SUSTAINABILITY

AND NON-FINANCIAL GROUP REPORT (COMBINED NON-FINANCIAL REPORT OF ELMOS SEMICONDUCTOR SE AND THE GROUP)

Sustainability is a fundamental part of our corporate strategy, and our commitment to social, ecological, and economic sustainability is firmly anchored within our Company. We perceive sustained added value in a comprehensive way and regard it as an integral part of our strategy, management processes and goals, as well as our business model. We orient the success of our business activities not only towards financial key figures, but also want to connect that success with social acceptance, a high level of ecological awareness, and correct ethical conduct. The following explains our sustainability topics as required by Section 289c HGB and Section 315c HGB.

Elmos develops, produces, and markets semiconductors, primarily for automotive use. You will find more information about the Company's business model in the section entitled "Elmos product contribution" below and in the chapter "Combined management report" in this Annual Report.

The innovative microelectronics developed by Elmos make a significant contribution to improving the lives of people and to protecting our environment. We shape future mobility, and our products make the world more sustainable, safer, and a better place to live – that is our vision and the basis for our daily actions. That is why growth and sustainability go hand in hand at Elmos to help us achieve long-term profitable growth and make a positive contribution to the environment and society. We are aware of our social and environmental responsibilities, which are reflected in numerous activities and projects throughout the Company.

The basis for developing the Elmos sustainability strategy, which takes the entire value chain into account – starting with our suppliers and our own activities all the way through to our product portfolio and added value for our customers – is a materiality assessment. This is how we identify the key sustainability issues for Elmos. We take the double materiality approach when carrying out this assessment. This includes issues that we can influence as a company, such as our consumption of energy and resources, as well as issues that have an impact on us, such as those that are considered to be material by our stakeholders and within our industry. To identify these key issues, the 17 United Nations (UN) Sustainable Development Goals (SDGs) are used, which take into account all three dimensions of sustainability: social, environment and economic. Since social issues in particular are reflected and promoted in part through the Elmos Foundation, the main sustainability targets have been analyzed for both the Elmos Group and the Elmos Foundation.

Within the scope of the materiality assessment for the Elmos Group, the goals of good health and well-being (SDG 3), gender equality (SDG 5), decent work and economic growth (SDG 8), industry, innovation, and infrastructure (SDG 9), responsible consumption and production (SDG 12), and climate action (SDG 13) were identified in particular as areas where Elmos, as a business, has the greatest influence. The purpose of the Elmos Foundation includes the advancement of research, science, and education, regional advancement at the Elmos Group's locations worldwide, and combating poverty around the world. With these objectives, the Elmos Foundation makes significant contributions to the UN goals of no poverty (SDG 1), zero hunger (SDG 2), quality education (SDG 4), affordable and clean energy (SDG 7), reduced inequalities (SDG 10), and peace, justice, and strong institutions (SDG 16).

We are working continuously to expand the positive influence we can have on key sustainability issues. At Elmos, ESG-relevant issues as well as the publication and communication of ESG activities, key figures, and policies are coordinated by the Investor Relations department, which regularly exchanges information on sustainability issues and stakeholder requirements with specialists from all relevant departments, in particular Human Resources, Facility Management, Purchasing, and Sales as well as the Environmental Protection and Occupational Safety Officer. In future, all ESG-related issues will be managed at Elmos by a dedicated ESG working group chaired by Dr. Arne Schneider, CEO of Elmos Semiconductor SE, thus anchoring sustainability even more strongly within the Company's organization.

Our commitment to increased sustainability is presented transparently to our stakeholders as part of our regular ESG reporting. There is a large number of ESG-related documents and key figures from the areas of environment, social, and governance together with more in-depth information on the ESG strategy adopted by Elmos and the materiality assessments of the Elmos Group and the Elmos Foundation available on our website at www.elmos.com in the Sustainability section, which demonstrate the high standards of Elmos regarding sustainability. Moreover, Elmos also participated in the Carbon Disclosure Project (CDP), the world's largest database for environmental and emissions data, for the first time in fiscal year 2022.

Elmos pays attention to **environmental concerns** and has received certification in line with both the demanding environmental management standard ISO 14001 and the energy management standard ISO 50001. This certification is reviewed every year and is confirmed in repeat audits.

Elmos collects a wide range of consumption data for operational assessments and other purposes that can be used as a basis for measures to optimize consumption metrics within the Company and for ESG activities and objectives, including emissions, energy consumption, and water consumption, as well as waste volumes. These figures and more are available in the "Sustainability" section of our website at www.elmos.com. Elmos analyzes internal processes to further increase energy and resource efficiency and to generate benefits for both the environment and the Company's economic base. Elmos has also joined the national campaign "Initiative Energieeffizienz-Netzwerke" (engl. "Energy Efficiency Networks Initiative"), which has developed into one of the most successful tools of the National Action Plan on Energy Efficiency (NAPE). Through its involvement, Elmos actively supports the German government's energy efficiency targets. Activities include constantly analyzing production processes to identify potential efficiency increases.

Effective resource management is important for both the environment and the economy. One example of this is our efficient gas-driven CHP (combined heat and power plant), which allows us to generate a substantial share of our power requirements ourselves while utilizing the heat produced for heating our buildings at our Dortmund headquarters and for air conditioning at the front-end and back-end areas of our wafer fab. To enable the recycling of valuable materials, substandard components from Elmos are sent to a recycling company that extracts and processes the valuable contained in the parts to the greatest extent possible. Deionized (DI) water for wafer processing is generated by Elmos itself, thus significantly reducing the consumption of drinking water required to clean wafers. In general, all wastewater is treated to a level where it can be returned to the municipal wastewater system.

