

Sustainability report 2022

Phoenix Contact

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Foreword by the Group Executive Board

Thank you for your interest in the first publicly published sustainability report by the Phoenix Contact Group. We are happy to comply with the demand for transparency and documentation, because, in the 100 years since Phoenix Contact was founded, we have always been committed to sustainability – long before ideas such as corporate social responsibility and sustainability became relevant for internationally operating companies.

Since 1923, we have actively lived a value-oriented attitude and acted responsibly in the interest of our customers, employees, and society. The efficient use of resources and long-term business operations have always been guiding principles for the owner families and members of the Executive Board. As such, we view the legal obligations to report starting in 2025 as an encouragement to begin disclosing today what steps we are taking to continuously pursue our goal of limiting adverse environmental impacts to the greatest extent possible and how we assume social responsibility.

Since 2020, our actions have been aligned with a guiding principle of our strategy: “Empowering the All Electric Society”. As a manufacturer of components and a provider of solutions for electrification, networking, and automation, we contribute significantly to the energy and heat revolution. For ten years now, we have also been giving consideration to the transport revolution with our e-mobility subsidiary. Plus: Our products make it possible to connect the various industrial sectors and applications and manage them much more efficiently. This offers a tremendous opportunity for carbon neutralization which in turn will help to curb global warming.

As an employer offering a wide range of vocational training programs, we continue to grow and create new employment opportunities for many people around the world. Social responsibility is reflected in our commitment to extensive continuing education, high-quality workstation equipment, excellent occupational health and safety, and an appreciation of diversity and inclusion among our workforce. Our passion for technology and innovation is clearly anchored in our corporate strategy with our commitment to sustainability in practice. This accompanies us on the transformative journey we are embarking on with boldness, heart, and conviction. This report is an invitation for you to accompany us in our efforts.

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Phoenix Contact Group Executive Board (from left to right): Ulrich Leidecker, Torsten Janwlecke, Frank Stührenberg, Dirk Görlitzer, Axel Wachholz, and Frank Possel-Dölken



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General

Phoenix Contact (GRI 102)

Under a global umbrella brand, Phoenix Contact offers innovative products, solutions, and digitalization expertise for the electrification, networking, and automation of all sectors of the economy and infrastructure. With this approach, the Group empowers industry and society to transform into a sustainable world with long-term growth prospects for everyone. The Group's core business is organized into three Business Areas. Phoenix Contact is also tapping the potential of digitalization, electrification, and the mobility revolution in new fields of business above and beyond its core business.



1923

Founded in Germany

>50

Sales subsidiaries worldwide

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Phoenix Contact manufactures products with varying levels of vertical integration in a production network spanning throughout the Group. More than 50 sales subsidiaries belong to the Phoenix Contact Group, ensuring proximity to both markets and customers.

Together with customers and partners, Phoenix Contact designs solutions for the future using pioneering connection and automation technology. Wherever they are needed – for example, in transportation infrastructure, e-mobility, for clean water, regenerative energies, and intelligent supply networks, or for energy-efficient machine building and systems manufacturing.

The product range consists of components and system solutions for generating, transporting, and distributing energy, for device manufacturing and machine building, and for control cabinet building. We offer innovative components, which include a wide range of modular and special terminal blocks, PCB terminal blocks and connectors, cable connection technology, and installation accessories. Electronic interfaces and power supplies, automation systems based on Ethernet and wireless technology, open control systems, safety solutions for humans, machines, and data, along with surge protection systems, all provide smart solutions for system installers and operators, for facilities, and for urban and traffic concepts. Markets in the production, renewable energies, mobility, and smart building industries are supported with comprehensive concepts including engineering and services geared towards their specific needs.

Phoenix Contact supports efforts towards digital transformation with products, systems, and solutions. With experience gained from in-house machine building, the company is familiar with the requirements of digitalization and continuous data flow, from engineering and production to installation and maintenance, providing support and services in each step of the product lifecycle.

Product innovations and specific solutions for individual customer requirements are created in the development facilities at our international locations. Numerous patents underscore the unparalleled character of many of Phoenix Contact’s developments. Working closely with universities and scientific institutes, Phoenix Contact researches technologies of the

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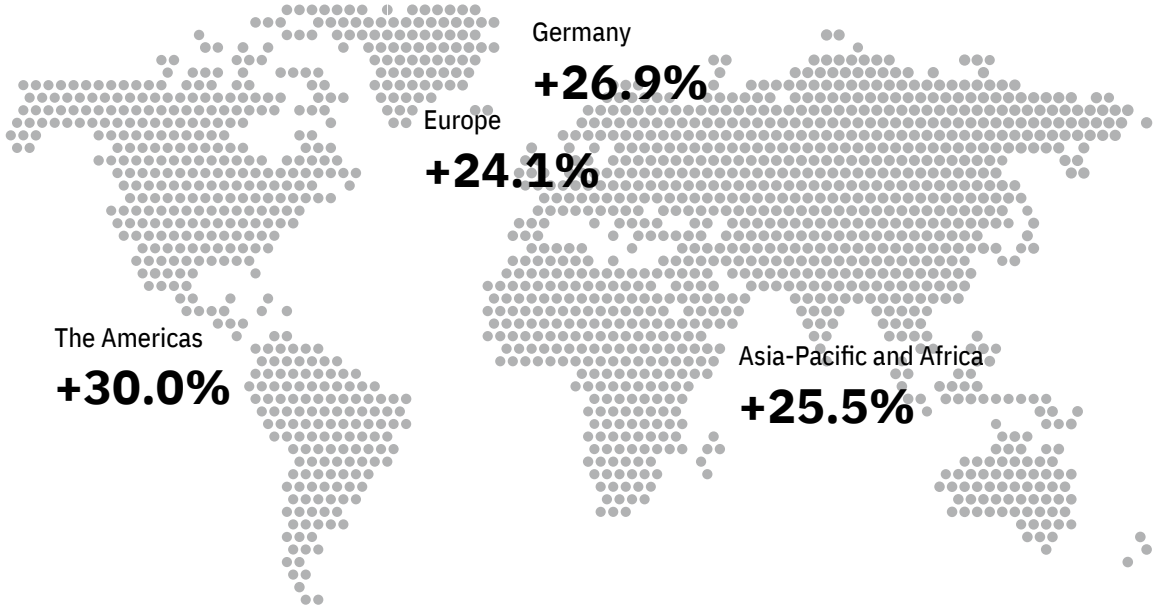
future such as e-mobility and digitalization, transformed into marketable products, systems, and solutions.

Fiscal year 2021 and development 2022

2021 significantly exceeded expectations with revenue growth in excess of 26 percent, reaching €2,974 million. About 75 percent of sales are generated abroad. In contrast to the expected single-digit growth, the exceptionally positive development quickly became apparent after the first quarter of 2021. Following this trend, the operating result (earnings before taxes = EBIT) increased significantly to €345 million despite all the negative impacts. Despite the tense situation in the raw materials markets and the impact of the war in Europe, especially with regard to the energy situation, Phoenix Contact was able to complete the fiscal year 2022 with a 21 percent revenue growth, reporting total revenue of

Growth in all regions of the world in euros



2.97 billion
consolidated revenue in euros

+26.0%
Growth in percent

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€3,600 million. In 2022, the share of revenue from international subsidiaries was 70 percent.

Phoenix Contact employs more than 20,000 people worldwide, about half of whom work in Germany. Payroll costs in 2021 were reported at around €1,127 million.

Investments in tangible and intangible fixed assets (property, plant, machinery, and software) were reported as €178 million, which is equivalent to about 6 percent of revenue. These expenses were financed in full from cash flow from ongoing operations. Liquid assets were reported at around €457 million worldwide. In 2022, approximately 7 percent of sales was invested in property, plant, equipment, and intangible assets.

19,957

employees worldwide as of Dec. 31, including temporary workers



Female to male employee ratio: 30% to 70%

10,152

employees in Germany

9,805

employees abroad

Investments in million euros

178

into tangible and intangible assets

198

in research and development

>3,000

patents and property rights



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The All Electric Society (GRI 102)

At first glance, the two big issues facing humanity today – the fight against climate change and the millions of people striving for prosperity and development – seem to be contradictory and irreconcilable. Still, both issues must be addressed at the same time. The solution entails a sustainable energy transition featuring an energy system built on electricity from renewable sources across all sectors. That is what the All Electric Society concept, a vision of the future, describes as the basis for a carbon-neutral future. This is a society in which there is enough energy available to achieve global growth and prosperity, while also ensuring that our climate environment is preserved. Implementing this vision of the future will result in considerable investments and growth opportunities over the next two to three decades. The implementation will be based on the intelligent coupling of all sectors involved in the energy cycle. The key to this is electrification, digitalization, and automation. Industry holds this key in its hands. Together with our partners, Phoenix Contact wants to blaze new trails in order to fully take advantage of this huge opportunities available for a sustainable, resource-friendly development of the energy, infrastructure, construction, mobility, and industry sectors.



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The All Electric Society

From a technical perspective, the future concept of the All Electric Society offers an answer to the greatest challenges of our time, such as the energy revolution, climate change, and safeguarding sustainable development. The path to this goal leads through the comprehensive electrification, networking, and automation of all sectors of the economy and infrastructure. The strategic goal of Phoenix Contact is to use its products, solutions, and expertise in digitalization to empower industry and society to succeed in this transformation as we forge ahead towards a sustainable world with long-term growth prospects for all.

The All Electric Society is a society where the entire energy cycle is based on electricity generated fully from renewable sources. Sustainably generated electricity is seen as the primary energy source. However, the final energy does not always have to be electricity. Security of supply and a comprehensive coupling of the electricity, construction, mobility, infrastructure, and industrial sectors will only become reality if electrical energy is also used as the basis for the production of synthetic fuels (e-fuels) through power-to-gas and power-to-liquid technologies. The All Electric Society vision of the future depicts a complete and sustainable energy revolution in the near future. Electrical energy can be generated from natural regenerative sources in almost infinite quantities and at low generation costs. E-fuels can solve storage and transport issues. In turn, this will help us overcome the risks involved with renewable energy volatility successfully. Moreover, we can continue using existing technologies and infrastructures for e-fuels as well. > The All Electric Society

Phoenix Contact is committed to the sustainable development of places to live and work. The Group is aware of its role in society and in the environment. As part of our Corporate Social Responsibility (CSR) and Corporate Compliance (CC), Phoenix Contact ensures compliance with laws, generally accepted values, and principles, and lives and breathes integrity and professionalism. The Group promotes sustainable social commitment.

