Vincotech

SUSTAINABILITY REPORT

Financial Year 2024

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF FIGURES

1.

EXECUTIVE SUMMARY

Dear Readers,

We are pleased to present our **sustainability report** highlighting our enduring commitment to responsible and sustainable business practices. This report outlines our approach to managing our environmental, social, and governance (ESG) impacts and describes the progress we are making in key areas.

A thorough **double materiality assessment** (DMA) has been instrumental in identifying and prioritizing the sustainability issues that matter most to our operations and stakeholders. This report covers the same scope of consolidation as our financial statements to afford the reader a consistent and unified view of our overall performance. In the interests of further transparency, we have mapped our value chain to illustrate the breadth of our sustainability concerns across upstream and downstream activities.

At Vincotech, we are doing our part to tackle the climate crisis by empowering our customers to create clean, efficient, and affordable energy needed to satisfy rising demand for electricity and efficient power conversion. Our power modules play a pivotal role in energy-efficient, renewable, and e-mobility solutions. These innovative products drive sustainable energy solutions to address the climate crisis.

And our commitment to ethical practices and environmental stewardship drives us to align every aspect of our business operations to our vision for a greener and fairer future.

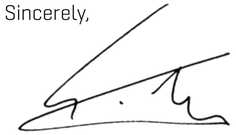
Vincotech's code of conduct and environment, health and safety policy provide a **robust ethical framework** for the way we go about our business. These principles codify our commitment to fair labor practices and safe working conditions. They guide us in our efforts to minimize our environmental impact. We strive to conserve resources, reduce waste, and emissions, and design products and processes with environmental concerns in mind. As part of the Mitsubishi Electric Corporation, we also adhere to its stringent ethical and compliance standards.

Our governance bodies steer our **sustainability strategy,** factoring the assessment of impacts, risks, and opportunities into strategic decisions and risk management processes. Key priorities are to pursue ambitious initiatives to decarbonize operations, reduce waste, adopt sustainable packaging, and minimize substances of concern throughout our value chain.

We seek to improve **energy efficiency** by using more renewable energy and less natural gas. Our lofty goals include achieving carbon neutrality by 2030 in offices and factories, and extending this carbon neutrality to our entire value chain by 2050. While a fully formalized climate policy is in the works, our current net zero roadmap provides a strong foundation that we are integrating into our quality management system and aligning with the Science Based Targets initiative. We have robust monitoring mechanisms to track key environmental metrics and regularly review our progress against established goals.

This report attests to our progress on the road to sustainability, our commitment to responsible business practices, and our striving towards a more sustainable future. It affords insight into the actions we have taken to date and outlines our path forward. We remain determined to make meaningful improvements and look forward to reporting on our progress in future updates.

Sincerely,



Eckart Seitter
CEO

Gyula Kemény
CFO

2. INTRODUCTION OF VINCOTECH

Profile and history

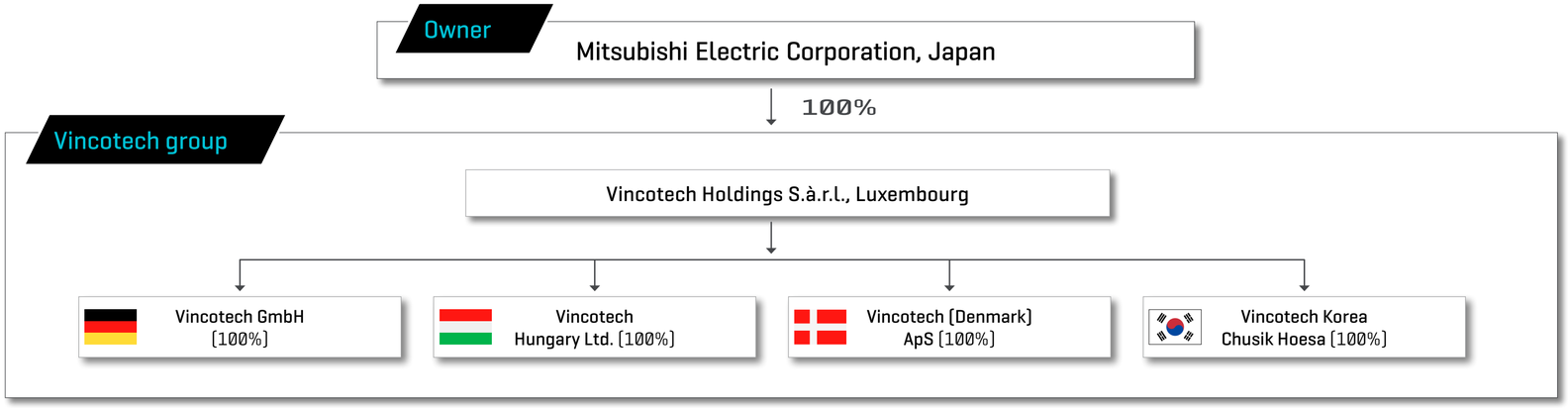
2.1. About Vincotech and its activities

An established, reliable partner in designing and manufacturing electronic components and electronic subsystems, Vincotech empowers future technology. We specialize in creating high-performance solutions, both off-the-shelf and made-to-order, for motion control, renewable energy, and power supply applications.

Vincotech has been a proud member of Mitsubishi Electric Corporation (MELCO) since 2010, marking a new era of sustainable growth. This affiliation brings both expectations and valuable support. As part of the MELCO group, we adhere to its high standards of quality, environmental responsibility, and ethical conduct. Conversely, we benefit from its resources, expertise, and global network, which fortifies our ability to innovate and deliver superior products and services to our customers.

As part of the Mitsubishi Electric Corporation, we can combine the flexibility of a midsized company with the longevity and strength of a global powerhouse. Vincotech employs more than 700 professionals worldwide. Our global team benefits from a lean and agile structure, enabling us to be a responsive and specialized supplier. Headquartered in Unterhaching near Munich, Germany, Vincotech also owns and operates a crucial production and R&D site in Bicske, Hungary.

This ISO14001-certified[1] factory develops and manufactures all our power modules. Engineered to comply with RoHS[1] and REACH[1] standards, they undergo rigorous testing to ensure the highest quality. Strategically located across the globe, our sales offices provide local support and service to our customers.



[1] **See ISO certificates and RoHS and REACH statements at:** https://vincotech.com/sustainability.html

Figure 1: Vincotech's ownership structure and company information

2.

Company information

Main profile:
Designs and manufactures electronic components and electronic subsystems

Founded in: 1969
(rebranded into Vincotech in 2007)

Headcount: more than 700

Locations:
Headquarters in Munich, Germany,
R&D and production site in Bicske, Hungary,
Sales offices around the world

Net revenue: >250 M EUR

Vincotech's **business model** centers on understanding specific customer requirements to provide tailored solutions and on offering a range of off-the-shelf products. This approach allows us to build strong, long-term relationships and thereby contribute effectively to the success of our partners.

We serve business-to-business (B2B) customers in selected markets: motion control, renewable energy, and power supply. Vincotech, a EUR 250+ million company, is a significant player in the manufacturing sector, with a strong presence and impact primarily driven by its manufacturing activities.

2.

Purpose and mission

Vincotech's purpose is to play a pivotal role in making accessible and clean energy readily available to communities worldwide. Its mission is to empower customers through advanced products, enabling them to implement highly efficient energy and power conversion technologies.

This strategic priority's aim is help reduce greenhouse gas emissions amid escalating global energy demands. We strive to provide reliable, high-performance electronic power components that meet the evolving needs of our customers.

Our value chain

2.2.
Vincotech's role in the value chain

We have mapped our value chain to illustrate how we operate. This helps us identify, obtain, develop, and secure the crucial resources we need.

It lets us see the results of our work and pinpoint the current and future benefits for our customers and partners.
By mapping our value chain, we attain a clear picture of our upstream (sourcing) and downstream (delivery) activities.
A streamlined diagram of our value chain model follows.
We excel at managing our lean and efficient supply chain, taking a structured approach to meet the demands of large-scale buyers while maintaining our focus on efficiency and sustainability.

