

BAUER Aktiengesellschaft

**Non-financial
Group report 2020**



Non-financial Group report 2020

BUSINESS MODEL

The BAUER Group sees itself as one of the leading providers of services, equipment and products related to ground and groundwater. With over 110 subsidiaries, Bauer operates a worldwide network on all continents. The operations of the Group are divided into three future-oriented segments with a high potential for synergy: Construction, Equipment and Resources.

The Construction segment applies all the established methods and techniques of specialist foundation engineering all over the world. These include executing complex excavation pits and foundations for large-scale infrastructure projects and buildings, as well as cut-off walls and ground improvements. On the one hand, the construction markets are handled by local subsidiaries that support one another in networks, and on the other hand, large projects in countries without a local company are carried out by pooling capacities from all over the world. From Germany, support services are provided by means of central service functions and Group-wide standards are set.

Bauer is committed to being a world market leader in the Equipment segment, providing a full range of equipment for specialist foundation engineering as well as for the exploration, mining and the exploitation of natural resources. Besides its headquarters in Schrobenhausen, the Equipment segment operates a worldwide distribution network and production facilities in Germany, China, Malaysia, Russia, Italy, Turkey and the USA, among other locations.

The Resources segment focuses on the development, production and execution of innovative products and services and acts as a service provider with several business divisions and subsidiaries in the areas of drilling services and water wells, environmental services, constructed wetlands, mining and remediation. Our areas of expertise include water extraction and drilling technologies, brownfield remediation and waste management along with water treatment and building remediation.

BAUER Aktiengesellschaft (BAUER AG) is the holding company of the Group and the shares are listed on the Frankfurt Stock Exchange. BAUER AG provides central management and service functions for its affiliates. These specifically include

human resources, accounting, financing, legal and tax affairs, IT, group accounting and controlling, internal audit and risk management and health, safety and environment (HSE).

CORPORATE GOVERNANCE AND CONTROL SYSTEM

Sustainability within the BAUER Group, as well as the other key strategies, goals and regulations, is governed by the basic principles of the Group's corporate governance and control system.

The principal task of the Management Board of BAUER AG is the strategic management of a global group of companies. As part of central strategies, goals and regulations, the main companies in the three operating segments – BAUER Spezialtiefbau GmbH, BAUER Maschinen GmbH and BAUER Resources GmbH – develop their own detailed strategies, which are converged at holding company level and integrated into the strategic corporate planning process.

The development and implementation of a self-managing organizational structure with decentralized business units is the primary characteristic of corporate governance within the BAUER Group. The managing directors and the company management of the various Group companies operate under the corporate guidelines, regulations and overarching strategies of the BAUER Group. These are laid down by the Management Board of the Group and are binding for the various Group companies. The principles of proper conduct, including compliance with our ethical and moral standards, are defined by an ethics management and values program, among others, which cover all the companies of the BAUER Group, flanked by corporate guidelines and management principles for our employees. The managing directors of the various Group companies operate under their own responsibility to determine how their business units progress as long as they observe the rules and standards described above.

This self-managing structure is linked to a centralized system of risk management and control, and to a central Group Accounting function. Internal auditing systems monitor compliance with corporate guidelines, ethics management as well as laws and other policies across the Group. Strategic management by the Management Board pursues the goal of securing the long-term success of the Group and optimally using the synergies between the segments.

CORPORATE SOCIAL RESPONSIBILITY POLICY OF THE BAUER GROUP

As one of the world's leading groups providing services, equipment and products for ground and groundwater, we measure the success of our corporate policy primarily according to four goals:

- Optimum efficiency (profitability)
- The confidence of our customers (quality)
- The safety, health and satisfaction of our employees (safety)
- The eco-friendliness of our actions and our products (environmental protection)

The prime responsibility in terms of the sustainable development of the BAUER Group and policies relating to matters of quality, health, safety and environmental protection lies with the Group Management Board and with the managing directors of the main companies in the Construction, Equipment and Resources segments.

