

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

Dürr Group
14 November 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">▪ Sustainable Finance instruments▪ Green Bond Principles (GBP), updated June 2022, and Sustainability-Linked Bond Principles (SLBP), updated June 2020, administered by International Capital Market Association (ICMA)
Relevant standards	<ul style="list-style-type: none">▪ Green Loan Principles (GLP), updated February 2021, and Sustainability-Linked Loan Principles (SLLP), updated March 2022, administered by the Asia Pacific Loan Market Association (APLMA), Loan Market Association (LMA), and Loan Syndications and Trading Association (LSTA)
Scope of verification	<ul style="list-style-type: none">▪ Dürr Group's Sustainable Finance Framework (as of November 14, 2022)¹▪ Dürr Group's Selection criteria (as of November 14, 2022)
Lifecycle	<ul style="list-style-type: none">▪ Pre-issuance verification
Validity	<ul style="list-style-type: none">▪ As long as there is no material change to the Framework

¹ The SPO has been updated on February 27, 2023, to reflect not-material changes adopted by the Issuer in its Framework. The analysis outcome of the Framework, the KPIs and the SPTs has not changed compared to the SPO delivered in November 2022."

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SCOPE OF WORK

Dürr AG (“Dürr Group” or “the issuer” or “the company”) commissioned ICS to assist with its Sustainable Finance instruments by assessing three core elements to determine the sustainability quality of the instrument:

1. Dürr Group’s Sustainable Finance Framework (as of November 14, 2022 version) – benchmarked against the Green Bond Principles (GBP) and Sustainability-Linked Bond Principles (SLBP) administered by International Capital Market Association (ICMA), and Green Loan Principles (GLP) and Sustainability-Linked Loan Principles (SLLP) administered by the Asia Pacific Loan Market Association (APLMA), Loan Market Association (LMA), and Loan Syndications and Trading Association (LSTA).
2. The Selection criteria – whether the projects contribute positively to the UN SDGs and perform against issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The alignment with the EU Taxonomy on a best-efforts basis² – whether the nominated project categories are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Social Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2021).
4. Sustainable Finance instruments link to Dürr Group’s sustainability strategy – drawing on Dürr Group’s overall sustainability profile and issuance-specific Use of Proceeds categories.

DÜRR GROUP BUSINESS OVERVIEW

Dürr AG engages in the business of mechanical and plant engineering, which focuses on automation and digitalization. It operates through the following divisions: Paint and Final Assembly Systems, Application Technology, Clean Technology Systems, Measuring and Process Systems, Woodworking Machinery and Systems, and Corporate Center. The Paint and Final Assembly Systems division plans and builds paint systems and final assembly lines for the automotive industry and supplies software for the over-arching production control. It also includes testing and filling technology for automotives, and assembly and test systems for medical devices. The Application Technology division develops and manufactures products and systems for the automated application of paint, sealants, and adhesives. The Clean Technology Systems division specializes in exhaust gas purification systems and energy efficiency technology. The Measuring and Process Systems division offers balancing and diagnostics equipment, and industrial filling machines. The Woodworking Machinery and Systems division develops and produces machinery and systems for the woodworking industry. The company was founded by Paul Albert Dürr in 1896 and is headquartered in Bietigheim-Bissingen, Germany.

² Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage we evaluate the alignment with the EU Taxonomy on a “best efforts basis”.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ³
Part 1: Alignment with GBP and GLP	The issuer has defined a formal concept for its Sustainable Finance instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles and Green Loan Principles.	Aligned
Part 2: Sustainability quality of the Selection criteria	<p>The Sustainable Finance instruments will (re-)finance eligible asset categories which include: Clean transportation, Energy efficiency, Renewable energy, Green buildings, and Pollution prevention and control/ Environmental technology.</p> <p>Energy efficiency, and Pollution prevention and control/ Environmental technology use of proceeds categories have a significant contribution to SDGs 7 'Affordable and clean energy' and 13 'Climate action', and limited contribution to SDG 3 'Good health and well-being'.</p> <p>Energy efficiency, Renewable energy, Clean transportation, and Green buildings use of proceed categories improve the company's operations impacts and mitigate potential negative externalities of the issuer's sector on SDGs 7 'Affordable and clean energy' and SDG 13 'Climate action'.</p>	Positive
Part 3: Alignment with EU Taxonomy	<p>We assessed the alignment of Dürr Group's project characteristics, due diligence processes and policies against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021), on a best-efforts basis⁴. Based on robust processes for selection, the nominated project categories are considered to be:</p> <ul style="list-style-type: none"> ▪ Aligned with the Climate Change Mitigation Criteria ▪ Aligned with the Do No Significant Harm Criteria ▪ Aligned with the Minimum Safeguards requirements 	

³ Our evaluation is based on Dürr Group's Sustainable Finance Framework (as of November 14, 2022), and on the ISS ESG Corporate Rating updated on the April 13, 2022 and applicable at the SPO delivery date.

⁴ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage we evaluate the alignment with the EU Taxonomy on a "best efforts basis".

<p>Part 4:</p> <p>Alignment with the SLBP and SLLP</p>	<p>Aligned with ICMA Sustainability-Linked Bond Principles and LMA Sustainability-Linked Loan Principles</p> <p>The issuer has defined a formal framework for its Sustainability-Linked Bonds and Loans regarding the selection of KPI, calibration of Sustainability Performance Target (SPT), Sustainability-Linked Bonds and Loans characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA and the Sustainability-Linked Loan Principles (SLBP) administered by the LMA.</p> <p>The financial characteristics of any security issued under this Framework, including a description of the selected KPI(s), SPTs, step-up/-down margin amount or the premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction. The occurrence of a Trigger Event will result in an alternation of the security's financial characteristics, with examples being coupon step-up(s), coupon step-down(s) and/or a higher repayment amount and/or structural (non-financial) characteristics. The issuer states that it may or may not use all KPIs together on the same transaction, hence the Trigger Event definition might differ for specific issuances, and are considered on a case-by-case basis.</p>
<p>Part 5A:</p> <p>KPI selection and SPT calibration</p> <p>KPI 1: Absolute GHG emissions Scope 1 and 2 reduction</p> <p>SPT 1: Reduce absolute Scope 1 and 2 GHG emissions by 70% by 2030 from a 2019 base year</p>	<p>KPI selection: Relevant and Core to issuer's business model and sustainability profile. If used individually on a financial instrument as a standalone KPI, the KPI is material to the company's direct operations but not to the Corporate Value Chain. If integrated with KPI 2 on the same financial instrument, then together, both KPI 1 and 2 are material to the issuer's business model and sustainability profile.</p> <p>Sustainability Performance Target (SPT) calibration:</p> <ul style="list-style-type: none"> ▪ Ambitious against issuer's past performance ▪ Ambitious against issuer's industry peer group ▪ In line with the Paris Agreement <p>The KPI selected is relevant, core, and moderately material to the issuer's business model. The KPI is considered material to the company's direct operations as it covers 100% of Scope 1 and 2 GHG emissions but not material to the Corporate Value Chain as it does not cover Scope 3 which represents 99.41% (as of 2021) of the GHG emissions. If integrated together with KPI 2 as part of the same financial instrument, the two KPIs together can be considered fully material. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers 100% of the company's direct operations that are responsible for 0.59% (2021) of the company's total CO₂ emissions.</p> <p>ISS ESG finds that the SPT 1 calibrated by Dürr Group is ambitious against the company's past performance, compared to Industrial Machinery and Equipment industry practices in terms of defining a GHG emissions reduction target, and in line with the Paris Agreement and a 1.5° C warming scenario according to the SBTi.</p>

The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.

KPI selection: Relevant and Core to issuer's business model and sustainability profile. If used individually on a financial instrument as a standalone KPI, the KPI is material to the company's Corporate Value Chain but not material to the direct operations of the company⁵. If integrated with KPI 1 on the same financial instrument, then together, both KPI 1 and 2 are material to the issuer's business model and sustainability profile.

Part 5B:

Sustainability Performance Target (SPT) calibration:

- **Ambitious against issuer's past performance based on limited evidence**
- **Ambitious against issuer's industry peer group**
- **In line with the Paris Agreement**

KPI 2:

Absolute GHG emissions

Scope 3 reduction

SPT 2: Reduce absolute Scope 3 GHG emissions by 15% by 2030 from a 2019 base year

The KPI selected is core and relevant to the issuer's business model as a standalone KPI. It is material to the company's upstream and downstream value chain, but not material to the direct operations of the company, as it covers only Scope 3 emissions. The KPI covers 100% of the company's reported Scope 3 emissions.⁶ If integrated with KPI 1 as part of the same financial instrument, the two KPIs together can be considered fully material to the Corporate Value Chain and direct operations. The KPI is consistent with the company's sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers 99.41% (2021) of the company's total CO₂ emissions.

The SPT calibrated by Dürr Group's is ambitious against the company's past performance based on limited evidence, compared to Industrial Machinery and Equipment industry practices in terms of defining a GHG emissions reduction target and in line with the Paris Agreement and a 1.5°C warming scenario according to the SBTi. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in Dürr Group's Sustainable Finance Framework.

Part 5C:

KPI selection: Relevant, Core, Material, to issuer's business model and sustainability profile.

KPI 3:

Improvement

Sustainability Performance Target (SPT) calibration:

- **Ambitious against issuer's past performance**
- **Ambitious against issuer's industry peer group based on limited evidence**
- **Limited information to assess alignment with international targets**

⁵ The concept of Corporate Value Chain is used by the GHG protocol to define Scope 3 emissions.

⁶ Dürr Group's reported Scope 3 emissions in 2021 does not include the emissions of HEKUMA, a subsidiary acquired in September 2021. Dürr Group estimates that HEKUMA's emissions in 2021 constitutes less than 0.5% of the group's total Scope 3 emissions. It confirms that HEKUMA will be included in all calculations going forward. Dürr Group states that it will recalculate baseline figures in the event of material acquisitions/divestments, however, recalculation was not performed in the case of the HEKUMA acquisition as the impact on GHG emissions was deemed not material by the Dürr Group.

<p>of ISS ESG-rating</p> <p>SPT 3: Improvement of ISS ESG-rating to Prime status by 2025 from a 2019 base year</p>	<p>ISS ESG finds that the KPI selected is relevant, core, and material to the issuer’s business model. The KPI is consistent with its sustainability strategy. It is appropriately measurable, quantifiable and externally verifiable. It is benchmarkable with limitations. It covers impacts on Dürr Group’s activities globally, across all elements of its activities.</p> <p>ISS ESG finds that the SPT calibrated by Dürr Group is ambitious against the company’s past performance and in line with best performers in the Industrial Machinery and Equipment industry within the ISS ESG corporate ratings universe, based on limited evidence. However, comparison against international targets for this SPT is not possible due to the limitations of comparing the ISS ESG rating methodology with that of other ratings providers. The benchmark selected by the issuer is based on the ISS ESG Universe. The target is set in a clear timeline. It is supported by a strategy and action plan disclosed in the company’s framework.</p>	
<p>Part 6:</p> <p>Sustainable Finance instruments link to issuer’s sustainability strategy</p>	<p>The Use of Proceeds financed through these Sustainable Finance instruments are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing Sustainable Finance instruments is clearly described by the issuer.</p> <p>The KPIs selected by the issuer are related to climate change and the overall ESG performance of the company. Climate change and sustainability performance have been defined as key priorities of the issuer in terms of sustainability strategy and ISS ESG finds that these are material sustainability topic for the issuer. ISS ESG finds that the KPIs selected are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing Sustainability-Linked financing instruments is clearly described by the issuer.</p>	<p>Consistent with issuer’s sustainability strategy</p>

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES AND GREEN LOAN PRINCIPLES

This section evaluates the alignment of the Dürr Group's Sustainable Finance Framework (as of November 14, 2022 version) with the ICMA's Green Bond Principles and APLMA, LMA and LSTA's Green Loan Principles.

