



2023

SUSTAINABILITY REPORT



EXCELLENCE IN THE FIELD
OF INDUCTION HEATING

About AAGES

AAGES SA, headquartered in Sângeorgiu de Mureș, Romania, stands as a leading figure in the engineering and manufacturing sector, specifically in the field of induction heating technology. Founded in 1990 by an experienced team of engineers originating from the Research and Design Institute for Electrical Engineering (ICPE) in Bucharest's Târgu Mureș branch, the company has carved out a niche for itself by specializing in the development, production, and distribution of high-quality induction heating systems.

The company's product portfolio is diverse, encompassing a wide range of applications across various industries. AAGES SA designs and manufactures induction heating equipment used for metal hardening, tempering, annealing, welding, melting, and other heat treatment processes. These systems find applications in sectors such as automotive, aerospace, defense, energy, and general manufacturing, where precision and reliability are paramount.

What sets AAGES SA apart is its commitment to innovation and quality. The company invests significantly in research and development (R&D) to ensure that its products incorporate the latest technological advancements and meet the highest standards of efficiency and performance. This dedication to excellence has not only solidified AAGES SA's position in the Romanian market but also expanded its footprint internationally, with its products being exported to various countries around the globe.

Moreover, AAGES SA places a strong emphasis on customer satisfaction, offering customized solutions tailored to meet the specific requirements of its clients. The company's engineering team works closely with customers from the initial concept stages through to design, manufacturing, and after-sales support, ensuring that each product delivers optimal performance and value.

Sustainability and environmental responsibility also form a core part of AAGES SA's operational ethos. The company strives to minimize its environmental impact by adopting eco-friendly practices in its manufacturing processes and by designing energy-efficient products that contribute to reducing the carbon footprint of its clients.

AAGES SA's rich history, coupled with its forward-looking approach to business, has established it as a key player in the induction heating industry. Through continuous innovation, commitment to quality, and a customer-centric approach, AAGES SA continues to build on its legacy of excellence, driving advancements in induction heating technology while contributing to the growth and sustainability of the industries it serves.

Since the company's inception, our fundamental goals have been to ensure stability and profitability, crucial for both the founders and the employees. The thirty years of AAGES's existence, during which we have managed to generate the necessary profit for the company's development, fully justify the continuation of these objectives for the future.

Regarding the evolution over time, AAGES's history can be divided into two distinct periods. The first ten years were a period of accommodation to our own field of activity, which is complex, requiring electrical, mechanical knowledge, and, in particular, understanding of the technological processes for which we have manufactured products.

“From the beginning, we've made it clear that the main force of the company is the people”

In selecting personnel, the desire to work, learn, and be part of the AAGES team were the main criteria, which proved useful in forming a group of skilled, motivated people capable of meeting all demands. The second stage of the company's history began at the end of 1999 when we established a collaboration with a company from Germany, in the same field of activity as AAGES. This collaboration has highlighted the qualities of our designers, who, together with the German partners, quickly developed prototypes of products that, with current improvements, are still leading products for applications in the field of metal induction heating. The accumulated experience and the entire staff's ability to adapt to the demands of the external market made it possible to orient the activity towards export. Thus, we managed to deliver over 75% of AAGES's production for export, mainly to Germany and other countries in the European Union. If export delivery has ensured our independence from the uncertain and limited domestic market, on the foreign markets we have entered the competitive world of large companies, with much older and financially stronger resources than ours.

To cope with this situation, an additional effort was needed, both in the commercial area and in the design and production segments. The success of the entire team's work is

demonstrated by the fact that currently, AAGES's products, branded "Made in Romania," are used in over 25 countries worldwide.

To be efficient, over the years, it was necessary to continuously adapt the company's organization to the increasing volume of work and the complexity of the manufactured products. In 2005, we began expanding the workspace in new halls built in the commune of Sângeorgiu de Mureș, a "green field" investment, an action that continued until 2019, when a new hall was completed, ensuring a total of over 4400 square meters of production workshops, design, and administration offices.

Another important moment in the company's history was in 2017 when AAGES was listed on the Bucharest Stock Exchange with the symbol AAG, an action considered proof of achieving maturity in our field of activity. With facilities and qualified personnel, we carefully monitor changes in the local and global economy to maintain the gained position in the market of induction heating installations. To meet the natural requirements related to environmental conservation, in designing and manufacturing installations, we prioritize methods and procedures that generate minimal pollution and can be achieved with reduced energy consumption. This is even more valid when developing technological processes that will be carried out with AAGES-made installations in our clients' production lines. By improving specific energy consumptions and increasing the degree of automation through the use of industrial robots, our products remain attractive to users from an increasing number of countries. Thus, we manage to put into practice the company's slogan "stability through growth," which implies, in addition to profitable activity, special care for each member of the AAGES employees' family.



Molnár Gábor

Founder and Managing Director of AAGES

1. STRATEGIC ANALYSES AND ACTIONS

At AAGES, we acknowledge the importance of sustainability in shaping a resilient and forward-thinking business. Currently, our sustainability efforts are highlighted through a dedicated Sustainability Report, which complements our Annual Financial Report. This approach allows us to provide detailed insights into our specific environmental, social, and governance (ESG) initiatives, achievements, and future goals.

As we continue to evolve and integrate our business practices, we are actively evaluating the alignment of our sustainability efforts with our overarching corporate strategy.

Key areas where AAGES is taking concrete actions for increasing sustainability are:

Production efficientization

Reducing the need for corrective work and modifications after the delivery of installations. The optimization of production processes minimizes errors and defects, thus diminishing the necessity for technicians to travel to implementation sites for repairs or adjustments. This reduction in travel distances saves time and resources, mitigates the environmental impact associated with transportation, such as carbon emissions and fuel consumption.

Product Innovation

Designing and developing products that are energy-efficient and durable ensuring robust functioning for a minimum of 20 years.

Energy efficiency and Renewable Energy

Investing in photovoltaic parc for electric energy production, which is the primary energy source required for our manufacturing processes.

Employee Engagement, Health and Safety

To foster a workplace environment that prioritizes both employee engagement and health and safety, AAGES SA is implementing adopts a comprehensive strategy which includes Stock Option Plan, development programs, recognition and reward programs, employee well-being program and community building activities, Comprehensive Health and Safety Policies, regular trainings, community garden, providing fresh vegetables for the employees, annual family days,

Social Responsibility

For AAGES SA, embracing social responsibility can significantly impact both the company and the communities in which it operates. By sponsoring community and cultural events, as well as associations supporting social causes, AAGES SA demonstrates its commitment to corporate social responsibility (CSR).

Sustainability in Supply Chain

Incorporating sustainability into the supply chain is a strategic approach that reflects AAGES SA's commitment to corporate social responsibility and environmental stewardship. By evaluating suppliers based on sustainability criteria, AAGES SA ensures that its business operations align with sustainability goals and contributes to the broader objective of promoting sustainable practices within the industry. However, the assessment based on sustainability criteria is in incipient phase, it is an important step for the company for improving its supply chain in order to improve environmental impact. AAGES continues to prioritize suppliers based on geographical proximity to minimize the environmental impact associated with transportation. This practice contributes to carbon emissions reduction and also supports local economies.

ALIGNEMENT WITH SUSTAINABILITY STANDARDA AND POLICIES

The 2022 Sustainability Report of AAGES was compiled in alignment with the **GRI Standards 2021** (to a certain extent) and the newly instituted **ROMANIAN CODE OF SUSTAINABILITY** [HG 1117/2023]. This Romanian Code, influenced by the **German Sustainability Code** and tailored to the local context, is particularly pertinent given AAGES's significant market presence in Germany. This approach underscores the company's commitment to sustainability practices that resonate both locally and in key international markets.

AAGES is currently developing its sustainability management system, utilizing the **Automotive Sustainability Guiding Principles** to enhance supply chain performance as a foundational framework. This approach allows AAGES to align its sustainability efforts with industry-specific standards, ensuring that its practices not only meet but exceed the current expectations for environmental stewardship, social responsibility, and ethical governance within the automotive supply chain. This strategic alignment serves to strengthen AAGES's commitment to sustainable development and positions the company as a responsible participant in the global automotive industry.

Furthermore, AAGES sustainability strategy is aligned with the **United Nations Sustainable Development Goals (SDGs)**, with special regards on:



SDG3 – GOOD HEALTH AND WELL-BEING

The company has implemented key initiatives such as life-saving skills training with defibrillators, mobile dental care services, and annual comprehensive health screenings. These measures reflect AAGES's broader commitment to fostering a safe, healthy, and productive working environment, aligning with global health standards and sustainability goals.

SDG4 – QUALITY EDUCATION

AAGES SA significantly contributes to Sustainable Development Goal 4 (Quality Education) through its active involvement in the dual education system, effectively training 24 students in electromechanics, offering comprehensive benefits including scholarships, employment opportunities, and practical experience, thereby advancing vocational education and skill development.

SDG7 – AFFORDABLE & CLEAN ENERGY

The induction heating machines produced by AAGES are inherently more energy-efficient than traditional heating methods. By converting electrical energy directly into heat with minimal losses, these machines reduce overall energy usage in industrial applications.

SDG8 – DECENT WORK AND ECONOMIC GROWTH

by implementing fair labour practices, ensuring job security, and fostering a safe and inclusive work environment. AAGES emphasize the company's people as its most significant asset, investing in employee well-being, development, and satisfaction constantly, but also in fostering a culture of respect and growth. The company's efforts to enhance operational efficiency and innovation also drive economic growth, aligning with sustainable industrial practices. Through these actions, AAGES supports the advancement of sustainable economic growth and decent work for all within its sphere of influence.

SDG9 - INDUSTRY, INNOVATION AND INFRASTRUCTURE

AAGES contributes to SDG 9 by focusing on the development and implementation of advanced manufacturing technologies and sustainable practices. The company's commitment to innovation is demonstrated through its continuous improvement of products and processes, ensuring efficiency, durability and resilience in the industrial sector. By investing in modern infrastructure and prioritizing research and development, AAGES plays a vital role in promoting sustainable industrialization and fostering innovation, thereby supporting the achievement of this critical Sustainable Development Goal.

SDG12 – RESPONSIBLE PRODUCTION AND CONSUMPTION

Optimization of manufacturing processes to minimize waste and increase efficiency. AAGES is committed to the principles of the circular economy, aiming to reduce the environmental impact of its products through their entire lifecycle, from design to disposal, thereby promoting more sustainable consumption patterns among its customers.

2. MATERIALITY

AAGES understands the importance of identifying and prioritizing sustainability issues that have a significant impact on our operations and are of utmost concern to our stakeholders. Our materiality assessment process is designed to ensure our sustainability efforts are focused, impactful, and aligned with our strategic objectives and stakeholder expectations.

Assessment Process

To identify our material sustainability topics, AAGES SA conducted a thorough process that incorporated both internal analysis and broad stakeholder engagement. Our approach to understanding the environmental, social, and governance (ESG) impacts of our business operations involved engaging with a diverse group of stakeholders, such as employees, customers, suppliers, local communities, and regulatory bodies. This process included a review of policies like the Green Deal, Regional Smart Specialization Strategy, among others; an examination of the sustainability goals of our principal customers; and empirical studies on sustainable transition practices globally. These assessments helped us define the strategic directions our company needs to adopt to align with current requirements and grasp the complexity of sustainability issues. It also emphasized the importance of prioritizing actions within the company to achieve the objectives of Agenda 2030. Additionally, the methodology called for the active involvement of our engineers and workgroup leaders in determining materiality from both an outside-in and inside-out perspective (double materiality), particularly focusing on environmental aspects related to energy and social factors affecting our employees.

Material Sustainability Topics Impacting Business Operations

Outside-In | Financial Materiality

- Energy Efficiency: Costs savings and investment returns from implementing energy-efficient technologies.
- Employee Well-being and Productivity: The link between employee health, satisfaction, productivity, and financial performance.
- Corporate Governance: The impact of governance practices on investor confidence and capital costs.
- Market Demand: The impact of shifting consumer preferences towards sustainable products on market opportunities.
- Innovation and Competitiveness: Financial gains from sustainable innovation and maintaining competitiveness in a transitioning economy.

Material Sustainability Topics Impacted by Business Operations

Inside-Out | Environmental and Social Materiality

- Energy Consumption: The amount and sources of energy used in operations, emphasizing renewable versus non-renewable energy.
- Product Lifecycle Impacts: Environmental and social impacts of products from design and manufacturing to use and end-of-life.
- Employee Health and Safety: Workplace practices and policies to ensure the health and safety of employees.

- Community Engagement: Initiatives to support and engage with local communities, including social responsibility.

3. OBJECTIVES

The objectives of AAGES are a reflection of our evolution from the transformative period of Romania's revolution to our esteemed position in the global induction heating solutions market today. Emphasizing innovation, employee well-being, sustainable growth, and robust stakeholder relations, AAGES SA is dedicated to making a meaningful contribution to global sustainability. This commitment honours our origins and fundamental principles and underscores our resolve to navigate the future with integrity and foresight.