Our company is committed to all aspects encompassed by the term "sustainability". They include operating a healthy business which is profitable and which maintains its underlying foundations on a level such as to enable continued commercial success in the future. The many aspects of sustainability encountered in our corporate environment must all be given equal consideration.

The corporate guidelines serve to equip our employees with a basic code of conduct and objectives to guide all that we do. The focus of our philosophy is to provide our customers and partners with maximum satisfaction through our expertise and the quality of performance we offer. We believe it is equally important to maintain a healthy organization and to offer our employees a good place to work. The BAUER management principles are intended to provide guidance for all our employees to carry out their day-to-day work in collaboration with others. Core aspects of management alongside proper conduct and good communication include setting staff appropriate goals, clarifying the purpose of work and encouraging staff to work together. With this management approach, we seek to develop a positive mindset and sense of pride among our employees, as a result of which they take pleasure from their work. We are convinced that the pleasure each employee takes in their work ultimately leads to the success of the company as a whole.

STAKEHOLDERS

The activities of a business entail a wide variety of different stakeholders. We count stakeholders as being customers and partners, shareholders, employees and suppliers, yet also research institutes and scientific bodies, as well as our local community and the society at large within which we operate. Our aim is to give due consideration to the interests of all our stakeholders.

BAUER'S TRIPLE A

The key areas of focus in the activities of the BAUER Group are expressed in three category ratings named 'BAUER's Triple A'.



The BAUER Group is closely and continuously focused on safeguarding the health and safety of its employees. Guidelines, safety rules and training courses help to improve occupational safety on construction sites and in the production facilities. To that end, a management system has been established covering all the companies within the BAUER Group. Each group division, every single managing director and the Management Board are committed to implementing **Health, Safety & Environment (HSE)** procedures.

Culture, Quality and Ethics are assigned an equal level of importance. We have made culture the focus topic for the future and want to show that people are the focus of our attention. Furthermore, our business competes on global markets, so it is particularly important for us to gain a competitive edge based on the quality of our products and services. Everything we do in our business is also oriented to national and international values and principles. We believe that correct, proper, fair and decent conduct is the best way of assuring our sustained long-term success.

Performance – in terms of commercial success – is ultimately also a key objective of our corporate policy. Steady growth, returning a reasonable profit, is of great value to a wide variety of stakeholders. In pursuing those ends, we continuously strive to optimize the relationship between expenditure and earnings in all our operations. We seek to improve performance by optimizing processes, so as to work more efficiently and increase productivity.

MEANING OF NON-FINANCIAL ASPECTS AND EXPLANATORY NOTES

The following section outlines environmental, employee and social concerns, respect for human rights as well as anti-corruption and anti-bribery policies as non-financial aspects. As described, the framework guidelines of the BAUER Group form the basis for the Group’s central strategies, goals and regulations. It also establishes definitions and concepts for the above-mentioned aspects. These apply to all subsidiaries and are the basis for the explanations below.

Nonetheless, the non-financial aspects listed here are not required to understand the course of business, financial performance and position of the company, nor to understand the impact of the company’s activities on each non-financial aspect. The concepts, processes and non-financial performance indicators assessed are also of no material significance for internal management and beyond. In addition, there are no significant risks to the aspects that are likely to have negative effects on the aspects themselves or on the company. Therefore, no reference is made to amounts reported

in the annual financial statements, as this is not necessary for comprehension.

No framework was used for the non-financial consolidated statement in this management report, as the separately published, yet independent Sustainability Report is based on the framework of the GRI. It is therefore considered sufficient that the present non-financial consolidated statement only meets the minimum requirements of the German Commercial Code for non-financial consolidated statements.

EMPLOYEE CONCERNS

Our employees are the basis for the company’s success. In view of that fact, personnel development is a high priority in the BAUER Group. We know that only healthy, self-reliant, well-trained and satisfied employees can deliver high-quality results. We demand a high level of personal commitment from our employees. We therefore ensure safe and well-designed workplaces and place considerable importance upon the physical health and well-being of each employee. That is why the safety, health and satisfaction of our employees is one of the four goals of our corporate policy.