Our value chain

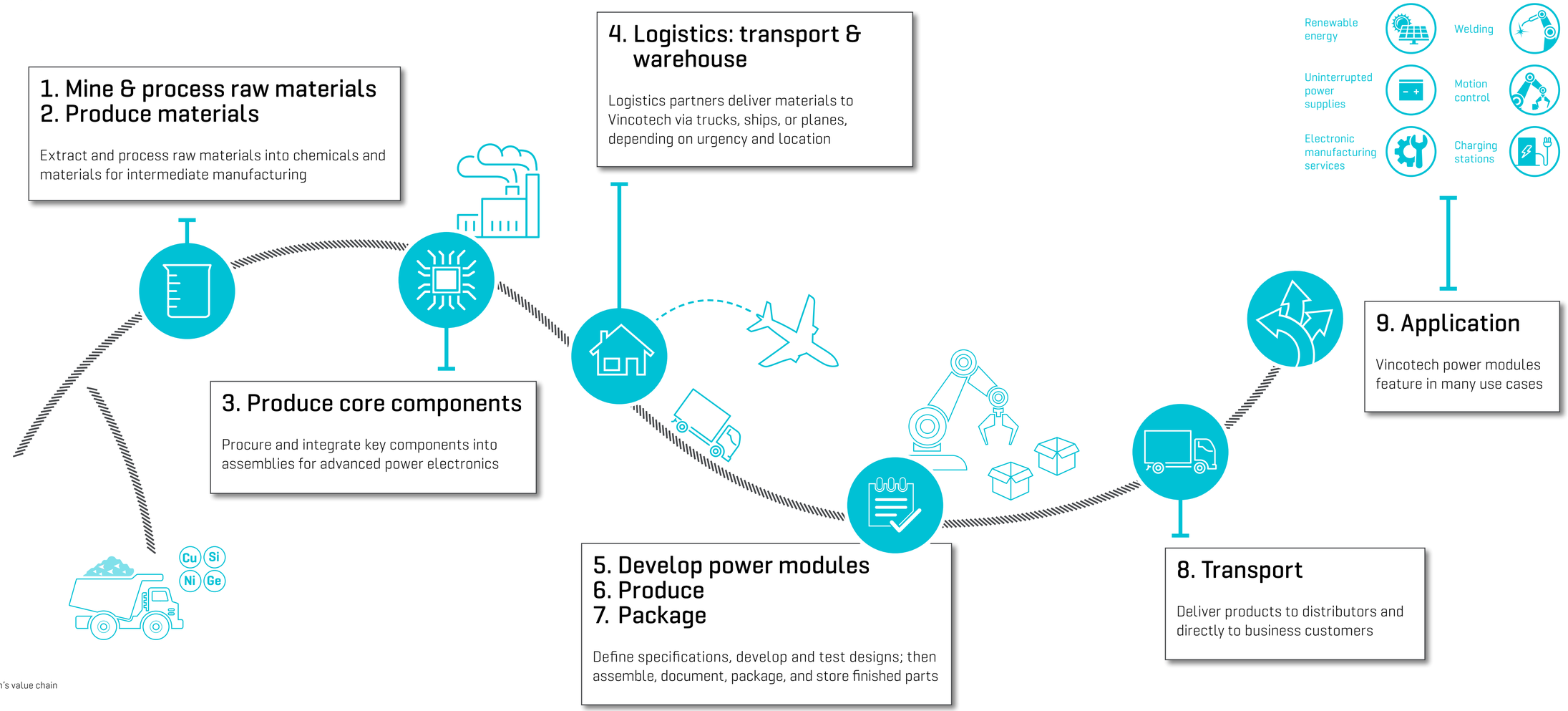


Figure 2: Vincotech's value chain

Stakeholders

Having navigated the complexities of our value chain and acknowledged the sustainability impacts beyond our direct control, we recognize that a deep understanding of our stakeholders is essential.

Effective engagement with these key groups is crucial to maintaining the responsible practices and positive relationships as formalized in transparent processes described in our DMA report.

The following diagram and a more detailed depiction in Appendix 1 show our key stakeholders and their primary needs.

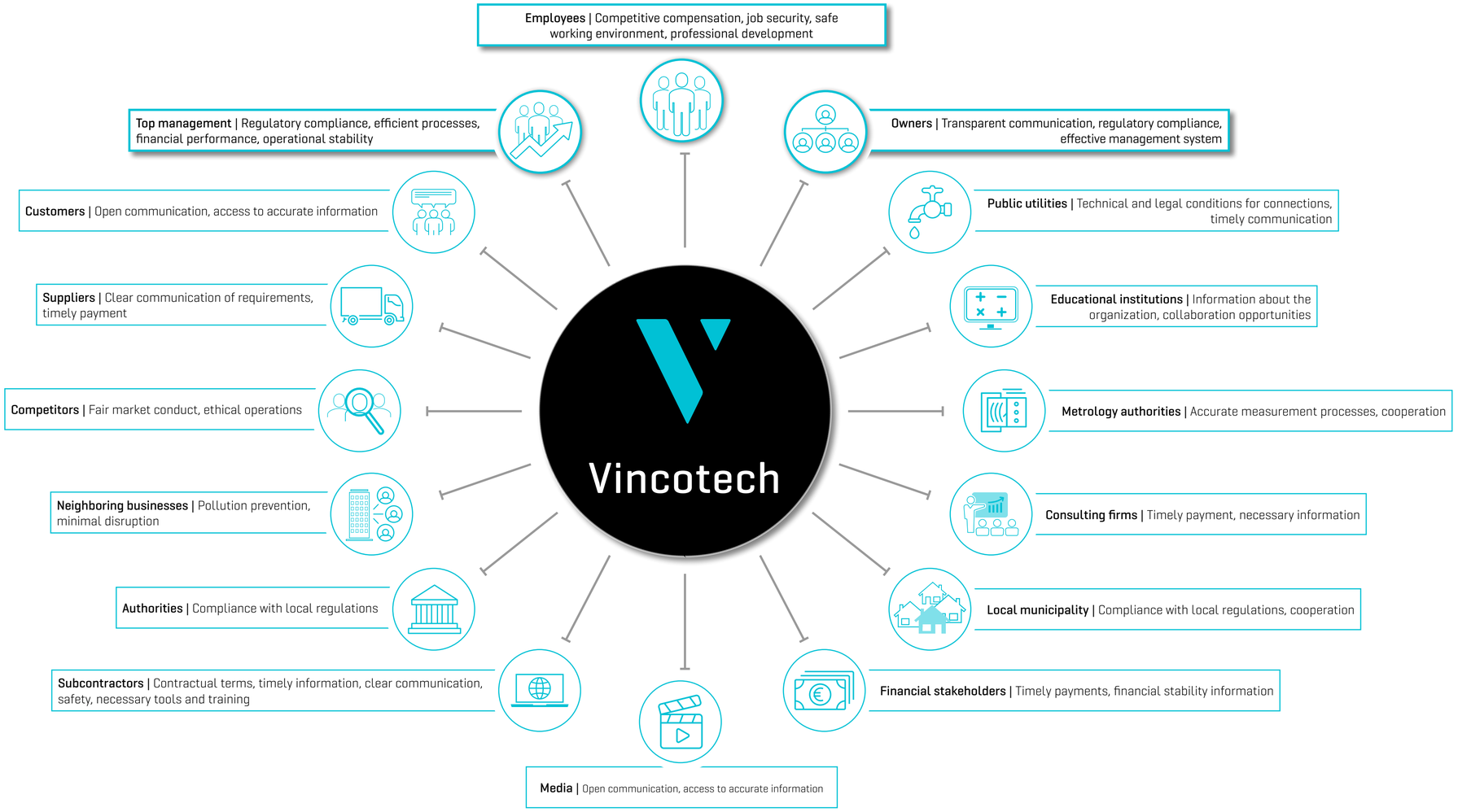


Figure 3: Vincotech's stakeholders

2.3
Commitment to sustainability

Sustainability and social responsibility are not merely aspirations at Vincotech. They are integral to our core strategy and deeply embedded in our daily operations.

As a key player in the power electronics industry, we are aware of our great responsibility to contribute to a more sustainable future. Our commitment extends across our product portfolio, our business practices, and our relationships with customers and partners.

Our primary objective is to empower customers with our advanced power modules, enabling them to develop and build highly efficient energy and power conversion technologies. This strategic focus directly addresses a pressing global challenge – how to meet rising energy demand while reducing greenhouse gas emissions. We firmly believe that by providing innovative solutions, we play a pivotal role in making clean and affordable energy readily accessible worldwide. Indeed, our core business is centered on facilitating enhanced energy efficiency across various applications.

Several key United Nation's sustainable development goals[4] (SDGs) guide our sustainability efforts. see Figure 9 in the following page). Our focal points are:

/ SDG 7: Affordable and clean energy
Our products are vital to enabling the growth of renewable energy sources and ensuring efficient energy conversion.

/ SDG 9: Industry, innovation and infrastructure
Our inverterization solutions for industrial drives help conserve energy, with potential reductions of 20 to 30 percent compared to conventional on/off controls.