Short-term

Objective 1. Operational optimization

We aim to continuously enhance production efficientization to decrease the need for corrective work and modifications post-delivery, thereby minimizing travel distances to implementation sites and reducing environmental impact.

Medium-term

Objective 1. Operational optimization & Product Innovation

Increasing energy efficiency of induction heating technology. Capitalize on our heritage of pioneering in the field of induction heating to develop and implement cutting-edge, energy-efficient technologies that not only serve our global clientele but also contribute to reducing the carbon footprint of industrial operations.

Objective 2. Empowering Our Workforce

Continue to nurture a family-like company culture where every employee feels valued, supported, and motivated to excel. Enhance our focus on health, safety, and professional development to ensure our team remains our strongest asset.

Long-term

Objective 1. Strengthened Community and Stakeholder Engagement

Deepen our collaborations with universities, research institutes, and suppliers to foster innovation and sustainability in our products and operations. Maintain and enhance strong, mutually beneficial relationships that contribute to our shared goals of sustainability and excellence.

Objective 2. Family-oriented Business Model

Maintain and enrich the family-oriented business model that values each employee's contribution, promoting long-term loyalty and satisfaction. This approach will be a

cornerstone of our strategy to attract and retain top talent, crucial for driving sustainable innovation and growth.

3. RESILIENCE AND ADAPTABILITY

Build upon our proven track record of resilience and adaptability to ensure that AAGES SA continues to thrive in the face of future challenges. Strengthen our capacity to innovate and respond swiftly to market and environmental changes, securing our position as a stable, transparent, and forward-looking company.

The monitoring of strategic sustainability goals at AAGES SA is an integral component of our commitment to sustainability. This process is orchestrated by a dedicated team including external experts, which operates under the guidance of senior management to ensure that sustainability objectives align with the company's strategic direction. The team works closely with various departments – hr, labor security and health, marketing, design, IT - to integrate sustainability practices across all operations, ensuring a cohesive approach to achieving our goals.

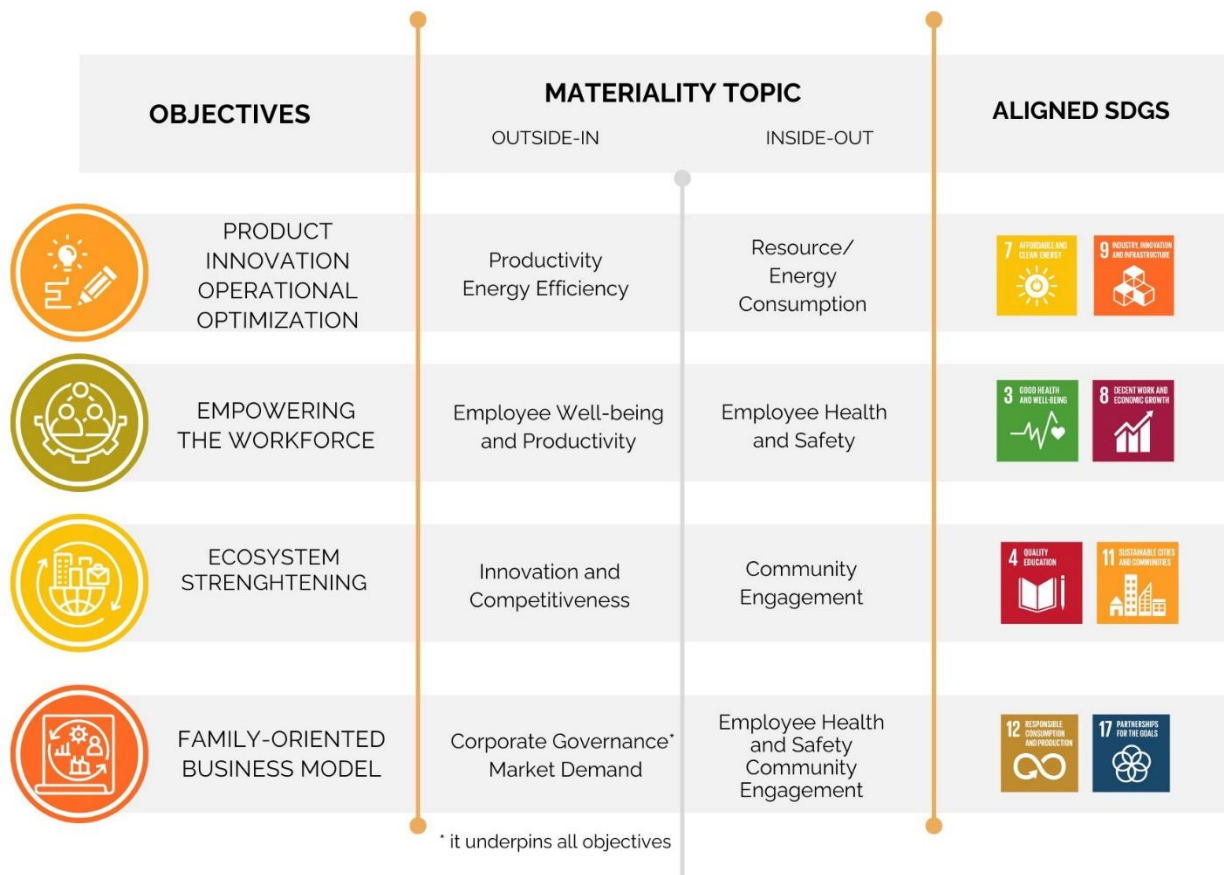
The monitoring mechanism was developed during 2023 and will be operationalized starting from 2024. It is composed of 3 main stages:

1. **Data Collection and Analysis:** collecting data on key performance indicators related to each sustainability objective, such as energy efficiency improvements due to software upgrade for instance, employee engagement metrics – annual assessment process, and community impact measures. This data has to be analyzed regularly to assess progress towards the goals.
2. **Review:** Centralization of the data is prepared and reviewed on a quarterly and annual basis, providing insights into the achievements and areas needing attention. These reports are presented to senior management and relevant stakeholders to ensure transparency and accountability.
3. **Continuous Improvement:** The team identifies opportunities for improvement and proposes adjustments to strategies and actions. This iterative process ensures that sustainability efforts remain effective and aligned with evolving company and stakeholder expectations.

AAGES SA's sustainability objectives are consciously aligned with the United Nations' Sustainable Development Goals. Our focus on product innovation and energy efficiency resonates with SDG 7 (Affordable and Clean Energy) and SDG 9 (Industry, Innovation, and Infrastructure), emphasizing our contribution to reducing the carbon footprint of industrial operations. The commitment to employee well-being and fostering a family-like company culture aligns with SDG 3 (Good Health and Well-Being) and SDG 8 (Decent Work and Economic Growth), underscoring the importance of creating inclusive and sustainable work environments. Our efforts in community and stakeholder engagement reflect SDG 17 (Partnerships for the Goals), highlighting the significance of collaborative efforts in achieving sustainable development.

By integrating these SDGs into our sustainability strategy, AAGES contributes to global sustainability efforts, enhances its competitive advantage, employee satisfaction, and stakeholder value. This strategic alignment ensures that our pursuit of innovation, growth, and resilience is balanced with our commitment to environmental responsibility, social responsibility, and ethical governance, paving the way for a sustainable and prosperous future.

ALIGNING MATERIAL SUSTAINABILITY TOPICS WITH OBJECTIVES IN SDG FRAMEWORK



4. COMPLEXITY AND DEPTH OF THE VALUE CHAIN

The value chain at AAGES SA is structured to ensure that our commitment to sustainability is integrated throughout our industrial processes, starting from the initial phase of design and conceptualization to the responsible management of our products at the end of their life cycle. In the design and conceptualization stage, our work is grounded in research and development, with a focus on creating innovative solutions that meets our clients' expectations for energy efficiency and performance. Our design and engineering teams

utilize advanced CAD tools to ensure precision in our designs, establishing a foundation for products that are both high-performing and environmentally responsible.

During the procurement phase, our operations concentrate on acquiring components and semi fabricates such as *Condensators - Debimeters (Flow meters) - Alarm Distributors - Network Filters - Fluxtrol - Hoses - Diode Modules - Transistor Modules - Coolers - Resistances - Sensors - Electricity Transducers & Transformers - Fans*, and other key items critical for the assembly of our high-quality induction heating machines. This means that our raw materials are practically ready-to-use parts, and manufacturing contains in assembling them.

AAGES SA conducts annual assessments of its suppliers to ensure they meet our quality, reliability standards. Starting in 2023, sustainability has been incorporated as a criterion in our supplier assessment questionnaire. This addition reflects our commitment to integrating sustainable practices throughout our value chain and supporting the global movement towards more environmentally friendly manufacturing processes. Recognizing the challenges faced by our suppliers, most of whom are medium-sized enterprises, we understand that comprehensive sustainability reporting may not yet be feasible for all. However, we reward suppliers who demonstrate their commitment to sustainability. Those who publish sustainability-related objectives, initiatives, or ambitions receive favorable consideration in our assessment process. This strategy aims to foster a culture of sustainability within our supply chain, encouraging our partners to adopt sustainable practices and contribute to a more sustainable future.

Balancing industrial needs with sustainability goals remains a challenge. The purchasing phase of our value chain is designed to balance the operational necessities of an industrial company like AAGES SA with our aspirations for sustainability. By prioritizing suppliers by geographical proximity, we also contribute to the reduction of our activity's impact on the environment. Simultaneously, our evolving supplier assessment practices signify a stride towards embedding sustainability deeper into our operations. We aim to create a ripple effect, inspiring our suppliers to embark on their sustainability journeys, thus amplifying our collective impact on environmental stewardship.

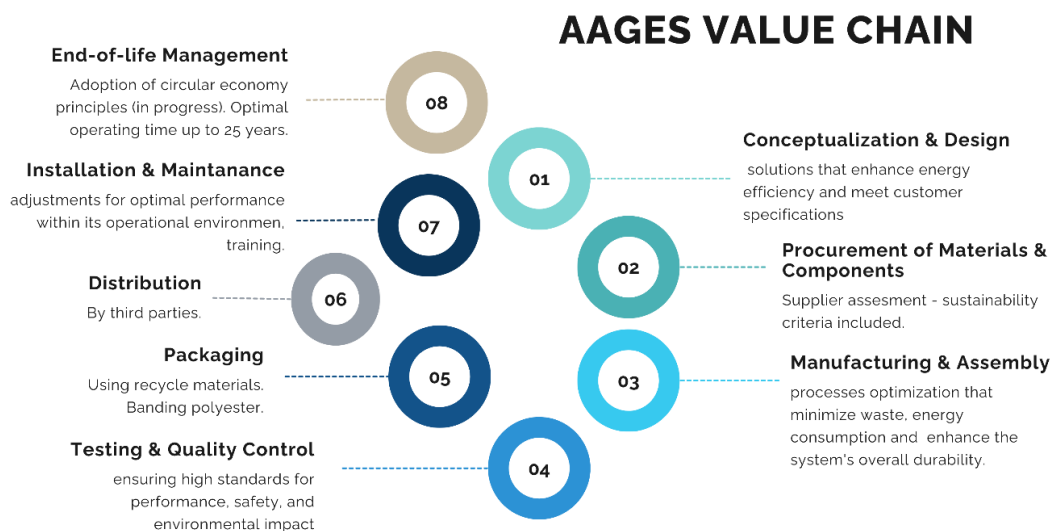
While the company strives for sustainability where possible, it acknowledges the industrial necessity of using a mix of materials based on availability, cost, and performance requirements.

The manufacturing and assembly process marks the transformation of our designs into physical products. Here, emphasis is placed on resource efficiency, including the use of materials in customized sizes to minimize waste and the adoption of energy-efficient technologies. Our reliance on electricity, primarily sourced from our photovoltaic park, underscores our efforts to minimize our carbon footprint. Additionally, our approach to managing electronic waste exemplifies our commitment to minimizing waste.

Our testing and quality control phase ensures that each system meets our stringent criteria for performance, safety, and energy efficiency. In packaging, we employ recyclable materials, minimizing the use of harmful substances and ensuring that only sensitive parts of our voluminous equipment are protected, thus significantly reducing our packaging footprint. Distribution is handled by third-party logistics, a critical area we aim to optimize in the future to lessen our carbon footprint, given our global reach.

Following the sale, our relationship with customers is maintained through careful installation, comprehensive training, and extensive maintenance services designed to extend the product's life cycle and promote sustainable operation. In cases where it is more sustainable to upgrade to more energy-efficient models, we guide our customers towards making environmentally responsible choices. Installation, customer training, and maintenance are integral parts of our value chain, ensuring optimal performance and longevity of our products, sometimes extending up to 25 years. While we focus on the durability of our systems, we also guide responsible end-of-life management, supporting circular economy principles to the extent possible within the rapidly evolving industrial context.

AAGES SA's value chain is designed to integrate sustainability into every aspect of our operations, ensuring that our commitment to environmental responsibility is evident across all stages of our product lifecycle. This structured approach not only reinforces our dedication to innovation and quality but also positions us in the ecosystem of sustainable industrial manufacturing.