Internal and external audits regularly review whether we are treating potentially harmful substances in a way that complies with the law. Moreover, we have issued statements on the following topics (available at www.elmos.com):

-> conflict minerals
-> the EU chemical regulation REACH (Registration, Evaluation, Authorization and Restriction of Chemicals)
-> the EU regulation RoHS (Restriction of Hazardous Substances)

Employee matters are a central topic for us. We would like to create a working environment where our employees are able to apply their skills and develop accordingly. Elmos is proud to be able to offer its employees attractive workplaces at all of its locations. We set the highest standards in terms of occupational safety, which is why the Elmos occupational health and safety management system has been certified according to the strict requirements of ISO 45001 since 2019. Elmos places tremendous importance on equal opportunities and expects a respectful approach to dealing with one another. We have a policy of advancing employees Company-wide regardless of gender. When selecting applicants, we pay attention to their suitability, motivation, and expertise and do not privilege or disadvantage anybody based on factors such as gender, skin color, ethnic or cultural background, nationality, religion, worldview, disability, age, marital status, or sexual identity and orientation. As an innovative company in the semiconductor industry, specialists with excellent training are of particular importance to Elmos, which is why we regularly participate in career and trade fairs. In order to ensure the continuous professional development of all its staff, Elmos offers employees a wide range of training courses. Important training on key topics (e.g., compliance, Code of Conduct, cyber-security, occupational health and safety, environmental protection, and energy management) must be repeated and successfully completed by all employees at regular intervals. Employees also receive specialist training depending on their area of responsibility. In the past fiscal year, employees of Elmos Semiconductor SE received a total of over 10,700 hours of training. That corresponds to around 13 hours of training per employee on an annual average. Employees in leadership positions also complete executive training. In addition, Elmos is highly committed to vocational training, which it sees as an important investment in the future. As of the reporting date (December 31, 2022), a total of 40 apprentices were employed at German Elmos locations. Elmos also works extremely successfully with renowned universities and colleges in Germany and abroad, awards a variety of scholarships through the Elmos Foundation, and gives students the opportunity to combine their studies with practical experience at the Company. Thanks to this strategy, Elmos is successful at attracting talented young people at an early stage and broadening their career prospects.

NUMBER OF EMPLOYEES

	12/31/2022	12/31/2021
Elmos North Rhine-Westphalia	989	927
Other subsidiaries	211	218
Total	**1,200**	**1,145**

Our working conditions and respect for employee rights meet and in some cases exceed the demanding legal requirements. We place a particular focus on occupational safety in the production areas. In this sense, we also fully comply with the legal requirements for operating production facilities. Regular safety training workshops and inspections are a fixed component of prevention.

Elmos would like to offer all employees around the world a working environment that is free from any form of discrimination and disadvantage. The principles of proper conduct towards and among employees, as well as towards external persons and institutions, are defined in our Code of Conduct. The Code addresses issues such as law-abiding behavior, respect for human rights, anti-discrimination, conflicts of interest, anti-corruption, data privacy and data security, dealing with information and Company assets, and many other important topics. The Code of Conduct is binding for all employees, and they receive regular training on the topic. Potential violations of the Code of Conduct or other misconduct can be reported using the (anonymous) whistleblower system, which is not only available Company-wide, but also for the entire value chain, i.e., also for the employees of our business partners (such as suppliers and customers). The current version of the Code can be found online at www.elmos.com.

In addition to the listed rights and duties, we also offer a large number of voluntary services to boost and promote the health of our employees. Occupational health management is an essential social standard implemented by Elmos. Along with general health programs, it includes special offers for employees doing shift work. Among other benefits that go beyond the usual are the in-house cafeteria, an employee parking garage with separate spaces for bicycles, e-charging stations for e-bikes and company cars, our free in-house gym with an extensive course program, and massage offerings at our headquarters in Dortmund. In addition, an in-house health team provides certain medical examinations and vaccinations for employees. Moreover, the health team organizes the participation

in local sporting events, such as company runs.

With regard to the COVID-19 pandemic, Elmos recognized the seriousness of the situation at an early stage at the beginning of 2020 and initiated extensive measures to protect staff, including protection and hygiene concepts for all areas of the Company, providing masks and disinfectants, suspending business travel, increased remote working, free rapid tests, and vaccination offerings for all employees and their families also in 2022. With the help of these preventive measures, Elmos succeeded in reducing the risk of infection within the Group and maintaining production and business activities without major disruption. Due to the pandemic developments, most of the COVID-19 protection measures at Elmos could be lifted towards the end of the year under review. However, we remain vigilant and are prepared to quickly step up our protection and hygiene measures again should this become necessary because of higher infection rates or new variants of the virus.

Where necessary, the Company coordinates measures with the Elmos works council. Management and the works council engage in a lively exchange of ideas in several committees for an ongoing positive collaboration. Regular works meetings provide management and employees with the opportunity to engage in an active dialog with each other. Initially due to the COVID-19 pandemic, in-person works meetings were not held last year in the interests of protecting the staff. However, at the end of the year, works meetings were held for the first time in a hybrid format, i.e., with both in-person and virtual attendance, based on the pandemic situation and with appropriate protective measures in place. Given the positive feedback, the concept of a hybrid event will be continued in the future in order to further promote dialog between management and staff. In addition, both the Management Board and the works council ensure regular and up-to-date communication with all employees by addressing them in frequent video messages and announcements. To provide an opportunity to discuss topics with the Management Board on a smaller scale, “Meet & Greet” events were also held last year at various locations around the world, at which the Management Board informed employees about the current situation and ongoing development of the Company, and employees could ask questions.

