbau Group participates in collective bargaining agreements, remuneration is in accordance with the collective bargaining conditions. Our employees are remunerated and classified according to their expertise, professional experience and individual performance. In accordance with the Code of Conduct, the participation of employees in the company and in the company's CSR management is being suitably promoted. Each Schaltbau company has a works council that supports employee interests. The Schaltbau GmbH works council has, for example, initiated an online survey conducted by IG Metall regarding the collective bargaining round. By strengthening the rights of its employees, the Schaltbau Group is to become an even more attractive employer for new skilled workers.

At present, Schaltbau Group has no uniform Group-wide substantive goals and measures in place. Regulations regarding the health and safety of our employees (e.g. personal protective equipment) exist in the various Group companies. Performance indicators already exist at the level of Schaltbau GmbH, which will serve as a basis for developing Group-wide targets and performance indicators. These include data on the percentage and number of trainees taken on, the average age of the workforce and the level of employee fluctuation. In cooperation with BKK Siemens, Schaltbau GmbH operates a company health management system and has introduced a home office working concept for the benefit of its employees. It has also introduced ergonomic office furniture and further noise insulation measures to protect the health of its employees. Suggestions for improvements put forward by employees with regard to employee rights, equal opportunities and health are rewarded.

Depending on the company, employees at company level can take advantage of social benefits such as flexible working time models, holiday pay, a Christmas bonus, a food allowance and old-age and capital accumulation benefits. For example, Schaltbau GmbH offers its employees leisure activities.

In addition to the further training of employees through a wide range of training courses, our subsidiaries in Germany offer school leavers a variety of vocational training occupations and dual courses of study. We offer students and schoolchildren the opportunity to get to know Schaltbau during their studies or their school education by taking up an internship or practical semester. This is also possible in the context of student research projects or final theses. For example, Schaltbau GmbH promotes the expansion of working student activities and the supervision of master's theses and doctorates in order to help young talented people join the Schaltbau Group and at the same time promote innovative ideas.

The Schaltbau Group has the necessary structures to ensure equal opportunities for all its employees and fully complies with the requirements set out in the German law governing the equal participation of men and women in management positions in the private sector and public service. In 2017, the proportion of female employees working for Schaltbau Group stood at 21 per cent. The figure can be explained by the fact that Schaltbau Group operates in a technical sector in which the proportion of women is generally still very low. Through community initiatives, we are trying to get more women interested in taking up a technical profession. In collaboration with Pintsch Bamag Antriebs- und Verkehrstechnik GmbH, Schaltbau Refurbishment GmbH regularly holds open days for young women (Girls' Day) to give them an insight into our company and encourage them to choose a technical profession.

The Supervisory Board of Schaltbau Holding AG comprised six male members in the year under report. However, our aim is to promote a higher percentage of women on the Supervisory Board and other management bodies on a sustained basis.

With the aim of promoting equal opportunities within the Schaltbau Group, we seek to engage in dialogue and regularly conduct employee surveys and conversations regarding the workplace, including the psychological workload. In cooperation with the works council and the representative for the severely disabled, we are committed to treating all employees equally.

The key figures on notifiable accidents and the absence rate of employees were consolidated in the year under report. There were 42 notifiable accidents in 2017. The absence rate stood at 5.6 per cent. Several Group companies are OHSAS 18001-certified in the area of occupational health and safety.

Workshops aimed at defining specific goals and responsibilities are scheduled for 2018. We are also introducing Group-wide reporting on work accidents and downtimes in order to define concrete Group-wide targets.

The risks that can arise in connection with employee rights and the corresponding measures are explained in detail in the Risk Report, which is part of the Group Management Report 2017. Risks relevant to CSR-RUG include a shortage of skilled workers and the inability to recruit new staff. The Schaltbau Group attempts to mitigate these risks by means of further training activities, needs-based vocational training, greater in-house cooperation and by conducting surveys on psychological stress.

Management is responsible for providing resources for occupational health and safety, for monitoring environmental impacts, for assessing risks arising from business activities and for drawing up contingency plans aimed at reducing the impact of emergencies and ensuring suitable emergency precautions. The department heads are responsible for compliance with accident prevention regulations and for compliance with legal and official requirements concerning the environment,

occupational safety and emergency planning. The department heads are also responsible for the ongoing monitoring of compliance with the given internal and external regulations on the environment, occupational safety and product safety.

8. SOCIETY

No common targets or measures were defined at Group level in 2017. Voluntary commitment was carried out at company level and is generally supported by our subsidiaries. In addition to activities in civil protection, our employees are involved, for example, in social institutions and through sponsorships abroad.



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