5. RESPONSIBILITY FOR SUSTAINABILITY AT AAGES

At AAGES SA, responsibility for sustainability issues is strategically centralized and clearly assigned across various operational and managerial levels, ensuring a cohesive and integrated approach to our sustainability strategy, monitoring, and analysis. This structured assignment ensures that each aspect of our sustainability commitment is actively managed and aligned with our overarching goals.

Tasks concerning **Social Responsibility** and **Compliance/Business Ethics** is assigned to the Financial Analyst of the company. This role encompasses overseeing our adherence to ethical business practices, ensuring compliance with relevant laws and regulations, and

managing social initiatives that benefit both our employees and the wider community. The financial analyst plays a crucial role in embedding ethical considerations into our business decisions and operations, fostering a culture of integrity and respect.

The Legal Advisor of AAGES SA is tasked with **Environmental Responsibility**, with a special focus on waste management. This assignment involves ensuring that our operations comply with environmental laws and regulations, implementing strategies to minimize our environmental footprint, and overseeing initiatives related to waste reduction and responsible disposal, according to the decisions of the board of directors. The Legal Advisor's expertise ensures that our environmental efforts are both effective and compliant with legal standards, contributing to our sustainability objectives.

A dedicated Project Manager is responsible for managing **Sustainable Risks**, a role that encompasses overseeing production services with respect to adhering to delivery deadlines according to the PLUP (Production Launch and Update Plan) and tracking sheets, aiming to reduce production expenses while ensuring product quality. This responsibility extends to monitoring contracts and orders from their initiation through to the delivery of products, organizing analysis meetings to evaluate progress and address challenges. Additionally, the Project Manager is charged with overseeing outside-in materiality concerning sustainability risks. This involves assessing how external environmental and social factors may impact our operations and strategizing to mitigate these risks. By integrating sustainability considerations into production planning and risk management, the Project Manager ensures that AAGES SA not only meets its delivery and quality commitments but does so in a manner that aligns with our sustainability goals.

This specialized team, each with distinct yet interconnected sustainability responsibilities, reports directly to the Managing Director of AAGES SA. The Managing Director, in turn, presents significant issues and developments to the Director Board, ensuring that sustainability considerations are integral to strategic decision-making at the highest level.

The delineation of responsibilities within AAGES SA's operational and managerial levels underscores our commitment to sustainability. By embedding sustainability in key roles and creating a direct reporting line to the Managing Director and subsequently to the Director Board, AAGES SA ensures that sustainability is a central pillar in our strategic and operational framework.

This centralized approach to assigning responsibility for sustainability ensures that AAGES SA maintains a focused and effective strategy towards achieving our sustainability objectives. By clearly delineating roles and responsibilities, we ensure that all aspects of our sustainability commitment are actively managed and integrated into our overall business strategy, reflecting our dedication to responsible and sustainable operations.

6. RULES AND PROCESSES

Within the framework of our sustainability reporting, AAGES SA's adherence to the ISO 9001 standard is emblematic of our holistic approach to integrating quality management with our broader sustainability objectives. This certification is a testament to our unwavering

commitment to not only uphold the highest standards of operational excellence and customer satisfaction but also to align our business practices with the principles of sustainable development.

By leveraging the methodologies and processes prescribed by ISO 9001, we are able to significantly enhance our operational efficiency and resource optimization. This aligns with our environmental stewardship goals by minimizing waste and reducing our ecological footprint through streamlined production processes and effective waste management strategies.

Furthermore, our compliance with ISO 9001 ensures that we rigorously adhere to relevant legal and regulatory frameworks, reinforcing our commitment to environmental and social responsibility. This standard also fosters an environment of proactive stakeholder engagement, allowing us to incorporate valuable insights into our sustainability initiatives and transparently communicate our progress and achievements.

Central to ISO 9001 is the principle of risk management, which enables us to identify, evaluate, and mitigate potential risks associated with environmental and social factors. This proactive approach safeguards against incidents that could adversely impact the environment or the communities we serve, thereby reinforcing our dedication to sustainable business practices.

Continuous improvement that is at the heart of ISO 9001 resonates with the dynamic nature of sustainability. It compels us to perpetually seek innovative ways to enhance our environmental performance, ethical sourcing practices, and social contributions. Through this continuous improvement cycle, AAGES SA aspires to not only meet but exceed our sustainability targets, thereby contributing to the well-being of our planet and its inhabitants.

Internal Policies:

- Code of Conduct & Regulation of Internal Order
- Supplier Code of Conduct
- Business Ethics Policy
- Human Rights & Working Conditions Policy
- Health & Safety Policy
- Environmental Policy
- Grievance Procedure

7. CONTROL

AAGES is in the preliminary phase of devising a detailed system for tracking and evaluating sustainability indicators. Despite being early in their sustainability reporting journey, AAGES has already allocated dedicated personnel to oversee various critical areas such as environmental and social responsibility, sustainability risk management, and adherence to business ethics and compliance. The company's adoption of ISO 9001 standards underscores its commitment to sustainability, focusing on quality management and

continuous improvement as pivotal aspects of its principles. Furthermore, AAGES actively supports ESG initiatives, striving to enhance energy efficiency in both its manufacturing processes and the products it offers. This effort not only advances internal sustainability goals but also aids customers in achieving their environmental objectives. The human resources department plays a vital role in assessing employee performance annually, rewarding contributions, and providing comprehensive training programs. Moreover, AAGES's commitment to social responsibility is evident through its sponsorship of NGOs and local initiatives spanning social, cultural, sports, and educational domains. Health and safety measures, including accessible healthcare services and screening programs, along with a transparent governance policy, are integral components of AAGES's strategy. Moving forward, AAGES plans to integrate these diverse efforts into a cohesive sustainability management system, with a focus on establishing measurable indicators to capture the full spectrum of its sustainability efforts comprehensively. This approach reflects AAGES's voluntary commitment to sustainability, highlighting its proactive stance on corporate responsibility.

The following internally developed management systems are supporting the tracking of sustainability aspects within the company:

- ✓ Human Rights and Working Condition management system
- ✓ Health and Safety management system
- ✓ Environmental management system

8. INCENTIVE SCHEMES

GRI-102-19

The Remuneration Policy of AAGES S.A., publicly available on our website, outlines the framework for compensating directors, including principles and practices to ensure legal compliance, shareholder involvement, and transparency in director remuneration. It emphasizes alignment with corporate governance principles, risk-aware organizational culture, and long-term company performance. The policy, effective until 2026, mandates annual reviews and specifies fixed remuneration, excluding variable components. It also covers terms of management contracts, principles for avoiding conflicts of interest, conditions for temporary derogations in exceptional cases, and final provisions including public accessibility and annual compliance reporting. The Policy includes provisions for variable remuneration, which is considered optional and may encompass several components:

- Incentive Rewards: These are granted to executives who have made a significant and atypical contribution to the company's usual operations, leading to a visible increase in turnover or net profit.
- Compensation for Unpaid Rest Leave: This can amount to a maximum of 100% of the remuneration related to the mandate contract.
- Termination Payments: These payments are related to the termination of the mandate contract and are designed to reflect the performance obtained during the director's tenure (up to a certain amount defined in the document). These payments are not meant to reward failure or unprofessional conduct.

- **Compensatory Payments for Retirement:** These are due to retirement and can amount to a maximum of 12 monthly remunerations, depending on the director's seniority and the economic situation of the company.

The company does not currently apply principles of deferral or recovery of remuneration (claw-back), as variable remuneration is not applied to its directors. This indicates a cautious approach towards variable remuneration, focusing on fixed remuneration components.

The performance criteria in AAGES S.A.'s remuneration policies are intricately linked to the objectives of the highest governance body and senior executives concerning economic, environmental, and social topics. These criteria align with principles of corporate governance and a conservative, prudent organizational culture in risk-taking, contributing to the company's long-term strategy and performance.

Key performance criteria include:

- **Responsibility and Involvement:** The degree of responsibility and involvement related to the specific management position within the company.
- **Managerial Skills and Professional Attitude:** The level of commitment and contribution to the efficient administration of the company.
- **Professional Experience and Performance:** Training skills, professional experience, and performance achieved in previous activities.
- **Task Fulfillment:** Completing the tasks and responsibilities assigned to the position.
- **Knowledge and Compliance:** The level of knowledge acquired in the position, including internal procedures, work processes, and applicable legislation.
- **Objective Fulfillment:** Achieving the objectives/tasks set and assumed.
- **Risk Reduction Orientation:** Efforts towards reducing the risks to which the company is exposed.
- **Leadership:** Attitude towards performance and team leadership.
- **Seniority:** Duration of employment and seniority, including management positions.

These criteria reflect a comprehensive approach to performance assessment, incorporating both financial and non-financial factors. They are designed to foster a culture of accountability, sustainability, and ethical leadership, ensuring that the remuneration of the highest governance body and senior executives is closely aligned with the broader economic, environmental, and social goals of AAGES S.A.

GRI 2-19: Remuneration Policies

Our remuneration policies are designed to ensure fairness, competitiveness, and alignment with our organizational values and sustainability goals. The policies are structured to reward performance, contribution, and the achievement of both individual and collective targets. We emphasize transparency and equity in our remuneration policies, ensuring they are comprehensively communicated and accessible to all employees.

- **Adjustment to National Minimum Wage Increases:** In line with our commitment to equitable compensation, our policy stipulates that when the national minimum wage experiences growth, we adjust all salaries within our organization in accordance with the

percentage increase of the minimum wage in Romania. This practice ensures that our employees' wages remain competitive and fair relative to the cost of living and economic conditions.

- **Periodic adjustments in alignment with inflation rates:** to ensure that employees' salaries and benefits keep pace with the increasing cost of living. This adjustment applies uniformly to all employees, with the same percentage increase implemented at the beginning of each year. This approach ensures fairness and consistency across the workforce, aligning with the organization's commitment to equitable remuneration practices. By implementing adjustments at the start of the year, employees can anticipate and plan for changes to their compensation, fostering transparency and trust within the organization. This systematic approach helps maintain employee morale and satisfaction, contributing to a positive work environment conducive to productivity and engagement.
- **Annual Performance Assessments:** Another cornerstone of our remuneration policies is the annual performance assessment conducted for all employees. These assessments are carried out by team leaders and are designed to be comprehensive, taking into account various aspects of an employee's contributions and achievements over the year. The process is structured to be transparent and objective, providing employees with clear feedback on their performance. Based on the outcomes of these assessments, employees are eligible for bonuses. This performance-based bonus system is crafted to recognize and reward outstanding contributions, fostering a culture of excellence and motivation across the organization. The assessment criteria are aligned with our broader organizational goals, including sustainability targets, ensuring that our commitment to social responsibility and environmental stewardship is reflected in our incentive structures.
- **Awarding bonuses:** These bonuses serve as incentives to motivate and reward employees for their dedication, innovative contributions, and exceptional performance in executing high-priority projects. This practice not only recognizes and reinforces excellence but also fosters a culture of collaboration, initiative, and commitment to achieving organizational goals. By linking bonuses to project completion, the remuneration policy aligns individual efforts with the company's strategic objectives, driving productivity, and ensuring the successful delivery of key initiatives.
- **Vacation tickets:** This extra allowance is available to a limited number of employees as stipulated by national law, which defines the maximum number of beneficiaries per company. These tickets allow eligible employees to enjoy subsidized or fully covered travel expenses for leisure trips during their designated vacation periods. This benefit aims to promote work-life balance, support employee well-being, and enhance morale and job satisfaction among the eligible recipients. The criteria for selecting approximately 20 employees/year to receive vacation tickets are determined by the management and include prioritizing employees with families, those who have not received this benefit in prior years, and individuals with exceptional performance based on the yearly assessment conducted by team leaders. This approach aims to ensure fairness and transparency in the selection process while rewarding employees who demonstrate outstanding dedication and contribute significantly to the company's success. By considering factors such as family status, past receipt of benefits, and performance evaluations, the company aims to allocate vacation tickets equitably and recognize the efforts of deserving employees, fostering a positive work environment and enhancing employee satisfaction and engagement.
- **Stock Option Plan:** Through this plan, eligible employees are granted the opportunity to purchase company stock at a predetermined price within a specified timeframe. This initiative aligns the interests of employees with the long-term success and growth of the

company, as it provides them with a financial stake in its performance. The stock option plan serves as a valuable incentive to attract and retain talented employees, motivating them to contribute to AAGES's strategic objectives and overall success. By offering employees the chance to share in the company's future growth and profitability, AAGES aims to foster a culture of ownership, commitment, and alignment with shareholder interests.

The remuneration policy is part of our broader strategy to support our employees' well-being, encourage high performance, and sustain our commitment to ethical and responsible business practices. By linking compensation to both the national economic context and individual performance, we aim to maintain a motivated workforce dedicated to contributing to our organization's success and sustainability objectives.