GBP/ GLP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>We consider the Use of Proceeds description provided by Dürr Group's Sustainable Finance Framework as aligned with the GBP/GLP.</p> <p>The issuer's green categories align with the project categories as proposed by the GBP/GLP. Criteria are defined in a clear and transparent manner. Environmental benefits are described and quantified.</p> <p>Moreover, the issuer provides a qualitative analysis of the environmental benefits of the projects categories, in line with best market practice. The issuer intends to refinance eligible green assets without a specific lookback period and eligible green expenditures with a maximum two-year lookback period.</p>
2. Process for Project Evaluation and Selection	✓	<p>We consider the Process for Project Evaluation and Selection description provided by Dürr Group's Sustainable Finance Framework as aligned with the GBP/GLP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the issuer.</p> <p>Moreover, the issuer involves various stakeholders in this process and clearly defines responsibilities in the process for project evaluation and selection and is transparent about it, which is in line with best market practice.</p>
3. Management of Proceeds	✓	<p>We find that the Management of Proceeds proposed by Dürr Group's Sustainable Finance Framework as aligned with the GBP/GLP.</p> <p>The proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner and</p>

		<p>attested in a formal internal process. Moreover, the issuer discloses the temporary investment instruments for unallocated proceeds.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>We find that the allocation and impact reporting proposed by Dürr Group’s Sustainable Finance Framework as aligned with the GBP/GLP.</p> <p>The issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. Dürr Group explains the level of expected reporting and the type of information that will be reported. The issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>Moreover, the issuer commits to disclose the impact of proceeds transparently, subject to data availability and confidentiality. The issuer has clearly defined the level of reporting, information reported, frequency, scope and duration.</p>

PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

CONTRIBUTION OF THE SUSTAINABLE FINANCE INSTRUMENTS TO THE UN SDGs

Companies can contribute to the achievement of the SDGs by providing specific products and services which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products and services,
- improvements of operational performance.



1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on 5-point scale (see Annex 1 for methodology):












Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Sustainable Finance instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS AND SERVICES)	CONTRIBUTION OR OBSTRUCTION ⁷	UN SUSTAINABLE DEVELOPMENT GOALS
Energy efficiency <i>Painting technology (Ref: EU Taxonomy Activity 3.6)</i>	Limited contribution⁸	
	Significant Contribution	




⁷ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer's product and service portfolio on the SDGs. For the projects to be financed under Use of Proceeds categories that are based on with the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a significant contribution to climate change mitigation is attested. Assets compliance with EU taxonomy is not evaluated under the SPO.

⁸ This technology would enable potential energy savings of 50-75% compared to conventional processes, according to the issuer. Page 34 of Sustainability Report 2021. <https://www.durr-group.com/fileadmin/durr-group.com/Sustainability/Downloads/duerr-sustainability-report-2021-EN.pdf>.

<p>Energy efficiency</p> <p><i>Battery manufacturing technology (Ref: EU Taxonomy Activity 3.6)</i></p>	Limited contribution	
	Significant Contribution	
<p>Energy efficiency</p> <p><i>Technology for electromobility (Ref: EU Taxonomy Activity 3.6)</i></p>	Limited contribution	
	Significant Contribution	
<p>Energy efficiency</p> <p><i>Renewable energy technology- the production of solar cell strings, and generating electricity from thermal energy (Ref: EU Taxonomy Activity 3.1)</i></p>	Significant Contribution	 
	Limited contribution	
<p>Energy efficiency</p> <p><i>Renewable energy technology- cleaning systems for biogas purification (Ref: EU Taxonomy Activity 3.1)</i></p>	Significant Contribution	
	Limited contribution	
<p>Energy efficiency</p> <p><i>Woodworking technology, such as⁹ technologies for the solid wood manufacturing sector that are specifically used for the industrial production of wooden construction elements and wooden windows and doors (Ref: EU Taxonomy Activity 3.6)</i></p>	Significant Contribution	
<p>Pollution prevention and control/ Environmental technology</p> <p>The core functions of Dürr Group Air Pollution Control Systems/ Environmental Technology, such as¹⁰ cleaning</p>	Limited contribution	

⁹ The assessment is limited to the examples of projects listed in the framework.

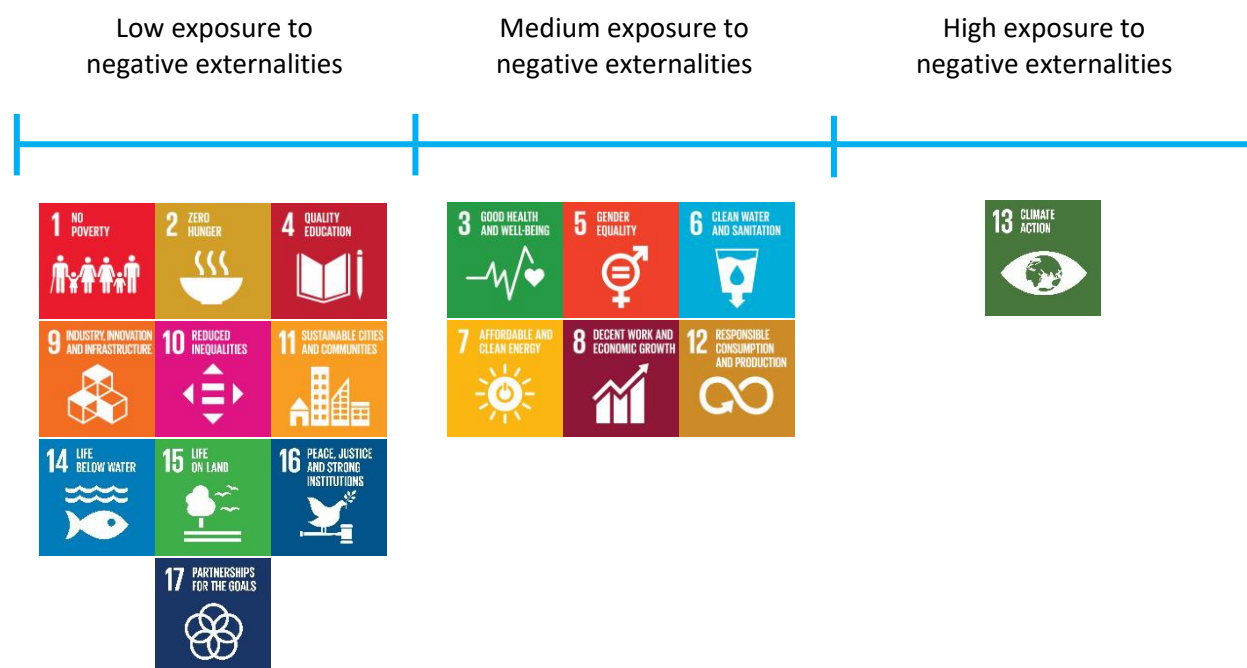
¹⁰ The assessment is limited to the examples of projects listed in the framework.

<p><i>exhaust air, removing exhaust gases, emission control, controlling odors. (Ref: EU Taxonomy Activity 3.6, 4.11)</i></p>	<p>Significant Contribution</p>	
<p>Environmental technology Decentralized power generation (Ref: EU Taxonomy Activity 3.6, 4.11)</p>	<p>Limited contribution</p>	
	<p>Significant Contribution</p>	

2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the issuer.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities¹¹ in the Industrial Machinery & Equipment (to which Dürr Group belongs) are the following:



The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.







USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ^{12 13}	SUSTAINABLE DEVELOPMENT GOALS
<p>Energy Efficiency¹⁴</p> <ul style="list-style-type: none"> LED lighting Smart meters 	✓	

¹¹ Please, note that the impact of the issuer’s products and services resulting from operations and processes is displayed in section 1 of the SPO.

¹² Limited information is available on the scale of the improvement as no threshold is provided. ISS ESG only displays the direction of change.

¹³ We note that the issuer has aligned all of its selection criteria with the technical screening criteria for a substantial contribution to Climate Change Mitigation of the EU Taxonomy Delegated Act (June 2021).

¹⁴ The energy efficiency projects financed under this framework could improve the energy efficiency of both manufacturing and/or non manufacturing sites.

<p>Renewable energy</p> <p>Renewable energy technologies on own buildings/ property, and the ancillary technical equipment:</p> <ul style="list-style-type: none"> • wind power generation units • solar power generations units • wind/solar related installation and maintenance • solar hot water panels • heat pumps • thermal or electric energy storage units 		
<p>Clean transportation</p> <ul style="list-style-type: none"> • Vehicles with specific emissions of CO₂ lower than 50g CO₂/km until 31 December 2025, and zero specific emissions thereafter, for company's own vehicles • Charging stations, for use by company employees 		
<p>Green buildings</p> <p>Any projects related to the acquisition, ownership, construction or refurbishment of buildings aligned with the technical screening criteria in the EU Taxonomy Climate Delegated Act (activities 7.1, 7.2, or 7.7 of the Delegated Act).</p>		

PART III: ALIGNMENT OF THE PROJECT SELECTION CRITERIA WITH THE EU TAXONOMY

We assessed the alignment of Dürr Group's project selection process and company policies for the nominated Use of Proceeds project categories, with the relevant Climate Change Mitigation, Do No Significant Harm Criteria (DNSH) and Minimum Social Safeguards requirements of the EU Taxonomy Climate Delegated Act¹⁵ (June 2021), based on information provided by Dürr Group. Where Dürr Group's projects and policies fully meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

Dürr Group's project selection criteria overlap with the following economic activities in the EU Taxonomy for Substantial Contribution to Climate Change Mitigation.

Economic activities relate to revenues from sales of products

- 3.1. Manufacture of renewable energy technologies
- 3.2. Manufacture of equipment for the production and use of hydrogen
- 3.6. Manufacture of other low carbon technologies
- 4.11. Storage of thermal energy

Economic activities relate to internal processes and investment expenditures

- 6.5. Transport by motorbikes, passenger cars and light commercial vehicles
- 7.2. Renovation of existing buildings
- 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
- 7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
- 7.6. Installation, maintenance and repair of renewable energy technologies
- 7.7. Acquisition and ownership of buildings

Note: In order to avoid repetition, the evaluation of the alignment of Dürr Group's assets to the Do No Significant Harm Criteria to Climate Change Adaptation is provided in Section k. Similarly, the evaluation of the alignment to the DNSH to Sustainable Use and Protection of Water and Marine Resources is given in Section l, DNSH to Pollution Prevention and Control regarding Use and Presence of Chemicals is given in Section m, and DNSH to Protection and Restoration of Biodiversity and Ecosystems is given in Section n. They are applicable to all of the above activities.

Furthermore, we only display how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, we do not show the original text of the EU Taxonomy criteria in this analysis. Readers can recover the original criteria at the following [link](#).

