

FREUDENBERG

VMEBF: ESG Reporting Project - Double Materiality

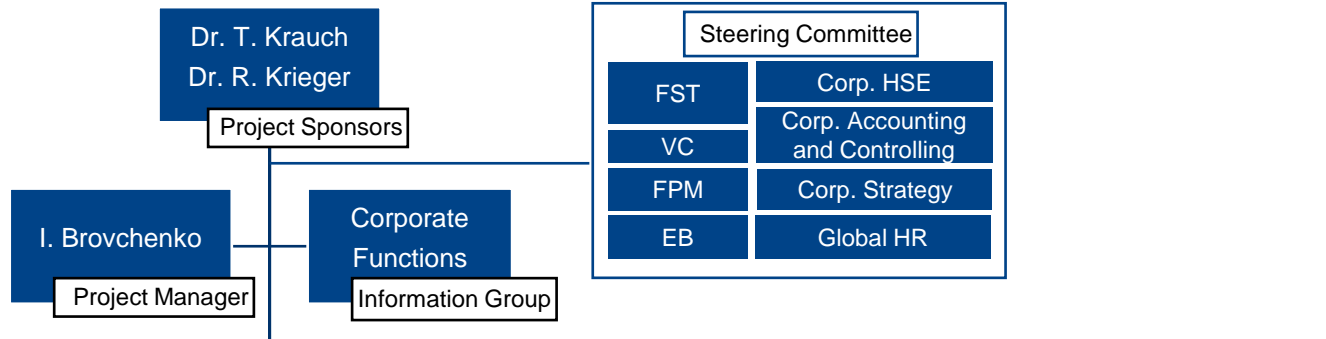
Project Manager: Inna Brovchenko

Date: 30-11-2023

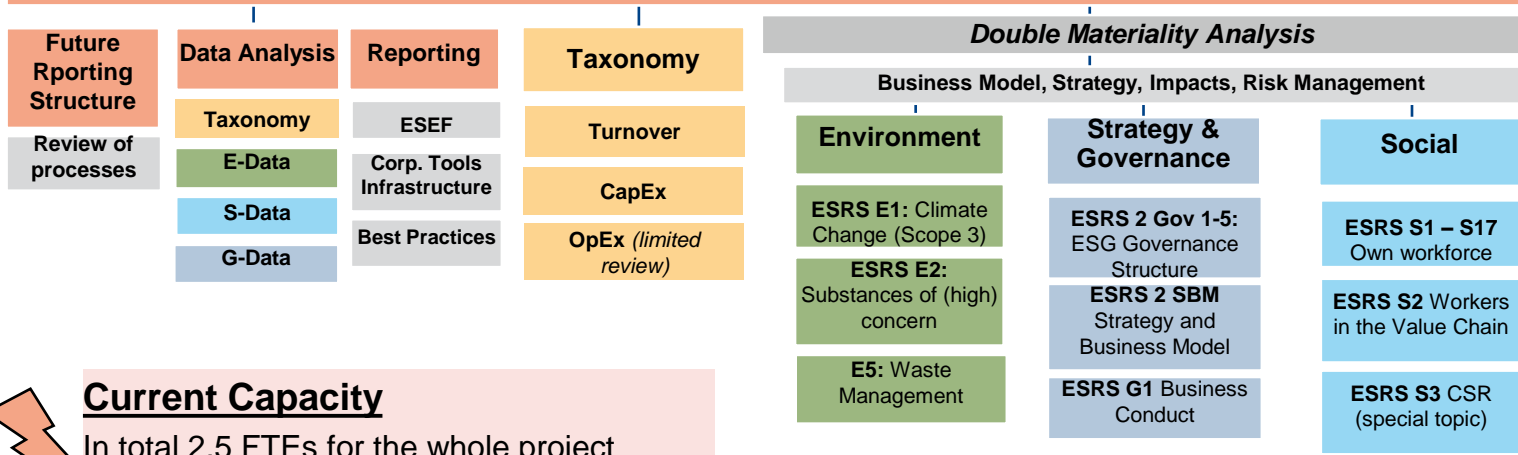


1. Kurze Vorstellung des Projektes
2. Prozess der Wesentlichkeitsanalyse