Our Code of Conduct for employees and the Supplier Code of Conduct for our suppliers set out how **human rights** are to be upheld. Our suppliers and business partners are obligated to comply with the rules defined in our Supplier Code of Conduct and must ensure compliance by their sub-suppliers as well. Examples of what is required by the Supplier Code of Conduct include upholding international human rights, observing employee rights in line with national and international standards, and rejecting child labor, forced labor, and discrimination of all kinds. The current version of the Code can be found online at www.elmos.com.

We actively strive to **combat corruption and bribery** at our Company. Elmos has a Group-wide compliance management system (CMS). In fiscal year 2022, Elmos had the adequacy and implementation of its compliance management system (CMS) audited by an external, independent auditor in accordance with the “IDW Assurance Standard: Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems (IDW AsS 980).” The findings of the audit were that the implemented CMS rules in the description of the CMS are appropriate, suitable, and implemented in all material respects in accordance with the CMS principles applied. The system includes, for example, the following regulations: Prohibitions against bribery and corruption, commitment to correct accounting, compliance with all relevant legal and regulatory requirements, non-disclosure obligations with respect to confidential information, and prohibitions against anti-competitive conduct. The compliance officer monitors compliance with rules and laws and provides clear guidance to employees with compliance questions. Selected employees must take part in special compliance training that addresses different aspects of compliance and provides instruction for the areas in which they work. Another tool that helps prevent corruption is our anti-corruption policy, which governs the handling of gifts and invitations and is binding for all employees worldwide.

We promote **social causes** through our diverse collaborations with external partners and via the Elmos Foundation. For this reason, engaging in dialogue at a local-government and regional level with authorities, organizations, institutions, and working groups is part of our corporate culture. Moreover, the charitable work of the Elmos Foundation, which was founded in 2016, supports projects for the promotion of education and science as well as local activities at the locations of the Elmos Group and campaigns fighting worldwide poverty. To promote education, the Elmos Foundation participates every year in the Deutschlandstipendium, a scholarship program that provides support to high-achieving and talented students. Every year, the Elmos Foundation also supports RuhrTalente by providing scholarships to school students. One of many events supported by the Foundation was the World Robot Olympiad finals for children and young people, which took place in Dortmund in November 2022 and attracted a large number of international participants. The Elmos Foundation’s regional projects in 2022 included contributing to cultural initiatives and to the provision of school bags and other assistance for children from underprivileged families, as well as to emergency aid for people from Ukraine. To help fight global poverty, the Elmos Foundation supports the Eruisaku foundation for orphans and education in Nigeria, along with Sambhava, an organization that operates a home for children in need in Nepal and makes it possible for other children to go to school or participate in sporting activities. The Elmos Foundation also regularly supports initiatives by Ingenieure ohne Grenzen e. V. as well as projects promoting the further education of children in Peru, Argentina, and Kenya. Further information and a detailed look at the work carried out by the Foundation can be found on its website at www.elmos-stiftung.de.

Material risks that could occur in connection with the listed topics are addressed in the chapter “Opportunities and risks.”

Sustainability reporting has been prepared in accordance with external frameworks, in particular the German Sustainability Code (DNK). The sustainability topics that are important to the Company have been explained, which is why there is no need for a separate DNK statement of compliance.


eMobility


Ultrasonic sensors for environment detection


Ambient lighting

ELMOS PRODUCT CONTRIBUTION: ENVIRONMENTAL PROTECTION, SAFETY, COMFORT

Elmos has been developing semiconductor solutions that improve people's lives for almost 40 years. As one of the world's most experienced mixed-signal semiconductor companies, we have gained a leading role in many application fields and continuously develop smart innovations that deliver added value to our customers and end consumers.

With our innovative products we are shaping the mobility of the future and make the world safer, more comfortable, and more sustainable.

Automotive applications (percentage of sales in FY 2022: 88%)

As a specialist for forward-looking vehicle appilcations, our ICs (integrated circuits) offer outstanding solutions to the challenges arising from the global automotive megatrends: autonomous driving, driver assistance systems, environmental protection via low-consumption or zero-emission drive concepts, safety, comfort, and well-being.

Ultrasonic sensors for environment detection

For maximum comfort and safety in advanced driver assistance systems (ADAS) and in autonomous or semi-autonomous driving, Elmos ICs for ultrasonic sensors are indispensable because they enable the precise and optimal detection of the vehicle's environment.

Measuring distances and detecting the environment using ultrasonic sensor ICs is a long-time proven, reliable and highly efficient technology. As a market leader, Elmos has already delivered more than 1.4 billion ultrasonic ICs worldwide.

Elmos ultrasonic ICs support advanced driver assistance systems through precise detection of the environment at close range of up to six meters and at low speeds, for example in urban areas or in slow-moving traffic on the highway. Ultrasonic systems are exceptionally reliable and work in any light or weather conditions. They are also highly versatile thanks to their compact design, as well as cost-effective. Sensors using Elmos ultrasonic ICs can detect obstacles, pedestrians, cyclists, or animals. In emergency situations, automated systems often react far more rapidly than humans and can therefore prevent accidents or at least reduce the impact, for example with emergency brake assistants.