¹⁵European Commission, Implementing and delegated acts - Taxonomy Regulation, https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

ECONOMIC ACTIVITIES RELATED TO REVENUES FROM SALES OF PRODUCTS OR SERVICES

a) 3.1 – Manufacture of Renewable Energy Technologies

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁶	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
<p>Dürr Group manufactures technologies for renewable energies. These include, among others, technologies for the production of solar cell strings, cleaning systems for biogas purification, or the balancing of wind turbines and water turbines. The issuer confirms that these components are to be used exclusively for renewable energy technologies, and that they constitute a crucial element in operation of such technologies.</p>	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See k)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
See l)	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
<p>Dürr Group has conducted an assessment that considered the top 3 materials used (by weight) for each of its taxonomy-eligible products (e.g. steel, aluminum and copper). For each of these dimensions, the issuer evaluated the product across durability, recyclability, supply of spare parts and service, use of secondary raw materials or waste management. The issuer confirms that secondary raw materials are used and reused by operating the spare parts and modernization business throughout Dürr Group, such that older machinery and equipment are upgraded to current and future technologies, and spare parts and repair service are offered for damaged components. The issuer confirms that recycling is prioritized over disposal in the production process.</p> <p>The issuer confirms that the Dürr Group complies with legal requirements in the labeling of substances of concern, and their suppliers are contractually obligated to comply with relevant statutory regulations. As of the time of this report, the issuer confirms that to the best of its knowledge there are no substances of concern or prohibited substances are used in their machinery and equipment.</p>	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
See m)	✓
(except for those assets located	

¹⁶ This column is based on input provided by the issuer.

outside of
the EU)

6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

See n)



(except for
those assets
located
outside of
the EU)

b) 3.2 – Manufacture of equipment for the production and use of hydrogen

PROJECT CHARACTERISTICS AND SELECTION PROCESSES¹⁷

**ALIGNMENT
WITH THE EU
TAXONOMY**

1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA

Dürr Group is currently in the development stage of Hydrogen-fired dryers to replace current gas-powered technology for drying. Relevant R&D expenses are considered to be linked to equipment for the use of hydrogen.



2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA

See k)



3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA

See l)



4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

Dürr Group has conducted an assessment that considered the top 3 materials used (by weight) for each of its taxonomy-eligible products (e.g. steel, aluminum and copper). For each of these dimensions, Dürr Group evaluated the product across durability, recyclability, supply of spare parts and service, use of secondary raw materials or waste management. The issuer confirms that secondary raw materials are used and reused by operating the spare parts and modernization business throughout Dürr Group, such that older machinery and equipment are upgraded to current and future technologies, and spare parts and repair service are offered for damaged components. The issuer confirms that recycling is prioritized over disposal in the production process.



The issuer confirms that the Dürr Group complies with legal requirements in the labeling of substances of concern, and their suppliers are contractually obligated to comply with relevant statutory regulations. As of the time of this report, the issuer confirms that to the best of its knowledge there are no substances of concern or prohibited substances are used in their machinery and equipment.

¹⁷ Ibid.

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

See m)



(except for those assets located outside of the EU)


6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

See n)



(except for those assets located outside of the EU)

c) 3.6 – Manufacture of other Low Carbon Technologies

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁸	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
<p>Dürr Group has identified the following Taxonomy-eligible, and Taxonomy-aligned revenue-generating economic activities that it assigned under this activity:</p> <ul style="list-style-type: none"> • Painting technology: resulting in significant reductions in greenhouse gas emissions compared to the market standard. Examples include selected solutions for dry separation of paint overspray and the issuer’s latest paint application technologies. • Battery manufacturing technology: This includes specific technologies for the production of rechargeable battery packs and accumulators for the transportation sector as well as stationary or decentralized energy storage systems. Further, the Dürr Group provides gluing application technologies for battery systems. • Technology for electromobility: The Dürr Group develops and sells technologies specifically used in the production of electric motors for the transportation sector • Environmental technology: The Dürr Group develops and supplies modern plant technologies that enable efficient disposal of waste gases and residues and reduce energy consumption in the use phase 	

¹⁸ Ibid.

<ul style="list-style-type: none"> Woodworking technology: The Dürr Group develops technologies for the solid wood manufacturing sector that are specifically used for the industrial production of wooden construction elements and wooden windows and doors. <p>With regards to the calculation of life-cycle GHG emission savings as mentioned in the EU Taxonomy criteria, Dürr Group has set an improvement of 20% as the minimum level as what constitutes for a substantial reduction in emissions. The Dürr Group compares the improvements with the technology commonly used in the market today as a baseline reference. The benchmarking methodology has been reviewed by two recognized auditing firms as part of the EU Taxonomy alignment exercise that they conducted with the Group.</p>	
<p>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>See k)</p>	<p>✓</p>
<p>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>See l)</p>	<p>✓</p>
<p>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>Dürr Group has conducted an assessment that considered the top 3 materials used (by weight) for each of its taxonomy-eligible products (e.g. steel, aluminum and copper). For each of these dimensions, Dürr Group evaluated the product across durability, recyclability, supply of spare parts and service, use of secondary raw materials or waste management. The issuer confirms that secondary raw materials are used and reused by operating the spare parts and modernization business throughout Dürr Group, such that older machinery and equipment are upgraded to current and future technologies, and spare parts and repair service are offered for damaged components. The issuer confirms that recycling is prioritized over disposal in the production process.</p> <p>The issuer confirms that the Dürr Group complies with legal requirements in the labeling of substances of concern, and their suppliers are contractually obligated to comply with relevant statutory regulations. As of the time of this report, the issuer confirms that to the best of its knowledge there are no substances of concern or prohibited substances are used in their machinery and equipment.</p>	<p>✓</p>
<p>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>See m)</p>	<p>✓</p>
	<p>(except for those assets located outside of the EU)</p>

6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See n)	<p style="text-align: center;">✓</p> <p>(except for those assets located outside of the EU)</p>

d) 4.11 – Storage of Thermal Energy

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁹	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
As part of Dürr Group’s Oxi.X systems that it installs and constructs for its customers on the customers’ sites, a key component is a thermal energy storage unit. Dürr Group confirms that this unit plays a central role in those systems and Dürr Group is also responsible for the servicing of these facilities.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See k)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A, since activity is not linked to aquifer thermal energy storage.	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
Dürr Group confirms that they ensure a waste management plan is provided by the customers of the Oxi.X systems during the construction phase. However, as Dürr Group does not own nor operate the facility after its construction, it has no visibility into the waste management plan during the operational phase, nor whether the end of life treatment ensures recycling, which are controlled by the customer.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See o)	<p style="text-align: center;">✓</p> <p>(except for those assets located</p>

¹⁹ Ibid.

	outside of the EU)
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ECONOMIC ACTIVITIES RELATED TO INTERNAL PROCESSES AND INVESTMENT EXPENDITURES

e) 6.5 – Transport by motorbikes, passenger cars and light commercial vehicles

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁰	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
Dürr Group will finance electric vehicles that have zero tailpipe CO ₂ emissions, in line with the TSC presented under this category, for the company's employees' use. Dürr Group also confirmed that the EU taxonomy criteria will also be included in the company's vehicle policy that will be published in fall 2022.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See k)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
Dürr Group only considers electric vehicles of categories M1 and N1 sold in Europe, which are compliant with EU Directive 2005/64/EC (Type-approval of motor vehicles with regard to their reusability, recyclability and recoverability).	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
Dürr Group only considers electric vehicles of categories M1 and N1 sold in Europe, which are compliant with EU regulations, including Regulation (EC) No. 715/2007, Directive 2009/33/EC and Regulation (EU) No 540/2014 in relation to emissions and sound level. Dürr Group also confirms that external rolling noise requirement as set out in Regulation (EU) 2020/740 will be included in the company's vehicle policy, which will be published in fall 2022.	✓
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	

²⁰ Ibid.

f) 7.2 – Renovation of existing buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²¹	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
Dürr Group includes only existing buildings that have been verified to conform to EU taxonomy by DGNB ²² or other qualified service provider or auditors. DGNB verifies the fulfilment of the taxonomy requirement by evaluating responses to questionnaires of relevant project basic information, minimum requirement, climate change mitigation and DNSH, as well as other project-specific documents.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See k)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
Dürr Group considers existing buildings that have been verified to conform to EU taxonomy by DGNB or other qualified service provider or auditors, including the do no significant harm criteria.	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
Dürr Group considers existing buildings that have been verified to conform to EU taxonomy by DGNB or other qualified service provider or auditors, including the do no significant harm criteria.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
Dürr Group considers existing buildings that have been verified to conform to EU taxonomy by DGNB or other qualified service provider or auditors, including the do no significant harm criteria.	✓
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	

²¹ Ibid.

²² ESG Verification for the EU taxonomy by DGNB. <https://www.dgnb-system.de/en/services/esg-verification-taxonomy/index.php>

g) 7.4 – Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²³	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
Dürr Group considers the provision of charging stations for electric vehicles in the company's buildings/ properties.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See k)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	

h) 7.5 – Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁴	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
Dürr Group will include any of the activities listed in the EU taxonomy criteria to increase energy efficiency at its locations by one to two percent annually.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See k)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	

²³ Ibid.

²⁴ Ibid.

N/A: there are no EU Taxonomy criteria for the category

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no EU Taxonomy criteria for the category

6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no EU Taxonomy criteria for the category

i) **7.6 – Installation, maintenance and repair of renewable energy technologies**

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁵	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
Dürr Group will include any of the activities listed in the EU taxonomy criteria to increase on-site energy production at its locations.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See k)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	

²⁵ Ibid.

j) 7.7 – Acquisition and ownership of buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁶	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
Dürr Group considers buildings that have been verified to be conform to EU taxonomy by DGNB or other qualified service provider or auditors ²⁷ . DGNB or other qualified service provider or auditors verifies the fulfilment of the taxonomy requirement by evaluating responses to questionnaires of relevant project basic information, minimum requirement, climate change mitigation and DNSH, as well as other project-specific documents.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See k)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	

k) Generic Criteria for DNSH to Climate Change Adaptation

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁸	ALIGNMENT WITH THE EU TAXONOMY
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
Dürr Group has provided an exemplary climate risk assessment, focusing on its headquarters in Bietigheim-Bissingen. The issuer confirms that it has conducted similar assessment for other sites in the company. This assessment takes into consideration various classified climate hazards (temperature, wind and water) and the subcategories listed in Appendix A of the EU Taxonomy Technical Annex. Dürr Group has selected the Coupled Model Intercomparison Project Phase 6 (CMIP6), presented by the World Climate Research Programme, as climate simulation reference. The model uses a baseline scenario of 2.0-4.5°C, a forecast corridor from 2041-2060 and a	✓


²⁶ Ibid.

²⁷ ESG Verification for the EU taxonomy by DGNB. <https://www.dgnb-system.de/en/services/esg-verification-taxonomy/index.php>


²⁸ Ibid.

comparison period of 1850-1900. Dürr Group derives various risk assessments and has drawn up corresponding adaptation solutions. The issuer confirms they will continue to conduct an assessment being in line with the general requirements from the EU Taxonomy across all material locations and activities that will receive financing under the proceeds of issuing debt instruments under this Framework.

l) Generic Criteria for DNSH to Sustainable Use and Protection of Water and Marine Resources

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁹	ALIGNMENT WITH EU TAXONOMY
3. SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
<p>Dürr Group has conducted a comprehensive risk assessment regarding the preservation of water quality and avoidance of water stress across its various locations and subsidiaries. This includes details on the level of environmental certifications available, seasonal variability, potable water supply, sanitation as well as adaptation solutions. The issuer confirms they will continue to conduct such an assessment across all material locations and activities that will receive financing under the proceeds of issuing debt instruments under this Framework.</p>	

m) Generic Criteria for DNSH to Pollution Prevention and Control regarding Use and Presence of Chemicals

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³⁰	ALIGNMENT WITH EU TAXONOMY
5. POLLUTION PREVENTION AND CONTROL – DO NO SIGNIFICANT HARM CRITERIA	
<p>As of the time of this report, the issuer confirms that with regards to the established company’s monitoring processes, there is no indication that the activity leads to the manufacture, placing on the market or use of the various substances listed in Appendix C of the Technical Annex.</p> <p>For its operations within the EU, the issuer complies with relevant regulatory requirements and monitors compliance through an environmental management system. This specifically includes full compliance with the requirements of Regulation 1907/2006 (REACH).</p> <p>With respect to Regulations (EU) 2019/1021, (EU) 2017/852 and (EC) No. 1005/2009, as well as Directive 2011/65/EU, the Group states that the chemicals related to those legislation are not used by Dürr Group’s business activities.</p>	 (except for those assets located outside of the EU)

²⁹ Ibid.