GRI 2-20: Process to Determine Remuneration

The process to determine remuneration involves a multi-tiered approach, incorporating market benchmarking and performance evaluations. Our approach to determining remuneration is designed to be inclusive, transparent, and reflective of our commitment to fair and competitive compensation practices. A key feature of our process is the involvement of employee representation in discussions related to compensation and broader employment conditions.

- **Employee Representation:** The connection between our employees and the management is facilitated through an employee representative. This representative plays a crucial role in ensuring that the voices and concerns of our workforce are heard at the managerial level, particularly in matters related to remuneration and employment conditions.
- **Selection of the Employee Representative:** The employee representative is democratically elected through a secret ballot by the employees themselves. This ensures that the representative is truly reflective of the workforce's interests and has their support in negotiations and discussions with the management.
- **Role in Negotiations:** As per Article 57 of the Internal Regulation, the employee representative has the significant responsibility of representing the employees in critical situations such as the negotiation of the collective labor agreement or the formulation of the internal regulations. This includes negotiations related to salary structures, adjustments, and other compensation-related matters, ensuring that the outcomes of such negotiations are in the best interest of the employees and align with organizational sustainability goals.

Our process for determining remuneration is thus deeply rooted in principles of democratic representation and collective bargaining. By involving employees directly in these processes through their elected representative, we aim to ensure that our remuneration practices are equitable, competitive, and aligned with both the needs of our employees and our organizational objectives. This approach not only fosters a positive and collaborative working environment but also supports our broader commitment to sustainability and social responsibility.

GRI 2-21: Annual Total Compensation Ratio

Our approach to disclosing the annual total compensation ratio adheres to the principles of transparency and accountability. Without specifying exact amounts, the ratio of the highest salary to the median salary for administrative and production staff indicates our efforts to maintain a

balanced and equitable compensation structure. The highest salary saw a 10% increase from 2022 to 2023, while median salaries for administrative and production staff increased by approximately 5.32% and 5.26%, respectively. The significant increase of approximately 28.85% in the lowest salary bracket from 2022 to 2023 highlights our commitment to elevating the baseline standard of living for our employees, demonstrating our dedication to reducing wage disparities.

GRI 405-2: Ratio of Basic Salary and Remuneration of Women to Men

Our organization is committed to achieving gender pay equity, as evidenced by the close parity in the rate of salary increases for women and men from 2022 to 2023. Women's median salaries increased by 5.30%, while men's median salaries saw a 5.27% increase during the same period. This near-equal rate of increase reflects our ongoing efforts to close the gender pay gap. Furthermore, the comparison between the lowest salary increases and median salary adjustments underscores our broader commitment to fairness and equity across all employee groups.

In 2022, women's median salary was 0.54% higher than men's median salary.

In 2023, women's median salary was 0.56% higher than men's median salary.

The observed slight advantage in median salary for women compared to men in both 2022 and 2023, with women's median salary being 0.54% and 0.56% higher respectively, reflects our commitment to gender pay equity. This distinction gains further context considering the distribution of roles within our organization; women are exclusively employed in administrative roles due to the nature of our activities, whereas men are predominantly found in production roles.

This division of roles underscores the importance of considering the nature of work and the specific job functions when evaluating pay equity. The differentiation in roles highlights our organization's operational requirements but also emphasizes our dedication to ensuring fairness and equity in compensation across diverse job functions.

Our commitment to gender pay equity is not just about equal pay for equal work; it's also about recognizing the value of different roles within our organizational structure. By ensuring competitive and fair compensation for both administrative and production roles, we aim to uphold our principles of inclusivity and equity, fostering a work environment that values diversity and equal opportunity.

In moving forward, we remain focused on continuous improvement in our remuneration practices, ensuring they are aligned with our sustainability goals and the principles of social responsibility. We are dedicated to maintaining an equitable compensation structure that reflects the contributions of all employees, irrespective of gender or role, reinforcing our commitment to a fair, inclusive, and sustainable workplace.

Our remuneration policies and processes are crafted to ensure fairness, reward sustainability achievements, and maintain a competitive edge. By carefully analyzing compensation ratios and diligently working towards gender pay equity, we underscore our commitment to sustainability, equity, and social responsibility. Our transparent approach to reporting these metrics demonstrates our alignment with GRI Standards and our dedication to upholding the highest standards of corporate governance and ethical conduct.

9. STAKEHOLDER ENGAGEMENT

At AAGES, we recognize the pivotal role our stakeholders in shaping our operations, guiding our sustainability journey, and contributing to our overall success. In acknowledgment of this, we have undertaken a comprehensive process to identify our most important stakeholders, ensuring that our sustainability management efforts are aligned with their expectations and our organizational values.

Leveraging our extensive history of 30+ years of activity and the insights garnered from long-term collaborations and partnerships, we have employed a comprehensive stakeholder mapping and analysis approach. This methodology allows us to discern the varying degrees of influence and impact different groups have on our business and our overarching sustainability ambitions. Through this evaluative process, which considers factors such as mutual dependence, representation, responsibilities, and potential impacts, we have accurately identified those stakeholders whose interests and concerns are most integral to our strategic direction and sustainability initiatives.

Our identified key stakeholders encompass a diverse group, including employees, customers, suppliers, shareholders/investors, and the local community where we operate. Each of these groups plays a unique role in our ecosystem, offering different perspectives, expectations, and contributions toward our sustainability ambitions.

Dialogue with our stakeholders is not just a formality but a core aspect of our management. We engage in various forms of dialogue, ranging from formal consultations and complaints remediation to informal meetings and community engagements. These interactions are designed to be inclusive, transparent, and meaningful, allowing us to gather valuable insights and feedback.

The results of these dialogues are instrumental in shaping our sustainability management practices. Feedback is systematically analyzed and integrated into our strategic planning process, ensuring that our sustainability initiatives are responsive to stakeholder concerns and expectations. This iterative process helps us to continuously refine our strategies, enhance our performance, and foster a culture of continuous improvement.

Our stakeholder engagement efforts are integral to our sustainability management framework. By maintaining open channels of communication and actively seeking stakeholder input, we ensure that our sustainability strategies are robust, relevant, and aligned with both our business objectives and our stakeholders' values. This approach enhances our operational efficiency and innovation, and also strengthens our relationships with stakeholders, reinforcing our commitment to sustainability, transparency, and mutual growth.

GRI 2-29 Approach to stakeholder engagement

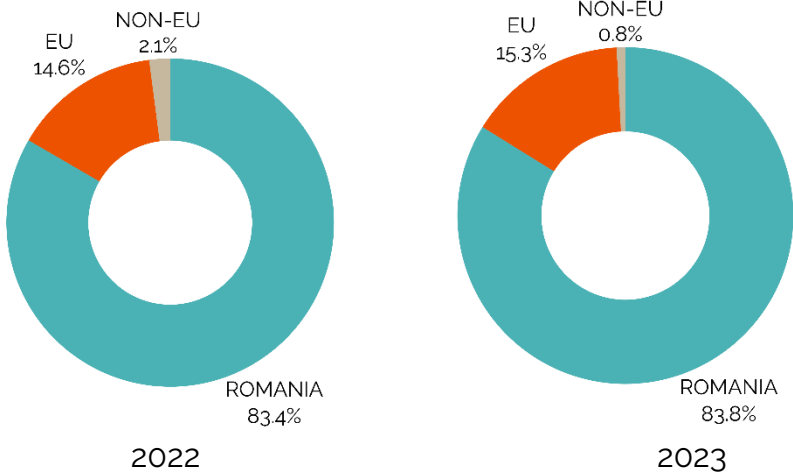
Stakeholder groups	Key Concerns of Stakeholder Groups GRI 2-25	Engagement measures GRI 2-29
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Employees	<ul style="list-style-type: none"> • Organizational Values and Culture • Inclusivity and Workforce Diversity • Professional Growth Opportunities • Skill Development and Learning Initiatives • Workplace Safety and Well-being • Environment protection • Community Engagement and Impact 	<ul style="list-style-type: none"> • Soliciting Employee Insights and Feedback • Programs for Career Progression and Skill Enhancement • Support for Attendance at Industry Events and Seminars • Equity Compensation Programs • Access to Comprehensive Health Benefits • Organizing Corporate Social Events and Annual Gatherings for Families • Team Bonding Activities
Customers	<ul style="list-style-type: none"> • Product Excellence and Reliability • Safety and Well-being Considerations • Eco-friendly Practices • Fair Pricing Strategies • Service Accessibility and Customer Care Excellence 	<ul style="list-style-type: none"> • Customized Support and Service Offerings • Participation in Industry Exhibitions • Active Engagement through Sales Initiatives, Official Website, and Social Platforms • Long-term partnerships • Ethical Business Practices
Suppliers	<ul style="list-style-type: none"> • Ethical Business Conduct and Fair Practices • Safety Standards and Practices • Environmental Considerations and Sustainability 	<ul style="list-style-type: none"> • Participation in Trade Shows and Exhibitions • Adoption and Enforcement of the Code of Conduct • Agreement on General Business Terms and Conditions • Conducting Regular Supplier Evaluations
Shareholders / Investors	<ul style="list-style-type: none"> • Transparency in Strategy Implementation and Achievement of Financial and ESG Goals • Maintaining a Strong Reputation through Responsible Practices • Governance and Ethical Business Conduct • Risk Management and Regulatory Adherence • Prioritizing Safety and Environmental Care • Quality of Disclosures on Strategic Decisions and Financial Management • Investing in Innovation and Strategic Growth Areas 	<ul style="list-style-type: none"> • Sustainability reporting • Shareholder meetings • Annual Report, including governance and remuneration reports • Corporate website
Local communities	<ul style="list-style-type: none"> • Job Creation and Local Hiring Practices • Adherence to Regulatory and Environmental 	<ul style="list-style-type: none"> • Participating in Local Job Fairs • Active Communication through Social Media, Press Releases, and Media Appearances

	<ul style="list-style-type: none"> Standards Positive Social Contributions and Community Support 	<ul style="list-style-type: none"> Community Sponsorships and Support for Local Initiatives Collaborative Educational Programs with Local Institutions
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GRI 204-1 Proportion of spending on local suppliers

	2022	2023
Internal (Romania)	83,37 %	83,82 %
External from EU	14,57%	15,34 %
External outside EU	2,06 %	0,84 %



10. INNOVATION AND PRODUCT MANAGEMENT

Since its inception in 1990, AAGES has evolved from a visionary initiative by a group of scientific researchers at the National Research and Development Institute for Electrical Engineering ICPE-CA in Târgu Mureş. Our journey began with the development of static converters for induction heating applications, marking the start of a legacy in pioneering industrial heating solutions.

Evolution of Product Portfolio

Our initial focus on static converters for upgrading existing client equipment quickly expanded to encompass a complete range of induction heating installations. A significant milestone was reached in 2000 through a collaboration with a German company, leading to the rapid development of a new family of power transistor converters. Over the years, more

than 1,200 units of this innovative product have been delivered worldwide, establishing AAGES as a global presence in all five continents.

Today, AAGES proudly offers comprehensive, turnkey heating installation solutions for a wide array of applications. Our products serve crucial roles in industries such as automotive and metallurgical, providing essential services ranging from induction hardening of various components to the melting of ferrous and non-ferrous metals in crucible furnaces, and mass metal heating for hot deformation.

- **Commitment to Quality and Innovation**

All AAGES installations and equipment are designed and manufactured in-house, a testament to our engineering expertise and dedication to quality. This commitment has fuelled our growth over the last 30 years, with sales exceeding 1,200 frequency converters and 250 induction heating installations globally. Our IGBT transistor converters, often integrated with Siemens Simatic PLCs, exemplify our innovative capabilities, operating across a wide frequency range and capable of delivering power from a few kW to several MW.

Our standard vertical and CNC horizontal hardening installations, equipped with dedicated programs and user-friendly control panels, are tailored for both small workshop applications and high-volume production needs, such as the automotive industry, where process control and productivity are paramount. Similarly, our induction heating installations for forging, featuring zone-specific temperature control and dedicated start-up programs, provide efficient and attractive solutions for our top-tier clients.

For bulk heating applications, AAGES offers both standard installations and custom-designed solutions, working closely with client specialists to meet each project's unique requirements. This collaborative approach has solidified AAGES's reputation as a national leader in induction heating technology, recognized for our reliability and trustworthiness as a business partner.

- **Long-Term Relationships and Customer Satisfaction**

Our success is built on lasting, mutually beneficial relationships with our clients, many of whom have become loyal, repeat customers. This customer-centric approach is underpinned by strict adherence to quality management procedures and instructions, ensuring consistent delivery of products that meet customer and regulatory requirements and enhance customer satisfaction.

- **Product Diversity and Flexibility**

AAGES's main products include vertical and horizontal hardening installations, induction heating installations for forging and melting, inductors and subassemblies, cooling equipment, and various accessories. This diverse product range reflects our adaptability and responsiveness to the evolving needs of the industries we serve.

Our quality management system encompasses all company activities, from order receipt through design, supply, production, testing, delivery, and after-sales service, ensuring all operations are performed in accordance with established internal and external standards.