/ SDG 13: Climate action
A central aim of our product development is to minimize environmental impacts by reducing greenhouse gas emissions throughout the energy value chain.

We assume environmental responsibility by proactively addressing climate change and energy consumption concerns. To this end, we pursue ambitious decarbonization targets, practice meticulous pollution management – particularly for substances of very high concern – and optimize resource use and waste management across our value chain.

Our social responsibility starts with our workforce. We foster secure employment, invest in continuous training and skills development, ensure the highest standards of health and safety of workers throughout our value chain. This commitment extends outward to affected communities, as our respectful engagement with our neighbors would attest.

Strong corporate governance is the foundation of our sustainability efforts. Management systems play a central role in driving our sustainability agenda. External audits and certifications demonstrate our compliance and commitment. We strategically integrate sustainability into supplier relations and our broader value chain to promote responsible practices throughout our ecosystem.

We believe that by factoring sustainability into every facet of our business from product innovation to operational efficiency and supply chain management, we create long-term value for our stakeholders and contribute to a healthier planet for future generations.

[4] **Learn more about sustainable development goals at:**
https://sdgs.un.org/goals

2.

A look at priority SDGs

Figure 4: A look at priority SDGs

2.4
Our material sustainability topics

Vincotech's double materiality assessment (DMA) takes a structured approach to evaluating the social, environmental, and economic relevance of various topics. The method encompasses several steps to analyze the status quo, benchmark stakeholder engagement, map the value chain, and determine impacts, risks, and opportunities (IROs).

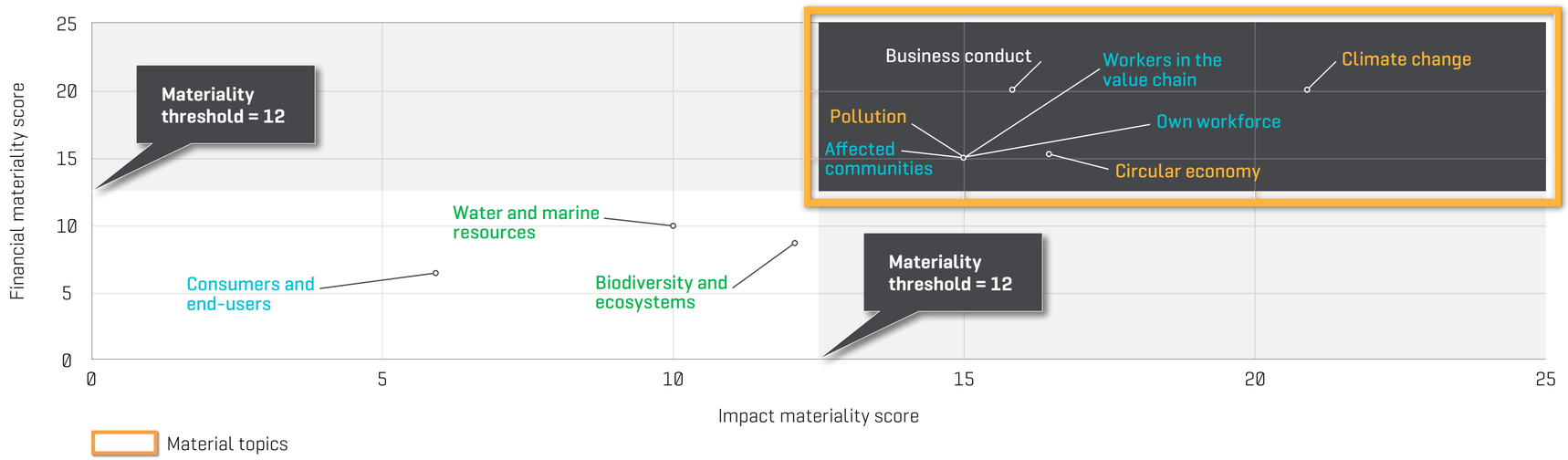
Vincotech incorporates the identification of ESG IROs into its annual risk management process in two phases. First a dedicated working group with full representation from all relevant functional areas convenes to gain a holistic view of potential issues. Then this group identifies, analyzes, and assesses material IROs, taking into account the insights gained from our DMA. This assessment focuses on environmental, social, and governance IROs. Its scope extends beyond direct operations to include the upstream value chain in order to consider risks attributable to essential direct suppliers. It is indicative of our pledge to mitigate risks throughout much of the supply chain.

Each IRO topic is evaluated using two five-point-scales called:
/ impact (based on severity and likelihood)
/ financial materiality (based on financial effects' potential magnitude of and likelihood)

The materiality score is calculated by multiplying the two above points, resulting in a maximum possible score of 25.

The materiality threshold, based on the company's current risk evaluating methodology, is set at 12, meaning any topic scoring above this threshold is considered material as indicated in Figure 5.

Material topics include climate change, pollution regarding substances of (very high) concern, resource use and circular economy, own workforce, workers in the value chain, affected communities, and business conduct. Three topics were found to be non-material based on Vincotech's B2B profile and their marginal direct impact. The finalized DMA matrix and material topic list[5] follow:



[5] **See appendix 3 for details on material categories and IROs**

Figure 5: Vincotech's double materiality matrix

3. ENVIRONMENT

3.1. Climate change and energy consumption

At Vincotech, we build products that enable clean, efficient, and easily accessible energy use, thereby helping to reduce greenhouse gas emissions. We also do our part to mitigate climate change by decarbonizing our operations. Customers can make efficient energy and electricity conversions by buying and using our products. This reduces greenhouse gas (GHG) emissions even as energy demand increases.

Our products make renewable energy accessible. From 2021 to 2022, we began to identify the main emission reduction potentials in our production and infrastructure. By 2030, we aim to ensure that our factories and offices operate with zero greenhouse gases, which is challenging indeed given the manufacturing industry's very high energy demand.

By 2050, our goal is for Vincotech's entire supply chain – including suppliers – to become carbon-free. To achieve our 2030 and 2050 targets, we know we must take the long view. Buoyed by our strong belief in the increasing value of energy efficiency, we invest in solutions that may have more distant return horizons.

In recent years, we created a carbon reduction roadmap for Scope 1 and Scope 2 emissions. Rooted in realistic calculations, this roadmap allows us to track our progress and effectively communicate our decarbonization strategy to our stakeholders, including our parent company, Mitsubishi Electric Corporation. Vincotech selects appropriate projects. MELCO encourages and supports our sustainability initiatives in recognition of their importance to long-term success and responsible corporate citizenship. The roadmap is based on an assessment of our CO_2 emissions. We examined the areas where our CO_2 emissions are high and where we can achieve significant reductions even in the short term. Key numbers of our GHG emissions in the past financial year (FY2024) were as follows:

Gross GHG emissions in FY2024 (t CO_2e)	
Gross scope 1 GHG emissions	821.76
Gross scope 2 GHG emissions	2,151.28
Scope 1 + 2 GHG emissions	2,973.04

Figure 6: Vincotech's GHG emissions in FY2024

At this time, our carbon footprint calculations focus on Scope 1 and Scope 2 emissions. Our Scope 1 emissions stem from direct emissions, such as the burning of natural gas for heating and industrial manufacturing processes at our facilities. Scope 2 emissions are attributed to indirect emissions from purchased energy such as electricity.

A priority for FY2025 is to finalize our calculations for Scope 3. This will cover additional indirect emissions from purchased goods and services, transportation, waste disposal, business travel, employee commuting, and the like.

This calculation will provide an accurate picture of our full carbon footprint. Additionally, we seek to determine emissions at a product level to gain more granular insights.

3.

The decarbonization initiatives depicted below were selected and fine-tuned with our emissions and long-term targets in mind.

This roadmap identifies several key areas for improving energy efficiency and reducing our dependence on fossil fuels.

We have already made strides in implementing these measures. These strategic projects entail an ongoing investment in advanced technologies to significantly enhance operational energy efficiency and reduce CO_2 emissions.

The necessary financial resources have been budgeted and will be made available on schedule.