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"Strategy 2030 – Empowering the All Electric Society" has led to the further development of our corporate policies and principles:

> Together, we are creating a sustainable world based on our passion for technology and innovation.

At Phoenix Contact, we live and breathe sustainability. The need to preserve resources and protect the environment is taken into consideration when developing new products for the manufacturing process. Phoenix Contact has been an integral name in the market for almost 100 years, and has established itself as a global player throughout the world. Independence, stability, sustainability, and a culture of respectful interaction characterize the family business.

Only in the last few years has industry and society started to place their focus on sustainability. Phoenix Contact already began to systematically practice sustainability at an early stage and have it documented by external assessments and certifications.

Sustainable products and services

With its broad range of technical expertise and its strong innovative power, Phoenix Contact continuously develops new products, sustainable solutions, and applications. The Group's products also play an important role in the achievement of the United Nations Sustainable Development Goals.

Our mission:
Solutions for electrification, networking, and automation are Phoenix Contact's contribution to a world in which renewable energy is available for the benefit of everybody.

Digitalization is key to connecting the various solutions and sectors and bundling individual applications to form an intelligent network of applications.

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Networked power generation and utilization



The All Electric Society vision of the future relies entirely on renewable energy sources. Phoenix Contact offers solutions based on industry standards for decentral generation systems in solar parks to ensure their safe operation and a controlled power feed-in. Intelligent automation and connection technology combined with comprehensive visualization tools are used to acquire and evaluate data. Intelligent networking from the field level up to feed-in control enables an efficient and balanced overall system and contributes to the realization of the All Electric Society.

To automate sectors comprehensively, control technology has to grow together, even across the borders of individual fields of application. Phoenix Contact offers solutions for supplying and coupling the sectors safely with the use of open control technology such as the PLCnext Technology ecosystem, surge protection, uninterruptible power supplies, redundancy modules, and device circuit breakers.

Along with clean power generation, purely electrical mobility is a key foundation for the future vision of the All Electric Society. To ensure that sufficient energy is available in the right place at the right time, generators, grids, and loads have to communicate with each other. Phoenix Contact's cloud- and communication-capable products with intelligent software are the foundation for this. The CHARX control modular e-mobility charging controllers enable intelligent charging of e-vehicle batteries. With the vehicle-to-grid technology, the batteries can be used to store electricity and to feed electrical power back to the grid.



Phoenix Contact's smart street lighting solution is used to control the lighting infrastructure throughout the entire city. Lighting intensity can be adjusted to weather conditions, changing lighting conditions, and the prevailing road use with state-of-the-art control technology, sensors, and by connecting to cloud-based services. The reduced lighting activity lowers energy consumption and curbs light pollution. Smart street lighting can be used to realize

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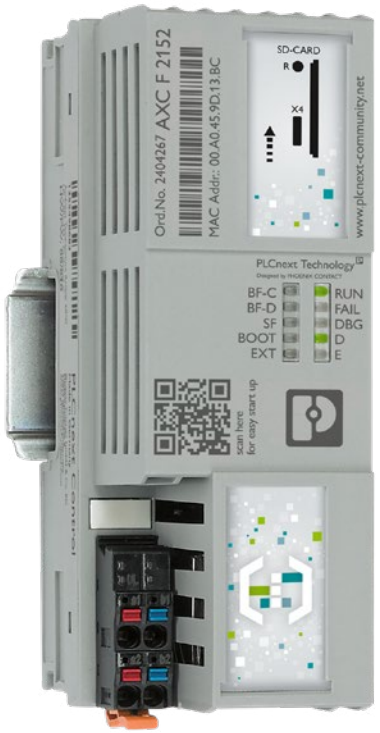
new projects, and existing facilities can also be upgraded accordingly.

Practical example: Control technology in Germany's first hybrid power station in regular operation

One of Germany's largest energy storage systems was commissioned near Kempten in Germany's Allgäu region. The power storage system used was automated on the basis of Phoenix Contact's control technology to create a power station that can be controlled flexibly. Along with the durability of the industrial products, Phoenix Contact was able to provide impressive benefits due to the convenient system platform with the programmed software blocks for closed-loop control and communication, as well as the needs-based training programs.



PLCnext Technology

Designed by Phoenix Contact

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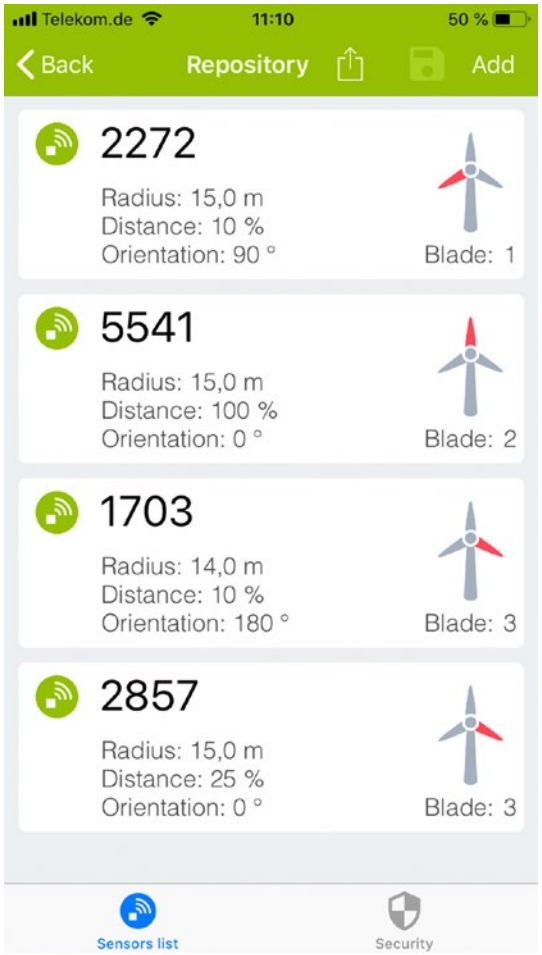
Practical example:

Smart rotor blade monitoring

Rotor blades of wind turbine generators are exposed to extreme loads, and they are the focus of attention when it comes to developing monitoring solutions and optimizing operating and maintenance costs. In the past, the rotor blades were monitored and inspected visually. Today, sensors assume this task. With the Blade Intelligence System, Phoenix Contact has combined fundamental concepts for rotor blade monitoring that are employed to inspect the rotor blades in depth. With the underlying, open automation platform PLCnext Technology, future concepts can also be integrated.



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Resource-efficient design of new products

Sustainability also already plays a decisive role in the development and manufacture of new products. In turn, to ensure that the products are able to support a sustainable world, products at Phoenix Contact are constantly reviewed for their upgradability, while ensuring that they are adapted for sustainable manufacturing.

One goal is to reduce emissions by optimizing both the part geometry and the manufacturing process. With respect to packaging as well, we consider environmental and social criteria. This includes not only the function of products, but also the ingredients of the materials used and the raw materials selected in view of recycling later down the line.

The applications and solutions of the products on the market are diverse. In our CSR report, you will find even more information and insights into the steps we take when working with our customers, developing applications with technology solutions that illustrate the advances made towards the All Electric Society.

This link will lead you directly to the CSR report: > CSR Report

Corporate responsibility

Harmony among economic, environmental, and social issues forms the framework for sustainable management and corporate responsibility at Phoenix Contact. This attitude of the company is reflected in its corporate principle:
Together, we are creating a sustainable world based on our passion for technology and innovation.

As a family business, Phoenix Contact feels it is important to preserve what has been created for future generations and to contribute towards a sustainable world.

The Corporate Principles and the Phoenix Contact Group Code of Conduct provide customers, business partners, and employees alike a basis for taking sustainable action, supplemented by the principle of dealing with one another in a spirit of partnership and trust.

Independent. Innovative and creative. Trusting partnerships.

The Corporate Principles and the Code of Conduct apply to all employees, regardless of their position or other personal characteristics. Every employee receives an introduction into our Corporate Principles and the Code of Conduct.

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They define the legal and moral guidelines for the actions taken on a daily basis in all areas of the Group. Fair working conditions and social responsibility, quality and product safety, environmental protection and ecology, integrity and fairness in business dealings, and the focus on employees and customers are all shaped by this.

In addition to its own guidelines, Phoenix Contact adopted the Global Compact Principles of the United Nations in 2005 and the Code of Conduct on Social Responsibility issued by the Central Association of the Electrical and Digital Industry (ZVEI) in 2009. As a corporation, Phoenix Contact is committed to upholding human rights and advocates the abolition of any forced and/or child labor. Compliance with the globally recognized core labor standards of the International Labor Organization (ILO) and with the United Nations Conventions on the Rights of the Child and on Human Rights is fundamentally important. Phoenix Contact strongly opposes inappropriate behavior towards other people and does not tolerate discrimination. For Phoenix Contact, responsibility does not stop at the factory gates. It is also reflected in the Group's efforts to ensure compliance with the appropriate standards within the supply chain.

> Sustainable procurement

About this report (GRI 102)

The report focuses primarily on the topics that were determined to be fundamental.

> Materiality analysis

In preparing the report, Phoenix Contact follows on the standards of the Global Reporting Initiative (GRI). To satisfy the stakeholders' need for knowledge as fully as possible, we have also included information above and beyond these standards in this report.

Unless explained otherwise in each of the individual topics, the report refers to the Phoenix Contact Group. All measures and key figures are already so well established in the Group at this time that more than 80 percent of internal revenue is covered.

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The collected environmental data is based on the finalized company data from 2020 and 2021, with exceptions. For a detailed list of the important key performance indicators, please see the chapter > Phoenix Contact in numbers at the end of the report.

All forecasts in this report are based on assumptions valid at the editorial deadline. Given unknown risks, uncertainties, and other factors, actual changes and developments in the Group's performance may differ from the forecasts, estimates, and announcements published here.



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Materiality analysis (GRI 102, 103)

In 2015, 193 United Nations member states adopted the 2030 Agenda for Sustainable Development. It provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership.

