ESG RISK MANAGEMENT

How can Interroll contribute to a more sustainable future?

Interroll is committed to environmental, social and governance (ESG) principles, particularly with regard to climate change. We make our products, platforms and solutions energy-efficient to reduce our environmental impact. Interroll supports environmental sustainability and responsible social and governance practices through our strategies. We are decarbonizing our own operations to meet global standards and we take a holistic approach that addresses not only environmental, but also social and governance issues to help create a more sustainable and ethical future.

And specifically your department/area of responsibility?

Interroll's Sustainability Department is vital for our ESG commitment. We collaborate with other functions to design and implement strategies to lower our environmental impact and promote social responsibility and good corporate governance. We support and guide the organization's entities and functions, offering expertise for ESG integration into their strategies, processes and daily work. We also assist the Board and Group Management in ESG decision-making. We play a leading role in developing the decarbonization and sustainability roadmap with the aim of aligning with global standards and creating a holistic, sustainable and ethical corporate culture.

How does Interroll identify, assess and manage environmental, social and governance (ESG) risks to ensure long-term sustainability and resilience?

Interroll prioritizes long-term sustainability and resilience by adopting a comprehensive approach to identify, assess and manage environmental, social and governance (ESG) risks and impacts. Proactive measures are then implemented to mitigate these risks, in line with Interroll's commitment to responsible business practices. This ESG risk management framework not only safeguards against potential challenges, but also fosters a resilient organizational structure. By integrating ethical considerations and sustainable practices, Interroll is well positioned for success in a rapidly evolving global landscape, contributing to a positive and lasting impact on both the business and the wider community.

Patrick Wedewardt, Director Corporate Sustainability & Compliance

Our management approach to ESG risk management helps work toward achieving the following United Nations Sustainable Development Goals (SDGs):

SDG 8.1: Sustainable economic growth
Sustainable economic growth can only succeed with structured management of opportunities and risks in the competitive environment. To that end, ESG risk management at Interroll considers environmental, social and governance factors, thereby enabling better integration of sustainability aspects in corporate strategy and contributing in macroeconomic terms to job creation, productivity and prosperity.

SDG 16.6: Develop effective, accountable and transparent institutions
By integrating environmental, social and governance factors into our risk assessments and business practices, Interroll helps to fight corruption, bribery and compliance violations. This in turn fosters integrity and transparency in competition and reinforces responsible business practices.

CONTEXT

GRI 3-3
964 CO

In our view, good ESG risk management means protecting our business model, its material and non-material benefits, and the legitimate interests of our stakeholders. We are developing a structured Group-wide ESG risk management system in order to identify strategic and operational ESG risks, avoid or mitigate negative impacts and exploit positive potential for Interroll's operational and financial resilience. An effective ESG risk management system enhances the future prospects of our company.

For us, a well-functioning ESG risk management system protects our business model, our operating performance, our supply chain, our customer relationships and the legitimate interests of other stakeholders. This includes identifying and evaluating the relevant ESG risks, and understanding and prioritizing the potential impacts.

Interroll places great importance on active management of ESG risks, including in the interests of our stakeholders. We are therefore expanding our existing active risk inventory to include identification of ESG risks relating to environmental, climate, social and employee matters, as well as corruption, procurement from conflict regions and respect for human rights.

ESG risk management at the Group level aids our strategic and operational decision-making process, strengthens our governance and monitors the aspects associated with our business model. Group Management systematically analyzes the ESG risks every year.

CONCEPT AND GOALS

GRI 3-3
GRI 2-25
964 CO

A well-designed and well-functioning ESG risk management system increases the resilience of our company by enabling us to react quickly to systemic risks. This protects in particular the legitimate interests of all internal and external stakeholders, which we also identify, assess and manage according to priority – as we do with our strategic and operational ESG risks. For this reason, we review our business risk inventory annually for ESG risks. We are working on a structured risk inventory at the level of the independent organizational units to supplement the existing processes, with the aim of realization in 2025. The fast operational responsiveness this enables will boost Group-wide ESG risk management and our strategic decision-making process.

Active management of ESG risks is important to Interroll. Qualitative and quantitative goals and deadlines for their achievement have therefore been defined for the entire Interroll Group. This affects in particular all risks identified as high, which are counteracted with risk mitigation measures. This contributes to the reduction of ESG-related financial risks.

We will be developing specific implementation plans for each Interroll site to achieve the goals based on their individual situation.

The main focus of our ESG risk management is on the issues that have to be addressed under Article 964 CO: social, employee and environmental matters, corruption and respect for human rights.