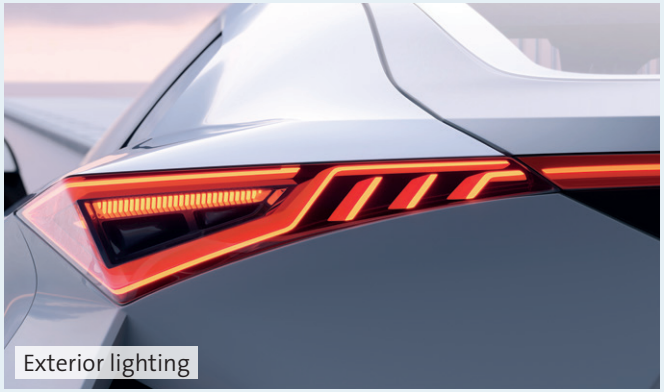
Parking systems equipped with Elmos ICs allow drivers to park without stress or additional assistance in almost any parking space, thus helping to prevent damage to vehicles and infrastructure. Advanced systems featuring ultrasonic technology detect parking spaces and take over parking and exiting operations fully automatically, even in the smallest of parking spaces, regardless of whether the space is perpendicular or parallel. This allows parking spaces to be used efficiently and significantly reduces urban parking traffic.

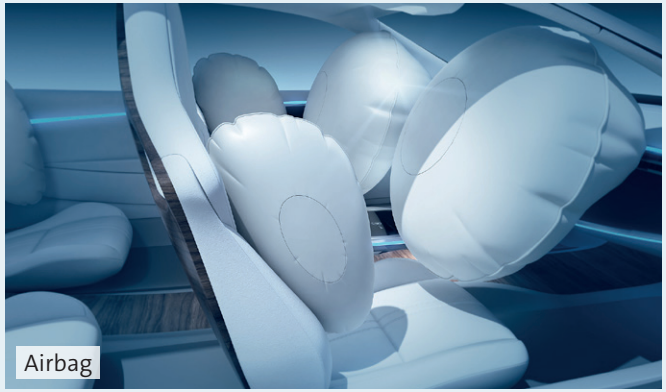
Ambient lighting

Up to now, interior lighting has only served to illuminate the interior of a car in a functional way. New dynamic ambient lighting concepts with the help of Elmos ICs develop the lighting experience further, create emotions, increase the comfort and well-being of the occupants, and warn in time of potential dangerous situations.

Ambient lighting concepts with Elmos LED controllers make it possible to illuminate the interior, dashboard, center console, doors, or headliner in almost any shape, color, and color temperature completely individually. With only a small number of LEDs, energy and cost efficiency can be significantly increased.

LEDs save up to 80% in energy compared to traditional light bulbs and have a significantly longer life. LEDs also contain no toxic chemicals, can be recycled and are therefore considered very environmentally friendly.


Exterior lighting


Airbag


Motor control

Exterior lighting

Elmos semiconductors for vehicle rear lights set new standards for very bright and consistent light intensity combined with simultaneous low energy consumption.

Compared to conventional light bulbs, LED rear lights reach maximum brightness far more quickly, which can significantly reduce the reaction time for the following traffic, especially when braking, which can, in turn, reduce the braking distance. This can help to prevent rear-end collisions.

In addition to higher safety standards, Elmos LED rear light drivers also open up a wide range of possibilities for vehicle makers to design a striking and dynamic vehicle rear section. Advanced LED rear light concepts combine extensive design freedom with high levels of functionality and energy efficiency. Elmos LED rear light controllers therefore increase traffic safety and reduce greenhouse gas emissions.

Airbag

In addition to active assistance and safety systems, passive safety systems such as airbags also significantly increase the safety of vehicle occupants. Elmos airbag ICs enable the airbag control unit to inflate airbags in a fraction of a second in the event of a front, rear, or side-impact collision, or to activate restraint systems such as the seatbelt tensioner.

Vehicles have been fitted with airbags since the 1980s and since then they have prevented serious injuries and saved the lives of countless people. Some modern vehicles are fitted with up to 30 different airbags to provide occupants with the best possible protection in the event of an accident.

In fully autonomous driving, the possible applications and number of airbags will continue to grow in the future because the different postures and adjustable seat angles in a self-driving car would mean that conventional restraint systems such as the three-point safety belt would only provide insufficient occupant protection in the event of an accident.

Elmos ICs do more than provide better protection for vehicle occupants. Special pedestrian airbags soften the impact that a pedestrian or cyclist has on a vehicle and significantly reduce the effects of an accident.

And from an environmental point of view, airbags also contribute positively in a way that should not be overlooked. Installing airbag systems means that lightweight materials can be used, thus considerably reducing the weight of the vehicle chassis without compromising the safety of its occupants.

Motor control

The range of applications for small motors in vehicles is growing steadily. In modern vehicles especially, several dozen of these little helpers make it possible to adjust a wide range of systems electrically and automatically, ranging from interior and exterior comfort features to safety and assistance systems to ensuring optimum control of drive management.

Elmos is a leading global specialist in reliable IC solutions for DC, BLDC, and stepper motors. Elmos motor control ICs stand out thanks to their high performance combined with low power consumption, a long service life, and precise and virtually noiseless operation.

Thermal management

In the field of electromobility, thermal management plays a crucial role in optimizing the efficiency, charging times, and ranges of hybrid and electric vehicles. The Elmos product portfolio in the field of thermal management comprises the three core elements engine, battery, and interior, and enables intelligent cooling and thermal management in modern vehicles.

To ensure perfect interaction between the coolant and refrigerant circuits, Elmos motor control ICs regulate a large number of pumps, valves, and flaps throughout the vehicle, thus maintaining an optimal operating temperature for all mechanical and electronic components. This increases the efficiency of the drive system and reduces energy and fuel consumption.