They are to be achieved in order to enable a life of dignity, while conserving resources and protecting the planet and the climate.

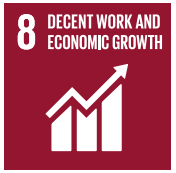
The path to global sustainability is not just a task for politicians, but also for society, science, and industry. Phoenix Contact has always understood that sustainable business practices, the careful use of resources, innovative product development, and social commitment are not just the primary duty of company, but the basis for successful growth.

Five SDGs are directly supported by the Phoenix Contact product and innovation portfolio.

1. The key to realizing the All Electric Society is Goal 7: affordable and clean energy. Energy has also been the hub of the Phoenix Contact product portfolio since 1923. Many products and systems are already poised for the realization of the energy revolution.



2. As a family-owned company with global operations, Phoenix Contact makes an important contribution in many countries to Goal 8 of the Social Development Goals: human dignity at the workplace and economic growth. Within the Group, employees can expect fair working conditions, respectful treatment of each other, and the development of all employees.



3. Under Goal 9, the objective is to build a resilient infrastructure, while underscoring widespread and sustainable industrialization and innovation. With its technological solutions, Phoenix Contact is an empowering force for the successful implementation of digital transformation. The Group continuously



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develops new products with broad range of technical expertise and strong innovative power.

4. Phoenix Contact practices a careful and considerate approach to using resources, based on the Group's own drive and conviction. Goal 12, responsible consumption and sustainable production, is supported by active practice and conduct. In machine building, the Group takes steps towards the efficient use of compressed air. Lead-free* production and maximum recycling of valuable materials relieve the burden on the environment and are seen by employees as their personal responsibility. All areas of manufacturing, as well as the operating technology, servicing, and maintenance operations, are subject to a continuous improvement process.



5. As a family business, it is important to Phoenix Contact to preserve what has been created for future generations. Goal 13, measures for urgent action to combat climate change and its impacts, is important to Phoenix Contact. The need to preserve resources, protect the environment, and reduce the impact on the climate is kept in mind when developing new products, manufacturing, and considering costs.



In addition, Phoenix Contact promotes the SDGs with its good working conditions and social commitment, which are highlighted later in the report.

* in terms of RoHS Regulation: Below 0,1%

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Key topics for action steps and for Phoenix Contact Group reporting were defined following on the standards of the Global Reporting Initiative (GRI) on the basis of a materiality analysis prepared by technical experts and stakeholders. The materiality analysis was conducted for the first time in 2021, and in the future, it will help the Group to harmonize its own perceptions as well as the expectations of stakeholders and the public. With it, action steps and activities can be controlled with a focus on goals.

Given the high percentage of revenue from exports, accounting for the different expectations of the stakeholders of the national companies and their cultures is important. At the time reporting activities were taken up, the materiality analysis was conducted at the headquarters in Blomberg with selected representatives of all groups. This was followed by the involvement of the national companies, which together generate 80 percent of the Group's total revenue. The analysis results were incorporated in the materiality matrix, in which the perspectives "Impact of topic on Phoenix Contact" on the horizontal axis and "Impact of Phoenix Contact on topic" are compared on the vertical axis.

The upper right quadrant under Group 1 includes topics defined as material for Phoenix Contact from at least one of the two perspectives and considered relevant for initiating the measures and KPIs in this report.

The materiality analysis shows a clear focus on social issues and includes topics such as work-life balance, training and development, occupational health and safety, diversity, and equal opportunities. Topics relating to the environment are also highly significant, such as energy, emissions, materials, and waste. In addition to the social and environmental topics, adherence to statutory, social, and company-internal obligations is of utmost importance at Phoenix Contact. Harmony among environmental, social, and governance aspects (ESG) is the framework for sustainable management and corporate responsibility at Phoenix Contact.

As a result of these activities, this report summarizes the action steps to be taken and also the impact on the Group's key performance indicators of the topics defined as being material.

In support of the materiality analysis, an analysis of the entire value chain of Phoenix Contact was conducted as well.

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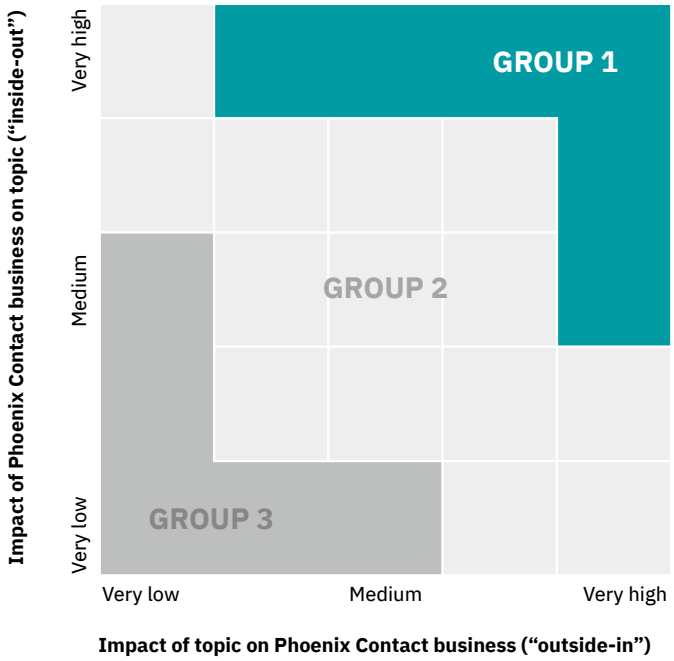
The analysis covered more than 60,000 materials and more than 11,000 services worldwide and reviewed more than the identified key performance indicators in the Group's own locations and logistics.

The analysis was conducted in collaboration with a third-party consulting firm to obtain a neutral view on the impact of the corporate activities. It includes all the global processes required to procure the necessary materials and services, all the activities needed to offer the products and services, plus the activities involved in the delivery and subsequent "end of life" of the products.

It focuses on a fact-based assessment of all social and environmental impacts and the



GROUP 1: Material topics

- G Economic performance
- G Tax
- G Anti-corruption
- E Materials
- E Energy
- E Emissions
- E Waste
- E Environmental compliance
- E Supplier environmental assessment
- E Climate change
- S Employment
- S Occupational health and safety
- S Training and education
- S Diversity and equal opportunity
- S Non-discrimination
- S Child labor
- S Human rights assessment
- S Supplier social assessment
- S Marketing and labeling
- S Employer's appeal
- S Corporate Digital Responsibility
- S Work-Life balance

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greatest risk potentials. The industry average was used as the benchmark.

The analysis results show that the greatest risks for Phoenix Contact lie in the emissions of greenhouse gases such as carbon, air emissions (air pollution), and water consumption. In the social area, countries and suppliers with a statistical risk were identified. The analysis helps Phoenix Contact to ensure that the identified risks to the Group do not materialize, but are instead proactively managed and reduced.

As such, the following key figures and measures are based on the materiality analysis and the greatest opportunities and risks in the analysis.

Involvement of stakeholders (GRI 102)

To anchor all sustainability activities within the organization, the “Corporate Sustainability Governance” (CSG) function was created in early 2022, and it bundles ESG-relevant topics throughout the Group.

This new management function actively involves the international companies and relevant stakeholders, synchronizing all action steps and targets.

One of CSG’s key tasks is coordinating the materiality analyses of the international companies to obtain a global impression of Phoenix Contact from the different performance results of the various countries.

The management function made up of various disciplines reports directly to the Group Executive Board, initiates the agreed action steps together with the relevant Business Units, and also manages with them the measures needed to achieve the targets.

Preparation of this first sustainability report began in 2021 to ensure that all stakeholders were involved in advance of the expected EU CSRD directive (Corporate Sustainability

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Reporting Directive).

At Phoenix Contact, the shareholders have always conveyed the value of practicing sustainability. Accordingly, the Executive Board has created excellent job and vocational training opportunities, and experienced steady growth. For example, even as early as when production began back in 1957, training of young people was high on the list of set goals, and since then, efforts in this regard have been continuously expanded. This was accompanied by excellently equipping all workstations and the ensuring a plant site that features green areas and trees. The quality and equipment was consistently maintained throughout the next decades. In the course of a rapid growth since the early 1990s, numerous new buildings have been erected, for both administrative offices and production facilities, always on the basis of the same quality standard. Committing to the regions of the selected locations, which is reflected in actively sponsoring the areas' cultural, recreational, and sports activities, while also supporting their charitable and social institutions, was further developed in line with Phoenix Contact's growth. In turn, the corporation is perceived worldwide as exemplary and is held in high esteem. Phoenix Contact's "good reputation" is perceived as authentic by citizens, regional administration and businesses alike. Reliable collaboration with the press and a presence in digital media also contribute to this.

At the main location in Blomberg, home to the company headquarters, located in a mixed-use area, the shareholders and the Executive Board communicate with residents to keep them informed at an early stage about any upcoming construction measures and nature-based plans. Also, maintaining a regular dialog with the parliamentary groups and the mayor enhances the interaction in the small town while ensuring the best possible alignment of citizens', municipal, environmental and corporate interests.

Many of the corporation's professionals in the technology and market environment, including the management teams, volunteer in national and international associations, institutions and project initiatives. More than 60 people at the Electrical Industry Association alone hold seats on a wide range of committees. Sharing

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knowledge, exchanging ideas, and actively helping to formulate good solutions for the industry and for customers is a deeply rooted corporate principle. This also includes being open towards contributing to alliances and collaborations from which all partners can equally benefit. As in the case of the Center Industrial IT (CIIT) at the Lemgo University of Applied Sciences, this is also practices as a pre-competitive level. Similarly, Phoenix Contact's involvement in the "it's OWL" cluster of excellence reflects its commitment to closely collaborating with the region, enhancing its highly respected reputation in technology over the course of its ten year contribution. This also beneficial when it comes to recruiting skilled workers.



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Environmental (GRI 201)

Phoenix Contact manufactures more than 100,000 products worldwide in the field of components, systems, and solutions for electrical engineering, electronics, and automation. It is committed to paving the way towards the energy revolution and finding technological solutions to counter the effects of climate change.

Phoenix Contact therefore underscores this goal by investing in the latest manufacturing technologies and collaborating with a variety of research institutes, universities, and development facilities. The budget for collaborations of this kind has increased steadily in recent years.