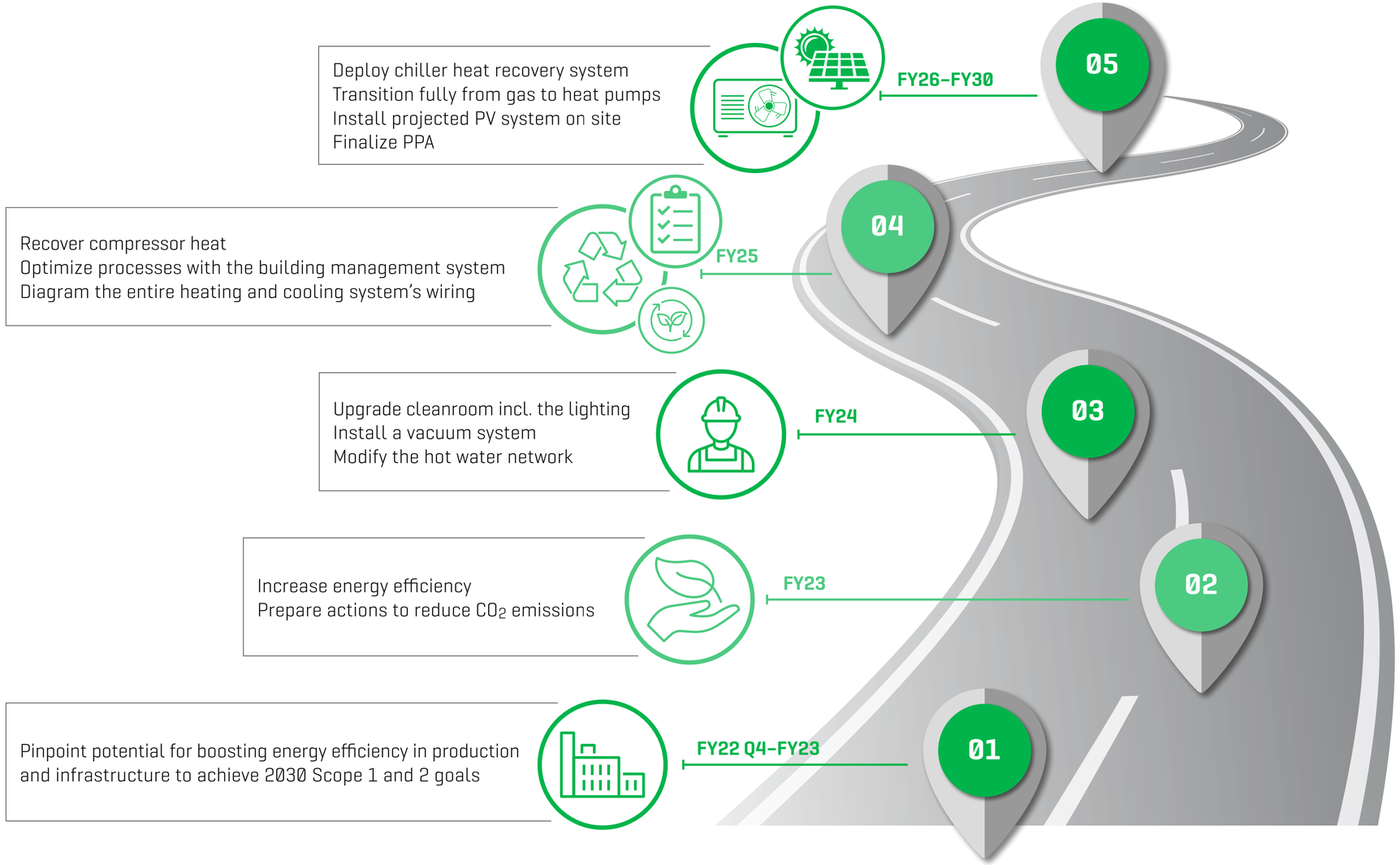


Figure 7: Vincotech's Scope 1 & 2 decarbonization roadmap

3.

We have deeply integrated and aligned the above decarbonization roadmap with Vincotech's overall business strategy and financial planning with rigorous standards and documentation.

Top management reviews sustainability goals annually to ensure progress and alignment with financial objectives. Having spotted opportunities to reduce consumption, we are stepping up our efforts to conserve energy across our operations. This priority is central to our decarbonization strategy, as reducing overall energy demand is the most effective and fundamental means to cut our carbon emissions (see Figure 8).

The focus in 2022 and 2023 was on identifying energy efficiency potentials and then pursuing decarbonization projects starting with zero-CAPEX initiatives from FY2023. These initiatives include reducing hot water tank temperature and volume, optimizing hot water circulation times, and utilizing existing air conditioning for transitional heating, which collectively saved 114 MWh of energy and reduced CO_2 emissions by 24 tons. Our 2024 decarbonization projects required capital investments exceeding EUR one million. In terms of CO_2 reduction, we realized savings of 262.4 tons of CO_2 equivalent in FY2024, with upcoming investments projected to yield almost four megatons of CO_2 in the years ahead. Decarbonization actions taken in FY2024 include replacing the old gas-heated hot water tank with an advanced electric water heater to optimize energy management and reduce consumption. We also modernized cleanroom ventilation with highly efficient fan filter unit (FFU) systems, leading to substantial energy savings in critical manufacturing environments.

Furthermore, we upgraded cleanroom lighting systems to enhance energy efficiency and installed new, vacuum technology to decrease electrical demand and improve operational sustainability. Acknowledging the challenges of decarbonizing energy-intensive cleanroom environments, Vincotech plans to eliminate natural gas consumption by 2030. To this end, the focus in the coming year will be on reducing and optimizing energy use, thereby establishing the foundation for a transition to a central heat pump system and the recovery of waste heat. The company is also exploring on-site solar energy generation. Achieving a 2030 zero-carbon target may require us to buy carbon credits for up to 50 percent of energy consumption. Even so, every unit of energy saved through efficiency measures will directly mitigate future costs and market risks.

Energy prices are likely to rise, so Vincotech expects to make further substantial investments in long-term sustainability initiatives over the coming year. This will reduce our dependence on green certificates.

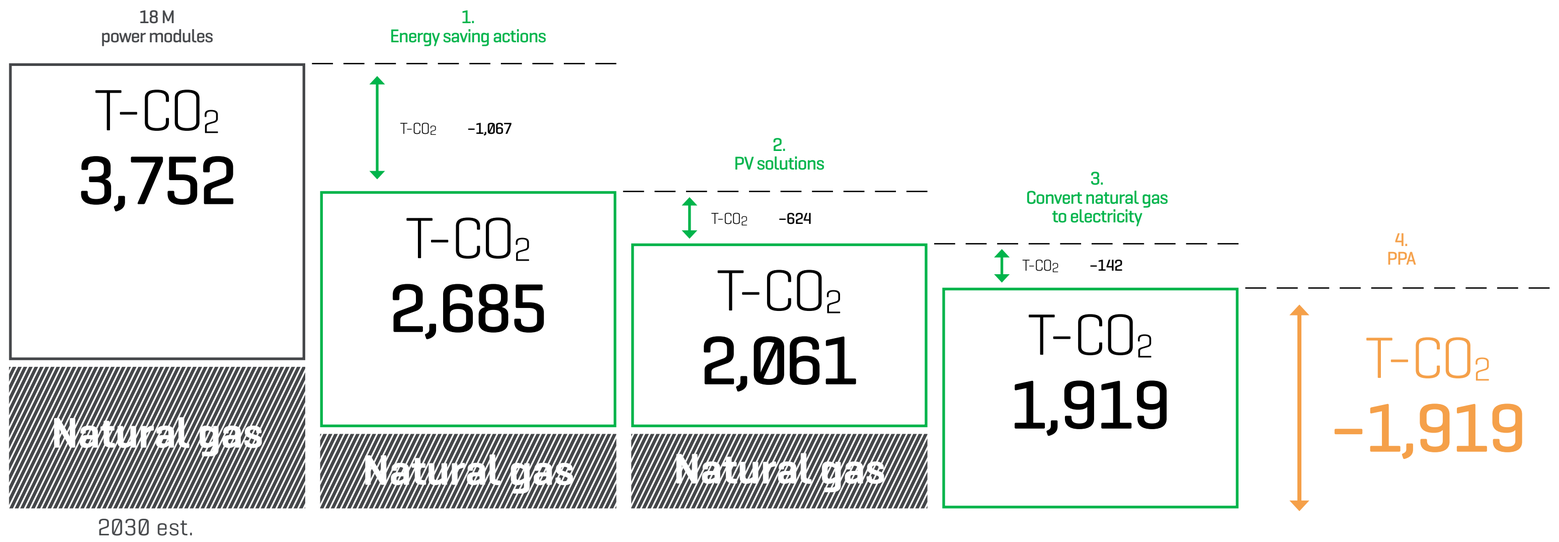


Figure 8: Emissions reduction plan

3.2
Pollution – substances of (very high) concern

The range of pollutants, substances of concern, microplastics, and the like affecting the air, water, soil, living organisms, and food resources is broad. However, our double materiality assessment indicates only substances of (very high) concern are relevant to Vincotech.