Thermal management

Optical ICs (including gesture control)


Smart home

Smart air-conditioning shutters and vents allow the airflow in the interior to be regulated with great precision. Individual climate zones allow each occupant to select their own personal temperature preferences without having to air-condition the entire interior of the vehicle cabin and thereby consume energy unnecessarily.

Elmos' innovative applications in the area of thermal management support the expansion of electromobility, enable a reduction in vehicle emissions, and thus make a significant contribution to protecting the environment.

Sensor ICs (including battery management)

Elmos sensor ICs act as an interface between the digital and analog worlds. Elmos sensor ICs have been setting standards for the measurement of pressure and temperature in vehicles for more than 25 years. In electric vehicles, Elmos semiconductors for battery management systems (BMS) monitor the operating and charging status of the battery system, regulate the charging and discharging cycle as well as power output to the various loads, and maintain the voltage and operating temperature of the battery within an optimal range. This increases the safety, performance, and service life of the battery.

Power management (including eFuses)

Modern vehicle designs require a high and reliable supply of energy, especially in the case of electric and hybrid vehicles. Nowadays, conventional fuses are still mainly used for protection reasons, despite the expanding electrification of vehicle functions. This type of fuse can already be replaced thanks to the new eFuse product family from Elmos. Unlike conventional fuses, electronic fuses respond extremely quickly and reliably. In addition, eFuses are also more sustainable because, unlike conventional fuses, they do not need to be replaced after actuation. Electronic fuse systems also facilitate the construction of flexible vehicle architectures and therefore help to cut down on weight by reducing the number of cable harnesses inside the vehicle.

Optical ICs (including gesture control)

As one of the pioneers in gesture recognition in vehicles, Elmos gesture control ICs facilitate intuitive, contactless, and precise cockpit operation. This means that the driver is less distracted when operating the display or other functions and can therefore concentrate better on the traffic, which significantly increases road safety. Gesture control ICs by Elmos have been used by well-known car manufacturers worldwide for more than ten years now, thus providing enhanced safety, comfort, and user experience in millions of cars.

Non-automotive applications (percentage of sales in FY 2022: 12%)

Elmos ICs contribute to greater environmental protection, safety, and comfort beyond the automotive sector, too.

Smart home

With its semiconductor applications for smart installation and building technology, Elmos makes homes safer and more energy-efficient. Advanced semiconductor technology makes it possible to connect a wide variety of functions in homes or buildings and control them centrally and easily using a smartphone or tablet.

Advanced motion and presence detection using the Elmos PIR (passive infra red) smart sensor helps reduce electricity consumption in buildings or sends alerts about unwelcome intruders. Elmos semiconductors are used in HVAC systems in buildings in order to regulate room temperatures in the most efficient and energy-saving way possible, for example.

Industrial automation

Elmos semiconductors facilitate the transformation of industrial automation into Industry 4.0. Digital solutions and the connectivity of machines have made industrial processes increasingly efficient and flexible, while also enhancing productivity and quality. Costs, energy consumption, and emissions can be reduced simultaneously. Elmos semiconductors are used in a number of different areas of application, such as in temperature and pressure monitoring, power supply, or the connection of machinery with industrial processes.

Elmos ESG product matrix

Application		Contribution to increased		
		environmental protection and efficiency	safety and health	comfort and well-being
	Automotive			
	Airbag	low	high	low
	Ambient lighting	medium	low	high
	Exterior lighting	medium	high	low
	Motor control and thermal management	high	medium	medium
	Optical ICs (including gesture control)	-	medium	high
	Power management (including eFuses)	medium	low	low
	Sensor ICs (including battery management)	medium	medium	low
	Ultrasonic sensors for environment detection	low	high	high
	Non-automotive			
	Industrial automation	medium	medium	-
	Smart home	high	medium	high

Elmos products make a major contribution to greater environmental protection and efficiency, health and safety, as well as comfort and well-being. As the Elmos ESG product matrix shows, the majority of Elmos products can be used for multiple purposes simultaneously. An analysis of our product applications shows that more than 65% of Group sales make a substantial contribution to increased environmental protection and higher efficiency. More than 75% enhance health and safety in road traffic, at home, or in industrial processes. In addition, around 54% of sales increase the comfort and well-being of end consumers. For the purposes of this sales analysis, all applications with a high or medium impact are considered to make a significant contribution, while applications with a low or no impact are not considered.

In other words, Elmos semiconductor solutions are already making our world greener, safer, and more comfortable. In future, we plan to align our product portfolio and the development of new semiconductor applications even more closely with sustainability and climate protection so that we can provide additional innovative solutions that substantially reduce greenhouse gas emissions – up to climate neutrality – in our product segments.

REPORTING IN ACCORDANCE WITH THE EU TAXONOMY REGULATION

As part of the action plan known as the European Green Deal, whose overarching objective is for the EU to become climate-neutral by 2050, EU Regulation 2020/852 on the establishment of a framework to facilitate sustainable investment ("EU Taxonomy") was adopted in June 2020. On the basis of defined Taxonomy requirements, the economic activities of EU companies are to be classified and assessed in terms of their contribution to the EU's six environmental objectives, with the aim of encouraging greater investment in environmentally sustainable activities within the EU. Pursuant to Article 8 of the EU Taxonomy, starting from January 1, 2022, companies subject to reporting requirements are obliged to disclose information on whether and to what extent their economic activities are environmentally sustainable as defined by the EU Taxonomy. As a result, non-financial companies subject to reporting requirements must include information on "green" turnover, capital expenditure (CapEx), and operating expenditure (OpEx) in their (consolidated) non-financial statement or (consolidated) non-financial report and prove whether their activities are actually environmentally sustainable according to the criteria of the EU Taxonomy and therefore substantially contribute to the fulfillment of the EU's environmental objectives.