Protection of environment and climate (GRI 307)

For many years, Phoenix Contact has focused on environmentally friendly and sustainable building technology alongside activities for increasing efficiency and environmentally responsible production. Activities have been continuously expanded and developed, also in partnership with other companies and partners, to reflect a holistic approach. Environmental and climate protection was established as a corporate objective. KPIs were implemented for targeted management and to measure the progress of activities. Phoenix Contact has also been operating an environmental and energy management system for quite a few years, supporting the achievement of objectives with ISO 14001 and ISO 50001 certifications.

As a founding member, Phoenix Contact joined the nationwide climate protection initiative and committed itself to the goals of climate protection and energy efficiency. This Excellence Initiative has grown to become a network of 46 companies, each of which is actively committed to climate protection, energy efficiency, and the economic use of resources. The initiative is sponsored by the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV), the German Federal Ministry of Economics and Climate Protection (BMWK) and the Association of German Chambers of Industry and Commerce (DIHK).

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At Phoenix Contact, the economical and considered use of resources is a matter of conviction. Preserving what has been achieved for future generations is essential. The Group uses rainwater wherever it can. It uses geothermal energy and waste heat to heat its buildings. Solar power is generated with photovoltaic systems on the rooftops of its manufacturing buildings. The economical use of compressed air in production, lead-free* production, and the recycling of valuable materials help to protect the environment.

€178 million

investments in 2021

€197 million

research and development in 2021

The Group's premises in Blomberg are also used for nature conservation, for example with suitable areas as flower bedding meadows. After sowing a mixture of flowers on a 5,000-square-meter field recently, now 12,000 square meters are being used for nature conservation. Remote and reserved area provide a natural habitat especially for insects and small animals.

Energy and direct emissions (GRI 302, 305)

Phoenix Contact supports the long-term goals of the climate protection agreement adopted by the United Nations in 2015. Since 2021, Phoenix Contact has also reinforced this as a supporting business of the KlimaWirtschaft Foundation (Climate Neutrality Foundation), committed to taking corporate responsibility in efforts to counteract climate change.

* in terms of RoHS Regulation: Below 0,1%

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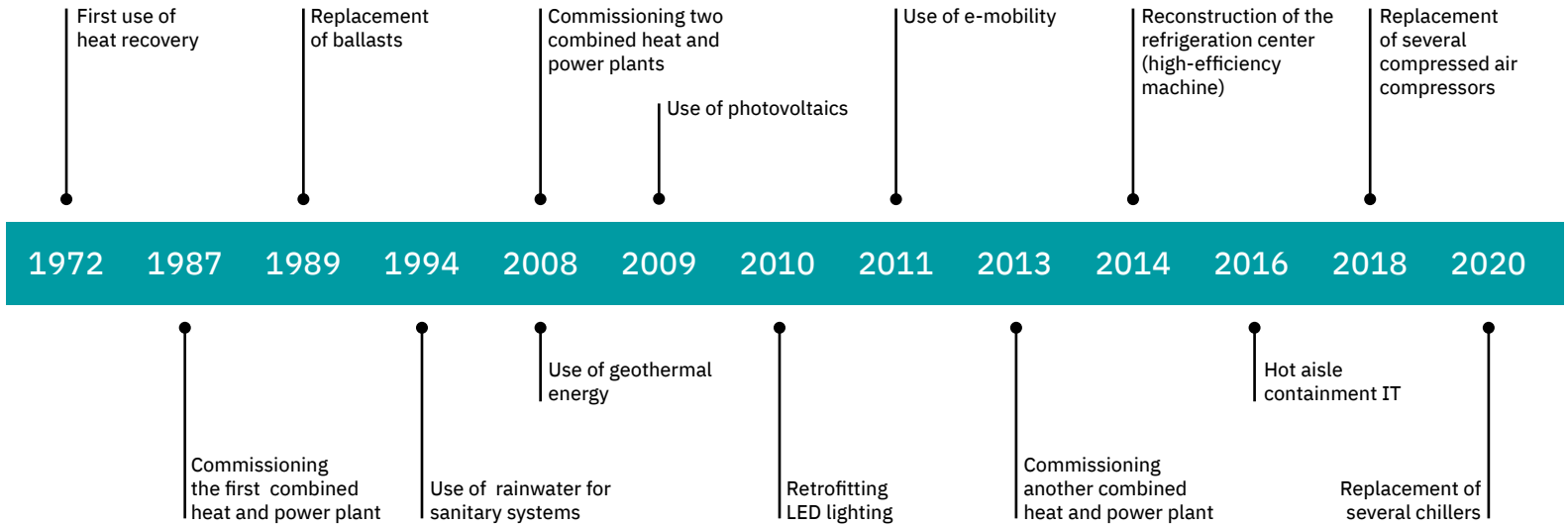
Phoenix Contact can have a direct impact on directly and indirectly generated carbon emissions (Scope 1 and 2 in accordance with to the Greenhouse Gas Protocol) and already took measures in this regard in 2021. In 2021, calculations showed a total of 101,244 t of carbon emissions in Scope 1 and 2. By switching to green electricity and offsetting carbon emissions, a major contribution to a carbon-neutral economy has already been achieved. Since the beginning of 2022, Phoenix Contact has been operating on a carbon-neutral basis for the power supply of its main locations

The actions steps the Group introduced to reduce carbon emissions that arise in Scope 1 and 2 can be broken down into four areas:

Increase energy efficiency

Energy in the form of electricity, cooling, or heat is used for production, development, and administration. Since 2013, Phoenix Contact has been operating an active energy management system in accordance with ISO 50001 for the three national locations in Blomberg, Bad Pyrmont, and Lüdenscheid.



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From electricity requirements to compressed air for production to heating and cooling of buildings, efficient and sustainable use is important to Phoenix Contact. Professional energy management supports the efficient operation of plants and buildings. As a result, numerous new energy efficiency measures are identified, evaluated and implemented each year. In the location in Nanjing (China), for example, circulation pumps were fitted with frequency converters to reduce energy consumption, and entire buildings were converted to LED technology. In Blomberg, two compressed air compressors were replaced with more efficient models and the lighting in all areas was converted to LED technology.

With its own combined heat and power plants, Phoenix Contact generates almost half of the electricity required for the Blomberg location and uses the generated heat and cold for production processes and building air conditioning. Not only that, but waste heat from production processes is used to heat office buildings. Moreover, the location in Blomberg uses geothermal energy to supply office space with heating and cooling.

The Group's proprietary Emalytics intelligent building management system is being used to implement the networking and automation of the office buildings. Energy consumption is constantly monitored and optimized. Even more energy can be saved by consistently replacing inefficient equipment, such as lighting, pumps, air compressors and chillers, and by shutting down ventilation systems with the aid of artificial intelligence. Continuously upgrading production machinery is yet another step to increase energy efficiency in production. Phoenix Contact relies on an electrical power storage system to increase the degree of self-sufficiency. In the past, after discharging due to a power peak, it was recharged even if there was no surplus available from solar energy. Using prognostic peak shaving, the storage unit is charged primarily with electricity from solar power.

One defined goal in the area of energy management is to save three percent of total energy consumption level of 2018 by implementing energy efficiency measures by the end of 2025. The degree of target achievement at the end of 2022 was 42 percent, which is within the target range.

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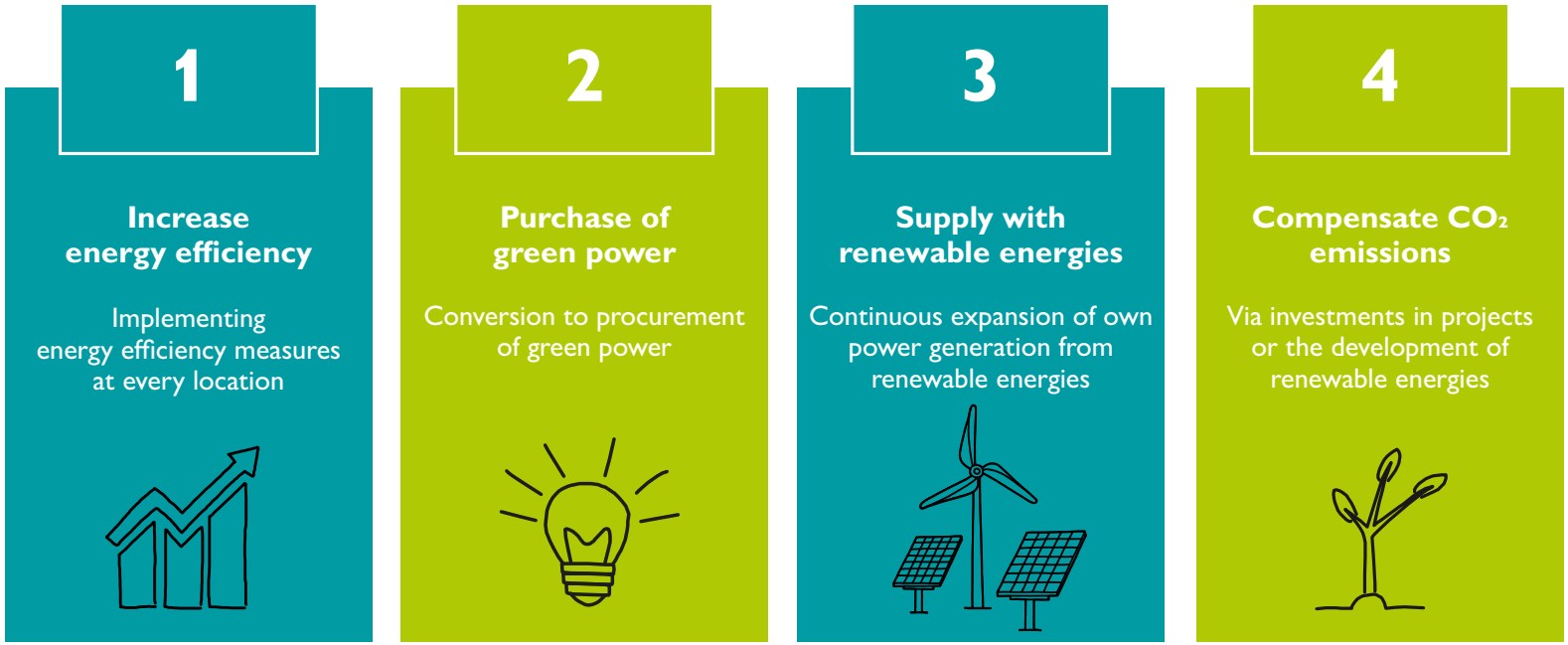
Purchase of green electricity

Since 2022, 100 percent of the electrical energy requirements of all of Phoenix Contact's main locations, more than 90 percent of the total, have been based on renewable energies from a combination of hydroelectric power, wind power, and solar power. This measure has made a significant contribution to drastically reducing, even avoiding carbon emissions altogether from activities at these locations. Likewise, the need for externally sourced energy is being steadily reduced by continuously expanding the in-house generation of renewable energy at many locations.