- **Durability and Resilience**

Our products are not only devices but solutions tailored to specific applications, designed with a lifespan that exceeds 20 years, subject to periodic maintenance. This longevity reflects our commitment to sustainability and resource efficiency, minimizing waste and maximizing the utility of each product we deliver.

In instances of profile changes or shifts in application requirements, our equipment is engineered to be adaptable. This flexibility means that our products need not be returned or discarded when operational needs evolve. Instead, necessary modifications can be made to fit new applications, allowing clients to continue utilizing their AAGES equipment without interruption. This approach not only enhances the sustainability of our offerings but also provides significant value and convenience to our clients.

- **Product Reliability and Maintenance**

In line with our commitment to excellence, we conduct thorough analyses of error reports to identify and address the causes of any recurring issues. This proactive stance on maintenance and reliability ensures that our products not only meet but exceed the expectations of our clients in terms of performance and dependability.

A testament to our product reliability is demonstrated through the performance of one of our main products over the past 23 years - the ITP2 type transistor frequency converters. These converters have exhibited an exceptionally low average failure rate of 0.3% per year. This statistic not only highlights the high quality and reliability of our products but also our ability to consistently deliver solutions that stand the test of time and use.

AAGES's approach to product management is deeply rooted in a philosophy that values sustainability, adaptability, and long-term reliability. By ensuring our products are designed for a lengthy service life, capable of adapting to new applications, and maintained to prevent and address issues efficiently, we reinforce our commitment to environmental protection and customer satisfaction. Our exceptional track record, exemplified by the reliability of our transistor converters, speaks to our dedication to quality and excellence in everything we do. As we move forward, AAGES remains dedicated to innovating and improving, always with an eye towards the future needs of our clients and the planet.

Social Impact	Socially, these products contribute to enhanced workplace safety and efficiency, reducing the risk of accidents and promoting a healthier work environment.
Environmental Impact	Environmentally, they are designed for energy efficiency, minimizing energy consumption and reducing the carbon footprint associated with heating processes in industries. The impact during creation is mitigated through sustainable sourcing and efficient manufacturing practices, while their use phase is characterized by high energy efficiency.
Stakeholder Involvement	Engaging business partners and stakeholders in our innovation processes is key to achieving comprehensive sustainability goals. Through collaborative projects, feedback mechanisms,

and partnerships, we incorporate a wide range of perspectives and expertise into our product development processes. This collaboration not only leads to more sustainable products but also fosters a shared commitment to sustainability across the value chain.

Key Performance Indicator G4-FS11

In accordance with GRI SRS, we monitor the Percentage of Assets Subject to Positive and Negative Environmental or Social Screening. This indicator reflects our commitment to responsible investment and product development, ensuring that all our assets and offerings align with our sustainability criteria. By applying both positive screenings (identifying assets contributing to environmental and social goals) and negative screenings (excluding assets harmful to these goals), we maintain a portfolio that supports sustainable development.

AAGES's commitment to innovation, quality, and sustainability has been pivotal in our development of efficient, safe, and energy-saving heating solutions. As we continue to contribute to the advancement of induction heating technology, we remain dedicated to minimizing energy consumption, optimizing process control, and enhancing productivity for our clients worldwide. Despite our concerted efforts to mitigate environmental impacts through innovation and sustainable practices, we acknowledge that our operations, like all human activities, inevitably influence nature. This impact manifests in various aspects of our business, including our infrastructure, transportation, and other indirect operations.

Addressing the Environmental Footprint

Infrastructure: Our facilities and manufacturing processes, while designed for efficiency and minimal waste, still consume resources and energy. We strive to continuously improve our infrastructure by adopting greener technologies and materials, enhancing energy efficiency, and minimizing waste through recycling and reuse initiatives.

Transportation: The logistics involved in sourcing materials and delivering our products contribute to our carbon footprint. To address this, we are exploring more sustainable logistics solutions, including optimizing transportation routes, using fuel-efficient vehicles, and investigating the feasibility of electric and hybrid transport options to reduce emissions.

Indirect Operations: Beyond direct operations, we recognize the broader environmental implications of our business activities. From the energy consumption of our suppliers to the end-of-life disposal of our products, every aspect of our value chain has environmental consequences. We are committed to working with our partners to encourage sustainable practices throughout the supply chain and are exploring circular economy principles to extend the lifecycle of our products and reduce waste.

11. USAGE OF NATURAL RESOURCES

AAGES is aware of the importance of responsible natural resource management as a cornerstone of sustainable business practices. Our operations, spanning from manufacturing to product deployment, inherently interact with and depend on various natural resources. Here, we provide a qualitative account of the primary natural resources integral to our business activities, highlighting their usage and significance.

- **Energy:** Energy is a critical resource for our manufacturing operations, especially electricity. These resources power our facilities, machinery, and induction heating technologies. Energy efficiency is a key focus area, and we strive to minimize consumption through innovative processes and technologies.
- **Metals:** Given our specialization in induction heating solutions, metals such as steel, copper, and aluminum are fundamental to both our products and manufacturing processes. These materials are essential for creating the high-quality components and systems we provide to our clients.
- **Natural Gas:** Our factory utilizes natural gas only for ensuring thermic conform for employees, and only in a low level.
- **Water:** used exclusively for hygienic and sanitary purposes within our facilities. Although water is not directly involved in our manufacturing processes or technology, its importance for the health and well-being of our employees cannot be overstated.

In response to the usage of these natural resources, AAGES has implemented several measures aimed at conservation and sustainability:

- **Energy Efficiency Initiatives:** For natural gas usage, we continuously seek ways to improve our energy efficiency. This includes regular maintenance of our heating systems to ensure optimal performance, the insulation of our facilities to reduce heat loss, and the investigation of alternative energy sources that could complement or replace natural gas for heating purposes.
- **Water Conservation Practices:** To minimize our water footprint, we employ water-saving fixtures and practices within our facilities. This includes the use of low-flow faucets, efficient sanitary facilities, and promoting water conservation awareness among our employees.

12. RESOURCE MANAGEMENT

GRI SRS-301-1 Material Used

Regarding the materials used in manufacturing our systems, we primarily utilize semifinished products, which complicates the estimation of their weight/volume since they are accounted for per piece rather than by weight. Additionally, some subassemblies may comprise more than one material. However, we offer an estimation of the materials used, including approximately 1200 kg/month of steel subassemblies, 700 kg/month of non-ferrous metal semifinished products, 80 cubic meters/month of compressed oxygen, and 30 kg/month of lubrication emulsions and other consumables.

Material used - estimation	unit	Annual average (applicable for 2023)
Steel subassemblies	tonne	14.4
Non-ferrous metal subassemblies	tonne	8.4
Compressed oxygen	tonne	0.36
Emulsions	m ³	960

GRI SRS-302-1 Energy consumption within the organization

	unit	2022	2023
Natural gas	m ³	27.062	25.558
Electricity	kWh	186.000	197.000
- from which renewable	kWh	-	110,869
Fuel (estimated)	liter	18,947	14,557

GRI SRS-303-3 / 4 / 5 Water withdrawal / discharge / consumption

AAGES SA secures its potable water supply from external sources. The provision of water for hygienic and sanitary purposes is sourced from the local municipal water network, with an average consumption of 100 cubic meters per month. **The company does not use water for technological processes.** The disposal of domestic and sewage wastewater is managed through the local sewage network, aligning with environmental standards and regulations.

WATERWITHDRAWAL & USAGE	UNIT	2022	2023
- third-party water	m ²	4000	4112

In 2022 and 2023, AAGES SA has continued its dedication to efficient waste management. Acknowledging the challenge of using non-renewable materials due to the state-of-the-art scientific and technical requirements, our focus has been on minimizing waste and enhancing recycling efforts.

The waste generation data for these years show significant reductions across several categories, with copper waste decreasing by 70.9%, steel by 65.7%, and stainless steel by 28.6%. We've achieved an impressive 84.9% reduction in steel swarf and 81.1% in non-ferrous swarf. Paper waste saw a 24.8% decrease, and we've successfully eliminated plastic waste, banding non-recyclable plastic-based packaging materials such as polyester.

GRI SRS-306-3

Table. Waste generation and valorisation.

	Unit	2022	2023	Change to prior year
COPPER	kg	103	30	-70.9%
STEEL	kg	4095	1405	-65.7%
STAINLESS STEEL	kg	392	280	-28.6%
ALUMINUM	kg	253	260	+2.8%
Steel Swarf	kg	595	90	-84.9%
Non-ferrous Swarf	kg	159	30	-81.1%
PAPER	kg	1675	1260	-24.8%
PLASTIC	kg	1200	0	-100 %
TOTAL	kg	8472	3355	

AAGES's strategic measures to reduce waste include:

Optimization of Material Use:

- Implementing design changes to minimize off-cuts and optimize material usage in production.

- Ordering customized shape and size materials which fit the manufacturing requirements.

Recycling Partnerships:

- Working with two specialized recycling companies to ensure responsible recycling of waste materials.

Process Innovation:

- Continual innovation in manufacturing processes to reduce waste generation at the source through precision machinery that minimizes off-cut waste.
 - in-house capability restoring electronic components

Waste Segregation:

- Implementing strict segregation practices to facilitate the recycling of different types of waste.

AAGES SA is committed to transparency and compliance in its environmental responsibilities. Annually, the company diligently reports its waste generation data to the Mureş Environmental Protection Agency, adhering to the regulations stipulated by Romanian Government Decision No. 856/2002 and Law No. 426/2001. These legal frameworks dictate the management of waste and the obligations of companies to minimize environmental impact, ensuring that AAGES SA's operations conform to the national standards for environmental protection and sustainability.

13. CLIMATE-RELEVANT EMISSIONS

Overview of GHG Emissions

The primary sources of **greenhouse gas (GHG) emissions** for AAGES are identified as follows:

- Natural Gas Consumption: Utilized for heating purposes across various facilities, representing a significant portion of direct emissions (Scope 1).
- Electricity Consumption from the Grid: Although necessary for operations, this leads to indirect emissions (Scope 2) due to the reliance on potentially non-renewable energy sources.
- Vehicle Fuel Consumption: The use of diesel and gasoline for company vehicles contributes to direct emissions (Scope 1).

GRI 305-1 Direct (Scope 1) GHG emissions
 GRI 305-2 Energy indirect (Scope 2) GHG emissions

GHG Emission - <i>estimated</i>	Unit	2022	2023	Change to prior year
GHG Scope 1	t CO2e	109.88	95.43	- 13.15%
GHG Scope 2	t CO2e	74.40	70.92	- 4.68%
- from which renewable energy offset	t CO2e	-	7.88	
Total GHG	t CO2e	184.28	166.35	- 9.73%

The data outlines the company's greenhouse gas (GHG) emissions over two consecutive years (2022 and 2023), focusing on direct emissions (Scope 1) from natural gas consumption and vehicle fuel use, as well as indirect emissions (Scope 2) from purchased electricity. Additionally, it highlights the impact of introducing a photovoltaic (PV) system in 2023 on the company's overall GHG emissions profile. AAGES's GHG emissions for 2022 and 2023 were calculated based on their consumption of natural gas, fuel for vehicles, electricity from the grid, and the electricity generated by a newly installed PV system in 2023. The analysis provides insights into the company's environmental impact and its efforts towards sustainability.

Scope 1 Emissions: Direct Emissions

Natural Gas and Vehicle Fuel: These are the primary sources of Scope 1 emissions for AAGES. Between 2022 and 2023, there was a notable decrease in Scope 1 emissions, reflecting reduced natural gas consumption and possibly more efficient fuel use in vehicles.

Scope 2 Emissions: Indirect Emissions

Scope 2 emissions arise from the electricity that AAGES purchases from the grid. Despite an increase in electricity consumption from 2022 to 2023, the introduction of the PV system helped mitigate the potential rise in Scope 2 emissions by offsetting a portion of the electricity demand with renewable energy.

Impact of the Photovoltaic System

The PV system installed in 2023 significantly contributed to AAGES's sustainability goals by generating approximately 10% of the company's total electricity consumption for the year. This renewable energy generation led to a reduction in Scope 2 emissions, showcasing AAGES's commitment to reducing its reliance on non-renewable energy sources. Further reduction is estimated, as in 2023 the system was not exploited on its full capacity (90 kW).

Total GHG Emissions and Yearly Comparison

The total GHG emissions for AAGES decreased from approximately 184.28 metric tons CO₂e in 2022 to about 166.35 metric tons CO₂e in 2023. This reduction, amounting to a decrease of approximately 9.73%, illustrates the effectiveness of AAGES's strategies in lowering its carbon footprint, particularly through the adoption of renewable energy and improvements in energy efficiency.

The data underscores AAGES's proactive approach to environmental stewardship and its successful efforts to diminish GHG emissions through strategic investments in renewable energy and efficiency enhancements. The decrease in total GHG emissions from 2022 to 2023, especially the significant reduction in Scope 1 emissions and the effective management of Scope 2 emissions through the use of a PV system, reflects positively on AAGES's commitment to sustainability and its role in combating climate change.