Fully aware of our environmental responsibility, we observe RoHS regulations to ensure our products are free of restricted substances. Our substance incorporation standards require full material disclosures from suppliers and continuous monitoring of legal compliance regarding substances of concern (SoC) and substances of very high concern[6] (SVHC).

While we have yet to specify a SoC/SVHC reduction beyond what the law requires, our policy certainly calls for us to minimize their use and opt for substitutes. In other words, we meet stringent statutory requirements and proactively seek alternatives in our operations and products from our suppliers. Data on procured SoC such as methyl-ethyl-ketone is carefully tracked.

3.3
Optimizing resource use

Our commitment to sustainability figures prominently in our operations, particularly when it comes to material usage and circularity. A look at our main resources and supply chain reveals that our main suppliers provide bare die semiconductors, substrates, metal and plastic parts, and SMD components for our products.

The primary input materials in upstream processes serving to provide these materials include polysilicon, silicon wafers, germanium, gallium, copper, various metals, plastics, and certain chemicals. The specialized nature of our products often requires us to draw on mined resources. This means that opportunities to markedly improve sustainability in our suppliers' resource use are limited. Copper, for example, is a main resource, but the quality of its conductivity deteriorates when recycled.

We also contribute to circularity by making high-quality products with longer lifespans. This effectively reduces waste generation and optimizes material utilization over time.
Our product design policy calls for us to engineer products with their end of life in mind to reduce material consumption and increase recyclability.

Our high-performance power electronic components are complex amalgamations of specific materials. To ensure the product's reliability and long life, it is essential to maintain the integrity of these materials – for example, by preventing copper degradation.

A word on material outflows: Our policy regarding EPR (extended producer responsibility) reflects our commitment to managing the environmental impact of our products throughout their lifecycles. We also see great potential for circularity within our packaging materials. A case in point is our prospective plan to discontinue the use of PVC and transition to PET, which is recyclable. With these initiatives, we are making strides towards improving our resource circularity.

On a related note, Vincotech is launching the ambitious 4R project in 2025 (the four Rs are reduce, reuse, recycle, and rethink). This global initiative goes to embed sustainable thinking deep into our company culture and business practices.

The 4Rs epitomize a lifestyle for a sustainable future, impacting both the daily operations of the entire organization and the actions of individuals. This project uses storytelling, shared experiences, collaborative activities, and educational tools to boost awareness across the Vincotech community. It aims to create meaningful connections between employees and Vincotech's sustainability goals.

[6] **For details on substances of very high concern, see:**
https://echa.europa.eu/substances-of-very-high-concern-identification

3.4
Waste management practices

Our comprehensive waste management framework outlines robust procedures for collecting, categorizing, handling, storing, and disposing of all waste generated on site. These measures go to ensure waste is managed according to its specific properties and in compliance with all applicable Hungarian and EU regulations. This systematic approach applies to waste produced within our facilities, and excludes the waste generated by outside contractors, which remains their responsibility.

A waste management document called the waste collection and classification work instruction details our rigorous on-site procedures for segregating and handling waste.

We classify our waste in two main categories, non-hazardous and hazardous.

/ Non-hazardous waste encompasses various plastics, adhesives, metal slags, ferrous and non-ferrous metals, paper, cardboard, wood packaging, discarded equipment, and general municipal waste. These materials undergo various treatments – mainly recycling or incineration – carried out by several specialized companies.

/ Hazardous waste is managed with painstaking care. Third-party experts collect, store, incinerate, and recycle designated substances containing heavy metals, paints, solvents, contaminated packaging, laboratory chemicals, and the like.

In FY2024, our operations generated a total of 344 tons of waste. We are proud to report a high recycling rate of 76 percent for this waste.

One of our strategic key performance indicators (KPIs) also underscores our commitment to reduce waste: We strive to improve first pass yield to manufacture high-quality products, which directly reduces the amount of waste generated.

4. SOCIETY

Our primary focus is on our workforce because it accounts for our most significant impact.

At Vincotech, social sustainability is a cornerstone of an overarching commitment underpinned by three pillars:

/ our own workforce
/ the workforce within our value chain
/ the affected communities in which we operate

4.1. Own workforce

Our commitment to our workforce is evident in our determination to provide secure jobs, promote continuous training and skills development, prioritize health and safety, and ensure our employees' overall well-being and development. The following diagram illustrates several key initiatives and systems geared towards employee well-being, development, and fair practices within the organization.

These crucial aspects are reinforced by our recently developed employer value proposition (EVP). This EVP highlights our dedication to sustainability by fostering a collaborative team environment, ensuring meaningful and impactful work, and contributing to the creation of cutting-edge power electronics solutions for a more sustainable future.

Vincotech's success is driven by a diverse and dedicated workforce united by our employer value proposition.

As of the end of financial year 2024, we proudly employed more than 700 individuals. Our team is made up of dedicated staff across all areas of the business.

This includes those in structured, shift-based roles whose specialized technical skills are essential to our operations and the development of our power electronics solutions.
And it encompasses professionals in administration, research and development, engineering, management, sales, and human resources — all working together to drive our success.

Figure 9: A system to ensure employees' well-being

4.1.1. Workforce-related policies

Vincotech has adopted a comprehensive suite of policies addressing all significant aspects of employment to provide a consistent and ethical framework for all our employees. Globally, we abide by MELCO directives. The social risk cases policy, the whistleblowing policy, and our overarching code of conduct all have direct implications for ensuring secure employment and ethical practices. Locally, we have implemented policies that promote employee well-being and a positive work environment. These include our work council agreement, a mobile work policy, and various policies on commuting and travel, which include running a company bus service in Hungary. We also offer parental leave and flexible part-time opportunities in line with national regulations to strike a balance between work and family life. The health and safety of our workforce is paramount and protected by local environment health & safety and fire protection policies. We foster a strong sense of community by staging regular local activities and promoting the physical well-being of our employees with fitness and physiotherapy services. These policies address Vincotech's entire workforce. They hold all employees, regardless of role, to the same high standards of conduct and protect everyone according to the same principles. Our respect for human rights and commitment to fair treatment, ethical behavior, accountability, and compliance are embedded within these frameworks.

We strive to cultivate a culture where employees are empowered to make decisions. Our regulations are in place to safeguard the rights of our workers in accordance with UN[7], ILO[8], and OECD[9] guidelines. They codify our respect for both workers' rights and fundamental human rights. To ensure accountability, Vincotech has established measures to address, mitigate, and remediate any potential negative human rights impacts. Our whistleblowing policy provides a clear pathway for employees to report concerns or violations. All are thoroughly investigated and met with appropriate action. We have a workplace accident prevention policy and management system in place. It mandates comprehensive occupational risk assessments and safety training for all employees.

4.1.2. Workforce-related KPIs

At Vincotech, we firmly believe that a thriving workforce is essential to achieving our strategic objectives and upholding our commitment to social sustainability. A comprehensive set of key performance indicators enables us to effectively monitor the health and engagement of our employees and drive continuous improvement in our HR practices. We track these KPIs diligently using our balanced scorecard (BSC). For all our employees, we monitor key aspects of turnover, absenteeism, and overtime rates.

These operational KPIs serve us well, but we also know how important it is to understand employee sentiment. To this end, we conduct an annual employee satisfaction survey (ESS). This comprehensive poll serves as a vital tool to monitor employee morale and identify areas for improvement. The ESS effectively identifies and addresses current trends in employee satisfaction. A detailed report offers valuable insights into specific topics. By carefully analyzing these HR-related goals and KPIs, and gleaning valuable insights from our annual ESS, we can proactively address challenges, leverage our strengths, and continuously strive to create an even better workplace for every member of Vincotech.

4.1.3. Enabling interaction with our workforce

At Vincotech, we take a comprehensive approach to fostering a transparent environment and an open dialogue. This includes regular global calls with company leaders to keep everyone apprised of our performance and strategic direction. We also hold frequent local meetings at our factory and headquarters to update staff and interact with local management. Monthly meetings serve to maintain a dialogue with employee representatives, ensuring the workforce's perspective is considered when making key decisions. Departmental and team meetings facilitate focused communication. Executives regularly convene to keep the organization aligned and information flowing. With this comprehensive approach, everyone stays informed, engaged, and aware of opportunities to connect with leaders and coworkers. We investigate all reported concerns, thoroughly, promptly, and confidentially to protect those who raise legitimate issues. Our whistleblowing policy provides clear channels – including direct reporting to managers, HR, or an independent hotline – for employees and associates to report fraud or misconduct.

The workforce is aware of and afforded easy access to these pathways. Management tracks, monitors, and investigates issues meticulously and regularly discusses progress and resolutions. Investigations are concluded within set timeframes, and feedback is provided to the reporting parties. Vincotech prioritizes confidentiality, anonymity, and protection against retaliation for all who utilize these channels, including workers' representatives.