³⁰ Ibid.

Finally, the use of substances of concern identified by the EU in its machinery and equipment as part of upstream and downstream value-added processes is regulated in Dürr Group’s purchasing conditions. Corresponding documentation (e.g. safety data sheets) - also of purchased components - is made available to customers upon project completion. As of the time of this report, the Dürr Group does not consider that the identified economic activities of the Dürr Group contribute to the production, marketing or use of the listed substances of concern.

n) Generic Criteria for DNSH to Protection and Restoration of Biodiversity and Ecosystems

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³¹	ALIGNMENT WITH EU TAXONOMY
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
<p>Dürr Group has conducted a comprehensive assessment across its various locations and subsidiaries regarding the level of environmental certification available as well as whether the location lies within a biodiversity-sensitive area (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas). The assessment concludes that none of its operations are located within such area. The issuer confirms to conduct such an assessment across all material locations and activities that are to receive financing under the proceeds of issuing debt instruments under this Framework.</p> <p>In addition, it is noted that for assets that are located in the EU, an Environmental Impact Assessment is mandatory, under EU legislation, whenever the projects are likely to have significant effects on the environment.</p>	<p style="text-align: center;">✓</p> <p>(except for those assets located outside of the EU)</p>

³¹ Ibid.

Minimum Safeguards

We assessed the alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Safeguards as described in Article 18 of the Taxonomy Regulation³². The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³³		ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
IMPLEMENTATION OF ADEQUATE DUE DILIGENCE PROCESSES ACROSS THE ISSUER'S OPERATIONS		
Responsible Business Conduct	Dürr Group confirms to have embedded its commitment to respect human right and conduct appropriate due diligence within its core policy statement, which is publicly accessible ³⁵ .	✓
Identification & assessment of actual and potential adverse impacts	Dürr Group has recently carried out a risk analysis related to human and labor rights at suppliers (October 2022), including a categorization of sustainability risks by risk level. Further, Dürr Group has conducted a similar analysis across its own operations.	✓
Prevention & mitigation of adverse impacts	Based on the risk analysis for suppliers, supplier evaluations and audits are carried out. Further, the Group has established the following processes: <ul style="list-style-type: none"> - Implementation of a Whistleblowing hotline - Compliance training incl. Dürr Group Code of Conduct - Supplier code of conduct and supplier training 	✓
Tracking of implementation and results	Dürr Group commits to observing human rights. It aims to prevent human rights violations in its global value chain and to promote fair working conditions. Dürr Group is implementing and continuously improving its risk management system. In order to identify, prevent or minimize the risks of human rights violations, Dürr Group conducts annual and event-driven risk analysis	✓

³² EUR-Lex, Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Text with EEA relevance), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

³³ This column is based on input provided by the issuer.

³⁴ As laid out in the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights, including the declaration on Fundamental Principles and Rights at Work of the International Labour Organisation (ILO), the eight fundamental conventions of the ILO and the International Bill of Human Rights.

³⁵ Dürr Group, Dürr Group Human Rights Policy, <https://www.durr-group.com/fileadmin/durr-group.com/Sustainability/Downloads/duerr-human-rights-policy-DE.pdf>

	<p>and has established preventive and complaint procedures.</p> <p>In 2021, Dürr Group also tested the use of a sustainability-specific self-assessment questionnaire with selected Dürr Systems suppliers in China and India. In the case of new and existing suppliers, the Dürr Systems and Schenck subgroups review the observance of human rights and employee rights as part of audits using checklists.</p> <p>Moreover, in 2022, Dürr Group will issue a Human Rights Policy Statement and establish the function of a Corporate Human Rights Officer. Overall responsibility for human rights due diligence lies with the Board of Management of Dürr AG. The departments Corporate Human Resources, Corporate Sustainability and the central group function Sustainable Supply Chain are primarily responsible for implementing due diligence obligations.</p>	
Communication how impacts are addressed	Relevant information of how Dürr Group addresses potential risks at suppliers and across operations is disclosed in Dürr Group's annual Sustainability Report.	✓
Remediation and grievance mechanisms	Dürr Group has established a publicly accessible complaint mechanism on potential human rights violations, including a whistleblower hotline that has been explicitly extended for reporting on human rights issues	✓
CONTROVERSY SCREENING		
	At the date of publication of the report, the issuer is not exposed to any human rights-related controversies. This assessment is based on ISS ESG Norm-Based Research ³⁶ .	✓

³⁶ ISS ESG's Norm-Based Research identifies corporate controversies and assesses how companies manage these controversies with a scope that covers controversial practices that are viewed as having adverse impacts on society and the environment.

PART IV: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES AND LMA SUSTAINABILITY-LINKED LOAN PRINCIPLES

This section describes ISS ESG’s assessment of the alignment of the Dürr Group’s Sustainability Finance Framework (as of October 21, 2022) with the Sustainability-Linked Bond Principles, as administered by ICMA, and Sustainability-Linked Loan Principles, as administered by LMA.

SLB PRINCIPLES	ASSESSMENT	ISS ESG’S OPINION
1. Selection of KPIs		ISS ESG conducted a detailed analysis of the sustainability credibility of the KPI selection, which is available in Part 2 of this report.
2. Calibration of SPTs		ISS ESG conducted a detailed analysis of the sustainability credibility of the SPT calibration, which is available in Part 2 of this report.
3. Bond/Loan Characteristics	✓	ISS ESG considers the Sustainability-Linked Bond and Loan Characteristics description provided by the issuer as aligned with the SLBP and SLLP. The issuer states that the occurrence of a Trigger Event will result in an alternation of the security’s financial characteristics, with examples being coupon step-up(s), coupon step-down(s) and/or a higher repayment amount and/or structural (non-financial) characteristics. The issuer states that it will recalculate baseline figures in the event of material acquisitions/divestments, or material changes in the calculation methodology for GHG emissions or data accessibility. Any recalibration will be performed in accordance with SBTi principles and will be published accordingly.
4. Reporting	✓	ISS ESG considers the Reporting description provided by the issuer as aligned with the SLBP and SLLP. This will be made available annually to investors and include valuable information, as described above.
5. External verification	✓	ISS ESG considers the Verification description provided by the issuer as aligned with the SLBP and SLLP. ISS ESG provides an SPO through this report. The performance of the SPTs against the KPIs will be externally verified annually. A verification assurance certificate confirming whether the performance of the KPI meets the relevant SPT, will be published on Dürr Group’s website, following a target observation date.

PART V: KPI SELECTION & SPT CALIBRATION

5A.1 Selection of KPI 1

Materiality and relevance

Climate change mitigation is considered as a key ESG issue faced by the Industrial Machinery & Equipment industry according to key ESG standards³⁷ for reporting and ISS ESG assessment. Climate change mitigation is also particularly relevant for this industry because industrial machinery & equipment is heavily used in manufacturing, a sector that is one of the largest single emitters of GHG in Europe.³⁸ For this reason, industrial goods firms are seen as powerful enablers of wider decarbonization.³⁹ Although companies in this industry typically have high Scope 3 emissions, it is important to note that reducing emissions of all Scopes are important for their decarbonization journeys. Since climate change mitigation is a key issue for Dürr Group, the company commits to minimizing the impact of its operations and products.

ISS ESG finds that the Scope 1 and 2 GHG emissions reduction KPI selected by the issuer are:

- **Relevant** to Dürr Group's business. Although companies in this industry typically have high Scope 3 emissions, it is important to note that reducing emissions of all Scopes are crucial for their decarbonization journeys.
- **Core** to the issuer's business as climate change mitigation reduction measures affects key processes and operations that are core to the business model of the issuer (e.g. improving energy efficiency by 1-2% per year across its manufacturing sites, 100% global conversion to green electricity by the end of 2023).
- **Moderately material**⁴⁰ to Dürr Group's business model and sustainability profile from an ESG perspective if used individually on a financial instrument. However, integrated with KPI 2, the KPI is material by covering the direct operations and upstream and downstream emissions, which together account for 100% of the company's reported emissions.
 - KPI 1 is material to the company's direct operations because the KPI focuses on Scope 1 and 2 emissions covering the entirety of the company's operations. However, Scope 1 and 2 emissions only represent 0.59% of total Scope 1, 2 and 3 GHG emissions of Dürr Group (of the total Scope 1 and 2 emissions, 53% is Scope 1 and 47% is Scope 2, according to 2021 figures). Therefore, KPI 1 is deemed not material to the Corporate Value Chain of the company as per ISS ESG's methodology.
 - It is worth noting that KPI 2 addresses Scope 3 GHG emissions throughout the upstream and downstream value chain, which represents approximately 99.41%⁴¹ of the company's total

³⁷ Key ESG Standards include SASB and TCFD, among others.

³⁸ Roland Berger 2019, "Businesses need strategies to switch to low-carbon or carbon-neutral production processes", <https://www.rolandberger.com/en/Insights/Publications/Climate-protection-in-the-manufacturing-sector-Challenges-and-solutions.html#:~:text=The%20manufacturing%20sector%20bears%20a,of%20greenhouse%20gases%20in%20Europe>

³⁹ Kearney, "industrial goods firms are seen as powerful enablers of wider decarbonization", <https://www.kearney.com/industrial-goods-services/article/-/insights/industrial-goods-firms-are-powerful-enablers-of-wider-decarbonization>

⁴⁰ ISS ESG bases this analysis on the issuer's own emissions reporting and makes no comment on the quality or consistency of the issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the issuer's sector. ISS ESG notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an issuer's reporting.

⁴¹ *ibid.*

GHG emissions. Therefore, KPI 1 and 2 together would be considered fully material to the Corporate Value Chain and direct operations of the company if they are integrated into the same financial instrument and both linked to the instruments characteristics.

KPI 1: Absolute GHG emissions Scope 1 and 2 reduction

FROM ISSUER'S FRAMEWORK

- **KPI:** Absolute GHG emissions Scope 1 and 2 reduction
- **SPT:** Reduce absolute Scope 1 and 2 GHG emissions by 70% by 2030 from a 2019 base year

Definition: The methodology for calculation of absolute GHG emissions on Scopes 1 and 2 follows the guidance of The Greenhouse Gas Protocol.

Scope 1 emissions: Includes all direct GHG emissions from combustion processes from sources owned or directly controlled by the company, as well as direct emissions of climate-relevant gases through intentional or non-intentional releases and process emissions. As part of reporting on GHG emissions at the Dürr Group, activity data (energy consumption) is collected on the following Scope 1 emission sources:

- from the combustion of heating oil
- from the combustion of natural gas
- from the combustion of diesel, petrol, liquefied petroleum gas, and compressed natural gas

GHG emissions which are caused by fugitive gases were deemed to be negligible.

Scope 2 emissions: Includes all indirect GHG emissions resulting from purchased energy or the production of electricity, steam, district heating and cooling consumed by the Dürr Group. As part of reporting on the GHG emissions for the Dürr Group, activity data (energy consumption) is collected on the following Scope 2 emission sources:

- from electricity consumption (under conventional and renewable electricity tariffs)
- from use of district heating

The carbon footprint for the Scope 2 emissions of the Dürr Group has been calculated using both the market- and location-based methods. The issuer states that for the purpose of the KPI/SPT, it will focus on the market-based method where applicable (i.e. wherever emission factors are available):

- **Market-based method:** A method to calculate Scope 2 GHG emissions based on GHG emissions caused by the electricity provider from which the Dürr Group contractually purchases its electricity. It derives emission factors from contractual agreements or other instruments.
- **Location-based method:** A method to calculate Scope 2 GHG emissions based on the average emissions intensity of the grid area for defined locations where electricity consumption occurs, including local, subnational, or national boundaries.