When purchasing green electricity, Phoenix Contact is especially focused on the quality of the purchased energy. To this end, the company relies on quality labels such as OK Power, EcoEnergy or Green-e, which ensure a range of quality criteria.



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Supply with renewable energies

The third pillar describes the continuous expansion of renewable power generation at our locations worldwide. The goal is to expand this supply with renewable energies consistently, covering at least 30 percent of the required energy with renewable energies.

In total, the rooftops of the buildings in Blomberg have a square surface area of 93,000 m². They are now to be used to launch a photovoltaic offensive. In the future, solar power will be produced on all roofs. Not only will this be implemented at the headquarters in Blomberg, but also at other locations in Germany and throughout the world.

Even the Phoenix Contact USA in Harrisburg, Pennsylvania, has a photovoltaic system installed. It consists of about 2,000 solar modules. The electricity it produces can potentially power 160 homes for a year. The system is controlled by the solar park management system from Phoenix Contact.

In total, systems with a capacity of almost 2,900 kWp were installed at the locations in Germany, China, India, Switzerland and the USA in 2021 and 2022.







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Compensating carbon emissions

Compensating carbon emissions has the effect of offsetting unavoidable carbon emissions. When selecting compensation projects, Phoenix Contact is guided by internationally recognized and independent certifications such as the Gold Standard in order to promote projects that serve the expansion of renewable energy systems. The plan is to continuously reduce the percentage of compensation measures to less than ten percent.

Transformation concepts are being prepared worldwide to ensure this. The main goal here is to reduce fossil energy consumption. Phoenix Contact is pursuing the vision of the All Electric Society and implementing it at its own locations, for example by converting heat generation to electrical energy.

Materials, transport and disposal (GRI 301, 306)



When developing and designing products sustainability is also considered. In particular, the choice of materials is a significant factor here. Materials and semi-finished products used have an impact on the energy balance of each product. As a result, the preference is for base materials that require little energy in production and thus cause fewer carbon emissions. Reducing the material variety, maintaining grade purity, and minimizing non-recyclable materials also ensure a higher recycling rate.

Over the past two years, Phoenix Contact has conducted a global analysis of its materials and services, calculating the impact of the materials and transport routes on the environment and their potential social risks.

In the global network, materials with a total weight of 341,198 t are used, of which 37,346 t are recyclable materials. The wide range of parts and components also uses direct raw materials. These are processed and refined into components and parts and thus remain in the end product.

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Sustainable procurement

Phoenix Contact's business is organized into business areas and business units depending on the nature of the market. The local subsidiaries of the Phoenix Contact Group have their own purchasing departments. This decentralized and local purchasing structure enables an extremely close cooperation with technical areas, in particular when developing new products for the various markets.

Overarching procurement activities are bundled into a lead buyer organization in a purchasing network that operates on a global scale, the Global Purchase Network (GPN), and are brought together under the Corporate Purchase umbrella. Decentralized, strategic purchasing departments are assigned to the main production plants and are also components of the GPN. This hybrid setup makes it possible to achieve regional diversification in the procurement markets and to implement management of strategic partnerships on local and global levels. Both are key contributors to a resilient supply chain.

A multi-country purchasing guideline, in which rules (binding requirements with 100 percent validity) and guidelines (locally definable framework) are defined and documented, forms the common framework for action. This ensures a common identity on global procurement markets. Workflows are efficiently created through digital and global supplier management. It is rolled out in the GPN, creating transparency through globally harmonized supplier processes, KPIs, and structures. This innovative approach was recognized in 2019 by the BME "Excellence in eSolutions" award.

Purchasing goods and services accounts for around one third of Phoenix Contact's revenue. One reason why this area is a particularly high priority for the Group.

Within the scope of its purchasing activities, Phoenix Contact has always been aware of its responsibility of having a major impact on society and the environment. Accordingly, sustainable action has been an integral part of the company-wide purchasing policy for decades.

Phoenix Contact's goal is to make the entire value chain (Scope 1 to 3) carbon-neutral by 2030. This goal can only be achieved in close cooperation with suppliers and partners. With this in mind, the carbon footprints for materials and commodity groups were identified in 2021 on

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the basis of comparable database values and the corresponding fields of action in the supply chain were identified via hot-spot analysis.

The information made available in this manner was processed. The collected data has been published in a dashboard for all GPN employees since 2022. This means that every strategic buyer worldwide has access at all times to the latest information on the carbon emissions of the suppliers in their product group, right down to the material level.

In addition, Phoenix Contact has started to integrate real primary data from suppliers into its calculations to gain even more transparency on the status in the supply chain. This will continuously increase the quality of the data in the coming years, actively managing the global carbon footprint in supply chains.

In support of the corporate objective, more than 100 employees of the Global Purchase Network were personally trained on carbon dioxide in supply chains in 2022. This knowledge has been used to communicate actively with more than 250 suppliers and to initiate transparency and reduction measures with regard to carbon dioxide.

341,198

metric tons of material used,

of which

37,346

metric tons of recycled materials

Since 2020, Phoenix Contact has been maintaining its own company-wide Code of Conduct. It basically defines the legal and moral guidelines for the actions of all employees. A Supplier Code of Conduct was drawn up for suppliers in 2022, which translates the Group's requirements into the supply chain. Starting in 2023, suppliers must also comply with the Code of Conduct in their purchasing contracts. Together with its suppliers, Phoenix Contact, is as such pursuing the goal not only of creating transparency in the value chain, but also of working in partnership on bridging the identified

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gaps.

Social responsibility plays a special role in the cooperation with suppliers. It is a principle that is firmly embedded in the process of preselecting suppliers, and also in their qualification, and in supply contracts. Phoenix Contact's high standards are consistently maintained with periodic supplier self-disclosures and a regular review of the certificates of strategic suppliers.

In 2022, Phoenix Contact selected Ecovadis to conduct in-depth analyses of its supply chain. Ecovadis is one of the world's leading providers of corporate sustainability rankings, analyzing more than 100,000 companies from around 175 countries and more than 200 industries. Phoenix Contact uses the results of these analyses to derive measures for risk avoidance in the supply chain.



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Plastic use

In 2020, Phoenix Contact processed 14,000 metric tons of plastic. Polyamide alone accounts for 10,000 metric tons of this amount. This material can be processed with a high degree of finesse and process reliability in injection molding. This means that assemblies can be designed to be ever smaller and more compact, reducing the use of plastic and thus the carbon footprint.

The Group has been applying re-granulation of plastic waste for a long time. The quality of a plastic and its potential use as a recyclate depend on the primary conditions of use. The result of complex material mixes, material aging, and contamination is that reliable reuse is not easily possible. The requirements for electrical products such as fire protection, voltage protection, and insulating current resistance pose major challenges for using recycled materials.

The products from Phoenix Contact have a long service life and for decades have typically been used in control cabinets. Recycling at the end of the product lifecycle is very costly and energy-intensive.

Special attention is therefore given to procuring and processing the various types of plastic in an energy-efficient manner. Process optimizations, such as shorter cycle times in injection molding production, will achieve even further reductions in the carbon footprint. Phoenix Contact is already using the first plastics based on renewable raw materials.

Initial steps are also being taken to use recyclable materials and substitutes. In 2022, for example, changes were implemented in the use of plastics in the area of polyamides, equating to annual savings of more than 900 metric tons of carbon dioxide.



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Packaging

When selecting environmentally friendly packaging, Phoenix Contact values a high degree of recyclability. In effect, this prevents waste, reduces generation, and avoids harmful effects. Unavoidable waste should be of a nature that maximizes recyclability.

Phoenix Contact primarily uses paper-based solutions for item and transport packaging and filling materials.

Corrugated cardboard is made from materials such as recycled paper and kraftliners, typically consisting of 100 percent fresh fiber. In 2021, the primary user of transport packaging switched to kraftliner replacement paper, which is made from recycled paper. The packaging management team checks the paper weights of the item and transport packaging at regular intervals. Over the past few years, efforts have been made to continuously reduce the weight of Phoenix Contact's standard packaging without sacrificing stability, As a result, 300,000 kg of packaging material was saved. Drop tests were conducted to identify oversized packaging, which were replaced with thinner or smaller and more



ecological packaging. A special carbon footprint calculator can be used to calculate and compare the environmental impacts of the item and transport packaging.

Paper alternatives (such as paper made of grass and hemp) and plastic alternatives (such as recycled plastic and sugar cane) are currently being tested to make the packaging more sustainable and reduce environmental impact. With no suitable and sustainable alternatives

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available on the market, conventional plastic air cushions were the most commonly used filling material for transport packaging for the longest time. Phoenix Contact has now decided to switch to a new paper alternative instead of plastic film, known as Paperwave. Inside, PaperWave is coated with a thin film of biodegradable potato starch. The outer material is made of paper fibers. In addition to PaperWave, a second filling material made of paper has become available: Padpak. This is paper that is compressed in a machine. Its unique folding and stitching process in the machine ensures the highly protective and shock-absorbent qualities of the paper padding.

When handling natural resources, employees are continuously made aware of the responsibility of each individual. They are also given the option to easily and anonymously communicate waste and areas for optimization to the department's sustainability team and packaging management team. Moreover, all employees undergo regular training on energy efficiency and environmental issues. Internal audits ensure a high level of transparency. Continuous monitoring and benchmark orientation provide an up-to-date overview of market developments.