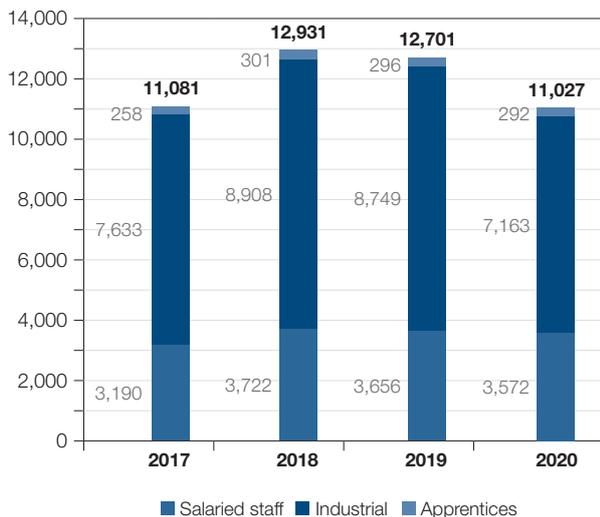
Employee development

In 2020, the companies of the BAUER Group employed 11,027 employees all over the world (previous year: 12,701).

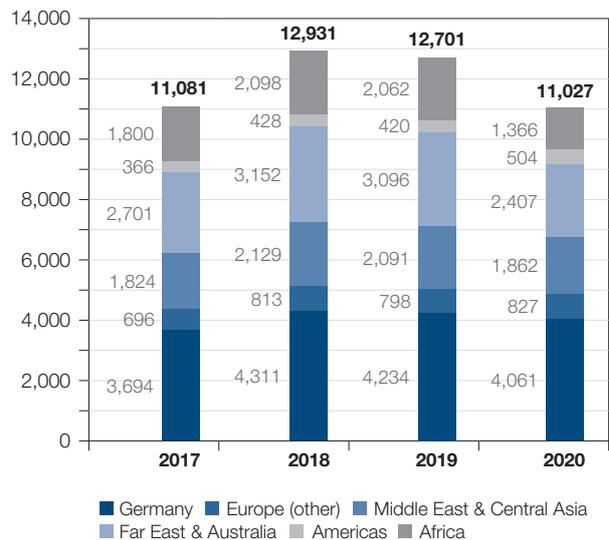
Training and education

Whether in the industrial, technical or commercial area – our apprentices can expect to receive a varied education which

Employees by employment type



Employees by region



is practical and future-oriented. Year after year, we train numerous young people in about 20 different professions. In 2020, the number of trainees was 292 (previous year: 296). And because we know that our workforce is our greatest potential, continuing education plays an important role with us, right from the apprenticeship phase. Targeted training of our employees is becoming increasingly important. In view of digitalization, the production processes in our company are also becoming ever more complicated, and the demands placed on the functionality of our machines are getting higher and higher.

BAUER Training Center GmbH represents a source of expert advice for our employees, customers and partners as well as external interested parties in all matters relating to further and continuing education. Its guiding objective is to constantly improve and professionalize its training and expand its scope in response to demand. The budget of the BAUER Training Center GmbH amounted to about EUR 2.6 million in 2020 (previous year: EUR 3.5 million). A total of 685 (previous year: 1,087) internal and external seminars and external conferences were attended. Due to the corona pandemic, significantly fewer training measures were implemented than planned.

Diversity

The BAUER Group's employees literally come from all over the world. Our staff included employees from 95 different nations in 2020 – people from widely varying cultural and ethnic backgrounds who strive on every continent to achieve our common goals. They shape our corporate culture with their different outlooks and viewpoints, experiences and traits. The promotion of diversity has therefore been firmly rooted in our corporate goals for many years.