Moving forward, the continued focus on energy efficiency, renewable energy adoption, and sustainable practices will be crucial for AAGES to further reduce its GHG emissions and achieve its long-term environmental objectives.

The calculation of greenhouse gas (GHG) emissions for AAGES utilizes a straightforward, tool-agnostic approach that aligns with widely recognized principles from established GHG accounting frameworks, such as the GHG Protocol. This approach involves direct arithmetic calculations based on emission factors, activity data, and conversion factors to estimate Scope 1 and Scope 2 emissions. Scope 3 was not calculated due to lack of data.

Climate-Relevant Emission Goals: Reducing Scope 2 Emissions

GRI 305-5 Reduction of GHG emissions

AAGES has committed to significantly reducing its Scope 2 emissions, which are primarily associated with electricity consumption from the grid.

It is projected that using the PV system at its full capacity would generate approximately 110,868.75 kWh of energy per year, calculated using the following formula: Annual Generation (kWh) = Capacity (90 kW) × Hours of Sunlight per Day (4.5) × Days per Year (365) × Performance Ratio (0.75).

This would decrease the GHG emission with an approx. 44.3 tons CO₂e renewable energy offset.

Recognizing the substantial impact of operational energy use on our overall carbon footprint, one of our key goals is to enhance energy efficiency across all our facilities. A critical measure towards achieving this goal was the comprehensive upgrade of our lighting systems, implemented in 2023.

Implementation of Energy-Efficient Lighting

In 2023, AAGES undertook a substantial project to replace all neon lighting fixtures with high-efficiency LED bulbs across our entire infrastructure. This initiative encompassed all AAGES buildings, including:

- Hall No. 1: 1,056 square meters

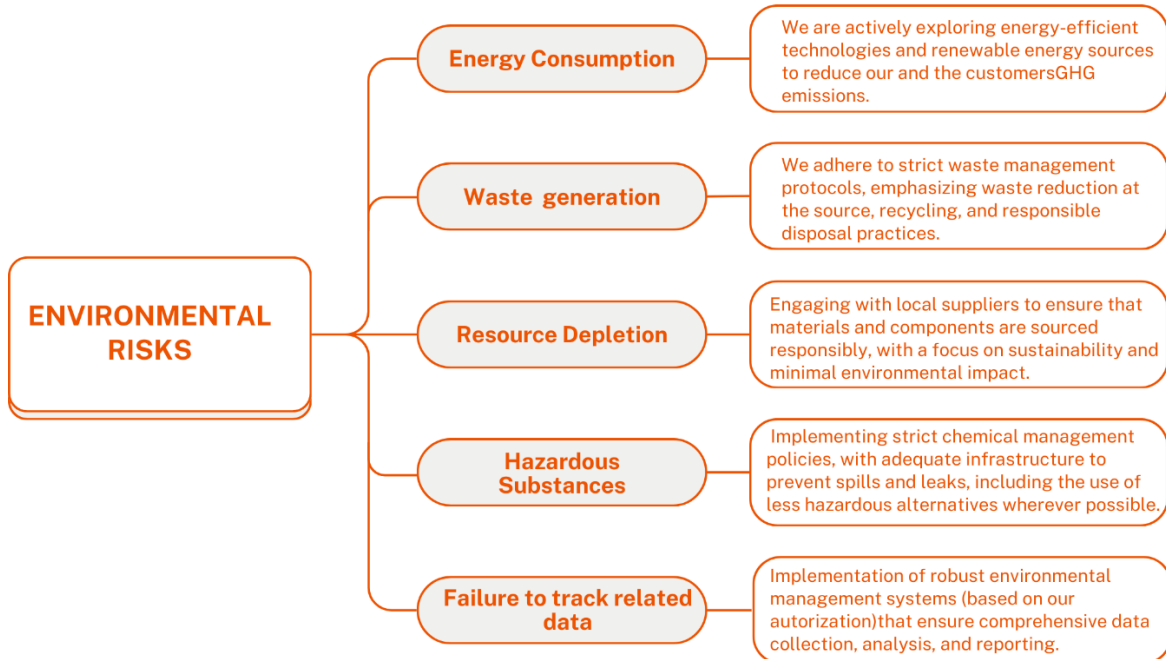
- Hall No. 2: A combined area of 1,991 square meters (1,232 sqm on the ground floor and 759 sqm on the upper floor)
- Hall No. 3: 960 square meters
- Administrative Buildings and Other Facilities: Comprising various office spaces, meeting rooms, and communal areas.

The transition to energy efficient lighting was driven by the technology's proven benefits, including significantly lower energy consumption, longer lifespan, and reduced maintenance needs compared to traditional neon lighting. LEDs offer superior efficiency by converting a higher proportion of electricity into light, with less waste heat, leading to lower energy demand for both lighting and cooling purposes.

The effect of this lighting upgrade on our Scope 2 emissions is anticipated to be substantial. While the immediate benefits include a reduction in electricity consumption and associated costs, the primary objective is to achieve a measurable decrease in our Scope 2 GHG emissions. We project that the full impact of this measure will be observable by the end of 2024, allowing us to quantify the reduction in our carbon footprint resulting from this specific initiative.

By optimizing the lighting efficiency across all our buildings, which collectively span several thousand square meters, we expect to make significant strides towards our broader emission reduction targets. This measure is a part of our strategic approach to mitigating climate-relevant emissions, aligning with our commitment to environmental stewardship and sustainable operations.

As we advance, AAGES will continue to evaluate and implement innovative solutions to reduce our environmental impact. The lighting upgrade project serves as a model for how targeted interventions can contribute to our sustainability objectives. We remain dedicated to reporting transparently on our progress and exploring further opportunities to decrease our Scope 2 emissions, reinforcing our pledge to a greener future.



One of the greatest challenges for AAGES is integrating renewable energy in order to scale up the use of renewable energies to offset a significant portion of energy consumption.

14. EMPLOYEE RIGHTS

Employee rights encompass aspects of human rights, working conditions, health, and safety, highlighting a comprehensive approach to ensuring a dignified, secure, and safe working environment for all employees.

Employees have the following rights, stated in the Internal Regulation approved by each employee:

- **Right to Compensation for Work Performed:** Employees are entitled to remuneration for their work, ensuring fair compensation for their efforts and contributions to the company.
- **Annual Leave:** All employees have the right to annual leave, allowing them time to rest and rejuvenate away from work responsibilities.
- **Quality of Opportunity and Treatment:** AAGES is committed to providing equal opportunities and treatment for all employees, promoting a diverse and inclusive workplace.
- **Dignity in Work:** The company respects the dignity of every employee, fostering a work environment where everyone is treated with respect.
- **Workplace Safety and Health:** Ensuring the safety and health of employees at work is a priority, with measures in place to protect workers from potential hazards.
- **Professional Development:** Employees have the right to professional training, offering opportunities for learning and advancement within the company.
- **Information and Consultation:** AAGES ensures that employees are informed and consulted on matters that affect their work and the overall operation of the company.
- **Protection in Case of Dismissal:** The company provides protection for employees in cases of dismissal, ensuring that any termination of employment is handled fairly and in accordance with legal requirements.
- **Transportation Expenses:** For employees commuting from a distance, particularly from Sângeorgiu de Mureș, the company covers part of the transportation expenses, whether using personal vehicles or public transportation.

Additional Measures for Specific Groups:

- **Pregnant Employees and Nursing Mothers:** Special attention is given to the safety and health of pregnant employees, new mothers, and nursing mothers. The company ensures hygienic work conditions, provides designated nursing spaces,

and allows nursing breaks during work hours, all in compliance with OUG 96/2003.

- Employee Representation: Employees have the right to elect a representative through secret ballot, who will represent their interests in negotiations with the company management, including collective labor agreement discussions and internal regulation development.

The rights of employees at AAGES are clearly outlined in the company's Internal Regulation Order. This document is readily available to all employees, with printed copies placed in each hall, ensuring that the information is accessible to everyone. Furthermore, the rights, obligations, additional benefits, and safety measures are thoroughly presented during the trainings organized annually by the company. This approach ensures that all employees are well-informed about their rights and responsibilities, as well as the benefits available to them and the safety protocols in place to protect their well-being at work.

Working Conditions and Hours

AAGES adheres to a standard working schedule of 8 hours per day, totaling 40 hours per week, with overtime regulated according to the Collective Labor Agreement and Labor Code. Employees enjoy two consecutive rest days, typically Saturday and Sunday, with flexibility for operational needs. Special provisions support nursing mothers, and attendance is diligently recorded. We grant special leave for personal circumstances, highlighting our commitment to balancing professional and personal needs.

Equality and Non-Discrimination

Our dedication to fostering an inclusive workplace guarantees equal opportunities and treatment, prohibiting discrimination and harassment. This ethos is integral to our hiring practices, ensuring equal pay for equal work and access to professional development. We meet or exceed legal standards for compensation and benefits, reflecting industry norms. Our annual performance assessments inform additional compensation, demonstrating our commitment to fairness and competitive, equitable remuneration.

Environmental and Social Responsibility

AAGES respects environmental rights and opposes any form of forced eviction. We ensure our operations, including security measures, respect human rights and legal standards. Our dual education program for students underlines our commitment to educational development while protecting young workers.

Health and Safety

The health and safety of our employees are paramount. We strive to prevent accidents and work-related illnesses through clear instructions, adequate training, and the engagement of employees in health and safety conditions. Our policy encompasses compliance with legal requirements, continuous improvement, risk management, and promoting well-being through initiatives like life-saving skills training and comprehensive health screenings.

AAGES SA's commitment to promoting Good Health and Well-Being, aligned with Sustainable Development Goal (SDG) 3, is demonstrated through several impactful initiatives undertaken within the company. These initiatives showcase the company's proactive approach to ensuring a healthy working environment.

- **Resuscitation Course**

In recent years, the company introduced a four-hour resuscitation course, where two emergency paramedics trained eight colleagues on using a defibrillator, a life-saving device recently acquired and strategically placed within the premises for easy access. This initiative underscores the company's dedication to equipping its employees with crucial life-saving skills. The course is planned to be refreshed every one to two years to ensure ongoing competency and readiness.

- **SMILEMOBIL Initiative**

In 2023 we partnered with a pioneering Romanian startup to provide mobile dental services directly at the company's premises. Following pre-registration, employees were scheduled for appointments during work hours, receiving comprehensive dental check-ups, including tartar removal, Air Flow cleaning, and, if necessary, X-rays. Given the overwhelming positive feedback, the company intends to repeat this valuable service annually, reinforcing its commitment to employee health and preventive care.

- **PROCARDIA Health Screenings**

Annually, AAGES facilitates on-site comprehensive medical examinations for all group employees, including eye tests, blood pressure measurements, and optional full blood tests, with results delivered online within a few days. This initiative not only saves time and costs for employees but also provides an avenue for further medical evaluations if needed, at no additional cost, through Procardia's private clinic services (e.g., EKG, echocardiography). Additionally, based on medical recommendations, employees can avail themselves of physiotherapy, therapeutic massages, and kinesiotherapy within a certain framework, further emphasizing the company's investment in their overall well-being.

- **Community garden**

Managed by a dedicated gardener, this garden provides employees with access to fresh vegetables during periods when cultivation is possible. The community garden initiative promotes employee well-being by offering access to nutritious and locally grown products and fosters a sense of community and connection among colleagues. By investing in initiatives like the community garden, AAGES demonstrates its commitment to creating a supportive and healthy work environment for its employees, ultimately enhancing morale, engagement, and overall job satisfaction.

These initiatives reflect AAGES SA's comprehensive approach to employee health and well-being, illustrating a comprehensive strategy that not only aligns with global sustainability goals but also contributes significantly to the local community's health

standards. Through such practices, AAGES SA sets a precedent in corporate health responsibility, showcasing its integral role in fostering a healthier, more resilient workforce.

More information about AAGES commitment to Employee Rights, Workings Condition and Health & Safety can be consulted in the dedicated Policies available publicly.

15. EQUAL OPPORTUNITIES

As an industrial company, AAGES recognizes the unique challenges in ensuring gender parity within certain roles that require significant physical ability. Our commitment to equal opportunities considers the nature of our work and the safety and well-being of all employees, while also striving to promote diversity and inclusiveness across all areas of our operations.

The Internal Regulation Order, shared and approved by all employees, emphasises AAGES commitment to ensure equality of chances and treatment between female and male employees. This commitment is in alignment with Article 7 of Law No. 202/2002, covering aspects such as employment in all vacant positions and at all levels of professional hierarchy, equal pay for work of equal value, professional information and counselling, initiation programs, qualification, specialization, and requalification programs, promotion at any hierarchical and professional level, work conditions that respect health and safety norms according to current legislation, benefits beyond salary, access to public and private social security systems, trade unions, professional organizations and their benefits, as well as social benefits and services in accordance with the law. The company pledges to comply with the provisions of Law No. 202/2002 regarding gender equality in opportunities and treatment.