3. Gap Analyse
4. Fragen

Team Organisation

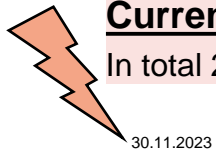


Data Analysis & Reporting



11 BG Representatives

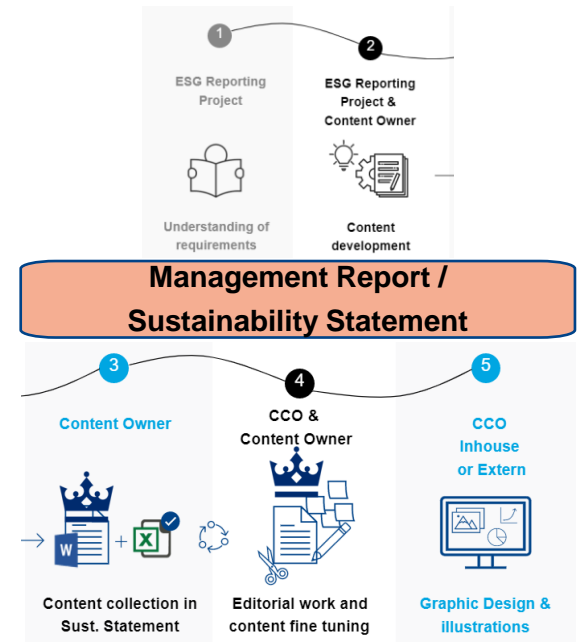
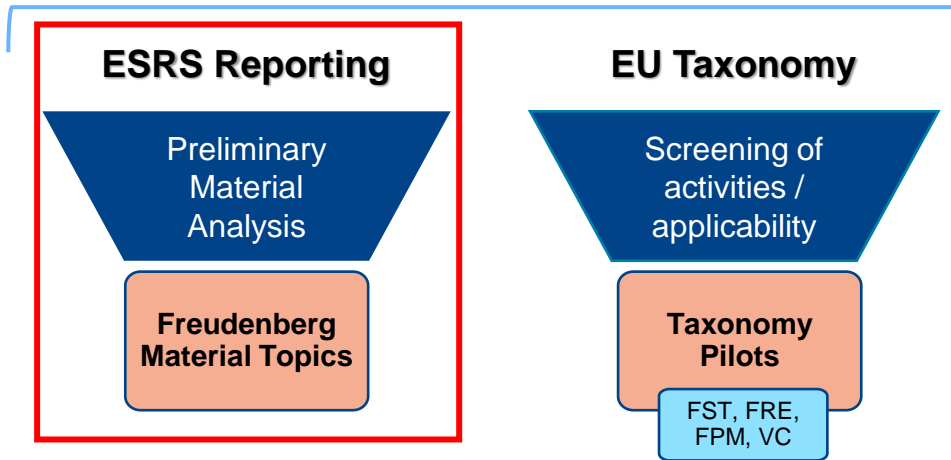
Current Capacity
 In total 2,5 FTEs for the whole project