In both the hiring and further development of our employees, we attach great value to an assessment based exclusively on their personality and qualification. Approximately 11% of the Group's employees were women in 2020, which essentially reflects the technical nature of our business and the low number of women applying for such careers.

Health, Safety & Environment (HSE)

HSE is a central element of the BAUER Group's work across the entire value chain. In 2011, we introduced global standards, thus creating a uniform HSE management system for all com-

panies of the BAUER Group. By constantly reviewing our performance and comparing it against our set goals and targets, we seek to continuously improve our HSE system, and therefore to consistently minimize our accident and damage rates.

For us, the health and safety of our employees takes top priority. We strive to create a working environment that not only protects them against work-related dangers, but also enhances their health and productivity. Standards and guidelines for occupational safety in the BAUER Group are defined in cooperation with the managing directors and the Management Board. To enhance awareness of occupational safety throughout the company, HSE training is held regularly as well. A program developed by the HSE department for carrying out occupational health and safety audits within the company also helps the subsidiaries of the BAUER Group to build up their HSE policy to the Group standard. In Germany, an annual safety competition is organized between the companies, where valuable prizes provide an additional incentive for employees to deal with this matter.

Due to the global coronavirus pandemic, the topic of occupational health and safety has been a particular focus since the start of 2020. The principal goals in this context were acute protection of employees against infection and the resilience of all company divisions. A dedicated coronavirus crisis management team met regularly to develop corresponding hygiene concepts and measures and update them continually based on changes in the course of the pandemic or the legal regulations. Employees were kept constantly informed of all measures and received training concerning the measures. As a result, COVID-19 case numbers among employees were kept very low, transmission within the company was largely prevented and the operating capacity of all organizational units was ensured. Because of the travel restrictions and quarantine measures imposed worldwide, many employees had to endure particularly challenging work and longer periods of on-site deployment.

Regular reviews and audits confirm the consistent implementation of our safety standards. Through certifications such as OHRIS, OHSAS 18001, AMS-Bau and SCC, we ensure that our occupational health and safety policies meet the requirements of the International Labor Organization (ILO).

SOCIAL CONCERNS

The BAUER Group strives to be a "good citizen" in the locations and regions where we operate. Our commitment to the community also has a positive impact on the company. We regard ourselves as an active member of the community, and we are aware that, alongside our commercial obligations, we also have a social duty to the community at large. We seek to play an active role in our region and in our various industry sectors. In that context, we also contribute our efforts to numerous regional development and industry-specific associations and trade bodies.

When making decisions, companies must always consider the impact of their actions on the economy, the environment and society. We are convinced that the only way to manage our companies successfully on a sustained basis is to align our entrepreneurial activities with the expectations of the various stakeholder groups. We can only discharge this responsibility if we understand the requirements and motivations of our stakeholders. As a result, we rely on an open dialog in a spirit of confidence with our customers, partners, employees, shareholders, suppliers and the community as well as with research and scientific institutions in order to share experiences and reach common solutions.

ENVIRONMENTAL CONCERNS

Our business activities inevitably have an impact on the environment, in terms of the air, the soil and the water, by way of noise and vibration, or with regard to the consumption of raw materials and primary energy. In our work, we make every effort to impact as little as possible on the environment, and we employ the latest state-of-the-art methods in those efforts. We regard compliance with environmental laws and regulations as a minimum standard. In addition, we strive continuously to improve the standard of our environmental protection through preventive measures.

As a globally operating company, we face the challenges of environmental and climate protection around the globe. We are working continuously to reduce fuel consumption, achieve noise abatement, save water and use energy more efficiently. Environmental policy is part of Group-wide HSE management.

RESPECT FOR HUMAN RIGHTS

Our company's success is based on people – our employees just as much as our customers and partners. As a result, respect for and upholding human rights form part of our basic understanding of social responsibility. Within the ethics management system, we commit to respecting human rights. Child labor and forced labor are not tolerated in the BAUER Group. It is an important task of our managers to raise awareness for these topics among our employees on-site during regular visits. In line with our understanding of values, discrimination, particularly on grounds of religion, age, gender, race or sexual orientation, has no place in our company. We expect that our suppliers and subcontractors should adhere to the United Nations' Universal Declaration of Human Rights and not be involved in any human rights' breaches.