Governance and compliance

GRI 2-9

The Board of Directors and Group Management are responsible for considering and implementing the requirements of ESG risk management in the overall corporate strategy. They ensure that the responsibilities for setting goals, delivering resources, taking action and conducting reviews are clearly defined. The Board of Directors receives regular information on ESG risk management and the associated assessment from Group Management. This ensures that the Board of Directors possesses the requisite knowledge to evaluate these aspects.

The CFO is responsible within the organizational structure of Interroll for ESG risk management and reporting. The Board of Directors submits these reports in accordance with Article 964a CO to the annual general meeting for approval (see page 132). Operational implementation and performance by the legal entities is delegated to the local management teams.

ESG risk inventory

GRI 2-25

This year's ESG risk inventory was compiled for the first time on the basis of a consolidated view of the material topics for Interroll Holding AG. This was the responsibility of Group Finance led by the Chief Financial Officer (CFO).

In line with the goals set under our current ESG risk management policy, we will continue to develop ESG risk management with the aim of compiling a risk inventory at the level of the individual legal entities for 2025 and then consolidate these at Group level. In Switzerland and Spain, ESG risk aspects are already taken into account via the management systems in accordance with ISO 14001 and 45001.

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The process is based on the issues for non-financial reporting defined in Article 964b CO which addresses environmental matters, in particular carbon targets, social matters, employee matters, respect for human rights and anti-corruption measures. "Procuring raw materials from conflict regions" is not significant for Interroll at present.

Based on the materiality analysis performed in 2021/22 and the review of the analysis in 2023, the material topics identified at Interroll were allocated as follows to the non-financial matters from the article referenced above. We determined that this covered the non-financial matters prescribed by law:

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Targets	KPIs	Unit	2023	2022	Date
ESG risk inventory on Group level updated	ESG risk inventory on Group level updated?	Yes / No	Yes	n/a	Annually
ESG risk inventory on entity level established	Number of local entities with established ESG risk inventory	Number	2	n/a	2025
Risk management measures are defined for high risks	Percentage of risk management measures defined for high risks	%	100	n/a	Annually
Reduction of high-level ESG risks with financial risk potential	Percentage of high-level ESG risks with reduced financial risk potential after measures	%	0	n/a	Annually

STATUS, MEASURES, RESULTS

GRI 3-3

964 CO

Group Management performs a systematic operational risk analysis every year. The risks identified are examined, analyzed and discussed at an annual strategy meeting. The Board of Directors receives regular reports in a uniform format detailing the type, extent and assessment of operational and strategic risks, as well as the countermeasures taken.

The Group-level risk management process was expanded in 2023 to include specific consideration of ESG aspects. The governance and compliance of ESG risk management were stepped up.

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Material topics	Non-financial matters under Article 964 CO
Environmental Protection Climate Protection Corporate Governance ESG Risk Management Corporate Compliance	Environmental matters, in particular climate protection
Product and Service Responsibility Sustainable Procurement Stakeholder Engagement Corporate Governance ESG Risk Management Corporate Compliance	Social matters; protection of stakeholder interests
Occupational Health and Safety Attractive Employer People Development Corporate Governance ESG Risk Management Corporate Compliance	Employee matters
Sustainable Procurement Corporate Compliance ESG Risk Management Corporate Compliance	Respect for human rights
Corporate Governance ESG Risk Management Corporate Compliance	Anti-corruption measures

The objectives set out in the ESG risk management policy were used in the ESG risk analysis to allow for a clearer view and evaluation of the risk aspects. Additionally, a workflow involving

- the Chief Executive Officer, responsible for applying strategy at the Group level;
- the Chief Financial Officer, responsible for consolidated risk management;
- the Director Corporate Sustainability & Compliance, responsible for ESG aspects; and
- external ESG experts

enabled the identification of further risk aspects in the context of ESG that could have a significant impact on the company's position, performance and business development.