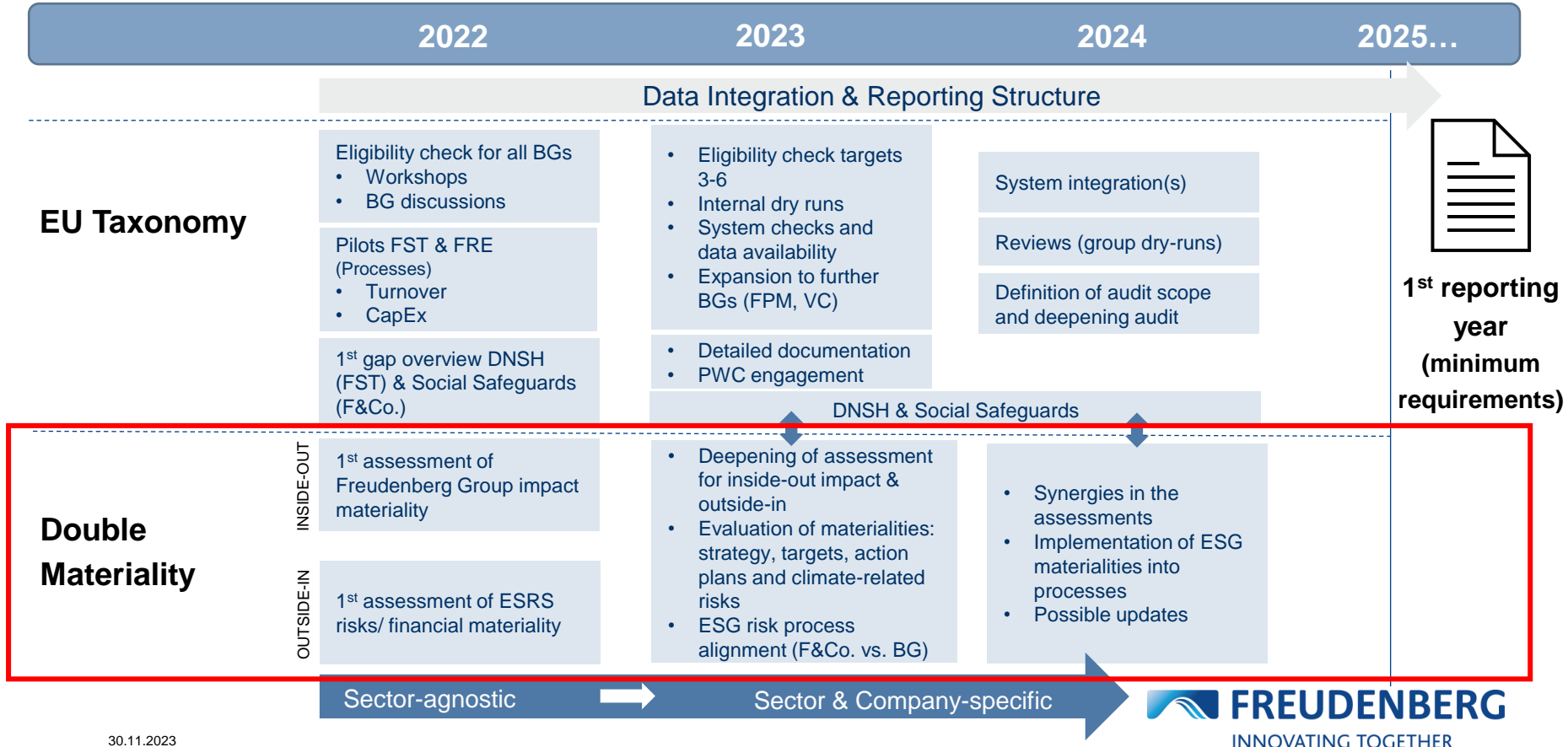
Overall Project Phases



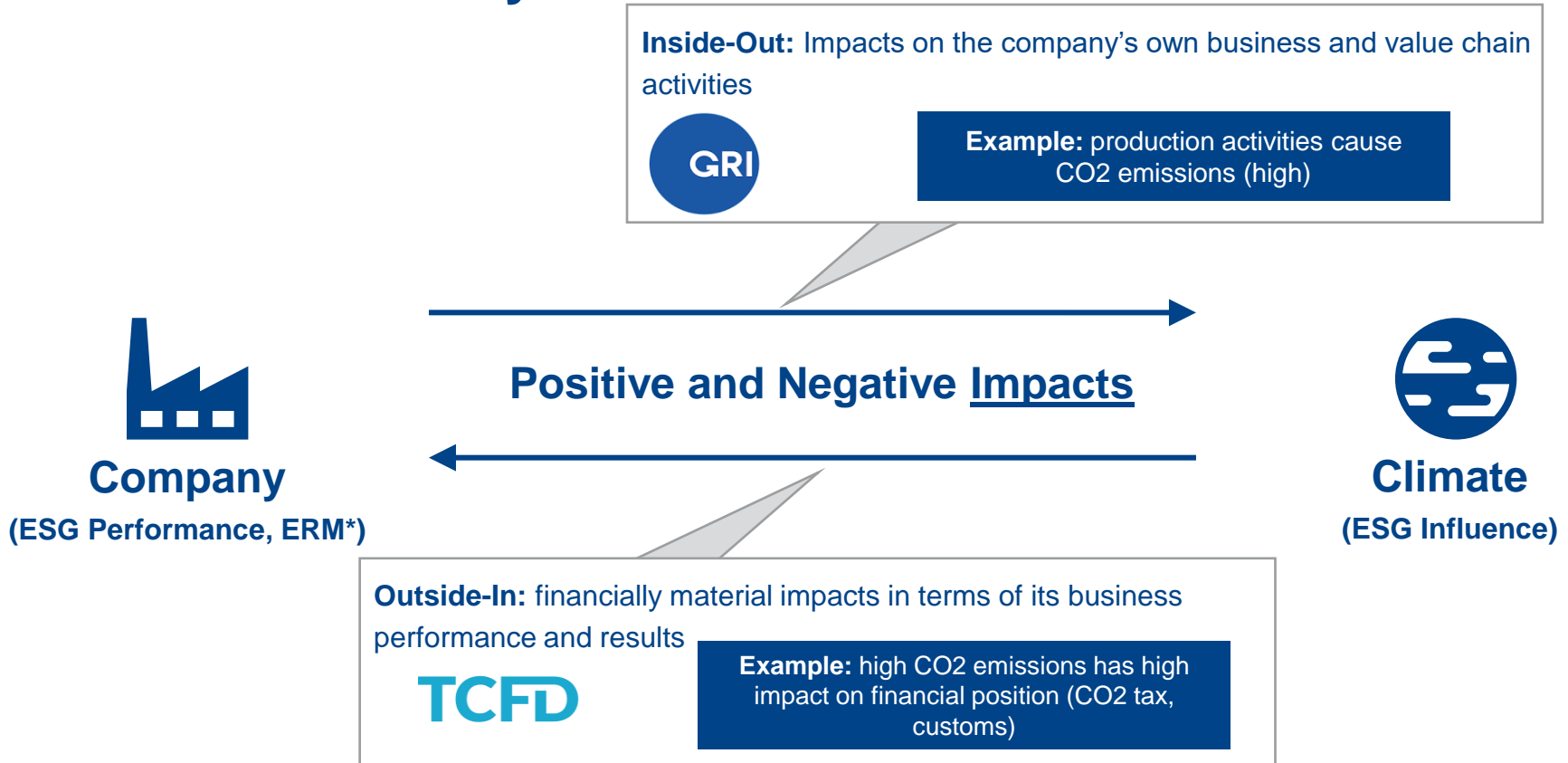