Long-term goal: Net Zero by 2050 for Scopes 1, 2 and 3 emissions, a target verified by the SBTi

Rationale: The 2015 Paris Agreement on Climate Change represents a commitment by the community of nations to limit global warming to below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C.

Dürr Group states that it supports the commitment of the United Nations' Paris Agreement on climate change and sees the 1.5°C target as a legally binding international treaty on climate change. It states that as a mechanical and plant engineering firm, it believes its technologies can make a significant contribution to reducing emissions in production at its customers' sites worldwide. In November 2021, it published a climate strategy based on scientific targets and validated by the Science Based Targets initiative (SBTi). It is committed to the resolutions of the Paris Climate Convention and underline its commitment by signing the Business Ambition for 1.5°C, by participating in the global Race to Zero campaign and by joining the Baden-Württemberg Climate Alliance.

Dürr Group states that it believes its Scope 1 and 2 emissions are relatively low. However, it states that further reduction of these emissions is important, especially in setting an example for its suppliers, employees and customers. It believes this is also important for it to credibly sell its sustainable products on the market and, at the same time, to meet the requirements of important stakeholder groups of the Dürr Group.

Baseline: 56,683 tCO₂e

Baseline year: 2019

2030 goal: 17,005 tCO₂e

Scope: 100% of Scope 1 and Scope 2 GHG emissions that are reported by the issuer for the 12-month financial year concerned and that meet the definition of 'Scope 1 emissions' and 'Scope 2 emissions' as defined by the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard. Scope 1 and 2 emissions are calculated annually per financial year. It includes all of the company's material global sites and takes all JV activities under management control into account.

Measurability

- **Scope and perimeter:** The KPI scope and perimeter is transparently defined as it covers 100% of the company's operations that are responsible for 0.59% of the company's total GHG emissions. The issuer also confirmed that the KPI scope covers all companies within the group.
- **Quantifiable/Externally verifiable:** The KPI selected is quantifiable and externally verifiable, as it was calculated following the Greenhouse Gas Protocol, an internationally recognized standard.
- **Externally verified:** The reported GHG data has been verified by a recognized third company since 2019.
- **Benchmarkable:** By referring to commonly acknowledged GHG accounting standards and Protocol, the KPI is comparable with the data reported by other companies and with international targets such as the UN Paris Agreement.

Opinion on KPI selection: ISS ESG finds that the KPI selected is relevant, core, and moderately material to the issuer's business model. The KPI is considered material to the company's direct operations as it covers 100% of Scope 1 and 2 GHG emissions but not material to the Corporate Value Chain as it does not cover Scope 3, which represents 99.41% of the GHG emissions. If integrated together with KPI 2 as part of the same financial instrument, the two KPIs together can be considered fully material. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers 100% of the company's direct operations that are responsible for 0.59% of the company's total CO₂ emissions.

5A.2 Calibration of SPT 1

SPT 1: Reduce absolute Scope 1 and 2 GHG emissions by 70% by 2030 against the 2019 baseline

FROM ISSUER'S FRAMEWORK⁴²

Sustainability Performance Target: Reduce absolute Scope 1 and 2 GHG emissions by 70% by 2030 from a 2019 base year

SPT Trigger: The non-achievement of the selected SPT as defined in the relevant transaction documentation will result in a bond characteristics change, as the case may be, applying to the relevant financing.

Sustainability Performance Target Observation Date: December 31, 2030

Baseline: 56,683 tCO₂e

Baseline year: 2019

2030 target: 17,005 tCO₂e

Strategic 2030 Goal and selection of methodology for calculating the SPT: To reduce Scope 1 and 2 GHG emissions over time, the Dürr Group has been investing in climate-friendly technologies and buildings, by switching to electricity from fully renewable energy sources, and by generating their own renewable energies. For example, the Dürr Group commissioned a photovoltaic systems at their Shanghai site and three further locations in Germany in 2021 and have been purchasing green energy at their German locations since the beginning of 2022. Further emission reductions are to be achieved through the gradual conversion of the entire company vehicle fleet in Germany to alternative power trains by 2030 at the latest.

Risks to the target: Risks exist particular in the event of a shortage in the procurement of green electricity worldwide. In addition, strong organic growth (as the company is currently seeing with its HOMAG brand) leads to an increase in emissions that the issuer states will have to be overcompensated for in the future.

Ambition

Against company's past performance

Dürr Group has set the SPT to reduce its absolute Scopes 1 and 2 GHG emissions by 70% by 2030. This equates to a compounded annual reduction rate of 10.37% from the baseline year of 2019 to the target year of 2030.

In comparison, Dürr Group's absolute Scopes 1 and 2 GHG emissions reduction rate between the baseline year of 2019 and 2021 (the latest data available) calculated on a compounded annual basis is 7.62%. As the target trajectory of 10.37% is steeper than the historical trajectory of 7.62%, it can be concluded that from a quantitative perspective the target is ambitious against past performance.

TABLE 1. (IN TCO ₂ E)	2019 – BASELINE	2020	2021	2030 – SPT 1
Absolute Scope 1 emissions	28,034	25,260	25,553	
Absolute Scope 2 emissions	28,649	24,099	22,819	

⁴² This table is displayed by the issuer in its Sustainability Finance Framework and have been copied over in this report by ISS ESG for clarity.

Absolute Scope 1 and 2 emissions	56,683	49,359	48,372	17,005
CAGR compared to 2019 baseline			-7.62%	-10.37%

In terms of the composition of Scope 1 and 2 emissions, in the baseline year (2019) Scope 1 emissions accounted for 47% of overall emissions and Scope 2 accounted for 53% of overall emissions. The company's target is expected to be achieved by reductions of both Scope 1 and Scope 2 emissions.

It is important to note that between 2019 and 2020, the company has experienced a steep reduction (13%), both because of the pandemic impact and also due to initiatives by the company to reduce emissions, mainly through energy grid transformation.

Therefore, ISS ESG concludes that SPT 1 is ambitious against past performance

Against company's industry peers

ISS ESG conducted a benchmarking of the SPT set by Dürr Group against a list of 20 peers from the Industrial Machinery and Equipment industry (including Dürr Group). This list include 13 German-based companies derived from the ISS ESG Universe and 7 additional companies identified by the issuer as their peers.

In terms of target set, Dürr Group is one of six companies in its industry to have a concrete absolute GHG emission reduction target on Scope 1 and 2 and it thus belongs to the top 30% tier of its industry in terms of existence of such a target. When taking a closer look at the 6 companies with absolute GHG emissions reduction targets, Dürr Group's target is the second most ambitious, calculated on an annualized basis.

Therefore, ISS ESG concludes that the SPT set by the issuer is ambitious compared to the Industrial Machinery and Equipment industry practices in terms of defining a GHG emissions reduction target.

Against international targets

Paris Agreement

Dürr Group's has a SBTi approved emission reduction target of cutting Scope 1 and 2 GHG emissions by 70% by 2030 from a 2019 base year.

This target has been confirmed by the SBTi to be consistent with the reductions required to keep the global mean temperature increase to 1.5°C.

ISS ESG finds that the SPT is in line with the Paris Agreement and a 1.5°C warming scenario. The benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry.

Measurability & comparability

- **Historical data:** The issuer provided relevant historical data by setting the baseline year of its SPT to 2019 and provided all yearly absolute GHG emissions data available since then, with the

breakdown of emissions per Scope. The issuer confirmed that all historical data is externally verified.

- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

To reduce its absolute GHG emission in Scopes 1 and 2 by 2030, Dürr Group has outlined the following action plans:

Improving energy efficiency at its locations

- Annual energy efficiency increase of 1 to 2% (compared to 2019 base-year level)
- Implementation of location-specific measures

Self-generated electricity

- Investment in self-generation of renewable energies
- Installation of photovoltaic systems at its locations

Purchase of green electricity

- Conversion to green electricity at all German locations by 2022
- Global conversion to green electricity by the end of 2023

Sustainable mobility

- Switch its own vehicles fleet to fully electric at its German locations by 2030 at the latest

Opinion on SPT calibration: *ISS ESG finds that the SPT 1 calibrated by Dürr Group is ambitious against the company's past performance, compared to Industrial Machinery and Equipment industry practices in terms of defining a GHG emissions reduction target, and in line with the Paris Agreement and a 1.5°C warming scenario according to the SBTi. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.*

5B.1 Selection of KPI 2

KPI 2: Absolute Scope 3 GHG emissions

FROM ISSUER'S FRAMEWORK⁴³

- **KPI:** Absolute GHG emissions Scope 3 reduction
- **SPT:** Reduce absolute Scope 3 GHG emissions by 15% by 2030 from a 2019 base year

Long-term goal: Net Zero by 2050 for Scopes 1, 2 and 3 emissions

Scope 3 emissions: covers 100% of issuer's reported GHG emissions from upstream and downstream activities, except for acquisition which usually trail one to two years.

According to the issuer, the following categories are calculated in detail⁴⁴:

- Scope 3.1: Purchased goods and services
- Scope 3.4: Upstream transportation/distribution
- Scope 3.6: Business travel
- Scope 3.7: Employee commuting
- Scope 3.11: Use of sold products

The issuer chose to calculate these categories in detail after completing a study led by external consultants that concluded these are categories accounting for the majority of its emissions. It makes estimates for the remaining categories applicable to the Dürr Group (estimated categories include: 3.2 Capital goods, 3.3 Fuel- and energy-related activities (not included in Scope 1 or Scope 2), 3.5 Waste generated in operations).

The methodology for calculation of absolute GHG emissions on Scope 3 follows the guidance of The Greenhouse Gas Protocol.

The issuer's Scope 3 emissions calculation in 2021 is shown below. This table includes categories that the issuer has chosen to include in its reported Scope 3 emissions.

Scope 3 categories included in calculation	Data in 2021
CO₂e emissions (in t)	
3.1 Purchased goods and services	1,032,276
3.2 Capital goods	33,183
3.3 Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	7,690
3.4 Upstream transportation and distribution	92,439
3.5 Waste generated in operations	225
3.6 Business travel	6,219
3.7 Employee commuting	6,774
3.11 Use of sold products	7,090,053
Total reported Scope 3 emissions	8,268,860

⁴³ This table is displayed by the issuer in its Sustainability Finance Framework and have been copied over in this report by ISS ESG for clarity.

⁴⁴ Dürr Group, June 2022, Dürr Group Climate Strategy 2030, <https://www.durr-group.com/fileadmin/durr-group.com/Sustainability/Downloads/duerr-methodology-paper-EN.pdf>

Rationale: The 2015 Paris Agreement on Climate Change represents a commitment by the community of nations to limit global warming to below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.

The Dürr Group fully supports the commitment of the United Nations' Paris Agreement on climate change and sees the 1.5 degrees Celsius target as an essential prerequisite if more than nine billion people are to be able to live well within the resource limits of the planet in 2050.

For the Dürr Group, reducing Scope 3 emissions is an opportunity. Its technologies help customers to lower their energy consumption in production and reduce their ecological footprint. Not only do its technologies reduce energy consumption, they are also vital when it comes to manufacturing better products for a carbon-neutral society, i.e. the construction of climate-friendly timber houses or production technology for electric vehicles.

Baseline: 8,118,211 tCO₂e

Baseline year: 2019

Scope: Approximately 100% of Scope 3 GHG emissions that are reported by the issuer for the 12-month financial year concerned and that meet the definition of 'Scope 3 emissions' as defined by the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard. It includes all relevant global activities and takes all JV activities under management control into account.