[7] **For details on UN guidelines, see:**
https://www.un.org/en/about-us/universal-declaration-of-human-rights

[8] **For details on ILO guidelines, see:**
https://www.ilo.org/global/standards/lang--en/index.htm

[9] **For details on OECD guidelines, see:**
https://mneguidelines.oecd.org/

4.1.4.
Secure employment

Vincotech identifies, monitors, and mitigates risks and impacts that could affect our employees. We believe a proactive approach is essential to ensuring a stable, safe, and equitable working environment. The company provides a robust social protection framework for all employees, ensuring their security and well-being in various circumstances. In the event of income lost to illness, occupational injury, an acquired disability, or parental leave, all our employees are fully registered and entitled to social insurance benefits in accordance with national laws. Comprehensive social security provisions are in place for retirement.

Addressing the potential for gender underrepresentation, Vincotech is committed to ensuring equal treatment and opportunities for all. We offer training to promote inclusivity. We support employees returning from parental leave with readiness programs that facilitate part-time and flexible work arrangements. And we provide access to employee support services. To ensure transparency in work-related rights, our Code of Conduct spells out clear guidelines on human rights, and we ensure that our employees are aware of and comply with its provisions.

We are pleased to note that employees filed no complaints during the reporting period. The same goes for fines, penalties, and compensations for damages resulting from incidents related to work-related discrimination there were none. And there were no severe human rights incidents connected to our workforce, zero cases of non-respect, and no fines, penalties, or compensation related to such severe human rights issues. This record of accomplishment underscores that we do indeed uphold high standards of ethical conduct and provide a positive and respectful working environment for all our employees.

4.1.5.
Health and safety

Again, there are several policies, measures, and mechanisms in place to protect health and safety. Ensuring the safety and compliance of our operations is crucial. We provide a range of mandatory training to equip our employees with the knowledge and skills they need to perform their duties safely and responsibly. This includes fire safety examination, hazardous materials handling, first aid, and ISO 14001 internal auditor training.

All work-related health conditions and lost workdays are meticulously recorded in our systems. Workplace safety is a top priority in recognition of this fundamental right of our employees. To this end, we hold regular and mandatory safety trainings, conduct a health and safety risk assessment every three years, and provide detailed maintenance and operation instructions (as outlined in our EHS policies and guidelines within the QPM system and our maintenance and operation instructions).

Our comprehensive health and safety management system covers 100 percent of our workforce, but no external personnel. We are pleased to report that there were no work-related or occupational illnesses recorded, zero days lost to such illnesses, and no employee deaths from work-related diseases or injuries.

There were five work-related accidents, resulting in 103 lost workdays. All employees are entitled to family-related leave by way of our social policy and collective bargaining agreements. The percentage of employees entitled to and taking such leave is tracked, including breakdowns by gender.

4.1.6.
Training and skills

To promote employees' professional growth, ensure their safety, and meet the evolving demands of our industry and of changing legal requirements, we have established a comprehensive training system. It is underpinned by our thorough training policy.

This framework acknowledges the distinct roles and responsibilities within our organization and differentiates among the development paths for our employees.

Transparency and opportunity figure prominently in our approach to career management. We empower our employees to advance within Vincotech via various avenues. Managers identify and facilitate internal promotions or role changes based on individual performance, mindset, and competencies, always consulting closely with department directors and Human Resources.

Furthermore, we encourage individual initiative, with employees engaging in discussions with their managers and/or HR to explore potential career advancements. Internal job opportunities are conveyed widely across all office locations through various channels to ensure all employees can access information about potential new roles within the company.

We provide a smooth and effective onboarding experience for all new personnel. Our comprehensive induction program, guided by our QPM system, ensures that new hires integrate well into Vincotech.

This includes a training plan for structured onboarding covering essential aspects of their roles and our company culture. We also have tailored onboarding processes and e-learning modules to deliver key information efficiently.

Ensuring the safety and compliance of our operations is essential. We furnish a range of mandatory compliance training to equip our employees with the knowledge and skills needed to perform their duties safely and responsibly.

Vincotech takes several distinct approaches to employee development. Our established trainee program is a cornerstone of our talent development strategy. It goes to integrate university students seamlessly into our professional environment. We nurture long-term ties with several universities, making student internships a standard and highly valued practice. This program serves as a vital pipeline. Many of our long-serving staff began their careers here as trainees, underscoring our commitment to lifelong learning within the company.

Our teams benefit from a robust internal mentorship program, where experienced colleagues guide efforts to develop skills. We conduct annual basic and follow-up mentor training and stage joint workshops to hone coaching skills. Recognizing the importance of leadership, we have implemented cell leader training with plans for regular follow-up and hands-on workshops. We are also establishing an internal pool of mentors and deputy cell leaders to develop future leaders. Introduced in 2022, our internal platform myVIN provides a structured framework for mapping competencies. This system enables comparisons to be made between required and current competency levels. Employees have access to their personal competency profile outlining a dedicated learning and development roadmap for growth pathways.

Investing in our future leaders is crucial to Vincotech's long-term success. To further develop the skills of our global management team, in 2023 we established Vincotech's leadership principles, which were then translated into specific Vincotech leadership competencies.

Well aware of the importance of ensuring employees' well-being and building trust, we geared our leadership development initiatives to also cultivate essential soft skills.

As our comprehensive and tailored training and skills development programs attest, we are committed to empowering our employees at all levels to nurturing a culture of continuous learning, and to perpetuating Vincotech as a dynamic, successful organization.

4.2
Workforce in the value chain

Health and safety across our value chain is paramount to Vincotech. This conviction directly influences our strategy and business model. We are committed to the well-being of all workers involved in our product lifecycle. Our value chain includes a diverse range of workers including on-site contractors, suppliers' employees, and sales-related personnel further downstream.

The company has identified systemic risks, one being suppliers' failure to comply with labor, health, safety, or anti-discrimination regulations. Non-compliance can cause reputational damage and disrupt supply chains.

One significant risk is the aforementioned supply chain disruptions from non-compliant suppliers, which can trigger delays and increase costs. Another is the risk of health and safety failures in our products that affect downstream workers and end-users, leading to legal issues and reputational damage.

Our commitment to a responsible and ethical supply chain is underpinned by the RBA code of conduct[10]. It serves as the foundation of our comprehensive human rights policy. This global framework, overseen by executive management and applicable across our entire direct and indirect supply chain, mandates safe working conditions, upholds human rights, and promotes environmental stewardship. Specifically prohibiting forced and child labor, it calls for fair working hours and compensation, prohibits discrimination, and mandates that the freedom of association be respected.

Supported by robust feedback mechanisms, this policy is publicly accessible and conveyed to all workers in relevant languages.

We extend this commitment to our suppliers, requiring their adherence to our ethical standards. Corrective actions and performance improvement plans are part of the package. We verify this adherence by conducting regular supplier audits. This ensures compliance with our minimum expectations. However, it is important to note that our direct control is limited to these verifiable standards. While we expect the adoption of broader frameworks like the RBA Code of Conduct, we cannot directly enforce its application beyond our specified requirements. Our aim is to prevent harm within the scope of our influence.
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4.3
Affected communities

Vincotech is mindful of the fact that our operations can affect local communities near our manufacturing site in Bicske, Hungary. These communities may be subject to material impacts related primarily to noise pollution and waste generation. Our community engagement efforts focus mainly on the areas around our facilities. We are committed to minimizing any negative impacts on these communities. As it stands, no material negative impacts have been identified. At the time of writing, we are not aware of any elevated risks for these communities.

The views of the affected community are factored into the decisions made to manage our relationship with the residents of Bicske. Vincotech aims to reduce any disturbance to our neighbors by installing window foiling on the upper floors of new buildings, as well as by investing in noise reduction solutions and building a parking facility to ensure vehicles park on our premises.

We engage with affected communities directly and through credible proxies, primarily via the mayor of Bicske's office and by interacting directly with neighbors. Vincotech regularly communicates with the mayor to share information about the company's plans and activities on site. The municipality gathers feedback from the local community, which is then conveyed to our management. We have action plans in place to manage material IROs associated with affected communities.

Vincotech also engages in social projects to benefit the local community. For example, we support local cultural programs, elementary school events and development initiatives, and NGOs.

[10] **For details, see:**
https://www.vincotech.com/company/sustainability.html
and
https://www.responsiblebusiness.org/media/docs/RBACodeofConduct8.0_English.pdf

5. CORPORATE GOVERNANCE

Strong corporate governance is the bedrock of our sustainability efforts at Vincotech.