2 Main Workstreams



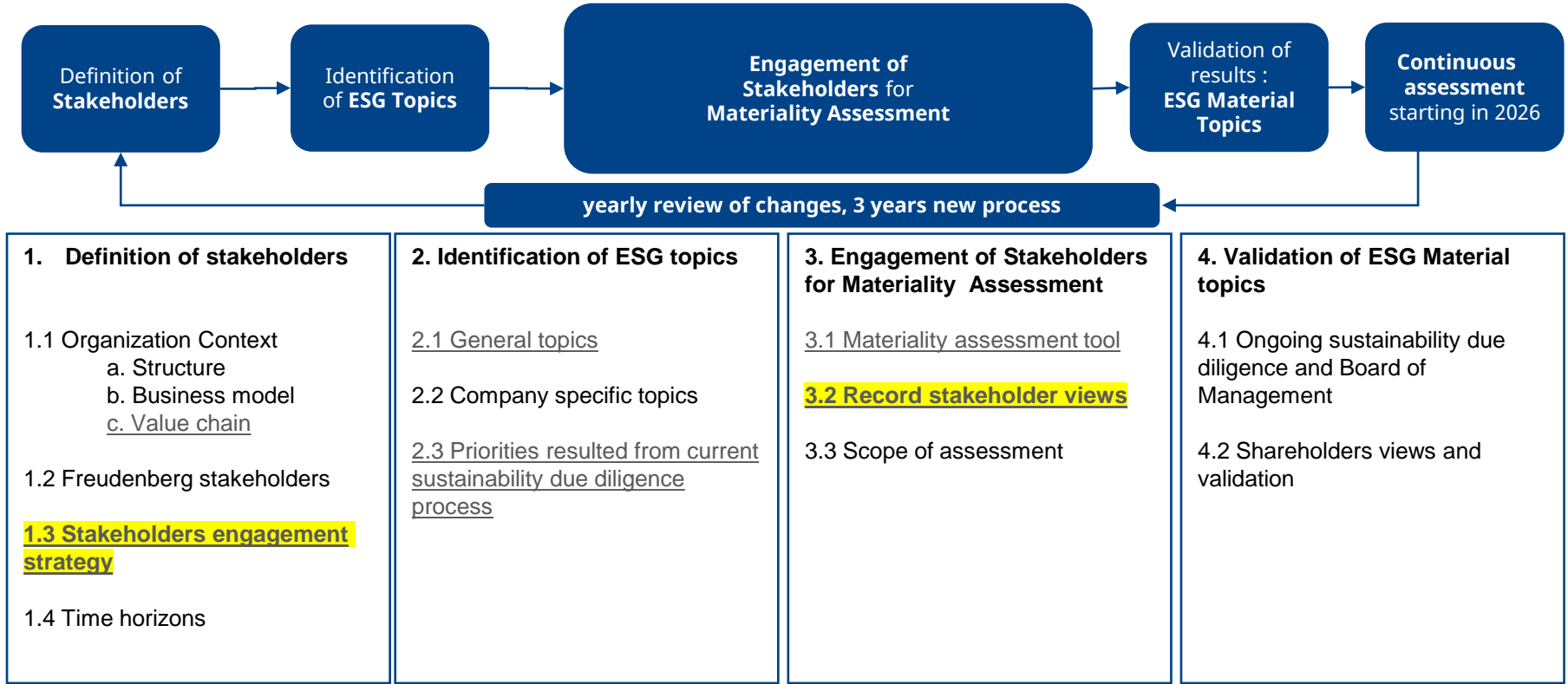
Outlook – EU Taxonomy and Double Materiality