Materiality and relevance

Climate change mitigation is considered as a key ESG issue faced by the Industrial Machinery & Equipment industry according to key ESG standards for reporting and ISS ESG assessment. The relevance of climate change mitigation is also particularly relevant for this industry because industrial machinery & equipment is heavily used in manufacturing, a sector that is one of the largest single emitters of GHG in Europe.⁴⁵ Since climate change mitigation is a key issue for Dürr Group, the company commits to minimizing the impact of its operations and products. ISS ESG finds that climate change mitigation and the GHG emissions reduction KPI selected by the issuer are:

- **Relevant** to Dürr Group's business as its industry is highly GHG-emitting and exposed to climate change mitigation solutions. In particular, Scope 3 emissions for companies in the Industrial Machinery & Equipment industry is relevant because it has a significant impact on the manufacturing industry, which is one of the largest single emitters of GHG in Europe.⁴⁶
- **Core** to the issuer's business as climate change mitigation reduction measures affects key processes and operations that are core to the business model of the issuer (e.g., prioritizing suppliers according to their emissions profiles, and establishing the CO₂ footprint of transport service providers as a procurement criterion).

⁴⁵ Roland Berger, 2019, Businesses need strategies to switch to low-carbon or carbon-neutral production processes, <https://www.rolandberger.com/en/Insights/Publications/Climate-protection-in-the-manufacturing-sector-Challenges-and-solutions.html#:~:text=The%20manufacturing%20sector%20bears%20a,of%20greenhouse%20gases%20in%20Europe>

⁴⁶ Ibid.

- **Moderately Material**⁴⁷ to Dürr Group's business model and sustainability profile, from an ESG perspective if used individually on a financial instrument. However, integrated with KPI 1, the company is strengthening their decarbonization strategy by covering the direct operations and both upstream and downstream emissions, which together account for 100% of the company's reported emissions.
 - KPI 2 is material to the company's Corporate Value Chain because the KPI addresses indirect GHG emissions throughout the upstream and downstream value chain (i.e., Scope 3 emissions), which represent an estimated 99.41% of the total computed GHG emissions of the company. However, the KPI does not cover direct operations where the company has the most immediate impact and therefore, KPI 2 is deemed not material to the direct operations of the company as per ISS ESG's methodology.
 - It is worth noting that KPI 1 addresses GHG emissions from direct operations (Scope 1 and 2 emissions), representing an estimated 0.59% of total emissions of the company. Therefore, KPI 1 and 2 together are considered fully material to Dürr Group's business model and sustainability profile, if they are integrated in the same financial instrument and both linked to the characteristics of the financial instrument. As the issuer covers emissions across the value chain in two individual KPIs, the end results will be material to the Corporate Value Chain and direct operations.

Measurability

- **Scope and perimeter:** This KPI includes 100% of the company's reported Scope 3 emissions. It has disclosed this information in its annual reporting and which includes the most material Scope 3 emissions categories according to the issuer. The company estimates that its reported Scope 3 emissions covers approximately 99.41% of Dürr Group's total GHG emissions. The reference to two thirds is in relation to the relevant SBTi criteria⁴⁸ about Scope 3 emissions target setting.
- **Quantifiable/Externally verifiable:** The KPI selected is quantifiable and externally verifiable, as it was calculated following the Greenhouse Gas Protocol, an internationally recognized standard.
- **Externally verified:** The reported GHG data has been verified by a recognized third company in 2019 and 2020.
- **Benchmarkable:** By referring to commonly acknowledged GHG accounting standards and Protocol, the KPI is comparable with the data reported by other companies and with international targets such as the Paris Agreement.

Opinion on KPI selection: *The KPI selected is core and relevant to the issuer's business model as a standalone KPI. It is material to the company's upstream and downstream value chain, but not material to the direct operations of the company, as it covers only Scope 3 emissions. The KPI covers*

⁴⁷ ISS ESG bases this analysis on the issuer's own emissions reporting and makes no comment on the quality or consistency of the issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the issuer's sector. ISS ESG notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an issuer's reporting.

⁴⁸ SBTi C6 states "Companies must set one or more emission reduction targets and/or supplier or customer engagement targets that collectively cover(s) at least two-thirds (67%) of total Scope 3 emissions considering the minimum boundary of each Scope 3 category in conformance with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard." <https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf>

100% of the company's reported Scope 3 emissions. If integrated with KPI 1 as part of the same financial instrument, the two KPIs together can be considered fully material to the Corporate Value Chain and direct operations. The KPI is consistent with the company's sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers 99.41% of the company's total CO₂ emissions.

5B.2 Calibration of SPT 2

SPT 2: Absolute Scope 3 GHG emissions reduction

FROM ISSUER'S FRAMEWORK⁴⁹

Sustainability Performance Target: Reduce absolute Scope 3 GHG emissions by 15% by 2030

Sustainability Performance Target Trigger: The non-achievement of the selected SPT as defined in the relevant transaction documentation will result in a change in bond characteristics, as the case may be, applying to the relevant financing.

Sustainability Performance Target Observation Date: December 31, 2030

Baseline: 8,118,211 t CO₂e

Baseline year: 2019

Strategic 2030 Goal and selection of methodology for calculating the SPT: The achievement of the SPT depends to a large extent on the willingness of customers to use resource-conserving, energy-efficient and low-emission technologies offered by the company. In addition, emissions from its machines and systems can be reduced considerably if green electricity instead of gas and conventional electricity is used for operation. Therefore, the electrification of its products is one focus of its R&D agenda. In the future, we also intend to increasingly work towards climate protection with its suppliers (upstream supply chain) and are developing a program that offers financial incentives for suppliers with climate-friendly processes. In logistics, more goods transports are to be shifted from road to rail and transports by air freight are to be avoided wherever possible. In addition, the carbon footprint of logistics partners is to play a role when awarding contracts.

Risks to the target: The issuer states that the biggest risks are that its customers do not buy its most sustainable products and focus on its standard products. In that case, emissions in the use phase of its products cannot be reduced as intended. In addition, the issuer strongly depends on its suppliers to also follow its decarbonization targets. Furthermore, fast organic growth would also increase the number of products sold and thus the emissions in the use phase of its sold products.

Ambition

Against company's past performance

Dürr Group has the SPT to reduce its absolute Scope 3 GHG emissions by 15% by 2030.

This equates to a compounded annual reduction rate of 1.47% between the baseline year of 2019 and target year of 2030. In comparison, the compounded annual reduction rate between the baseline year of 2019 and the year 2021 (latest data available) is 0.92%. Therefore from a quantitative perspective the future reduction trajectory is more steep than historical trajectory.

⁴⁹ This table is displayed by the issuer in its Sustainable Finance Framework and have been copied over in this report by ISS ESG for clarity.

TABLE 1. (IN TCO₂E)	2019 – BASELINE	2020	2021	2030 – SPT 2
Absolute Scope 3	8,118,211	8,807,328	8,260,860	6,901,410
CAGR compared to 2019 baseline			-0,92% ⁵⁰	-1.47%

While this SPT is assessed to be quantitatively ambitious, it is worth noting that the issuer states that its Scope 3 emissions can fluctuate significantly from year to year, particularly because the use of products sold (Scope 3.11) is influenced by the number, technical parameters⁵¹, energy mix and the forecasted production program⁵² of its large-scale paint shop projects.

Overall, between the years of 2019 and 2021, there has been an increase in GHG emissions from the Scope 3 categories purchased goods and services, capital good, fuel and energy-related activities and upstream transportation and distribution. This is balanced by significant GHG emissions decreases in the Scope 3 categories of business travel and employee commuting categories, to which the pandemic played a key part.

In this context and compared to the baseline year, the SPT set by Dürr Group is perceived by ISS ESG as ambitious quantitatively against the company's past performance based on limited evidence. The limited evidence assessment refers to the fact that the 2021 data has not been externally verified.

Against company's industry peers

ISS ESG conducted a benchmarking of the SPT set by Dürr Group against a list of 20 peers the Industrial Machinery and Equipment industry (including Dürr Group). This list includes 13 German-based companies derived from the ISS ESG Universe and 7 additional companies identified by the issuer as their peers.

In terms of target set, Dürr Group is one of two companies within this industry peer group to have a concrete GHG emission reduction target for Scope 3 and it thus belongs to the top 10% tier of its industry in terms of existence of such target.

ISS ESG concludes that the SPT set by the issuer is ambitious compared to the Industrial Machinery and Equipment industry practices in terms of defining a GHG emissions reduction target.

Against international targets

Paris Agreement

Dürr Group's has a SBTi approved emission reduction target of cutting Scope 3 GHG emissions by 15% by 2030 from a 2019 base year.

⁵⁰ Values have been updated in 27.02.2023 after an update provided by the company

⁵¹ The issuer states that technical parameters are very much depending on the location and climatic conditions (energy efficiency may differ massively) and especially the individual design of the paint shops (which machinery is selected by the customer, which efficiency standards have to be met, regulation, etc)..

⁵² The issuer states that as it is the supplier and not the manufacturer, it can only predict a production program. A paint shop is built to run for several decades and neither Dürr Group as a supplier nor the manufacturer/operator can reliably estimate the exact production output for the upcoming years (which would depend on consumer sentiment, new car models, etc.)

This target has been confirmed by the SBTi to be consistent with the reductions required to keep the global mean temperature increase to 1.5°C.

ISS ESG concludes that SPT 2 is in line with the Paris Agreement, based on the SBTi validation of the 2030 target.

Measurability & comparability

- **Historical data:** The issuer provided relevant historical data by setting the baseline year of its SPT to 2019 and provided all yearly absolute GHG emissions in Scope 3 data, with the breakdown per categories and being externally verified in 2019 and 2020. The issuer states that data for 2021 has not been externally verified, but commits to having Scope 3 data verified annually in the future, and also complete verification for 2021 retrospectively if needed.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

To reduce 15% of its absolute GHG emission in Scope 3 by 2030, Dürr Group is relying on its customers' willingness to use resource-conserving, energy-efficient and low-emission technologies provided by the company.

More specifically, Dürr Group has outlined these action plans to reduce Scope 3 emissions.

Sustainable machines and systems

- Pioneering the manufacture of sustainable products, e.g. wooden houses, electric vehicles

Involvement of its suppliers

- Prioritization of suppliers according to emissions
- Preferential options for suppliers with eco-balance and environmental and energy certificates

Climate-friendly logistics

- Shift to lower-emission means of transport, e.g. from air freight to rail
- Establishment of the CO2 footprint of transport service providers as a procurement criterion

Opinion on SPT calibration: *The SPT calibrated by Dürr Group is ambitious against the company's past performance, compared to Industrial Machinery and Equipment industry practices in terms of defining a GHG emissions reduction target and in line with the Paris Agreement and a 1.5°C warming scenario according to the SBTi. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.*

5C.1 Selection of KPI 3

KPI 3: Improvement of Dürr Group's ISS ESG-rating

FROM ISSUER'S FRAMEWORK

- **KPI:** Improvement of Dürr Group's ISS ESG Corporate Rating
- **SPT:** Improvement of Dürr Group's ISS ESG Corporate Rating to Prime status by 01.05.2025 and maintain it once achieved

Long-term goal: Maintain Prime status for the long term

Rationale: Dürr Group is eager to achieve sustainability excellence in all relevant ESG dimensions, which can be measured with an ESG rating. To further improve the ESG rating score over time, the Dürr Group's dedicated sustainability team actively engages ICS (ISS Corporate Solutions) to identify areas for improvement and implement measures as part of the Dürr Group's sustainability strategy. As part of the rating process, Dürr Group analyzed on the basis of up to 100 rating criteria and evaluated based on publicly available and private information, with scores given for each material 'E', 'S' and 'G', alongside an overall score.