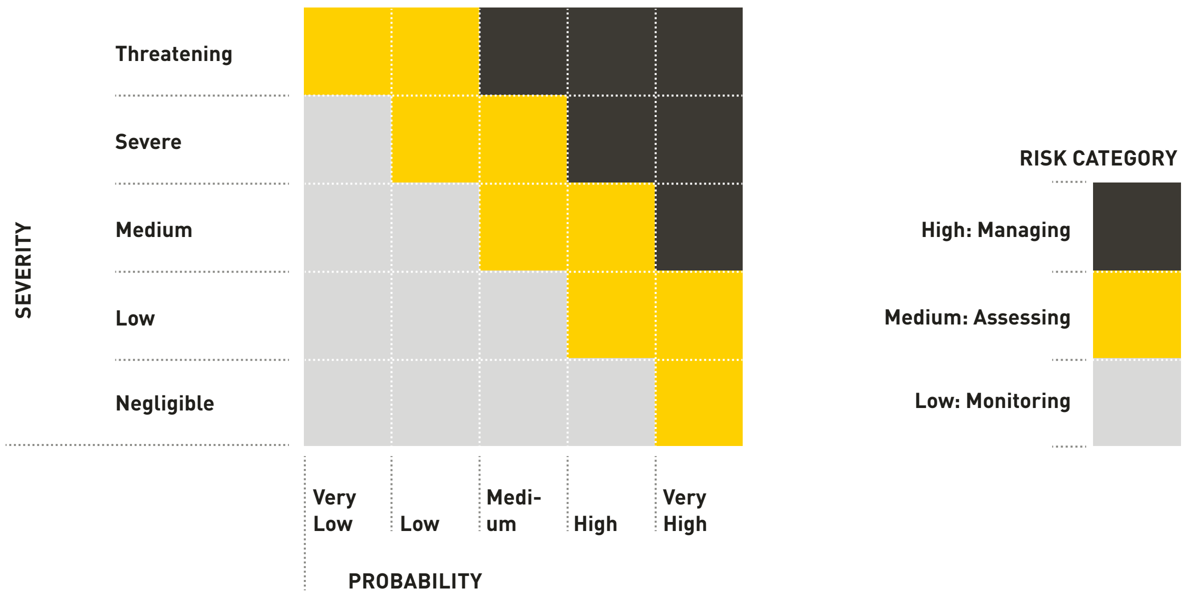
A further step was to describe the identified risks and assess the probability of their occurrence and consequences *before* taking action, based on historical data (previous loss events) and expert opinions. This is set out in detail in the special internal report on the ESG risk inventory.

Each individual risk identified was examined and categorized. The ESG risks determined locally and consolidated at the Group level, along with the assessable impact factors, form the basis for future ESG risk management and action planning at Interroll Holding AG. The quality and significance of the information affect the direction existing measures will take and determine future decisions. In addition to disclosing all material risks, ESG risk management should, in particular, enable a controlled approach to risks and help to reduce the probability of their occurrence. The ESG risk inventory lies at the heart of this and is where all material ESG risks along with general external risks and risks from the internal corporate organization and culture are systematically compiled.

A matrix diagram (ESG risk heat map) compares two vectors of the risk inventory:

- the probability of occurrence of a certain event or development,
- the extent of loss, and therefore the severity of the possible consequences if such an event should occur.

The risk inventory will include specific measures in future to avoid or mitigate each risk and will evaluate the risks as a whole. The second step involves reviewing and evaluating the probability of occurrence of the risks and their consequences again *after* action has been taken.



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GRI 201-2

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Assessment of ESG risks

The common approach to quantitative assessment was selected in the first step to determine the probability of occurrence and extent of loss on a five-point scale. The probability of occurrence before action was taken was assigned to the categories: very low, low, medium, high and very high, on a rising scale from 1 to 5.

The assessment of the extent of damage as an impact on EBIT was categorized as follows:
Factor 1: negligible – economic impact less than CHF 500,000
Factor 2: low – economic impact CHF 500,000 to CHF 1,000,000
Factor 3: medium – economic impact CHF 1,000,000 to CHF 10,000,000
Factor 4: high – economic impact CHF 10,000,000 to CHF 50,000,000
Factor 5: severe – economic impact greater than CHF 50,000,000

The risks were classified in qualitative terms in the categories low, medium and high.
Low: assessment result of 1 to 6
Medium: assessment result of 5 to 12
High: assessment result of 15 to 25

The ESG risks in the upper right section of the heat map are therefore assessed as potentially high. Please note that ESG risks with an assessment result of "5" were included in the medium category because they had either a very high probability of occurrence or a severe extent of loss and therefore represented a potentially significant financial risk. The basis of assessment was determined in consultation with management at the Group level.

ESG risks categorized as "high" are therefore actively managed in order to mitigate the financial risk potential in the short to medium term. "Medium" ESG risks are monitored and evaluated on an ongoing basis in order to reduce their potential financial impact in the medium term. ESG risks in the "low" category are subject to a minimum of constant monitoring.