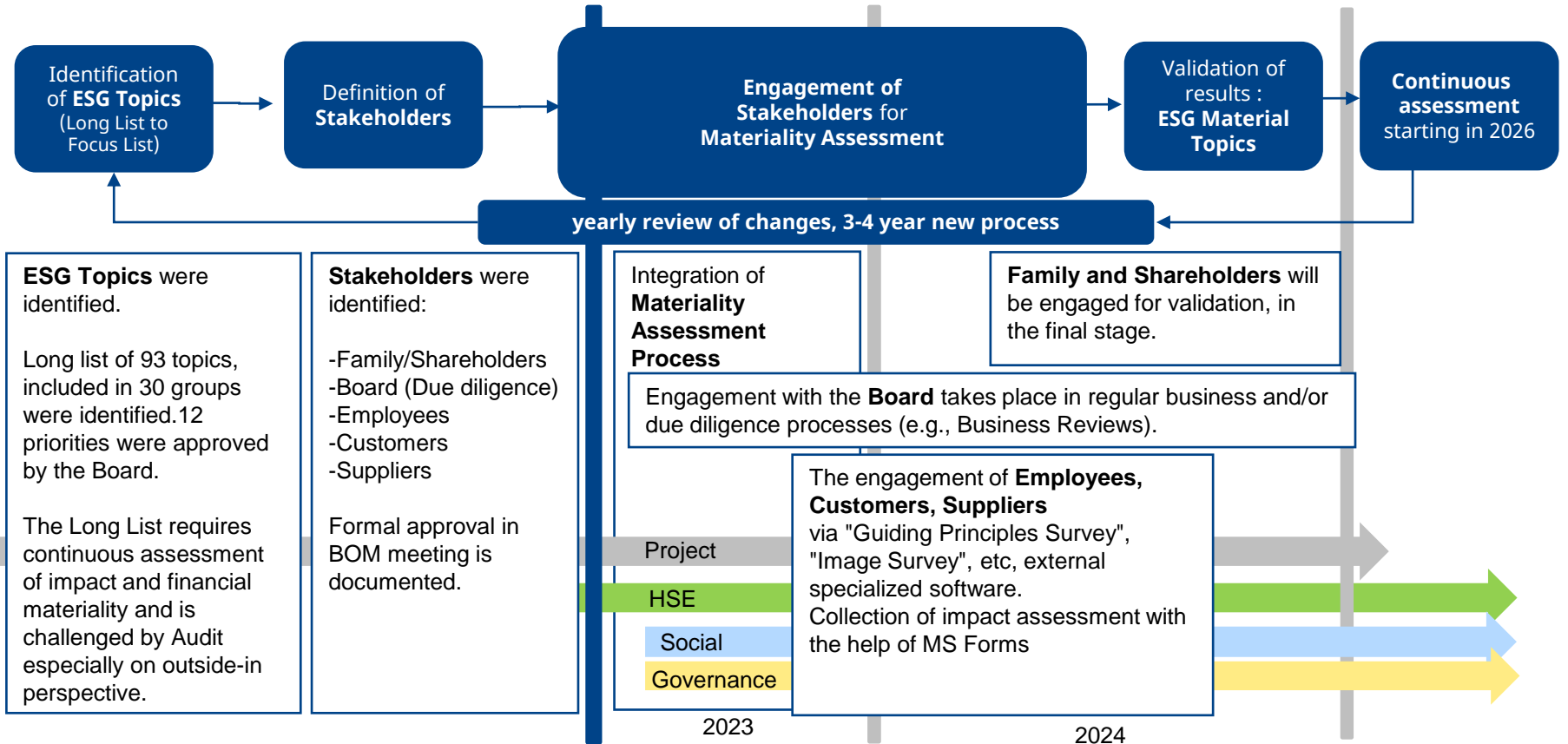
Double Materiality Definition



Materiality Assessment according to Guideline



Materiality Assessment @Freudenberg



Materiality Assessment @Freudenberg



ESG Topics were identified.

Long list of 93 topics, included in 30 groups were identified. 12 priorities were approved by the Board.

The Long List requires continuous assessment of impact and financial materiality and is challenged by Audit especially on outside-in perspective.

- First Materiality Assessment was done **with external consultant (basis Draft ESRS November 2022)**
- Many ESRS topics **were out-scoped** (e.g. E2, E3, S2, S3) and not reviewed.
- Analysis of organizational context and sustainability topics have been conducted
- KPMG checked the long list and first assessment with a result that out-scoping is not in line with new changes in ESRS requirements as of July 2023

Materiality Assessment Process

1.1 Organization Context:

Structure: Freudenberg is a **family-owned company**. It has **no exposure to capital markets**, and it **does not depend on external financial institutions**.

Business model: **4 Business Areas, 11 Business Groups** highly diversified and independent

Employees: more than **50.000**

| Business Area Seals and Vibration Control Technology | Business Area Technical Textiles and Filtration | Business Area Cleaning Technologies and Products | Business Area Specialties |
|--|---|--|-----------------------------------|
| Business Groups | Business Groups | Business Groups | Business Groups |
| Freudenberg Sealing Technologies | Freudenberg Performance Materials | Freudenberg Home and Cleaning Solutions | Freudenberg Chemical Specialities |
| Freudenberg e-Power Systems | Freudenberg Filtration Technologies | | Freudenberg Medical |
| Freudenberg Oil & Gas Technologies | Japan Vilene Company | | |
| EagleBurgmann | | | |
| Vibracoustic | | | |

(Appendix 1)