Baseline: "Not Prime" as of March 2022 (ISS ESG Ratings methodology is done on a spectrum from D- to A+. Dürr Group is currently C-, which is classified as "Not Prime". The threshold for Prime is C+)

Baseline year: 2022

Target date, month and year: 01.05.2025

Scope:

Dürr Group states that the scope of this KPI covers all business elements of the whole group. In particular, it states that it would like to improve the ESG topics that are rated with a C- or worse according to its current rating. These topics include Staff and Suppliers, Environmental Rating and Products and Services.

The assessment of KPI's scope involves approximately 100 environmental, social and governance indicators, impacting on Dürr Group's activities holistically. The relevant indicators assessed are specific to the Industrial and Machine Equipment sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). More details about the ISS ESG Corporate Rating assessment can be found in Annex 1 of the SPO.

Materiality and relevance

Disclaimer: ISS ESG is providing an assessment on the Relevant, Core, and Material dimensions of the ESG ratings KPI for Dürr Group and does not provide any qualitative comment on the ISS ESG ratings methodology.

ESG ratings are considered as widely used in the financial and investment market to be an important indicator of companies' overall sustainability performance, because they bring together a variety of different components into a single data point. Ratings are a tool to help investment analysts and portfolio managers to understand the ESG profile of companies at a particular point in time, and hence ESG ratings can be considered a relevant way to follow organizations' sustainability performance.

The ISS ESG Corporate Rating methodology draws on an overall pool of more than 700 indicators. ISS ESG applies approximately 100 social, environmental, and governance-related indicators per rated entity, covering topics such as employee matters, supply chain management, business ethics, corporate governance, environmental management, eco-efficiency, and others. Differentiated weighting scenarios ensure that the topics most material for a given line of business/industry are duly taken into account.

“Prime” status is granted to rated entities that are leaders in their respective industries and meet demanding absolute performance expectations and are thus seen as well-positioned to manage critical ESG risks as well as capitalize on opportunities offered by transformations towards sustainable development.

More specific to the Industrial Machinery & Equipment, according to ISS ESG Corporate Rating methodology, key ESG issues for this industry are: Environmental impact of products, Product safety, Occupational health and safety and Resource-conserving production.

According to Dürr Group, the company has embedded sustainability throughout its activities at the group level, to help the company meet its economic, ecological and social responsibilities and to seize related business opportunities. The issuer also states that it hopes to approach sustainability from a holistic perspective, i.e. ensuring high performance across environmental, social and governance aspects.

ISS ESG finds that the ESG Corporate Rating improvement KPI selected by the issuer is:

- **Relevant** to Dürr Group’s business as it integrates ESG indicators, which according to ISS ESG Corporate Rating methodology, covers key ESG issues for the sector. The rating integrates the key issues as well as other relevant issues specific to this sector, according to ISS ESG Corporate Rating standard methodology.⁵³
- **Core** to Dürr Group’s business as key processes and activities will be impacted by actions it takes to achieve the KPI. More specifically, measures that the issuer has identified to achieve the KPI, such as global conversion to green electricity by the end of 2023, ensuring the company’s health and safety management system achieve international standards by obtaining ISO 45001 certification for all relevant subsidiaries, enhancing energy and resource efficiency of its products during the use phase, are all initiatives that impact on the group’s key processes and activities.
- **Material** to Dürr Group’s business because an improvement of the company’s overall ESG rating encompasses a holistic improvement of its performance across its key ESG issues. The issuer states that it will be focusing on the ESG issues of environmental protection and human rights due diligence. The issuer states that it will also address other ESG issues relating to its suppliers, products and social responsibility. Furthermore, the issuer states that it has chosen this KPI instead of individual ESG issues because it takes into account potential interrelations of certain factors. For example, the issuer states that its GHG emissions reduction targets (i.e. indicator ‘B.1.3.3. Greenhouse gas emission reduction targets and action plans’ of the ISS ESG ratings methodology) are closely linked to all activities in its supply chain, which is in turn linked to the social concern of human rights due diligence procedures when selecting suppliers (i.e. indicator ‘A.1.2.1. Supplier standard with regard to labour rights and working conditions’ of the ISS ESG

⁵³ ISS ESG, 2022, ISS ESG ratings methodology, <https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

Corporate Rating methodology). The issuer states that in order to improve its ESG rating, it would like to focus on tackling the ESG topics that are rated with a C- or worse according to its current rating. These topics include Staff and Suppliers, Environmental Rating and Products and Services.

- Furthermore, according to ISS ESG Corporate Rating methodology, “Prime status is granted to industry leaders who fulfil demanding performance expectations”. Thus, by setting such target, Dürr Group would align with ISS ESG definition of companies fulfilling ambitious performance requirements regarding the most material topics, taking into account their individual risk exposure.
- However, it is important to note that there are several providers of ESG ratings in the market and they each use different methodologies. Thus, the ESG rating assessed by ISS ESG Corporate Rating reflects the company’s ESG performance according to ISS ESG’s corporate rating methodology.⁵⁴ It should also be noted that achieving Prime status of the ISS ESG ratings does not ensure exclusion, or divestment of controversial businesses or controversial industries, that might harm the UN Sustainable Development Goals (SDGs).

Measurability

- **Scope and perimeter:** Dürr Group states that the scope of this KPI covers all business elements of the group. These topics include Staff and Suppliers, Environmental Rating and Products and Services.
- **Quantifiable/Externally verifiable:** The KPI selected is quantifiable and externally verifiable. It is quantifiable as it is calculated through consistent standardized and proprietary methodology developed by ISS ESG, some details of which is disclosed publicly⁵⁵.
- **Externally verified:** Accuracy of historical data for the KPI is externally verified in the process of producing this SPO by checking on the ISS website. However, this verification only refers to the actual ratings, and no verification of the ratings methodology is completed. Due to the lack of rating methodology verification, the external verification for this KPI is limited.
- **Benchmarkable:** By referring to ISS ESG Corporate Rating, the KPI is comparable with that of other companies within the ISS ESG ratings universe. However, this KPI’s comparability with ESG ratings produced by other providers is limited, because each rating provider uses its own proprietary methodology, which is not publicly disclosed. Due to the fact that rating methodologies by different providers are different, the benchmarkability of this KPI is limited.

Opinion on KPI selection: ISS ESG finds that the KPI selected is relevant, core, and material to the issuer’s business model. The KPI is consistent with its sustainability strategy. It is appropriately measurable, quantifiable and externally verifiable. It is externally verified and benchmarkable with limitations. It covers impacts on Dürr Group’s activities globally, across all elements of its activities.

⁵⁴ Ibid.

⁵⁵ Ibid.

5C.3 Calibration of SPT 3

SPT 3: Improvement of Dürr Group’s ISS ESG rating

FROM ISSUER’S FRAMEWORK⁵⁶

Sustainability Performance Target: Improvement of Dürr Group’s ISS ESG-rating to Prime status by 2025 and maintain it once achieved

Sustainability Performance Target Trigger: The non-achievement of the selected SPT as defined in the relevant transaction documentation will result in a bond characteristics change, as the case may be, applying to the relevant financing.

Sustainability Performance Target Observation Date: 01.05.2025

Baseline Grade: Not prime (C-)

Baseline year: 2022

Strategic 2030 Goal and selection of methodology for calculating the SPT: The ISS ESG Corporate Rating takes into account Dürr Group’s performance on environmental, social and governance issues relevant to the company. As such, achieving the SPT could result from a variety of initiatives to improve the company’s sustainability performance on a more holistic level. In this regard, Dürr Group will conduct performance benchmarking across a relevant peer group and aim to improve its ISS ESG Corporate Rating assessment on indicators where performance gaps have been identified. The resulting actions could take the form of new policy development, program implementation and improvements in quantifiable metrics, as well as increased transparency on sustainability related disclosures.

Risks to the target: The issuer has identified the complexity of ESG Rating as a risk. In particular, it states that it may not have direct influence over the improvement of some indicators. Furthermore, it states that an update of the methodology or a change in the weighting of the rating is a potential risk. It adds that regulatory and other developments of its sector may affect its ESG rating.

Ambition

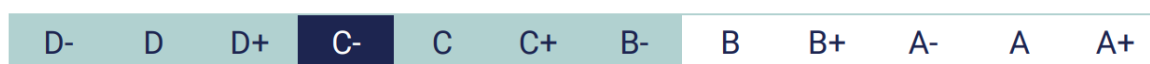
Against company’s past performance

Dürr Group has set the SPT to achieve Prime Status for its ISS ESG rating by 01.05.2025 and maintain it once achieved.

The ISS ESG Corporate Rating of companies range across 12 grades, from D- to A+. The threshold for Prime Status for each industry is set separately, and the threshold for the Industrial Machinery & Equipment industry is currently set at C+.

Graph: Scale of ISS ESG rating spectrum and distribution of ISS ESG ratings for all companies in the Industrial Machinery & Equipment industry

Absolute Rating



⁵⁶ This table is displayed by the issuer in its Sustainable Finance Framework and have been copied over in this report by ISS ESG for clarity.

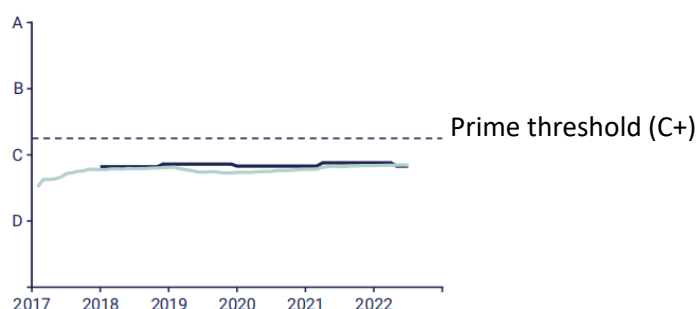
(source: ISS ESG Corporate Rating)

So far, Dürr Group has never achieved Prime Status. The company started to be rated by ISS ESG in 2015. ISS ESG reviews the rating once every year. When Dürr Group first became a rated company by ISS ESG in 2015, it was rated as D+. In 2016, its rating improved to C-. Since then, Dürr Group’s ISS ESG Corporate Rating score (used as basis to determine ESG rating) has fluctuated within the range of D+ to C-, and its absolute rating has been either D+ or C-. As of March 2022, Dürr Group’s rating is C-.

As Dürr Group has never achieved Prime Status (i.e. at least C+), setting such a target is ambitious.

Graph: Dürr Group's ISS ESG Corporate Rating scores in previous years

Rating History



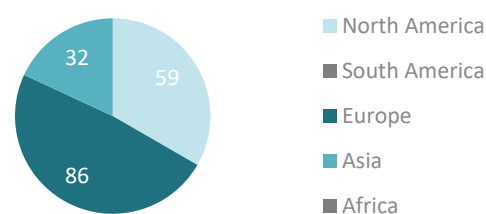
Therefore, ISS ESG deems the SPT ambitious against the company’s past performance.

Against company’s industry peers

ISS ESG conducted a benchmarking of the SPT set by Dürr Group against a peer group of 177 Industrial Machinery and Equipment companies (including Dürr Group) in the ISS ESG Universe. Those companies are located in the regions displayed in Figure 3.

As of 05.08.2022, ISS ESG evaluates Dürr Group as a medium performer in terms of ESG Rating score. According to ISS ESG data, Dürr Group ranks 91th out of 177 companies in the Industrial Machinery and Equipment Industry in ESG Rating score. Companies in this industry in the ISS ESG Universe have ratings ranging from D- to B-, with C+ as Prime threshold. A total of 29 companies in the group, i.e. 16%, have Prime status.