Loading bins

Loading bins are reused for years and are an environmentally friendly alternative to cardboard boxes. Moreover, the customer does not have to worry about disposing them. This is why the loading bins are used at Phoenix Contact as standard containers for worldwide shipping. In the past, they were outsourced for cleaning with a service provider. Because demand for the containers increased, in-house cleaning capacities were created at the Schieder location. This eliminates kilometers of travel by truck between the locations and the cleaning service provider. The new system is particularly efficient in terms of water and energy consumption.

The fill levels of the loading bins are continuously optimized in order to use the volume to its fullest. To make the operation even more environmentally friendly, loading bins made of compound material have been in use since 2021. They consist of 50 percent postconsumer recyclates from Germany's plastic recycling plan and 50 percent postindustrial recyclates. This ensures that recycled plastics are returned to the cycle of use.

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Logistics

Phoenix Contact uses the SkyLab dashboard to ensure transparency in the carbon footprint of the Group's logistics.

SkyLab is a system-integrated method designed to illustrate transport carbon emissions. Carbon emissions are calculated based on master data information relating to distance and a carbon factor, which is dependent on the type of transport carrier. The related carbon emission costs are determined by multiplying them out using a carbon dioxide price, which is set annually by the German government and will increase exponentially over the next few years.

As such, the dashboard is used to monitor outbound carbon emissions and analyze carbon emissions trends.

Best Shipping Instructions are used to reduce emissions during transport.

This is a system-integrated method used to determine the optimal transport route in intercompany business between the headquarters and subsidiaries outside Europe. The method compares transport costs with the costs of holding higher inventories (capital commitment costs). It provides as a result a shipping recommendation with the most effective transport route from the perspective of the Group. BSI supports the overall objective of reducing both freight costs and carbon emissions, leading towards a more sustainable and balanced supply chain.

In 2021 and 2022, initial measures were successfully implemented, which shifted the share of air freight to sea freight. In addition, steps were taken to successfully decentralize transport routes, thus avoiding unnecessary travel. With these measures, more than 2,500 t of carbon emissions were reduced.

Disposal

The Blomberg location has not only several production units, but also larger administration and logistics areas. These different units generate quite a bit of waste. This waste is collected as separate material by applying a clearly defined disposal concept. The disposal concept includes separating more than 90 types of waste and is based on years of experience and continuous optimization. The concept aims to ensure safe disposal in terms of sustainability and economic aspects. National production companies have

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been disclosing information on waste and its composition in management reports for almost ten years. Since 2021, the data collection network is in the process of being rolled out across the Group.

In 2021, Headquarters has successfully reduced its share of commercial municipal waste from 4.69% to 4.27%. The percentage of commercial municipal waste has also been consistently reduced at the Schieder and Bad Pyrmont locations.

With a major increase in purchase orders in 2021, the percentage of metallic production waste such as non-ferrous metals and copper has increased. To promote sustainable materials and a circular economy here as well, materials are fed into a chipping cycle and processed for reuse. In 2021, the volume of reworked chips grew by 150 metric tons compared to the previous year.

Along with the direct materials for production, auxiliary materials and products are also evaluated and selected in terms of their sustainability.

In an effort to make employees more aware of the topic of waste management and to sensitize them on how to avoid and also sort waste at the workplace, each employee completes an online training “Environment and Energy” once a year.

Corporate Carbon Footprint

(GRI 304, 308, 314, 408, 409, 414)

With its carbon-neutral power supply of the main locations, Phoenix Contact has reached a first important goal. Plans are in place to continuously expand these activities, thereby also reducing emissions outside the direct sphere of influence in Phoenix Contact’s upstream and downstream value chain, for example, at supplier and partner locations or in logistics.

This is why in 2021 the Group made an initial estimate of Scope 3 emissions for 2020.

Carbon emissions were initially not determined on the basis of primary data but instead with the aid of statistical models and databases. Considering the entire value chain (Scope 1 to 3), this results in a carbon emission volume of 700,000 t with sales revenue of €2.4 billion for 2020. Carbon emissions and sales revenue in 2021 increased to 820,000 t or €2.97 billion, respectively.

For the footprint, the primary information in Scope 1 and 2 was collected and converted

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into carbon emissions on the basis of regional conversions.

For Scope 3, freight volumes and means of transport based on the emission factors from the standard were used to determine and evaluate the inbound and outbound logistics routes.

The area of materials, services and also investments was determined based on purchasing volume and data available relating to industry-typical emission factors.

The current footprint does not include the usephase of the products.

Building on this basic data, Phoenix Contact has collected additional primary information from the supply chain so as to track the footprint in more detail, while also tracking its year-by-year development resulting from steps taken in the supply chain.

The increase in absolute carbon emissions can be explained by increased air freight volumes coupled with simultaneous growth in 2021. The ongoing pandemic, closed seaports in China, congested ports in Europe and the U.S., and the blockade of the Suez Canal led to massive delays in transit times. This resulted in a shift in the mix of transportation modes: Upstream and

0.292

kg carbon emissions per € in 2020

0.276

kg carbon emissions per € in 2021

downstream supply chains increasingly relied on air freight to ensure faster delivery and prevent production downtime. Moreover, shortages in the materials sector resulted in smaller express and air freight shipments.

The excellent growth can be directly attributed to higher product sales. This has also brought about an increase in the materials required and accounts for the increased carbon footprint.

In the coming years, the greatest objective will be to successfully decouple and reduce the carbon footprint despite further growth. While the footprint of products is reduced, the focus will be on their benefit to a more sustainable world.

The functions and applications of products

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in solutions is the biggest driver in achieving sustainable objectives.

Phoenix Contact takes this responsibility seriously and implements it accordingly in the quality of its products.

Product responsibility (GRI 416, 417)

The Group sets high standards for its products and solutions. The focus is not on quality alone, but also includes innovation, which is understood as the ground-breaking bridge to the future. Processes are consistently aligned with this in mind. Phoenix Contact aims to ensure a comprehensive and effective quality management system that extends to include not only production, but even further to the business processes involved and the aftersales services. The systems and processes are tested and certified a number of times over. Internal and external audits regularly monitor their implementation and effectiveness.

Research and development (R&D) are highly valued at Phoenix Contact. Expenses for R&D at the Phoenix Contact Group were close to €198 million in 2021, equating to a ratio of around seven percent. Compared to the level in the previous year, the number of employees for R&D increased by 151 full-time equivalents (FTE) to 1,654 FTE. In total, more than 100 new patent applications were filed for the first time. Over the long term, Phoenix Contact is above the industry average in this respect. The Group's volume of patents is a testament to its innovative strength. Over the last 100 years of company history, a continuous range of products and solutions have been developed, providing users with the means to use energy efficiently and apply new processes and materials.

Environmental Compliance Standard

With respect to environmental protection in production, Phoenix Contact makes every effort to avoid the use of questionable substances in its innovative product portfolio. The Phoenix Contact Environmental Compliance Standard is mandatory for all suppliers to ensure that they follow these requirements. This standard represents a global minimum for compliance with legal requirements with respect to the ingredients in delivery items that remain in the products. Phoenix Contact regularly assesses the trustworthiness of its suppliers and requests

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information on regulated ingredients in materials. Laboratory analyses are also performed to check materials with respect to questionable substances. Once new materials are qualified, they undergo a rigorous evaluation process to assess their ingredients. This ensures conformity with legal requirements such as EU Directive 2011/65 on the restriction of the use of certain hazardous substances in electrical and electronic equipment – where possible, without using an exemption to the restriction in Annex III of the Directive – and also the REACH Regulation (EC) No. 1907/2006. Materials containing substances classified as SVHC (substances of very high concern) in accordance with REACH are, by rule, approved on the basis of legal requirements only if no alternative materials are available.

Product safety

The safety of Phoenix Contact's products is the highest priority and a central component of the Group's quality standard. The comprehensive quality assurance measures include extensive tests during the development phases and quality controls during production. A wide range of product safety and quality tests are performed at in-house laboratories, many of which are accredited by the German National Accreditation Body (DAkkS). This is how Phoenix Contact is able to ensure both the high quality of our products and solutions and their compliance with all relevant international regulations and standards. The Group complies with all relevant product safety laws and the directives and standards embedded in them. Moreover, the Group has many of its products tested and evaluated by independent bodies such as Underwriters Laboratories (UL) or Germany's Verband der Elektrotechnik Elektronik Informationstechnik e. V. [VDE; Association for Electrical, Electronic & Information Technologies]. (VDE) tested and evaluated.

In the age of digitalization, data protection is also becoming increasingly important. The products from Phoenix Contact feature a variety of safety functions. The Product Security Incident Response Team (PSIRT) tests the devices extensively for security vulnerabilities and publishes security updates. Phoenix Contact offers its customers standardized security in products, industry solutions, and services for the future-proof operation of machinery, systems, and infrastructures. Security is firmly rooted in

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the entire life cycle of the products and solutions. Long-term availability of necessary updates also means that the components have a long usephase. Product development is in accordance with certified processes in compliance with IEC 62443-4-1. Security measures are implemented, verified, and documented on the basis of a threat analysis.

Product Environmental Footprint

Since 2021, Phoenix Contact has also evaluated its products from the perspective of environmental impact by calculating the Product Environmental Footprint. Here, the Group follows the guidelines of EF3.0. Originally, it began by evaluating a representation of technologies in the largest product families.

By mapping the methodology in the Group's systems, the calculation of the products can be continuously extended to the entire portfolio, and soon, the results will also be available on the website.

Given the increasing transparency and accuracy of carbon emissions in the value chains, data for the Product Environmental Footprint is also becoming increasingly more precise. Using a quality indicator, advances in data accuracy can be reported and also tracked on the Product Environmental Footprint.



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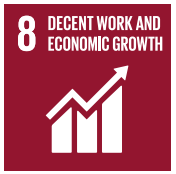

As the world market leader for electrical and automation technology, actions at Phoenix Contact are shaped by innovation, curiosity, and courage. Despite the current size of the Group, its values of a medium-sized family business are still alive.
Phoenix Contact combines a common-sense approach and consistency with a passion for the latest technologies. Our dealings with each other are based on trust and partnership, with business and social partners to the same extent as with works councils. The Group's staff enjoy a work environment known for its mutual appreciation and room for creativity. They are given a sense of purpose, which inspires their commitment to the Group. This ensures the sustainability of decisions and provides confidence.