COMPLIANCE

In all countries in which we market our products and services, our companies and their employees are required to comply with ethical standards that meet the requirements in these countries. In particular, actively corrupt behavior and passive corruption are not tolerated anywhere in the world.

We do not believe that you have to "play dirty" to win; rather, it is our conviction that correct and proper conduct is the best recipe for sustained long-term success. We support this fundamental belief by clearly defining our values.

Compliance means observing all applicable laws, rules and regulations. Every employee of the BAUER Group has the duty to adhere to legal, regulatory or court-ordered rules and internal company regulations in their professional activities.

The Compliance Management System is referred to as the ethics management system in the BAUER Group and has been implemented by the Management Board in the framework guidelines in the Corporate Management Manual for the BAUER Group. According to these guidelines, subsidiaries must take appropriate measures to ensure compliance with the rules applicable to the Group. The management teams of the Group companies also ensure that employees are aware that violations of applicable law and ethics can have far-reaching implications for the individual company and the Group.

A values program and ethics management system were developed and implemented for the BAUER Group and are binding for all employees. New employees receive training in the values program and ethics management as defined by the Corporate Management Manual. The ethics management system is based on a Code of Conduct published by the BAUER Group on the company's website. It emphasizes the core values of personal responsibility, reliability and appropriate conduct as well as the rules of conduct for specific situations according to selected areas of risk.

Within the ethics management system, particular emphasis is placed on the proper conduct of executives and employees with regard to anti-corruption and anti-trust law. The ethics management system also focuses on ensuring compliance with legal and business ethics rules in dealings with business partners and customers as well as product safety, human health and environmental hazards resulting from our activities, export restrictions, tax and social insurance liabilities, accounting, data protection and non-discrimination.

In order to implement the ethics management system, ethics officers must be appointed in the organizational units, where required, and senior management and executives must actively communicate the contents of the ethics management system. Together with management, ethics management measures are analyzed by the ethics officer as part of a risk assessment. Wherever appropriate, the individual topics of the ethics management system are handled by specially designated officers as well as special departments that organize compliance with applicable rules and conduct

requirements. The main rules applicable to the companies of the BAUER Group are defined in the Corporate Management Manual. In the area of anti-corruption, for example, the dual control principle is defined as an essential tool for the relevant functions in the company.

The subsidiary BAUER Training Center GmbH organizes training courses and seminars for the Group. Special classroom training courses are carried out for the key topics anti-corruption and anti-trust legislation and for the protection of personal data, and for construction-related companies, the compliance e-learning program developed by EMB-Wertemanagement Bau e.V. is provided to all relevant employees.

The suitability and effectiveness of the ethics management system is reviewed in internal audits by internal auditing, as well as in external audits at construction-related companies in Germany that are members of EMB-Wertemanagement Bau e.V. If necessary, the system is improved based on the findings of the audits. The appointed ethics management officers also continuously strive to improve the ethics management system.

A whistleblowing system has also been implemented in the Corporate Management Manual to expose violations. Additionally, the relevant contact details for internal auditing and the external ombudsman are published on the BAUER Aktiengesellschaft website at www.bauer.de under 'BAUER Group' – 'Ethics Management' – 'Ombudsman.' The whistleblowing system gives both employees and third parties, particularly customers and suppliers, the opportunity to have protection to provide information about legal breaches in the company.

Schrobenhausen, March 29, 2021

BAUER Aktiengesellschaft



Dipl.-Phys. Michael Stomberg
Chairman of the Management Board



Dipl.-Ing. (FH)
Florian Bauer, MBA



Dipl.-Betriebswirt (FH)
Hartmut Beutler



Peter Hingott