Materiality Assessment @Freudenberg

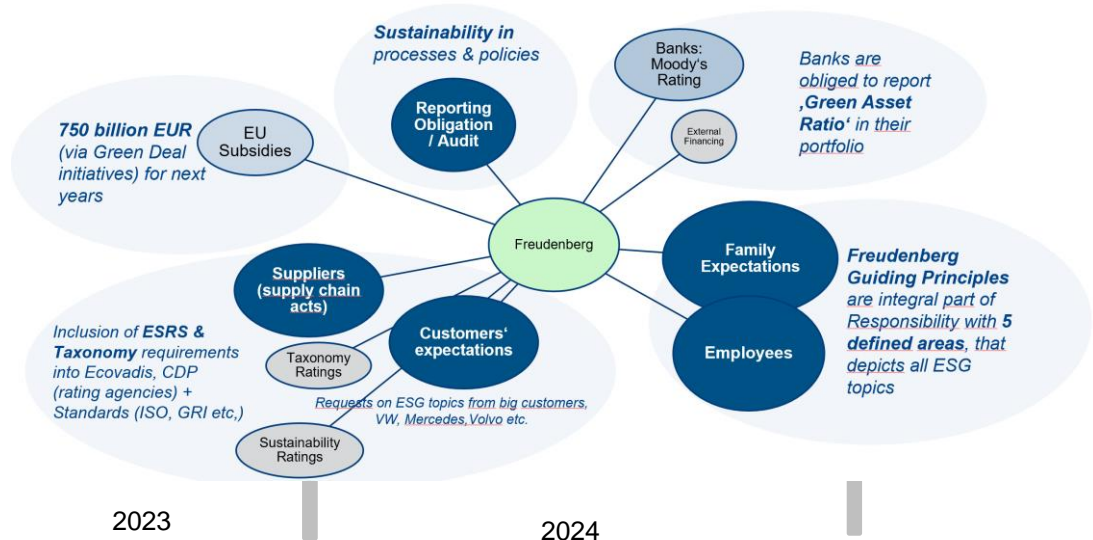


Stakeholders were identified:

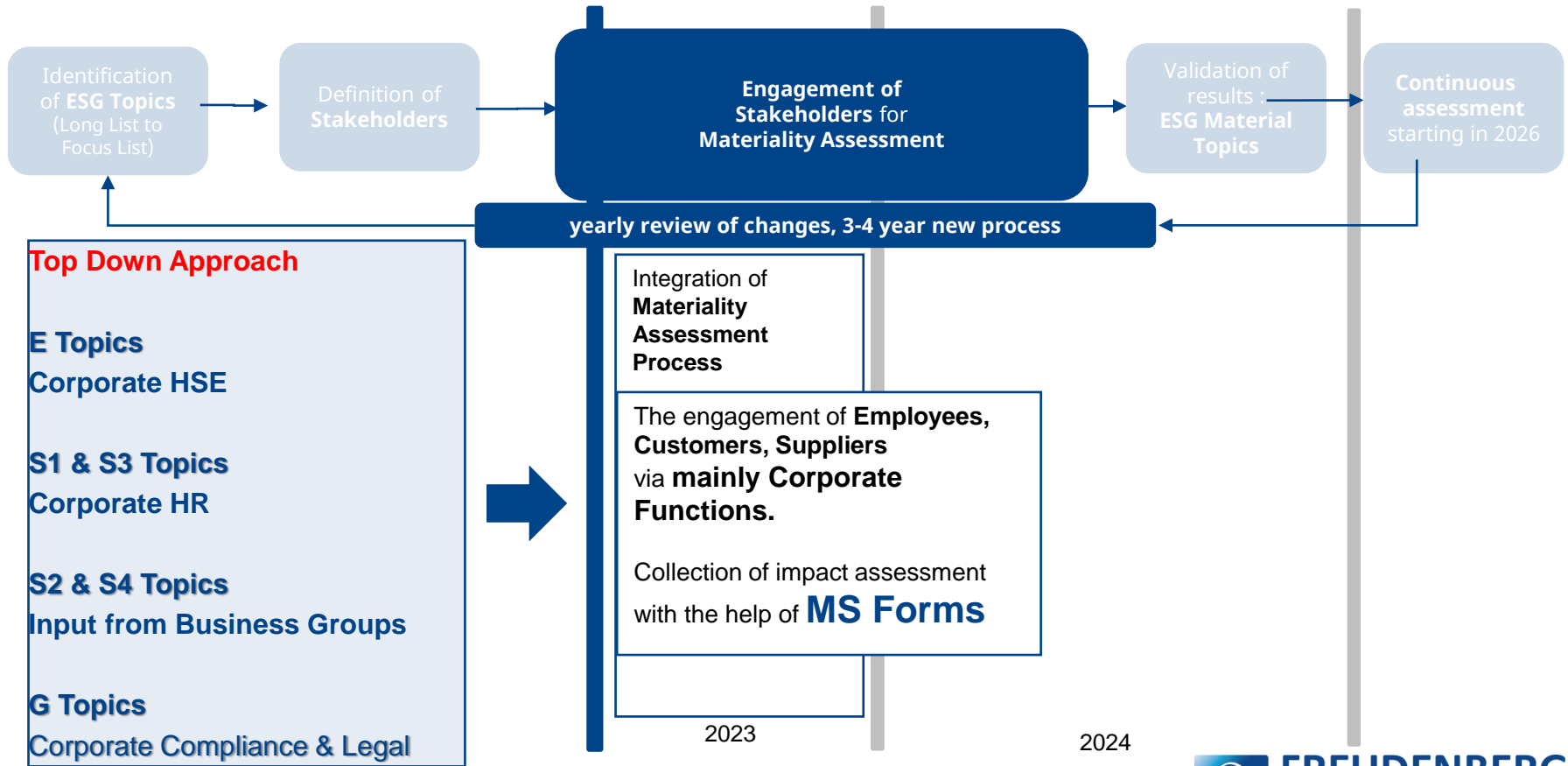
- Family/Shareholders
- Board (Due diligence)
- Employees
- Customers
- Suppliers

Formal approval in BOM meeting is documented.