The award ceremony of the WEEF (World Ethical Electronics Forum) at the electronica 2022 trade show demonstrated that Phoenix Contact's corporate ethics are appreciated in the overall context of sustainability.

With its Corporate Principles, the Group has defined basic principles in how it deals with its own employees, and likewise with its customers and partners, as a matter of course. When it comes to implementing the corporate strategy, the Group fully understands that it can only inspire the employees and partners needed for making the necessary change by offering excellent working and general conditions, ensuring in this manner that the strategy can in effect be implemented. Phoenix Contact is regularly recognized with awards for such working conditions, which have proven to be a success factor for achieving profitable corporate results in the past, ensuring corporate growth, and they also represent a commitment for the future.

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Working in the company (GRI 401)



As a family business, Phoenix Contact places high value on fair and social interaction. It wants to ensure that its employees are physically and mentally well. One service that has been offering trustworthy support in this regard for more than ten years is in-house social counseling. It is available to help with professional and personal questions or problems. Social counseling provides a confidential environment to help employees, and also their family members, in dealing with personal problems or in cooperating with external agencies such as debt advisors or long-term care counselors. Employees can also attend tailored seminars on topics such as how to achieve a work-life balance. Health measures such as an in-house vaccination program during the Covid pandemic are part of the Group's care assistance services.

Because Phoenix Contact cares about the well-being of its employees, it is especially committed to providing working conditions and an environment in which everyone feels comfortable and enjoys working. This includes after-hours get-togethers, such as a family day at the location in China or a children's day that is offered at the location in Poland.

Flexible working hours ensure a good work-life balance. Basically, instead of rigid schedules, flextime without core hours allows employees to organize their work phases and breaks as they like. In Germany, full-time employees are entitled to 30 days time off per year. Employees covered by collective bargaining agreements also have the option of reducing overtime on a per-day basis and combining it with time-off days. Moreover, employees are granted special leave for certain personal events. In a global context, Phoenix Contact also places importance in ensuring that employees are to meet their family responsibilities flexibly. In particular, this includes offering paid parental leave or care days for family members, for example in China.

In general employees are provided flexibility not only in terms of time, but also in their choice of work location to the extent allowed based on their work assignment. A mix of working at the Group and working from home combines on-site teamwork and the benefits of being able to work in a private environment.

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Even before the pandemic began, various forms of mobile working options were made available. Phoenix Contact is taking the next logical step in this rapidly changing working world. Its "RemoteWork@PhoenixContact" concept is based on making the work world even more flexible and personalized. In doing so, the Group is responding to the increasing complexity, densification, and interconnectedness of its employees personal and work lives. Employees are able to work flexibly a large part of their work on a mobile basis. Each company within the Group can allow for deviations.

Work and personal life can be brought into balance for each employee individually on the basis of this flexibility. Here, key success factors include a well-developed culture of trust, responsibility, professionalism, in-depth communication, and a focus on results.

All Phoenix Contact employees are subject to the same basic requirements. A general corporate policy summarizes the basic guidelines of the concept. Given the size and decentralized structure of the Group, Phoenix Contact has clearly understood that there is no "one size fits all" solution that can be applied to each employee equally. This is why a "Team Charter" is being developed based on the generally applicable framework that defines the possibilities and limits of remote work at the individual team level. In this context, what is important is that employees also identify with the Group as a result of physical proximity, that working locally is experienced as an added value, that employees enjoy coming to work, and that the working relationship remains personal.

Collective bargaining agreements are in place for a large number of locations in Germany. In each of them, comparably favorable operating conditions are offered. In addition, numerous company agreements ensure that employees enjoy better conditions than those required by law. Other than works councils on a local level, a Group works council has also been installed. The works councils closely coordinate with company management. In addition to the regular company meetings, managers in the divisions report regularly while content and news are published and shared on the intranet. The works councils are also actively involved.

Transparency, information flow, and participation are generally deemed important

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elements of communication, which contribute to a culture of trust.

Employees are continuously involved in the form of regular communication and information. Employees are informed of benefits or, for example, the payment dates and composition of payments on the intranet and with postings. The Group Executive Board (GEB) regularly publishes podcasts, explanatory short videos and information on strategy topics are made available, and employees provide personal statements on current topics.

Communication on the intranet is designed to be as open as possible, ensuring that all contributions can be commented on, openly discussed, while questions are asked and answered.

Tools used to communicate with employees range from daily intranet articles, GEB podcasts, legally regulated company meetings and committees, for example relating to occupational health and safety topics, unit-specific discussion groups in all areas of the Group, to postings on social networks, panel events and theme days, on digitalization or innovation days, for example.

Company pension plan

Phoenix Contact gives priority to providing for its employees when they reach retirement age. To maintain the standard of living after entering retirement, Phoenix Contact offers direct insurance, benefits funds, plus the option of paying into traditional savings agreements.

Attractive pay

Phoenix Contact offers above-standard benefits at locations covered by collective bargaining agreements or comparable company benefits.

Part-time employees also receive all company benefits proportionate to their working hours. Collectively agreed benefits such as retirement benefits, vacation pay, and Christmas bonuses may differ for temporary workers.



The workforce’s enthusiasm has led to Phoenix Contact once again being one of the top employers in Germany in 2022. Ranking in 19th place, Phoenix Contact is one of Germany’s

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TOP 20 employers. One of the factors that convinced the Top Employers Institute was its hybrid leadership concept. This concepts provides managers the tools they need to support their teams remotely in the long term.

Employee development (GRI 401, 404)

After a successful application process and at the start of a new career, there is anticipation, curiosity, and, of course, many questions. Phoenix Contact strives to make a start in the Group as smooth as possible for new employees, while encouraging the new hire to identify with the Group and cooperate with its goals, especially as the Group grows in size.

In 2021, the “Onboarding Journey” was introduced in Germany to further develop the onboarding experience. Its centerpiece is a multimedia concept that allows new colleagues to gradually become acquainted with their colleagues at Phoenix Contact and in various formats. Another new feature in many Phoenix Contact companies is that the “Journey” does not just start on the first workday at the company, but well before that with “preboarding”. This process gives future employees an impression in advance of how the company is set up. They are familiarized with the various Business Units and locations, allowing them to become integrated in Phoenix Contact early on.

In addition to a personalized induction by the manager and the team, as part of the “Journey”, Phoenix Contact offers many central building blocks that offer the new hires the best possible support as soon as they walk through the door. The onboarding program makes it possible to get to know the company, culture, and general managers in detail. It also enables employees to build up a strong network right from the start, which will undoubtedly benefit them later in their day-to-day work.

Basic and further training



Basic training and further education have a long-standing tradition at Phoenix Contact, because as a technology and future-oriented company, well-trained employees are the basis for Phoenix Contact to achieve its corporate goals. Especially in environment of electronics, automation technology, and digitalization,

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technology is constantly evolving and knowledge and skills must be continuously further developed. Networked and holistic thinking are becoming increasingly important. Regular performance reviews are held in all German companies and, in many companies, performance reviews are defined in collective bargaining agreements and already applied on this basis.

The tradition of the Group's own apprenticeship in more than ten specialized professions began in the 1950s, coinciding with the start of the Group's own production in metal and plastics as well as in machine building. Since then, many generations of skilled workers and dual-study students have started their careers at Phoenix Contact. More than 3,500 successfully completed apprenticeships can be counted at the headquarters.

Since the end of the 1980s, our in-house HR development scheme has offered a wide range of internal advanced training programs focusing on the importance of lifelong learning. All generations of employees regularly participate in advanced training offers to improve their specialist and management expertise as well as social and methodological skills. Since 2016, the Training Center has been the home of our trainee workshop, seminar and training rooms, and coworking spaces.

The learning programs offered are also constantly being adapted to future requirements. For example, Phoenix Contact recently introduced the dual degree program in digitalization engineering.

The number of apprentices and dual students in Germany has almost doubled in the last two years, as both have long been recognized as a key factor in countering demographic change. 230 openings are planned for the next training year.

Phoenix Contact's corporate culture is defined by trust and the development of employees to achieve agreed targets. This is and always has been a guiding principle of the Corporate Principles and an essential basis of day-to-day interactions. As a company, Phoenix Contact offers even more opportunities for career and personal development. Apart from traditional training formats, LinkedIn Learning, an additional digital learning program with more than 16,000 content modules, is offered worldwide.

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The LinkedIn Learning platform gives employees around the world the opportunity to search for the most suitable videos from a wide range of learning videos – and especially when they are faced with a specific challenge or, for example, are seeking to further their education in their professional field. They can use LinkedIn Learning without membership in the LinkedIn career network.

Employees are given the flexibility to choose for themselves how much time they spend learning with LinkedIn Learning. With LinkedIn Learning, employees may take time to learn during work hours, provided it is useful and necessary for current or future work tasks. Pilot projects were initiated in coordinated with the Works Council in order to ideally implement this in the automated production environment as well.

At Phoenix Contact, trainees and dual-study students are encouraged to think outside the box and be creative. One example is the CONTACTless internship, which was the brainchild of trainees and implemented by them. In September 2021, the trainees won an award with it in the Trendence competition for the best recruiting campaign for high school



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students. The project was launched to be able to offer an additional program in the form of an internship despite the difficult conditions during the pandemic. This offers learners in their career exploration phase an alternative to the traditional internships. Since 2006, trainees and dual students have managed their business areas on their own, such as internships for high school students and career guidance measures for young adults. In the process, they learn a lot about marketing, controlling, self-presentation and cooperation in their “Junior Business Unit” based on this practice. Recently, they have also become increasingly involved in the design of the Group’s social media channels with creativity and passion and they are familiar with how to address the target groups appropriately. Trainees are also introduced to the topic of sustainability in a practical way and can work out specific SDG topics in small projects, which are then presented to the Executive Board. In general, attention is paid to being on an equal footing with management and joint workshops are held with supervisors. This is also already planned for topics such as anchoring the Group’s purpose in its management work.

In addition to the classic apprenticeship and the dual study program, there are a number of other programs for learners that are constantly being supplemented and expanded. The programs offered range from orientation programs for young adults in the form of “gap years”, in which they are given the tools to discover their talents, to specialist trainee programs such as “Connections”, which offers a permanent employment contract and exciting rotation opportunities. It also includes periods abroad at company locations worldwide.