AAGES's approach to equal opportunities acknowledges the unique challenges presented by the industrial sector, focusing on leveraging the diverse talents of our workforce in a manner that is both equitable and respectful of individual capabilities. Through our commitment to continuous improvement, we strive to create a workplace that is inclusive, supportive, and empowering for all employees.

16. QUALIFICATIONS

AAGES is committed to establishing a fair and transparent qualification and remuneration system for its technical staff, including electricians and mechanics. The company's approach emphasizes the importance of specific qualifications, skills, and experience, ensuring that remuneration reflects the employee's contribution to the company's goals, including sustainability objectives. This structured approach underscores AAGES's dedication to fostering a skilled workforce capable of driving forward its sustainability agenda, by incentivizing continuous professional development and recognizing the valuable role of technical expertise in achieving operational excellence and environmental stewardship.

	GRI	2022	2023
Worker participation, consultation, and communication on occupational health and safety	GRI 403-4	ALL	ALL
Worker training on occupational health and safety	GRI 403-5	ALL	ALL
Workers covered by an occupational health and safety management system	GRI 403-8	ALL from production	ALL from production
Work-related injuries	GRI 403-9	No incidents recorded	No incidents recorded
Work-related ill health	GRI 403-10	No incidents recorded	No incidents recorded
Average hours of training per year per employee	GRI 404-1	10 hours	10 hours
Diversity of governance bodies	GRI 405-1		
- Percentage of individuals by gender		100% male	100%male
- Percentage of individuals 50 years old		100%	100%
- Percentage of minority individuals		83% (5 from 6)	83% (5 from 6)
- Percentage of individuals from local community		100%	100%
Diversity of employees	GRI 405-1		
- woman/man		12%/88%	12%/88%
Incidents of discrimination	GRI 406-1	No incidents recorded	No incidents recorded

17. HUMAN RIGHTS

At AAGES, we commit to upholding the highest standards of human rights across all facets of our operations. This policy reflects our dedication to conducting business in a manner that respects the dignity, rights, and welfare of all individuals, including our employees, contractors, clients, and the communities within which we operate.

This policy applies to all AAGES GROUP employees, to individuals from other units who permanently or temporarily perform work on the company's premises and to all subsidiaries. We expect our business partners and other relevant parties to do the same, and to recognize and respect human rights. and extends to our suppliers, partners, and any other entities associated with our business.

AAGES recently adopted a Human Rights and Working Conditions Policy.

We strictly prohibit the use of bonded, child, and forced labor in any part of our operations. AAGES's dual education program for students under 18 is a strategic educational initiative,

distinct from child labor, designed in strict compliance with legal standards for young workforce engagement. This program, in collaboration with educational institutions, is focused solely on educational purposes, ensuring participants are not exposed to hazardous tasks or required to work at night. It emphasizes a secure, supervised learning environment, complete with safety measures, provision of meals, and a monthly scholarship. This approach underlines our commitment to contributing positively to the students' educational development while safeguarding their rights and well-being.

We have a zero-tolerance policy towards all forms of modern slavery in its operations and extends this expectation to its entire supply chain. This firm stance reflects our commitment to ethical business practices and human rights, ensuring that all stakeholders, including suppliers and partners, adhere to these same principles of integrity and responsibility.

AAGES upholds the right to freedom of association and collective bargaining, aligning with local laws. This respect extends to activities involving employers' associations, unions, and professional bodies, along with the benefits they offer.

AAGES is committed to supporting the rights of women, ensuring they are afforded equal opportunities and treatment across all employment facets. While the nature of production work at AAGES, which demands significant physical aptitude and involves strenuous tasks, may not currently have female representation, this reflects the job's physical demands rather than an exclusionary policy by AAGES. Women play a vital role within the company, particularly in administrative positions, where their contributions are invaluable.

For pregnant employees and nursing mothers, AAGES takes extra precautions to ensure their health and safety. The company adheres strictly to the guidelines set out in OUG 96/2003, providing hygienic work conditions tailored to the needs of these employees. Additionally, AAGES facilitates the well-being of nursing mothers by offering designated nursing areas and allowing for nursing breaks within work hours. These measures underscore AAGES's commitment to a supportive and inclusive workplace environment, respecting and accommodating the unique needs of all its employees.

We commit to promoting diversity, equity, and inclusion within our workforce and in the communities we impact. We recognize and respect the rights of minorities, ensuring our operations do not adversely affect their rights and traditions. Situated in a region home to a significant Hungarian minority, this diversity is reflected in the composition of our workforce, mirroring the community's demographic structure. Our approach is rooted in inclusivity and respect for the unique backgrounds and traditions of all our employees, ensuring a workplace that values and represents the rich cultural diversity of our operational area.

Other aspects concerning human rights

AAGES is committed to respecting land, forest, and water rights, ensuring that our operations do not infringe upon these critical environmental and community resources. We understand the importance of these natural assets to local communities and strive to operate in a manner that preserves their integrity and accessibility.

Furthermore, AAGES firmly opposes any form of forced eviction. Our business practices are designed to ensure that all expansions or operations are conducted ethically, with full respect for the rights of those who live on or use the land. We engage with local communities to understand their needs and concerns, aiming for mutual benefit in all our activities. Our commitment to environmental stewardship and social responsibility guides our approach, ensuring we contribute positively to the regions where we operate.

We ensure that any security measures implemented, whether through private contractors or public security services, are conducted with the utmost respect for human rights and legal standards. We engage security personnel who are trained in non-violent techniques and emphasize de-escalation, ensuring the safety of our operations, employees, and the communities in which we operate without resorting to excessive force. Our policies require transparency, accountability, and adherence to both local laws and international human rights principles, ensuring that our security practices protect all stakeholders involved.

The grievance mechanism is integral to AAGES's human rights policy, providing a transparent and responsive avenue for addressing concerns and potential violations. It embodies the company's dedication to accountability and continuous improvement in human rights practices. By allowing employees, clients, and community members to report issues confidentially and without fear of retaliation, AAGES reinforces its commitment to fostering a respectful and protective workplace, ensuring that all grievances lead to meaningful action and contribute to the enhancement of its human rights framework.

18. CORPORATE CITIZENSHIP

AAGES S.A. plays a significant role in the local economy of Sângeorgiu de Mureș, a locality with 9,688 inhabitants. AAGES's contributions are substantial, representing a notable share of the local economic activity. The company's performance and employment opportunities support local development, economic stability, and contribute to the overall prosperity of the community. AAGES stands as a key industrial and employment pillar within this relatively small population, underscoring its importance in fostering economic growth and sustainability in Sângeorgiu de Mureș.

Given the total turnover of the locality at approximately 565 million RON in 2022 AAGES S.A. contributed about 6.69% to the locality's total turnover (2023 data is not yet available).

AAGES S.A.'s important role as an employer within the local community, contributing significantly to employment:

- **Relative to Total Inhabitants:** AAGES S.A. provides employment for approximately **1.15%** of the total population.
- **Relative to Adult Working-Age Population:** The employment share provided by AAGES for the adult population, excluding pensioners (5,647 inhabitants), is about **1.97%**.

Relative to Total Employment in the Locality: With a total employment figure of 2,173, AAGES accounts for approximately 5.11% of total employment in Sângeorgiu de Mureș.

Mention: AAGES employs workers from surrounding settlements as well.

AAGES demonstrates its commitment to corporate social responsibility through a structured sponsoring scheme aimed at supporting a variety of sectors within the community. The company allocated funds across social, sport, cultural, and educational activities, reflecting its dedication to fostering a well-rounded and supportive environment for societal development.

	2022	2023
Total sponsorship & donation	34,088 EUR	36,303 EUR
Division:		
- Social causes	17,4 %	11,8 %
- Sport	16,5 %	21,4 %
- Cultural	25,1 %	24,4 %
- Educational	41%	42,4%

AAGES's engagement with local initiatives, particularly those brought forth by NGOs, underscores a deep-seated belief in the power of collaboration to foster community well-being and sustainable development. By channeling support into projects that aim to elevate the quality of life within the area we operate, the company not only aids in addressing diverse social, environmental, and economic challenges but also becomes a pillar of community strength and resilience. This commitment to local development extends beyond mere financial assistance, cultivating rich partnerships with organizations that possess specialized knowledge and a keen insight into the community's needs.

The company's role in driving positive social change, by supporting initiatives that align with its strategic priorities and values, cannot be overstated. Whether it's enhancing educational opportunities, improving health outcomes, or advocating for environmental sustainability, AAGES's contributions help to scale solutions to some of the most pressing challenges facing the community. Through leveraging its resources, expertise, and network, the company amplifies the impact of these initiatives, showcasing the significant role that businesses can play in fostering a more sustainable and equitable world.

In essence, AAGES's support for local NGO initiatives is a reflection of its broader mission to contribute positively to the community it is a part of. It highlights the critical role companies can play in supporting local development and underscores the importance of corporate contributions to societal well-being and sustainability. Through its actions, AAGES sets a commendable example of how businesses can and should engage with their communities, demonstrating that corporate success and social progress can go hand in hand.

Since 2019, AAGES has been an active participant in the **dual education program** in collaboration with the local technological high school, focusing on the electromechanics specialization. This pioneering initiative marks AAGES's commitment to bridging the gap between theoretical knowledge and practical skills, ensuring the transition for students into the workforce.

The program has successfully graduated two promotions, totalling 24 students, of which 5 have been directly employed by AAGES, reflecting the program's efficacy in preparing students for immediate employment in their field of study. AAGES, alongside other active corporate participants, has spearheaded the promotion of dual education by conducting extensive outreach campaigns. These campaigns aim to attract students through presentations in general schools across Mureş County and the distribution of promotional materials designed for this purpose.

Selection for the program is conducted at the beginning of each academic year, with AAGES typically offering 4-6 positions. Candidates undergo a rigorous selection process, including questionnaires and interviews, ensuring that only the most devoted applicants are admitted. The structure of the program allows students to progressively immerse themselves in practical work experience at AAGES, starting with one day a month in the first half of the ninth grade and culminating in three days a week by the eleventh grade. This hands-on approach is complemented by intensive practice periods at the end of each school year, gradually increasing from 5 weeks in the first year to 10 weeks in the third year.

Participants in the program benefit from a comprehensive support package provided by AAGES, which includes a **monthly scholarship**, special awards for exceptional achievements, a hot meal on practice days, and essential work and protective gear. Additionally, transportation and accommodation costs are reimbursed for eligible students, ensuring that financial barriers do not hinder participation. Christmas packages, featuring company-branded apparel and accessories, are also provided, contingent upon a 95% attendance rate at both school and practice sessions.

Through the dual education program, AAGES contributes to the vocational training of young individuals and invests in the future of the local workforce, fostering a skilled and ready pool of talent that aligns with the industry's evolving needs. This initiative underscores AAGES's role as a corporate citizen, deeply invested in the educational advancement and economic prosperity of its community.

19. POLITICAL INFLUENCE

AAGES is not supporting financially or in-kind any political party directly, nor indirectly.
GRI-SRS 415-1 – Not applicable.

20. POLICY COMPLIANCE

AAGES implements robust strategies and systems to prevent and address corruption and unlawful conduct. This includes a comprehensive compliance program that encompasses clear policies, and regular audits to ensure adherence to ethical standards and laws.

In alignment with our Agenda 2023 and commitment to the Sustainable Development Goals (SDGs) and the Green Deal, we have integrated key international principles into our sustainability framework. This section outlines our adherence to the United Nations Global Compact Principles, the International Labour Organisation (ILO) Declaration, the UN Convention on the Rights of the Child, and the Automotive Industry Guiding Principles to Enhance Sustainability Performance in the Supply Chain. Our policies and practices reflect these global standards, ensuring ethical, sustainable, and responsible business operations.

Alignment with global policies

UN Global Compact Principles

We commit to the ten principles of the United Nations Global Compact, which encompass human rights, labor, environment, and anti-corruption. Our policies ensure:

1. Support and respect for human rights: We are dedicated to supporting and respecting internationally proclaimed human rights within our sphere of influence.
2. Non-complicity in human rights abuses: We ensure our business activities do not contribute to human rights abuses.
3. Upholding freedom of association and effective recognition of the right to collective bargaining: We respect the rights of workers to form and join unions and engage in collective bargaining.
4. Elimination of all forms of forced and compulsory labor: Our operations and supply chain are free from forced or compulsory labor.
5. Effective abolition of child labor: We adhere strictly to minimum age provisions and work towards eradicating child labor in all forms.
6. Elimination of discrimination in respect of employment and occupation: We ensure equal opportunity and do not discriminate in hiring, compensation, access to training, promotion, termination, or retirement.
7. Precautionary approach to environmental challenges: We implement policies that minimize our environmental impact and promote sustainability.
8. Promotion of greater environmental responsibility: Our operations encourage environmental awareness and responsibility.
9. Encouragement of environmentally friendly technologies: We innovate and adopt technologies that have reduced environmental impact.