Figure 3: Geographical location of Durr's peer group companies (measured in number of companies per region)



ISS ESG concludes that the SPT set by the issuer is in line with the current industry best performers, because according to ISS ESG Corporate Rating methodology, “Prime” status is granted to rated entities that are leaders in their respective industries and meet demanding absolute performance expectations and are thus seen as well-positioned to manage critical ESG risks as well as capitalize on opportunities offered by transformations towards sustainable development.

However this assessment is based on limited evidence, due to the fact that no information is available for the peers' future targets. Therefore, the assessment is only done by comparing SPT 3 with the current performance of its peers.

Against international targets

It is important to note that there are multiple ESG ratings providers in the market using different methodologies that can lead to different ratings for the same actors. For instance, a recent study by the MIT Sloan's Sustainability Initiative found that correlations between ESG ratings provided by different agencies range from 0.38 to 0.71.⁵⁷ Factors explaining such ratings divergences include measurement, scope and weight. This is indeed deliberate because different providers have different perspectives on how to compile the ratings, and the combination of ratings from different providers can provide an even more holistic view on the sustainability performance of companies, which investors can use to base their investment decisions. However, the different methodologies by the different providers mean that there is no one widespread benchmark to compare the ISS ESG Prime status against and therefore it is not possible to benchmark the SPT against any international standard because none exists.

Measurability & comparability

- **Historical data:** Since the rating selected by the issuer is the ISS ESG Corporate Rating, historical data is available since 2015, going beyond the SLBP recommendation of providing historical data for previous 3 years.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date (01.05.2025), the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

To achieve ISS ESG Corporate Rating Prime status, Dürr Group expects that it will require a variety of initiatives to improve the company's sustainability performance on a more holistic level.

Dürr Group is working with ISS Corporate Solutions (ICS) to set goals and strategy on achieving this KPI. It should be noted that ICS is a separate entity to ISS ESG, and the work ICS is providing to Dürr Group is separate from the scope of this SPO. No employee of ICS played a role in the preparation of this report.

The issuer states that it will focus on making improvements to the topics that currently have the lowest rating scores. It states that it will be focusing in particular on the topics of climate strategy and improving its supply chain management, especially in relation to human rights due diligence procedures.

More specifically, the issuer has listed the following areas in its strategy and action plan, to achieve an overall improvement in ESG rating. These are action areas outlined in its 2021 Sustainability Report.

1. **Certification of the health and safety management system to an international standard:** ISO 45001 certification of all companies in the Dürr Systems, Schenck and HOMAG subgroups with operational value creation and sales of at least €10 million per year

⁵⁷ SSRN, April 2022, Aggregate Confusion: The Divergence of ESG Ratings, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3438533

2. **Certification of the environmental management system to an international standard:** Expansion of global environmental management certifications in accordance with ISO 14001 at its Group-wide production and assembly sites and all sites with technical centers and/or hazardous substances
3. **Energy use reduction targets:** Annual energy efficiency increase of 1 to 2% (compared to 2019 base-year level) through the implementation of location-specific measures
4. **Energy use by source:** Global conversion to green electricity by the end of 2023 including installation of photovoltaic systems
5. **Greenhouse gas emission reduction targets and action plans:** Reducing Scope 1 and 2 emissions by at least 70% by 2030 compared to the 2019 base-year level (for further details, see KPI 1)
6. **Disclosure of climate change risks and mitigation strategy:** Establishment and implementation of a process for recording Group-wide sustainability risks until 2022/2023
7. **Human rights due diligence procedures:** Definition of minimum criteria for high-risk suppliers as a prerequisite for the future awarding of contracts in 2022. Definition and implementation of the specifications of the German Supply Chain Due Diligence Act in 2022
8. **Customer support and protection:** Fundamental revision of the Group-wide customer experience (CX) program
9. **Procedures to ensure compliance with the environmental supplier standard:** Development and implementation of a financial incentive system for suppliers to increase transparency and sustainability in the supply chain
10. **Extension of useful product life:** Expansion of service portfolio to enhance energy and resource efficiency of products in existing plants during the use phase
11. **Material efficiency in production processes:** Continuous expansion of the Group-wide product portfolio with energy-saving and resource-conserving solutions as a result of stronger integration of sustainability aspects in product development

The issuer states that in addition to taking actions to make improvements on the above ESG topics, it will also increase its transparency on related disclosures, which could also bring a positive impact to the company's ESG rating.

Opinion on SPT calibration: ISS ESG finds that the SPT calibrated by Dürr Group is ambitious against the company's past performance and in line with best performers in the Industrial Machinery and Equipment industry within the ISS ESG corporate ratings universe, based on limited evidence. However, comparison against international targets for this SPT is not possible due to the limitations of comparing the ISS ESG rating methodology with that of other ratings providers. The benchmark selected by the issuer is based on the ISS ESG Universe. The target is set in a clear timeline. It is supported by a strategy and action plan disclosed in the company's framework.

PART VI: SUSTAINABLE FINANCE INSTRUMENTS LINK TO DÜRR GROUP'S SUSTAINABILITY STRATEGY

A. DÜRR GROUP'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the issuer's industry

Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Environmental impact of products
Product safety
Occupational health and safety
Resource-conserving production



ESG performance of the issuer

Leveraging ISS ESG's Corporate Rating research, further information about the issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>. (Company can be found by searching the name "Duerr AG")

Please note that the consistency between the issuance subject to this report and the issuer's sustainability strategy is further detailed in Part III.B of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ⁵⁸	DIRECTION OF IMPACT OF	UN SDGS
Air pollution control technology	9.5%	CONTRIBUTION	 

⁵⁸ Percentages presented in this table are not cumulative.

Breaches of international norms and ESG controversies

At issuer level

At the date of publication, ISS ESG has not identified any severe controversy in which the issuer would be involved.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Industrial and Machine Equipment industry are as follows: Failure to respect the right to just and favorable conditions of work, Failure to assess environmental impacts, and Failure to prevent forced labor.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

B. CONSISTENCY OF SUSTAINABLE FINANCE INSTRUMENTS WITH DÜRR GROUP'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Dürr Group has identified climate change mitigation as one of its priority long-term goals. In 2021, Dürr Group announced its Climate Strategy 2030 initiative, which outlines emissions reductions targets by 2030, as interim targets to achieve its long term commitment to contribute to the 1.5°C target under the Paris Agreement.

Dürr Group has also signed the Business Ambition for 1.5°C and participating in the global Race to Zero initiative.

In addition to reducing its own emissions, Dürr Group is also committed to help its customers reduce emissions, as it sees its customers increasingly investing to make their production processes sustainable. Therefore, it hopes to support its customers by developing low-consumption and low-emission products that can be used to significantly reduce the ecological footprint of automotive plants and other factories.

In addition to climate change as a sustainability goal, Dürr Group has also outlined broader commitments to embed sustainability throughout all its activities at the group level, to help the company meet its economic, ecological and social responsibility and to seize related business opportunities.

More specifically, it has made plans to focus on improving sustainability across five of its key activities fields, including: Management & Governance, Products & Services, Value Creation & Supply Chain, Employees & Qualification and Engagement & Society.

More specific goals under each area are documented by the issuer in its [Sustainability Goals document](#).

Since 2019, Dürr AG has linked several financing instruments with a total volume of € 1.4 billion to a sustainability component:

- Three sustainability Schuldschein loans (privately placed, typically unsecured medium to long-term loans governed by German law)
- Convertible bond
- Syndicated loan with sustainability component

Dürr Group has defined its sustainability objectives and activities, as well as a period of relevance of the objectives. The specific targets on GHG emissions reduction are well quantified, but some of the objectives at the wider group level are less quantified.

Consistency with KPIs

KPI 1

Dürr Group has set climate change mitigation as one of its priority long-term goals. KPI 1 focuses on reducing the company's Scope 1 and 2 emissions, and is therefore consistent with its climate change mitigation objective.

KPI 2

Dürr Group has set climate change mitigation as one of its priority long-term goals. In particular, Dürr Group has highlighted its commitment to help its customers reduce emissions in its sustainability objectives. KPI 2 focuses on reducing the company's Scope 3 emissions, and is therefore consistent with the company's climate change mitigation objective.

KPI 3

Dürr Group has set sustainability objectives to improve the company's sustainability profile holistically. KPI 3 is selected to track the overall sustainability performance of the company. Therefore KPI 3 is consistent with Dürr Group's sustainability objectives.

Rationale for issuance

Through the use of Sustainable Finance instruments, the Dürr Group underlines its commitment to counter climate change and other related challenges by aligning its funding strategy with its sustainability strategy. The Dürr Group has established this Sustainable Finance Framework as an overarching platform under which the company intends to issue a variety of Sustainable Finance instruments, which may include bonds (including private placements), commercial papers, loans, promissory notes (Schuldscheindarlehen) and any other Sustainable Finance instruments in various formats and currencies, to finance and/or refinance sustainable projects with a positive environmental benefit.

Contribution of Use of Proceeds categories to sustainability objectives and key ESG industry challenges

We mapped the Use of Proceeds categories financed under these Sustainable Finance instruments with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Industrial Machinery & Equipment industry. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings industry. From this mapping, we derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Clean Transportation	✓	✓	Contribution to a material objective
Energy Efficiency	✓	✓	Contribution to a material objective
Renewable Energy	✓	✓	Contribution to a material objective
Green Buildings	✓	✓	Contribution to a material objective
Pollution Prevention and Control/ Environmental Technology	✓	✓	Contribution to a material objective

Opinion: *We find that the Use of Proceeds financed through this bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Bonds is clearly described by the issuer.*

DISCLAIMER

1. Validity of the SPO: As long as there is no material change to the Framework.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to standardized procedures to ensure consistent quality of responsibility research worldwide. In addition, we provide Second Party Opinion (SPO) on bonds based on data provided by the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG or ICS in connection with the use of these SPO, the information provided in them, and the use thereof shall be excluded.
4. All statements of opinion and value judgments given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and creditworthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

EU Taxonomy

We evaluate whether the details of the nominated projects and assets or project selection eligibility criteria included in the Sustainable Finance Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2021)

The evaluation shows to understand if Dürr Group's project categories are indicatively in line with the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by Dürr Group (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the issuer.

Environmental and social risks assessment methodology

We evaluate whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment "no or limited information is available" either indicates that no information was made available or that the information provided did not fulfil the requirements of the Green Bond KPIs.

The evaluation was carried out using information and documents provided on a confidential basis by Dürr Group (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, we identify the extent to which Dürr Group's Sustainable Finance instruments contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

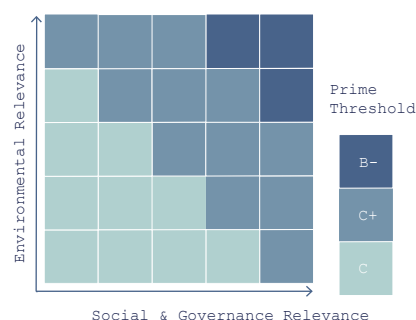
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

Dürr Group commissioned ICS to compile a Sustainable Finance instruments SPO. The Second Party Opinion process includes verifying whether the Dürr Sustainable Finance Framework aligns with the GBP/GLP and to assess the sustainability credentials of its Sustainable Finance instruments, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- GBP/GLP
- Key Performance Indicators relevant for Use of Proceeds categories selected by the issuer

ISSUER'S RESPONSIBILITY

Dürr Group's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

We have conducted this independent Second Party Opinion of the Sustainable Finance instruments to be issued by Dürr Group based on a proprietary methodology and in line with the ICMA GBP/GLP.

The engagement with Dürr Group took place from April to October 2022.

BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About our SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond /loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific Sustainable Finance instruments SPO, please contact: SPOOperations@iss-esg.com

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