The environmental objectives specified in Article 9 of the EU Regulation are:

(1) climate change mitigation
(2) climate change adaptation
(3) sustainable use of water
(4) transition to a circular economy
(5) pollution prevention and control
(6) protection of biodiversity and ecosystems

The EU Taxonomy distinguishes between Taxonomy-eligible and Taxonomy-aligned economic activities. Economic activities are Taxonomy-eligible if they are consistent with one of the activities listed in Annexes I (Climate Change Mitigation) and II (Climate Change Adaptation) to the Delegated Act of June 4, 2021 and March 9, 2022. According to the definitions of the EU Taxonomy, Taxonomy-eligible economic activities only qualify as Taxonomy-aligned if those activities meet the respective "technical screening criteria," i.e.,

(1) contribute substantially in a verifiable manner to at least one of the six environmental objectives,
(2) do not significantly harm any of the EU's other environmental objectives (principle of "do no significant harm" – DNSH),

and additionally, above and beyond the technical screening criteria,

(3) are carried out in compliance with the minimum safeguards.

Due to the complexity of the legal framework and the significant effort involved for the companies affected, Article 10 of the Delegated Act of July 6, 2021, concerning Article 8 of the EU Taxonomy Regulation provides for simplifications for the companies' first year of reporting. In 2022, companies therefore only needed to disclose the proportion of "Taxonomy-eligible economic activities" and "Taxonomy non-eligible economic activities" in their total turnover, capital expenditure (CapEx), and operating expenditure (OpEx) relating to the first two environmental objectives (climate change mitigation, climate change adaptation) as well as provide additional explanatory information, irrespective of whether the technical screening criteria for the respective economic activities were met or not. Consequently, a detailed and extensive audit and assessment of the economic activities with regard to fulfillment of the technical screening criteria, as well as verification by an independent third party as required by the EU Taxonomy or the technical screening criteria for economic activities at Elmos, were not required in the first year of reporting.

A specific analysis of economic activities and proof of alignment with the Taxonomy on the basis of the technical screening criteria must be performed for the reporting starting from January 1, 2023. Elmos addressed the requirements and reporting duties under the EU Taxonomy in detail at an early stage and complied with the initial reporting obligations in full in fiscal year 2022. To prepare for the additional, significantly more complex reporting requirements as of January 1, 2023, the Elmos ESG team has had in-depth discussions with various internal specialists, expert committees, ESG consultancies and audit firms, statutory auditors, professors working in departments at well-known universities, and companies operating in the semiconductor industry over the course of the year under review. In addition, we have attempted to continue refining our internal processes and the required data transparency.

Determination of the relevant environmental objectives and economic activity of Elmos Semiconductor SE for the purposes of the EU Taxonomy

According to Annex 1 (environmental objective 1 – climate change mitigation) and 2 (environmental objective 2 – climate change adaptation) of the Delegated Regulation of June 4, 2021, supplementing the EU Taxonomy Regulation, there are a total of 17 different activities that are deemed Taxonomy-eligible for companies in the manufacturing sector (production of goods).

The benefits of Elmos products for the environment and people are explained in detail in the preceding section of this report entitled "Elmos product contribution: environmental protection, safety, comfort." Elmos is a leading global supplier of mixed-signal semiconductors, primarily for use in automotive vehicles. Elmos semiconductors make mobility around the world safer, more comfortable, and more energy-efficient and therefore contribute substantially to climate change mitigation, as well as to reducing greenhouse gas emissions.

In the automotive industry, semiconductor solutions help significantly lower global CO2 emissions from vehicles. Elmos contributes to these efforts through a wide range of automotive components, such as ICs specifically for hybrid and electric vehicles, efficient LED lighting, high-efficiency control systems for HVAC, aerodynamics optimization, and for temperature and thermal management, sensors for automatic lights, and high-efficiency heating systems.

Elmos operates exclusively in the field of semiconductors. The production of semiconductors as an electronic component is covered by code C.26 of the statistical classification of economic activities in the European Community (NACE). There are no other Taxonomy-related activities or business segments in the Elmos Group.

In the Annex setting out the technical screening criteria in the Delegated Regulation of June 4, 2021, supplementing the EU Taxonomy Regulation, the NACE code relevant for Elmos (C.26) falls within section 3.6 (Manufacture of other low carbon technologies). According to the description in section 3.6, the manufacture of other low carbon technologies is aimed at substantial greenhouse gas emission reductions in other sectors of the economy. It enables other sectors of the economy to contribute substantially to fulfilling environmental objectives or to significantly reduce greenhouse gas emissions (enabling activity). The relevant economic activities defined by the EU Taxonomy, for which Elmos technologies enable a substantial contribution to the fulfillment of environmental objectives, are in particular the manufacture of low carbon technologies for transport (section 3.3) and, to a lesser extent, the manufacture of energy-efficient equipment for buildings (section 3.5).

The analysis of our economic activities on the basis of the requirements of the EU Taxonomy has also shown that Elmos products make a substantial contribution to environmental objective 1 (climate change mitigation). The activities of Elmos do not make a substantial contribution to environmental objective 2 (climate change adaptation).