ESRS 1 affected stakeholders and users of sustainability statements



Materiality Assessment @Freudenberg



Materiality Assessment: Assessment Tools (Excerpt)

3.1 Materiality assessment tool

The tool is an Excel template that includes the following features:

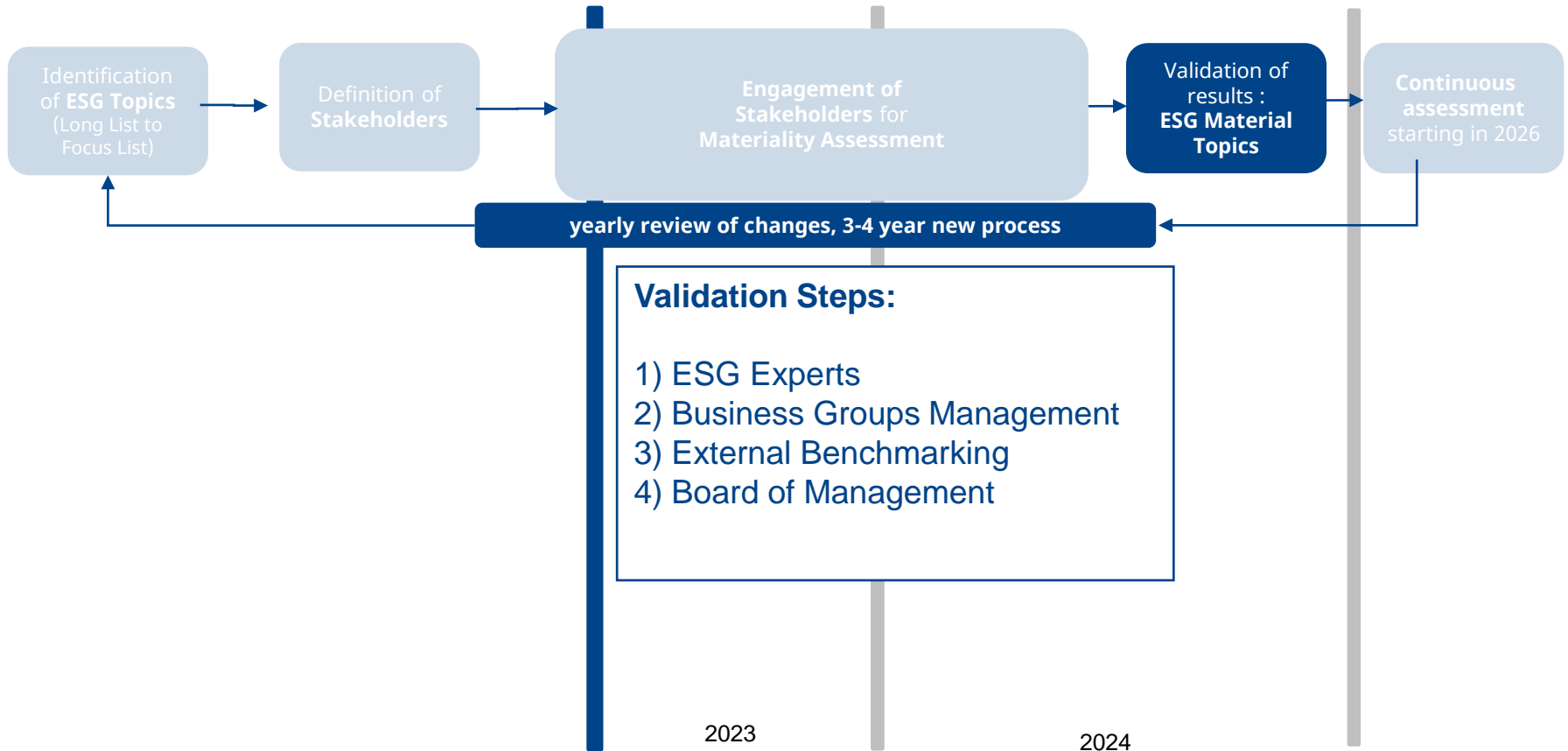
- the **26 ESRS 1 AR.16 sub-topics** and the perspectives revealed by the **93 sub-sub-topics**
- an impacts assessment procedure as required in **ESRS 1, Article 3.4 Impact materiality**
- a risks and opportunities assessment incl. ERM procedure as required by **ESRS 1, Article 3.5 Financial materiality**
- a consolidation procedure that aggregates the materiality assessments at the E, S and G topic level