This section details how our management team drives our sustainability agenda to ensure transparency, accountability, and ethical practices across our operations. It covers the pivotal role of our leadership integrating sustainability into the management system, our robust framework of external audits and certifications, and our commitment to fostering responsible practices throughout our supplier relationships and broader value chain.

5.1. The role of management in sustainability

Vincotech's leadership structure is designed for effective management and oversight. Our local management teams hold regular meetings to address topics and issues germane to the given site. Two global management meetings take place each year, bringing together leaders from all regions in which Vincotech operates, to ensure diverse expertise and cultural nous are factored into our strategic discussions. These teams collectively oversee high-level leadership topics and the company's IROs. Created to actualize our commitment to sustainability, the new role of director of sustainability is tasked to handle every aspect of sustainable development projects, measures, and KPIs.

Regular management meetings keep our administrative, management, and supervisory bodies briefed on material sustainability-related IROs. These consultations address matters related to our code of conduct, IT security, anti-bribery measures, and other critical areas to ensure our policies and actions remain consistent and fair.

An annual review dives deep into the details of these matters. When overseeing the overall strategy, major transactions, and risk management, our governance bodies carefully consider sustainability IROs to ensure we operate ethically, abide by EU standards, and focus on achieving zero carbon emissions.

Our administrative, management, and supervisory bodies address key material IROs. We have performance monitoring mechanisms to ensure accountability by tracking metrics for CO_2 emissions, waste reduction, and packaging material optimization, progress, and our continuous improvement efforts.

Management plays a central role in establishing, developing, and promoting our corporate culture at Vincotech. Executives regularly discuss and prioritize a culture built on trust, credibility, and respect for individuals to ensure a safe, inclusive, and ethical workplace.

Guided by our code of conduct, managers are tasked to lead by example, demonstrating ethical behavior, promoting open communication, and addressing concerns promptly.

Management encourages this ongoing dialogue as a natural part of daily work, while placing great emphasis on fair employment practices, integrity, and accountability. To further embed these values, management furnishes comprehensive training and tools.

5.2
External audits and certificates, compliance

At Vincotech, our commitment to responsibility and sustainability extends beyond mere adherence to legal obligations. We promote environmental sustainability, prioritize human health and safety, and strive for economic success, setting a clear example for social accountability. This dedication is embedded in our environment, health, and safety policy and in our comprehensive Code of Conduct, which includes stringent anti-corruption and anti-bribery measures.

This commitment is nothing new: Vincotech has been certified under the ISO 14001 environmental management standard at our Bicske site since 1998, a testament to our long-standing efforts in environmental stewardship. Furthermore, external environmental audits, including those conducted by our parent company Mitsubishi Electric Corporation, with dedicated environmental auditors, provide valuable insights and affirm the significance of our ongoing sustainability initiatives.

We have established KPIs to monitor our progress in areas such as energy consumption and waste recycling rates. Bearing in mind the evolving landscape of sustainability reporting, we are proactively adapting our data management systems to ensure efficient and transparent compliance.

Our certifications, policies, and statements are accessible to the public, clearly demonstrating our commitment to transparency and accountability. These documents include ISO 9001, ISO 14001, RoHS[11], REACH, and our ethical Code of Conduct for our supply chain. This dedication extends to our proactive stance on material sustainability: We have been manufacturing lead-free products since 2007, having replaced lead-containing pastes to ensure compliance with all applicable regulations. In our continuing efforts to adopt more sustainable materials, we are going beyond the letter of the law to replace components with lead-based glass coatings, which are currently permitted under RoHS Exemption 7(c)-I.

5.3
Sustainability in supplier relations/value chain

At Vincotech, we see how practices within our value chain, particularly our relationships with suppliers, can contribute to a sustainable future. We cultivate long-term partnerships, some spanning more than a decade, with key suppliers across various categories. Vincotech's global supply chain is designed to avoid unnecessary transportation and source locally wherever reasonable and feasible. Our supplier portfolio and regional distribution has remained consistent throughout the 2024 fiscal year.

Our approach to supplier engagement calls for regular communication on multiple levels. We keep in touch with our relatively concerted supplier base, tailoring our communication channels to suit a supplier's strategic importance and our supplier management strategy.

Our regular supplier evaluations factor ESG considerations into the equation. The ongoing dialogue with our major suppliers centers on business matters, technological advances, and relationship building. ESG topics are figuring ever more prominently in these consultations.

Vincotech is committed to embedding ESG criteria throughout our supplier relationships, which is why ESG aspects play a significant role in our screening process. We strive to partner with well-established, market-leading suppliers who have robust reporting practices and processes to ensure full compliance with environmental and social standards. Should there be substantial deviations from these standards, we will decline to engage in a business relationship. The RBA code of conduct is integral to every purchase order we issue.

Our commitment extends to ensuring our suppliers are aware of and adhere to the principles of the RBA Code of Conduct. At Vincotech, we consider our supply chain to be mature and therefore expect suppliers to understand and implement industry best practices. We believe that proactively managing ESG risks by identifying, monitoring, and understanding these risks is essential to promoting sustainable business practices.

[11] **For details, see:**
https://www.vincotech.com/company/sustainability.html

APPENDIX 1

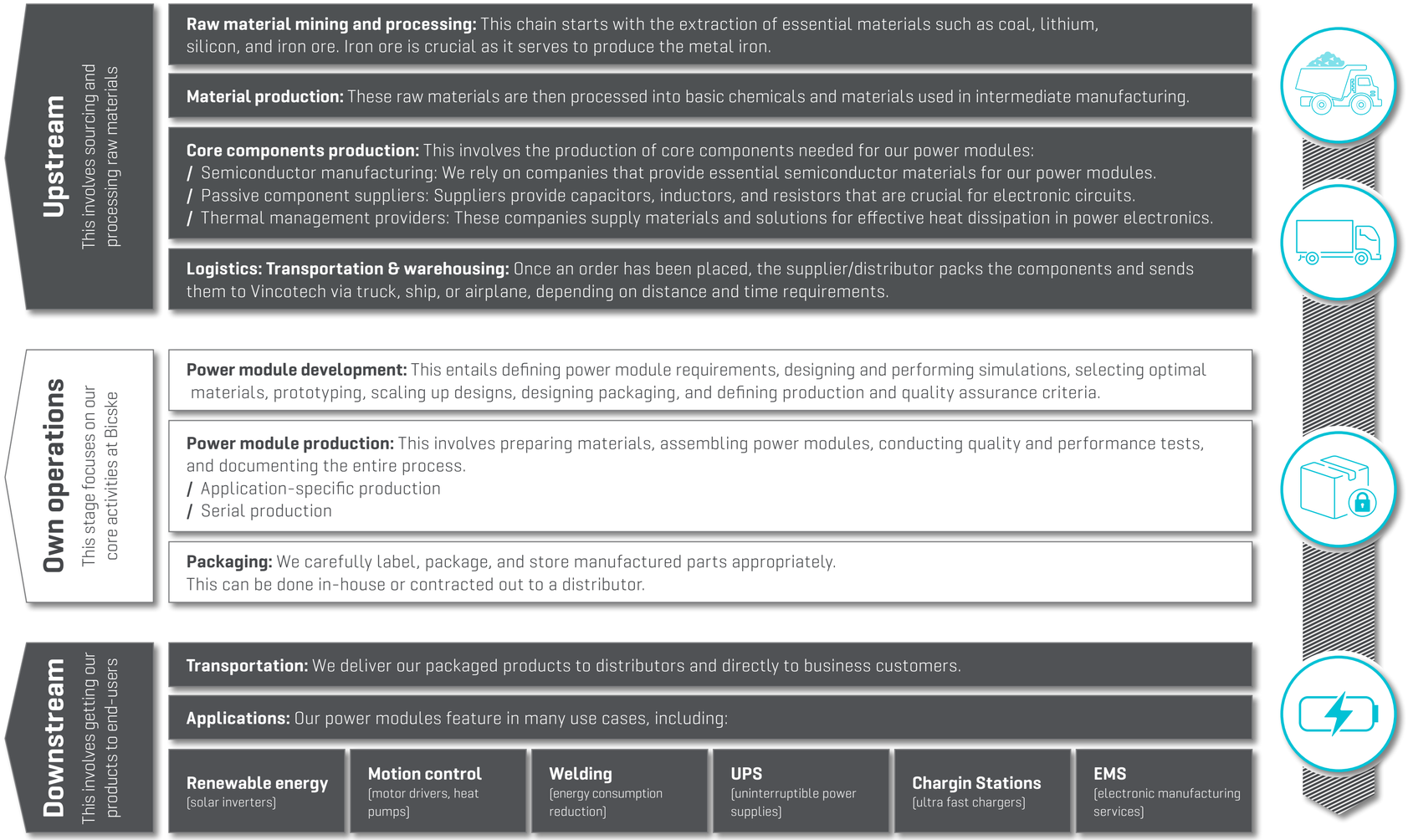

Figure 10: A detailed look at Vincotech's value chain

APPENDIX 2

Environmental

Topics	Sub-topics	Materiality
Climate change	**Climate change adaptation**	✓
	Climate change mitigation	✓
	Energy	✓
Pollution	Pollution of air	✗
	Pollution of water	✗
	Pollution of soil	✗
	Pollution of living organismus and food resources	✗
	Substances of concern	✓
	Substances of very high concern	✓
	Microplastics	✗
Water and marine resources	Water	✗
	Marine resources	✗
Biodiversity and ecosystems	Direct impact drivers of biodiversity loss	✗
	Impacts on the state of species	✗
	Impacts on the extent and condition of ecosystems	✗
	Impacts and dependencies on ecosystem service	✗
Circular economy	**Resources inflows, including resource use**	✓
	Resources outflows related to products and services	✓
	Waste	✓