Determination of Elmos Semiconductor SE's Taxonomy-eligible turnover for the purposes of the EU Taxonomy

Similar to the approach taken in the previous year, Elmos again adopted a conservative approach to identifying Taxonomy-eligible turnover in the year under review. In the Elmos Group, this turnover includes sales attributable to semiconductors that could enable a substantial contribution to the fulfillment of environmental objectives by increasing efficiency, directly reducing consumption, or reducing a vehicle's or building's CO2 emissions (such as ICs for LED control of front and rear lighting, ICs for efficient motor control, home automation, heat optimization, and for efficient energy use). According to the screening criteria of the EU Taxonomy, all other sales from products for applications that have no direct effect on environmental objectives do not qualify as Taxonomy-eligible, although the use of parking assistance systems, for example, considerably reduces urban parking and thus indirectly contributes to reducing CO2. Sales as defined by IAS 1 and sales accounted for pursuant to IFRS 15 in the consolidated financial statements were used as a basis for turnover.

Determination of Elmos Semiconductor SE's Taxonomy-eligible capital expenditure (CapEx) for the purposes of the EU Taxonomy

The Company is not able to prepare a clear breakdown of capital expenditure (CapEx) based on environmentally sustainable criteria. Among other things, this is because all types of semiconductors, including those that may not be Taxonomy-eligible, are tested on a testing machine. We therefore determine Taxonomy-eligible and Taxonomy non-eligible capital expenditure in an approximate manner, either on the basis of Taxonomy-eligible turnover or the number of units sold of all Taxonomy-eligible products, depending on the type of capital expenditure. For example, capital expenditure on land and buildings was broken down on the basis of the number of units sold of the Taxonomy-eligible products, as this capital expenditure is apportioned using a more value-neutral approach based on cost allocation, and the value or complexity of a product has no effect on the use of that type of investment. By contrast, with regards to capital expenditure on property, plant and equipment that are deployed directly in the production process (such as technical equipment for the testing process or testing machines), we used turnover to determine Taxonomy-eligible capital expenditure so as to take into account the varying degrees of utilization of production machinery by our different types of semiconductors, depending on their complexity, while applying a value-based method. Higher-value ("more expensive") semiconductors tend to spend longer on testing machines or undergo more complex testing programs than simple ("cheaper") semiconductors. Higher-value products therefore use testing machines longer and place a greater strain on technical equipment than simple products. In these cases, a value-based calculation according to turnover is preferable compared to a value-neutral breakdown by number of units. The same applies to product-related or project-related capitalized development expenses, and thus materially to intangible assets, because higher-value or more complex projects generally require more development resources, meaning that a higher proportion of development expenses can be capitalized than in the case of semiconductors that were less complex and more simple to develop. Additions to property, plant and equipment and intangible assets according to the consolidated financial statements were used as a basis for total capital expenditure (Taxonomy-eligible and Taxonomy non-eligible).

Determination of Elmos Semiconductor SE's Taxonomy-eligible operating expenditure (OpEx) for the purposes of the EU Taxonomy

A clear and specific breakdown of Taxonomy-eligible and Taxonomy non-eligible expenditure is also not possible in the case of operating expenditure (OpEx) and would, in our view, be of very little informative value in any case. Depending on the cost type, we again used either turnover or number of units sold to approximately determine the OpEx KPI. For all relevant, EU Taxonomy-based expenses that are directly linked to product development, we used the proportion of turnover accounted for by our defined Taxonomy-eligible activities, because higher-value products tend to require higher research and development expenses, and in particular more human resources. We treated other expenditure not related to product development, such as expenditure for maintenance and repair of buildings, as typical cost allocations and broke this expenditure down based on the number of units sold of the Taxonomy-eligible products. In accordance with the EU Taxonomy, the basis used to determine total operating expenditure (both Taxonomy-eligible and Taxonomy non-eligible) comprised direct, non-capitalized costs relating to research and development, building renovation measures, short-term leases, and maintenance and repair, as well as all other direct expenditure in connection with the daily maintenance of items of property, plant and equipment by the Company or by third parties to which activities are outsourced that are necessary to ensure the continuous and effective functioning of these assets.

Explanatory notes on the EU Taxonomy disclosures

-> All disclosures relate to the reporting period from January 1, 2022 to December 31, 2022 (prior year: January 1, 2021 to December 31, 2021).

-> In line with the consolidated financial statements of Elmos Semiconductor SE, the key financial indicators were determined in accordance with IFRS and stated in million Euro.

-> The key financial indicators required to be reported under the EU Taxonomy (turnover, CapEx, OpEx) are based on data from the consolidated financial statements of Elmos Semiconductor SE as of December 31, 2022, and were determined in accordance with the provisions and definitions contained in Annex 1 (KPIs of non-financial undertakings) of the Delegated Regulation of July 6, 2021.

ELMOS GROUP: TAXONOMY-ELIGIBLE TURNOVER, CAPEX, AND OPEX IN ACCORDANCE WITH THE EU TAXONOMY IN REPORTING YEAR 2022

	FY 2022		FY 2021	
	in million Euro	in %	in million Euro	in %
Turnover				
Group	447.2	100.0%	322.1	100.0%
thereof Taxonomy-eligible	137.7	30.8%	103.8	32.2%
thereof Taxonomy non-eligible	309.5	69.2%	218.3	67.8%
Capital expenditure (CapEx)				
Group	90.8	100.0%	80.3	100.0%
thereof Taxonomy-eligible	28.3	31.1%	27.6	34.4%
thereof Taxonomy non-eligible	62.5	68.9%	52.7	65.6%
Operating expenditure (OpEx)				
Group	47.5	100.0%	43.5	100.0%
thereof Taxonomy-eligible	14.9	31.4%	14.2	32.7%
thereof Taxonomy non-eligible	32.6	68.6%	29.3	67.3%