10. Work against corruption in all its forms: We have zero tolerance for corruption, extortion, and bribery.

- **International Labour Organisation Declaration**

Our commitment to the principles of the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work ensures:

- Freedom of association and the effective recognition of the right to collective bargaining
- Elimination of all forms of forced or compulsory labor
- Effective abolition of child labor
- Elimination of discrimination in respect of employment and occupation
- These principles guide our labor policies, ensuring dignity, equality, and safety for all employees.

- **UN Convention on the Rights of the Child**

We align our operations with the UN Convention on the Rights of the Child, ensuring the protection and development of children. Our policies and practices safeguard against child labor and ensure that our business activities do not adversely affect children's rights or well-being.

- **Automotive Industry Guiding Principles to Enhance Sustainability Performance in the Supply Chain**

As part of the automotive industry, we adhere to its Guiding Principles to Enhance Sustainability Performance in the Supply Chain, including the suggestions of the Practical Guideline, focusing on:

- Environmental responsibility: We invest in reducing environmental impact.
- Social responsibility: We ensure fair labor practices, respect human rights, and contribute positively to the communities in which we operate.
- Governance: Our governance structures support ethical business practices, transparency, and accountability.

- **Agenda 2023, Sustainable Development Goals**

Our sustainability practices are aligned with the Agenda 2023, aiming to contribute positively to the SDGs. We focus on health and well-being, industrial innovation, quality education, decent work and economic growth and responsible consumption and production. Our operations are designed to reduce carbon emissions, enhance energy efficiency, and promote sustainable growth.

Alignment with the Green Deal

The European Green Deal is a set of policy initiatives by the European Commission with the overarching aim of making Europe climate neutral by 2050. It seeks to transform the EU into a fair and prosperous society, with a modern, resource-efficient, and competitive economy, where there are no net emissions of greenhouse gases by 2050 and where economic growth is decoupled from resource use. Our company's sustainability practices are closely aligned with the goals of the Green Deal, reflecting our commitment to contributing to a sustainable and resilient future. Here are key areas of alignment:

1. Climate Action

- **Carbon Neutrality:** We are committed to achieving carbon neutrality by 2050, aligning with the Green Deal's ambition. This involves reducing our carbon footprint through energy efficiency measures, transitioning to renewable energy sources, and investing in carbon capture and storage technologies.
- **Sustainable Mobility:** In line with the Green Deal's push for cleaner transport modes, we are planning to invest in electric vehicles, promoting sustainable mobility solutions, and improving the energy efficiency of our transport and logistics operations.

2. Clean Energy

- **Renewable Energy Transition:** We are transitioning our energy sources to renewables, in alignment with the Green Deal's objective to increase the EU's renewable energy generation. This includes solar, wind, and other sustainable energy sources to power our operations.
- **Energy Efficiency:** Our energy efficiency programs are designed to reduce energy consumption across all operations, especially at the level of our customers, supporting the Green Deal's goal to decouple economic growth from resource use.

3. Sustainable Industry

- **Circular Economy:** We are adopting circular economy principles by reducing waste, increasing recycling rates, and designing products with a longer life cycle. This approach is in line with the Green Deal's focus on sustainability in production and consumption.
- **Eco-friendly Products and Services:** Our product development is guided by sustainability; however, sourcing eco-friendly materials is still a challenge for our special manufacturing needs, we are planning to develop a strategy for ensuring that end-of-life disposal minimizes environmental impact, reflecting the Green Deal's aim for a cleaner, circular economy.

4. Biodiversity and Ecosystems

- **Nature Conservation:** We are committed to protecting and restoring biodiversity and ecosystems, aligning with the Green Deal's biodiversity strategy. This includes sustainable land and water use practices that preserve natural habitats and species.

- Pollution Reduction: Our operations are designed to minimize pollution, with strict controls on air, water, and soil contaminants. This commitment supports the Green Deal's "zero pollution ambition" for a toxic-free environment.

5. R&D and Innovation for Sustainability

- Innovation in Technologies and Practices: We are actively engaged in research and development of technologies and practices, contributing to the innovation ecosystem envisioned by the Green Deal. Our efforts focus on advancing sustainable solutions across industries.

Our commitment to these international principles and guidelines reflects our dedication to sustainability, ethical practices, and social responsibility. We continuously evaluate and improve our practices to ensure alignment with these standards, contributing to a sustainable future for all.

Alignment with National Policies and Laws

Social manners

- LAW No. 53/2003 LABOR CODE,
- OUG. 96/2003 on maternity protection at the workplace,
- LAW No. 319 /2006 on safety and health at work,
- LAW No 202 / 2002 on equal opportunities and treatment between women and men

Environmental manners

- OUG nr. 195/2005 on Environmental Protection
Emergency Ordinance No. 195/2005 regarding environmental protection in Romania, approved with modifications and completions through Law No. 265/2006. It establishes a comprehensive legal framework for environmental protection, outlining responsibilities, measures for conserving biodiversity, managing natural resources, and preventing pollution.
- OUG nr. 196/2005 on the Environmental Fund
This ordinance pertains to the Environmental Fund, aiming to finance activities, projects, and programs for environmental protection. It's approved through Law No. 105/2006 and details the financial mechanisms for supporting environmental initiatives.
- Law nr. 104/2011 on Air Quality
This law establishes the framework for managing air quality in Romania, setting standards for air pollutants, outlining responsibilities for monitoring, and maintaining air quality, and detailing actions to be taken when pollution exceeds acceptable levels.
- OUG nr. 68/2007 on Environmental Liability
This emergency ordinance relates to environmental liability regarding the prevention and remedying of environmental damage. It sets out the legal framework for holding operators financially and legally responsible for preventing and remedying damage to water, land, and biodiversity.

Internal Policies

The establishment and enforcement of comprehensive internal policies are critical for any organization aiming to operate ethically, sustainably, and in compliance with legal and industry standards. For a company, aligning its operations with frameworks like the Green Deal and adhering to fundamental principles of human rights, labor, environment, and anti-corruption, these internal policies serve as the backbone of its corporate governance and sustainability efforts. Here's a closer look at the importance of each type of internal policy mentioned:

Human Rights and Working Condition Policy

- **Promotes Fairness and Equality:** This policy ensures that all employees are treated with respect and dignity, promoting an inclusive workplace free from discrimination, harassment, and abuse.
- **Protects Vulnerable Groups:** It safeguards against child labor and forced labor, protecting the rights of vulnerable populations within the workforce.

Health and Safety Policy

- **Ensures Employee Well-being:** By prioritizing the health and safety of employees, this policy minimizes the risk of accidents and occupational illnesses, ensuring a safer workplace environment.
- **Compliance and Risk Mitigation:** Adhering to health and safety regulations not only ensures compliance with legal requirements but also mitigates risks associated with workplace accidents and related liabilities.

Environmental Policy

- **Supports Sustainability Goals:** This policy outlines the company's commitment to environmental protection and sustainability, aligning with global efforts like the Green Deal to combat climate change and reduce environmental impact.
- **Promotes Resource Efficiency:** It encourages the efficient use of resources, waste reduction, and the adoption of sustainable practices, contributing to the long-term viability of the business and the planet.

Business Ethics Policy, Grievance and Compliance Procedure

- **Fosters Trust and Integrity:** A business ethics policy, accompanied by clear grievance and compliance procedures, ensures that the company operates with integrity, transparency, and accountability, fostering trust among stakeholders.

- Prevents Corruption and Fraud: It sets a framework for ethical behaviour, preventing corruption, fraud, and other unethical practices that could harm the company's reputation and financial standing.

Code of Conduct and Regulation of Internal Order

- Defines Expectations and Behaviour: This policy provides a clear set of guidelines for expected behaviour and professional conduct within the company, helping to maintain a positive and productive work environment.
- Ensures Consistency and Fairness: By clearly outlining the rules and consequences for violations, it ensures consistent and fair treatment of all employees.

Supplier Code of Conduct

- Extends Ethical Practices Along the Supply Chain: This policy ensures that the company's suppliers also adhere to high standards of ethical behaviour, environmental responsibility, and fair labor practices, extending the company's values throughout its supply chain.
- Mitigates Supply Chain Risks: It helps to mitigate risks associated with supply chain practices, ensuring that the company's operations are not indirectly involved in environmental harm or human rights violations.

GRI SRS-205-3: Incidents of corruption

- No incidents of corruption were recorded in 2023.

Responsibility for compliance within AAGES's Grievance Mechanism & Compliance Procedure is a multi-tiered structure designed to ensure thorough investigation, fair resolution, and effective remediation of grievances. The procedure delineates clear roles and responsibilities across different levels of the organization to manage and resolve complaints effectively. Here's a detailed overview:

1. Initial Receipt and Acknowledgment of Complaints: The first point of contact for receiving complaints is through the designated electronic mail (email) and physical mailing address. This ensures that grievances can be lodged conveniently by any stakeholder. The responsibility for monitoring these channels falls on a designated employee or team tasked with ensuring that all complaints are acknowledged within three business days.

2. Confidential Handling and Non-Retaliation Assurance: Ensuring confidentiality and a non-retaliation environment is pivotal. The designated compliance team or officer is responsible for maintaining the anonymity of the complainant (when requested) and enforcing the non-retaliation policy to protect stakeholders from any form of repercussion following their complaint.

3. Investigation Teams: For investigating complaints, AAGES organizes specialized teams based on the nature of the grievance:

- Human Rights, Working Conditions, Health and Safety
- Environment Protection
- Business Practices

These teams are comprised of individuals with relevant expertise and are tasked with conducting thorough investigations. The Managing Director assigns the responsible individual or team for each case, ensuring the investigation is impartial and comprehensive.

4. Managing Director and Managing Board: The Managing Director oversees the resolution process, ensuring each grievance is addressed promptly and effectively. For significant concerns, the Managing Director consults with the Managing Board, leveraging their collective expertise to decide on the best course of action.

5. Resolution and Remediation: The responsibility for implementing the resolution and any necessary remedial actions lies with the investigation teams and the Managing Director. They work together to ensure that the outcomes address the root causes of the grievances and are in the best interest of all parties involved.

6. Appeal Process: Should the complainant be dissatisfied with the resolution, they are afforded the right to appeal, which is handled by a higher or different level within the organization to ensure impartiality.

7. Communication of Resolution: The resolution of grievances, especially for anonymous complaints, is communicated appropriately, respecting the confidentiality and anonymity provisions. This may involve direct communication with the complainant (where possible) or broader communication through company notice boards, press releases, or the company website.

8. Documentation and Record-Keeping: A dedicated team or individual is responsible for documenting all grievances and their resolutions. This documentation is crucial for accountability, learning, and continuous improvement.

9. Evaluation and Continuous Improvement: The effectiveness of the grievance mechanism is evaluated regularly, involving stakeholder feedback to identify areas for improvement. This ongoing evaluation responsibility likely falls under a compliance officer, or a dedicated team tasked with oversight of the grievance mechanism.

Overall, while specific tasks and phases of the grievance process are assigned to different roles within AAGES, ultimate responsibility for compliance, ethical conduct, and effective resolution of complaints rests with the senior leadership, including the Managing Director and the Managing Board. Their commitment to upholding the highest standards of integrity and accountability ensures that AAGES's grievance mechanism is effective, transparent, and conducive to fostering trust and accountability within and outside the organization.

Final Remarks

As we present this sustainability report, it's important to acknowledge that AAGES is at the nascent stages of our sustainability reporting journey. Though we are in the early phases, our commitment to sustainability is driven by a profound sense of responsibility, particularly towards our most valuable asset: our employees. Our efforts to integrate sustainability measures within our company have been inspired by this deep-seated commitment to people and planet alike.

AAGES is not currently subject to any mandatory sustainability reporting regulations. Our decision to embark on this journey of transparency and accountability is entirely voluntary, stemming from our belief in the importance of sustainable practices for the future of our business and society at large. This report, therefore, is not just a disclosure of our activities but a testament to our proactive approach in embracing sustainability.

Throughout this report, we have highlighted several sustainability initiatives already underway within AAGES. These efforts are indicative of our early but earnest steps towards embedding sustainability into the core of our operations. From enhancing energy efficiency to prioritizing the well-being and safety of our employees, each action reflects our dedication to not just meeting but exceeding our responsibilities as a corporate citizen.

We are acutely aware that the path to comprehensive sustainability is complex and requires ongoing commitment, innovation, and collaboration. We view this initial report as the beginning of an open dialogue with our stakeholders, inviting feedback, suggestions, and partnerships that can drive us towards more impactful sustainability practices.

Looking forward, AAGES is committed to continuing our sustainability journey with increased vigor. We aim to not only expand our sustainability initiatives but also to enhance our reporting mechanisms, providing greater transparency and insight into our progress. We believe in leading by example, sharing our experiences, and contributing to the global sustainability agenda.

In closing, we wish to express our gratitude to our employees, customers, partners, and stakeholders for their support and engagement. Your belief in our mission fuels our determination to achieve a more sustainable and responsible future. AAGES may be at the beginning of our sustainability reporting journey, but our commitment to making a positive impact is unwavering.