Social

Topics	Sub-topics	Materiality
Own workforce	**Working conditions**	✓
	Equal treatment and opportunities	✓
	Other work-related rights	✓
Workers in the value chain	**Working conditions**	✓
	Equal treatment and opportunities	✓
	Other work-related rights	✓
Affected communities	**Communities' economic, social and cultural rights**	✓
	Communities' civil and political rights	✓
	Right of indigenious peoples	✗
Consumers and end-users	Information-related impacts for consumers and/or end-users	✗
	Personal safety of consumers and/or end-users	✗
	Social inclusion of consumers an/or end-users	✗

Governance

Topics	Sub-topics	Materiality
Business conduct	**Corporate culture**	✓
	Protection of whistle-blowers	✓
	Animal welfare	✗
	Political engagement	✗
	Management of relationships with suppliers including payment practices	✓
	Corruption and bribery	✓

Figure 11: Vincotech's materialsub-topics

APPENDIX 3

This table summarizes Vincotech's material categories alongside their IROs

Topics	Sub-topics	Impact	Positive or Negative	Risk & Opportunity	Risk / Opp.
Climate change	Climate change adaptation	Supporting climate adaptation through energy efficiency	Positive	Changing lists and thresholds in pollution-related regulations	Opportunity
	Climate change mitigation	GHG emissions from own operations	Negative	Financial cost of net zero transition	Risk
	Energy	Value chain energy consumption	Negative	Market: demand for energy efficiency-related solutions	Opportunity
Pollution	Substances of concern	Substances of concern used in the value chain	Negative	Changing lists and thresholds in pollution-related regulations	Risk
	Substances of very high concern	Substances of concern used in the value chain	Negative	Changing lists and thresholds in pollution-related regulations	Risk
Circular economy	Resources inflows, including resource use	Low resource circularity	Negative	Non-renewable resource dependence	Risk
	Resource outflows related to products and services	End-of-life product impact	Negative	Closed-loop packaging systems	Opportunity
	Waste	End-of-life Products	Negative	Waste treatment	Opportunity
Own workforce	Working conditions	Competitive wage	Positive	Enhanced work-life balance programs	Opportunity
	Equal treatment and opportunities for all	Gender inequality	Negative	Training and skills development	Opportunity
	Other work-related rights	High standards related to work-related and human rights in the workforce	Positive	Transparent communication channels	Opportunity
Workers in the value chain	Working conditions	Competitive wage	Positive	Supply chain risk mitigation opportunity	Opportunity
	Equal treatment and opportunities for all	Gender equality and equal pay for work of equal value	Negative	Supplier non-compliance	Risk
	Other work-related rights	Health and safety	Negative	Supplier non-compliance	Risk
Affected comm.	Communities' economic, social and cultural rights	Talent and innovation growth	Positive	Strengthening university partnerships	Opportunity
	Communities' civil and political rights	Lack of participatory environment	Negative	Stakeholder engagement	Opportunity
Business conduct	Corporate culture	Fostering a positive corporate culture	Positive	Further strengthening the corporate culture	Opportunity
	Protection of whistleblowers	Whistleblower system in place	Positive	Increased transparency and accountability	Opportunity
	Management of relationships with suppliers including payment practices	Developing supplier code of conduct	Positive	Fair payment practices	Opportunity
	Corruption and bribery	Clear anti-corruption practices	Positive	Unethical behavior	Risk

Figure 12: Vincotech's IROs

APPENDIX 4

Details on the material categories for Vincotech and a summary of their IROs follows:

Climate change: We recognize both positive and negative material impacts related to climate change. On the positive side, our focus on energy efficiency supports climate adaptation, creating an opportunity for wider access to green energy through our products and solutions. On the negative side, our GHG emissions from our operations and value chain energy consumption are significant concerns, and we acknowledge the financial cost associated with the net-zero transition as a risk.

Pollution: While Vincotech acknowledges the broader topic of water, air, and soil pollution, our material focus is specifically on substances of concern within our products and processes. Other forms of pollution are not considered material at this time. We are mindful of the negative material impact of substances of concern within our value chain. Conversely, we see a positive impact in that our production contains no substances of concern or substances of very high concern because we are committed to using alternatives. We also recognize the risks associated with changing pollution-related regulations and potential restrictions or bans on SVHCs.

Circular economy: Our high-performance power electronic components are a complex combination of specific materials. Maintaining material integrity – for instance, by preventing degradation of copper quality – is critical to assure the product's reliability and longevity. As a result, our current level of resource circularity is low. The end-of-life stage of our products also presents challenges with negative material impacts related to resource flows.

This dependence on non-renewable resources poses a risk we acknowledge. However, we see significant opportunities in implementing closed-loop packaging systems and in continuously improving our waste treatment processes. Looking ahead to FY2025, our commitment to enhancing resource circularity will be strengthened further by the 4R project, a strategic initiative to reduce, reuse, recycle, and rethink. This is one of our nine key strategic focus areas.

Own workforce: We strive to create positive impacts by providing competitive wages and upholding high work-related and human rights standards. We also see opportunities in enhancing work-life balance programs, offering training and skills development, and providing transparent communication channels for our employees. Gender inequality within our own workforce is a significant negative material impact that we are addressing.

Workers in value chain: Paying competitive wages in our value chain is a positive material impact. However, the lack of gender equality and equal pay, as well as deficiencies in health and safety standards, are negative material impacts. We view supply chain risk mitigation as an opportunity in this area, while supplier non-compliance presents a risk.

Affected communities: On a positive note, we aim to contribute to talent and innovation growth within our communities. Strengthening university partnerships and engaging with stakeholders are key opportunities for us. The lack of a participatory environment within communities is a negative material impact we are working to improve.

Business conduct: Fostering a positive corporate culture, maintaining a whistleblower system, developing a supplier code of conduct, and implementing clear anti-corruption practices are significant positive material impacts.

We see opportunities in further strengthening our corporate culture, increasing transparency and accountability, and ensuring fair payment practices. Unethical behavior is a risk we work to prevent. As Vincotech, we are committed to maximizing our positive impacts and minimizing our negative impacts across all key areas.

LIST OF ABBREVIATIONS

ADR: agreement concerning the International Carriage of Dangerous Goods by Road

B2B: business-to-business

BSC: balanced scorecard

CAPEX: capital expenditure

CFO: chief financial officer

CEO: chief executive officer

CSRD: Corporate Sustainability Reporting Directive

DMA: double materiality assessment

EPR: extended producer responsibility

ESG: Environmental, Social, and Governance

ESS: employee satisfaction Survey

EVP: employer value proposition

FFU: fan filter unit

FY: financial year

GHG: greenhouse gas

HR: human resources

ILO: International Labor Organization

IRO/IROs: impact, risk, and opportunity/impacts, risks, and opportunities

ISO: International Organization for Standardization

KPIs: key performance indicators

MELCO: Mitsubishi Electric Corporation

NGOs: non-governmental organizations

NPS: net promoter score

OECD: Organization for Economic Co-operation and Development

PCP: personal competency profile

PPA: power purchase agreement

QPM: quality process management

RBA: Responsible Business Alliance

REACH: Registration, Evaluation, Authorization and Restriction of Chemicals

RoHS/ROHS: restriction of hazardous substances

SDG: Sustainable Development Goal

SME: small and medium-sized enterprises

SMD: surface-mount device

SoC: substances of concern

SVHC: substances of very high concern

UN: United Nations