Determination of Elmos Semiconductor SE's Taxonomy-aligned economic activities for the purposes of the EU Taxonomy

As stated in the general disclosures on the EU Taxonomy, we at Elmos have intensively dealt with the preparation of the additional reporting requirements starting on January 1, 2023. We have attempted to apply the complex requirements of the technical screening criteria to our economic activities, but have had to acknowledge that to even begin demonstrating the alignment of our products with the Taxonomy would only be possible with a very considerable and disproportionately high effort. A major obstacle to

PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

				Substantial contribution criteria						DNHS criteria ("does not significant harm")									
Economic activities	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover, 2022	Taxonomy-aligned proportion of turnover, 2021	Category (enabling activity)	Category (transitional activity)
		million Euro	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned) Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	-	-	-	-	-	-								0%	0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of other low-carbon technologies	C.26	137.7	30.8%																E	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		137.7	30.8%																30.8%	
Total (A.1 + A.2)		137.7	30.8%																30.8%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		309.5	69.2%																	
Total (A + B)		447.2	100.0%																	

PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

				Substantial contribution criteria						DNHS criteria ("does not significant harm")									
Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, 2022	Taxonomy-aligned proportion of CapEx, 2021	Category (enabling activity)	Category (transitional activity)
		million Euro	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned) CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	-	-	-	-	-	-								0%	0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of other low-carbon technologies	C.26	28.3	31.1%																E	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		28.3	31.1%																31.1%	
Total (A.1 + A.2)		28.3	31.1%																31.1%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		62.5	68.9%																	
Total (A + B)		90.8	100.0%																	

PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

				Substantial contribution criteria						DNHS criteria ("does not significant harm")									
Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx, 2022	Taxonomy-aligned proportion of OpEx, 2021	Category (enabling activity)	Category (transitional activity)
		million Euro	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned) OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	-	-	-	-	-	-								0%	0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of other low-carbon technologies	C.26	14.9	31.4%																E	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		14.9	31.4%																31.4%	
Total (A.1 + A.2)		14.9	31.4%																31.4%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		32.6	68.6%																	
Total (A + B)		47.5	100.0%																	

fulfillment of the technical screening criteria is that the economic activity of Elmos as a supplier is categorized as an "enabling activity." As important components, the semiconductors produced by Elmos therefore only make a substantial contribution to protecting the environment "indirectly" and only as part of a downstream system in the final product, such as in an electric vehicle. In a comparison of the technical screening criteria for the different activities, it can be seen that the requirements and complexity for demonstrating alignment with the Taxonomy, differ significantly in some cases. While an automobile manufacturer, for example, can categorize its various models relatively easily on the basis of the CO2 limits in the technical screening criteria for the activity "3.3 Manufacture of low-carbon technologies for transport," the products manufactured by suppliers that are installed in electric vehicles, for instance, are not automatically categorized as sustainable as defined by the Taxonomy. For suppliers or enablers in the category "3.6 Manufacture of other low-carbon technologies," the technical screening criterion for fulfilling environmental objective 1 – substantial contribution to climate change mitigation is as follows: "The economic activity manufactures technologies that are aimed at and demonstrate substantial life-cycle GHG emission savings compared to the best performing alternative technology/product/solution available on the market. Life-cycle GHG emission savings are calculated using Commission Recommendation 2013/179/EU (96) or, alternatively, ISO 14067:2018 or ISO 14064-1:2018. Quantified life-cycle GHG emission savings are verified by an independent third party." The "substantial life-cycle GHG emission savings" would therefore have to be calculated in a first step based on a full carbon life-cycle analysis for all products. This step alone would entail a disproportionately large amount of time and expense for the Company. Moreover, an analysis of this nature would have to be based on unverified assumptions because, as a rule, Elmos has no information of the specific models or platforms where its ICs are used, or of the quantities in which they are used. It would then be necessary to verify for all products or applications whether the respective product actually is the best performing technology available on the market. This means that a supplier would have to demonstrate that its products or solutions are better in terms of carbon savings than any competitor products available on the market. It is not difficult to see that demonstrating this is not feasible in practice because the detailed information on all relevant competitor products required for this purpose is not available.

Conclusion: Elmos reports 0% for Taxonomy-aligned turnover, CapEx, and OpEx in the fiscal year due to the extremely complex rules set out in the technical screening criteria regarding its economic activity, which could either not be met at all or only by investing a disproportionately large amount of effort. In addition, the decision was made not to demonstrate the other requirements ("do no significant harm" and "minimum safeguards"), as all three criteria must be fulfilled cumulatively in order to be aligned with the Taxonomy. Elmos expects that only very few suppliers will be able to report Taxonomy-aligned key figures in the reporting year 2023 because of the high level of complexity. We will monitor any further developments in the EU Taxonomy reporting requirements very closely and hope that the technical screening criteria will soon be simplified or harmonized for the respective economic activities in terms of their varying degrees of complexity.

While we are unable to categorize our products as Taxonomy-aligned on the basis of the EU Taxonomy criteria, there is no doubt that Elmos semiconductor solutions make a substantial contribution to greater protection of the environment and help to reduce global GHG emissions. We have provided a detailed analysis of the contribution of Elmos semiconductors for the environment and society in the section entitled "Elmos product contribution: environmental protection, safety, comfort." Based on this assessment, we conclude that more than 65% of Group sales make a substantial contribution to protecting the environment. It would therefore be incorrect to assume that Elmos products make little or no contribution to protecting the environment simply because demonstrating this based on the EU Taxonomy is virtually impossible for suppliers, or would entail a disproportionately large amount of effort on their part, due to the requirements of the EU Taxonomy.