The template consolidates the assessments, identify and presents the **Material topics** in this format (example for S)

| Freudenberg - Materiality Assesment (DM) | | | | | | | | | |
|--|--|--------------------|---------|------------------|---------|-----------------------|---------|-----------------------|---------|
| Topics of Materiality | | Impact Materiality | | | | Financial Materiality | | | |
| | | Positive Impacts | | Negative Impacts | | Financial Risk | | Financial Opportunity | |
| | | Average | Maximum | Average | Maximum | Average | Maximum | Average | Maximum |
| S1: Own Workforce | Working Conditions | 13.00 | 18.00 | 16.33 | 16.33 | 1.80 | 2.00 | N/A | N/A |
| | Equal Treatment and Opportunities for all | N/A | N/A | 16.33 | 16.33 | 1.00 | 1.00 | N/A | N/A |
| | Other Work-related rights | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| S2: Workers in the Value Chain | Working Conditions | N/A | N/A | 13.17 | 16.33 | 2.00 | 2.00 | N/A | N/A |
| | Equal Treatment and Opportunities for all | N/A | N/A | N/A | N/A | 0.00 | 0.00 | N/A | N/A |
| | Other Work-related rights | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| S3: Affected Communities | Right of Communities | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | Special Rights of Indigenous Communities | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | Information-related Impacts for Consumers and/or End-users | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| S4: Consumers & End-users | Personal Safety of Consumers and/or End-users | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | Social Inclusion of Consumers and/or End-users | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | Information-related Impacts for Consumers and/or End-users | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |



Materiality Assessment @Freudenberg



Environment: Overall Data Points Overview by Standard

| Environment | | Quantitative | | Qualitative | | Currently Covered | |
|-----------------------------|---|--------------|----|-----------------|----|------------------------------------|--------------------|
| GAP-Analysis is done | | | | | | | |
| E1 | <ul style="list-style-type: none"> Climate Change Mitigation (CO2) Energy | Monetary | 09 | Narrative | 56 | In annual report Data available | 2 KPIs* ca. 70% |
| | | Numerical | 83 | Table-narrative | 04 | | |
| | | | 92 | | 85 | | |
| E2 | <ul style="list-style-type: none"> Substances of concern Substances of very high concern Microplastics | Monetary | 02 | Narrative | 16 | GAP analysis ongoing | |
| | | Numerical | 19 | Semi-narrative | 04 | | |
| | | | 21 | | 20 | | |
| E3 | <ul style="list-style-type: none"> Water consumption | Numerical | 06 | Narrative | 16 | GAP analysis ongoing | |
| | | | | Semi-narrative | 02 | | |
| | | | | | 18 | | |
| E5 | <ul style="list-style-type: none"> Waste | Numerical | 28 | Narrative | 28 | GAP analysis ongoing | |
| | | | | Semi-narrative | 03 | | |
| | | | | | 31 | | |
| | | 147 | | 154 | | | |

* - Energy Consumption total & per revenue

from Draft List of ERS Data Points by EFRAG (status: 15 Nov 2023)

No inclusion of:

- Voluntary disclosures
- Disclosures with phase-in applicable for Freudenberg (e.g. quantitative information on anticipated financial effects)

Social: Overall Data Points Overview by Standard

| Social | | Quantitative | Qualitative | Currently Covered |
|--------|--|--|--|--|
| S1 | GAP-Analysis is done Own Workforce | Monetary 02 Numerical 32 34 | Narrative 51 Semi-narrative 14 65 | Quantitative 14 (41%) Narrative 34 Semi-narrative 11 Qualitative 45 (69%) |
| S2 | Workers in the value chain | No quantitative data points, mostly narrative disclosure on targets. | Narrative 40 Semi-narrative 08 48 | GAP analysis ongoing |
| S3 | Affected communities (special topic CSR) | If targets were set, disclose MDR-T: measurable target, baseline value, baseline year | Narrative 40 Semi-narrative 06 46 | GAP analysis ongoing |
| S4 | Consumers and end-users | | Narrative 39 Semi-narrative 05 44 | GAP analysis ongoing |
| | | 34 + Targets | 203 | |

from Draft List of ESRS Data Points by EFRAG (status: 23 Nov 2023)

No inclusion of:

- Voluntary disclosures
- Disclosures with phase-in applicable for Freudenberg (e.g. characteristics of non-employee workers in own workforce)
- Minimum Disclosure Requirements (MDR)

Governance: Overall Data Points Overview by Standard

| Governance | | Quantitative | Qualitative | Currently Covered |
|----------------------|---|--|-------------------|---------------------------|
| G1 | <ul style="list-style-type: none"> Corporate Culture Corruption and Bribery Management of relationships with suppliers | Monetary 01 | Narrative 18 | Monetary 0/1 |
| | | Numerical 02 | Semi-narrative 05 | Numerical 0/2 |
| | | 03 | 23 | Narrative 5/18 |
| | | | | <u>Semi-Narrative</u> 3/5 |
| | | | | Total 8/26 |
| GAP-Analysis is done | | 03 | 23 | |
| | | No quantitative Data Points for Corporate Culture and Management of relationships with suppliers | | |

from Draft List of ESRS Data Points by EFRAG (status: 23 Nov 2023)

No inclusion of:

- Voluntary disclosures (3 voluntary KPIs for G1 regards Corruption & Bribery)
- Disclosures with phase-in applicable for Freudenberg (e.g. characteristics of non-employee workers in own workforce)
- Minimum Disclosure Requirements (MDR)
- G1-5 and G1-6 as not material



Questions?

Comments?

Suggestions?