In all the programs, the element of “connections”, which underscores the character of Phoenix Contact, can always be found as a common thread. That is to say, of particular importance is the ability to network and cooperate, on an international level as well. For example, “Leadership Weeks” are offered annually, with content such as leadership in diverse teams and topics such as “Unconscious Bias”, which was developed in collaboration with employees at headquarters and international locations and conducted with managers

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internationally. In Poland, a new management program, the “Managers Academy”, is planned to support managers at all levels with instruments and tools in their task.

Diversity and inclusion (GI 405, 406)



The corporate culture of Phoenix Contact is an essential value, especially the trustful interaction with each other, mutual appreciation, and equal treatment of all employees.

The corporate values and Phoenix Contact’s Code of Conduct form the company-wide guidelines for promoting diversity and equal opportunities and taking action against discrimination.

> Corporate responsibility

By signing the Diversity Charter in 2009, the Group reinforced this attitude to the outside world as well.

charta der vielfalt
Für Diversity in der Arbeitswelt

The Code of Conduct makes it clear that interactions are characterized by fair, respectful, and considerate conduct, equal rights, and equal opportunities. Phoenix Contact strongly opposes inappropriate behavior towards others, bullying, for example. It will not tolerate any discrimination, be it based on ethnic origin, gender, religion or beliefs, disability, age, sexual identity, or any other reason.

The same pay is behind each job profile, regardless of personal characteristics such as gender.



Employees have several options to report potential violations. AGG officers (AGG – General Equal Treatment Act) are available to employees as contact persons at all German locations. Other contacts include managers, local works councils, or staff members of HR.

To promote women in technical professions, networks such as Ingenious at the Blomberg location and a MINT women’s network in the USA have been set up and are supported by the Executive Board. The networks provide valuable impetus for the further development of Phoenix Contact in a modern working world and, among

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other things, are committed to teaching technical knowledge in kindergartens and schools. The Group also strives to inspire enthusiasm for technology, while replacing outdated role models by participating in campaign days such as Girls Day and organizing the teaching of technical content in schools by its own employees, trainees and students.

More than 20,000 employees work for Phoenix Contact in more than 50 different countries worldwide. This diversity of nations is also reflected in the culture at Phoenix Contact. An open corporate culture is practiced and diversity from different cultures, genders, life experiences, and ages is valued.

Not only that, but the Phoenix Contact locations in Germany employ staff members originating from 50 different countries.

Seven percent of the workforce in Germany is made up of employees with significant disabilities. Their interests are supported by a professional representative body for significantly disabled employees.

Phoenix Contact sees the talents of its employees and their attitudes, characteristics, and facets of individuality as a strength. Diversity is seen as a driver of innovative strength and key to its corporate success. The Group continuously reviews the tools and instruments it uses to attract, develop, and retain new hires in an effort to find ways to welcome diversity and reduce potential barriers. Specifically, this is done by collaborating with stakeholders within the Group, such as within the sustainability network or the Ing'enious women's network, in dialog and with the support of management, but also external institutions, which provide support in the form of inspired ideas and cooperation. Employees participate in initiatives by sharing their own perspective on diversity within the Group and outlining what can be contributed. Recently, the Group launched a global talent management project. In 2022, Phoenix Contact jointly developed a diversity module for executives for the first time as part of global "Leadership Weeks" and implemented it together for an international group of managers. In this context, the many years of experience of American management in this area were drawn upon and jointly offered to a team of international managers.

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Occupational health and safety

(GRI 403)

The topic of occupational health and safety is a top priority at Phoenix Contact. The management system is continuously improved, measures aimed at minimizing risks are derived and permanently monitored. In addition, annual targets are defined that also serve to protect employees. As part of its sustainability strategy, Phoenix Contact has set itself the goal of ensuring that any accidents, technical, organizational, or otherwise, are prevented. Work accidents as a result of improper behavior are counteracted through training.

Phoenix Contact has established a standard set of basic conditions throughout the Group to ensure that all production sites comply with legal requirements and implement company-wide standards and processes. This basic framework is certified in the area of occupational safety in accordance with ISO 45001. Regular internal audits review compliance with the specifications and uncover potential for improvement.

In order to be open for the future integration of requirements and to utilize the synergy effects of interdependence, a process-oriented integrated management system was developed and introduced. A Group-wide system is in place to ensure that corporate policy is transparent, that objectives are defined, and that the necessary processes, competencies, and responsibilities are clearly defined. The requirements are set out in the documented information.

At Phoenix Contact, potential hazards are identified, assessed, and, if necessary, measures are introduced. Given the very specific situations at each of the locations, different approaches may be applied to identify hazards.

At the headquarters in Blomberg, managers identify the hazards together with employees and specialist personnel (for example, an occupational safety specialist). They identify the risks for employees in terms of occupational safety and preventive health protection at work and define the protective measures in accordance with the STOP principle (substitution and technical, organizational, and personal protective measures). Careful planning and selection of machines, activities, and work processes eliminate the need for substitution in these cases. When dealing with hazardous substances, identifying potential substitutes for hazardous

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substances is part of the hazardous substance procurement process. Potential hazards are reduced so that the work in the Group does not pose any danger to the employees.

Service providers working on company premises receive special instruction and training on safety conditions.

Processes are also in place worldwide to identify potential health hazards at the workplace. For example, in China, the aspect of the employee's individual workload is a fixed review component in the process.

Health services

The health of its employees is very important to Phoenix Contact. The Group has been supporting exercise and healthy behavior by offering company-sponsored sports programs since 2004. Since early 2022, Phoenix Contact has been working with the Wellpass network for company fitness, and in doing so, is responding to the request of employees to be able to exercise anywhere, regardless of location.

With a EGYM-Wellpass membership, employees can exercise at 4,500 participating facilities in Germany. EGYM-Wellpass also offers a wide range of online classes. Employees pay only a small personal contribution, which is considerably lower than the usual gym membership rates.

Phoenix Contact also currently maintains several different company sports groups, most of which are aimed at employees at the headquarters in Blomberg and the surrounding regional companies:

The programs offered range from water sports to ball sports to archery, running groups, cycling, and gliding.

The Group sports groups are run by dedicated employees in their spare time, and the various programs and contact persons are published in the relevant sections on the intranet.

In addition, the Group supports regional and cross-regional participation in company marathons by providing jerseys, catering, donated prizes, and starting fees.

The Group's own event management team coordinates and supports sports events, such as participation in company marathons. All activities are published in an event calendar on the intranet.

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In-house tournaments are also held regularly with the participation of numerous employees, including those from international locations, or groups participate as a company team in cross-regional competitions such as the dragon boat regatta.

Employees are also motivated to take part in urban environmental activities and sports activities close to home by forming company teams and publicizing the event on the intranet. For example, the “Stadtradeln” (city cycling) event was recently held in several cities. The aim of Stadtradeln is to draw attention to the bicycle as a sustainable means of transportation by holding a competition between teams and municipalities. During the course of a multi-day campaign period, teams consisting of members of the community and local politicians covered as many kilometers as possible on their bicycles, both to get to and from work and for personal reasons.

Time and again, employees also connect sports activities with community involvement, whereas other employees often take part in those community activities. The Group provides regular information on this on the intranet.

Many activities are held at the headquarters in Blomberg. However, some more distant locations also have their own company sports groups, in Herrenberg near Stuttgart, for example. This location also offers participation in a marathon group, Nordic walking, and soccer teams.

Every year, in cooperation with health insurance companies, health days are held at several locations on rotating topics such as nutrition. Employees can take advantage of services such as individual health checks, advice, and information. Employees can take advantage of the programs offered during working hours.

Under the heading “Occupational safety and health protection,” the intranet also regularly



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features health-related information, such as the introduction of a new skin protection concept in many parts of the Group. This concept includes special protection against harmful effects of the production process to the skin, such as resins, greases, or dust.

At the headquarters in Blomberg, short relaxation massages and yoga sessions can be booked at favorable rates during breaks. Relaxation loungers are also available.

At international subsidiaries as well, good use is made of sports facilities at work, for example in India. (see figure)



Digital consultation hours are offered on all aspects of occupational safety and health protection. They are prepared several times a month by the occupational safety specialists at the locations in Germany under rotating key topics (risk assessment, for example). Since 2022, a new occupational medicine duo has been lining up to further expand occupational medicine services for staff members in Germany. In addition to the plant's in-house senior occupational physician, a company doctor has also taken up position at the Blomberg location to deal with the issue of prevention.

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Social commitment (GRI 413)

Phoenix Contact also demonstrates social responsibility by creating secure jobs with its solid, self-financed growth. The Group not only takes responsibility inside the factory gates, but also within a social context by providing sponsoring to support charitable initiatives as well as promoting art, culture and sport.

Phoenix Contact is passionate about technology. The Group strives to pass on this passion, attract young people to technology, and nurture existing interest in technology. As such, Phoenix Contact collaborates with partners in education and training, business, associations, and politics, on both a national and international level. The Group will be awarded an “Inventors’ Award” for the first time ever in 2023, which regularly recognizes the innovative strength of employees in the future.

Phoenix Contact is a member of networks and has started its own initiatives. The Group also holds competitions and participates in educational projects. Phoenix Contact is also involved in the development of media in the education sector and works to make knowledge accessible. How technology and innovation are repeatedly combined with a good cause can be seen, for example, in partnerships such as the one in place since June 2022 with the Burkina Faso Institute of Technology (BIT), a private university in Burkina Faso. The objective here is to provide access to quality education and to promote the development of entrepreneurs with promising ideas. The construction of a new electronics laboratory was one of the first steps that Phoenix Contact actively supported. Specifically, the Group is providing technology and furniture for five new e-lab stations. Future plans also include offering internships at Phoenix Contact. Moreover, local initiatives are being organized around the world. For example, in China, innovation competitions are held for students as part of the “Phoenix Contact Smart Technology Innovation and Application Competition”.

Phoenix Contact Charitable Trust

The spectrum of projects funded by the Phoenix Contact Charitable Trust focuses on scientists looking for funding options for their projects and on the scientifically interested general public.

The philosophy of the corporate foundation is

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to support projects and research in the field of natural and technical sciences that are defined by topic and limited in time. Klaus Eisert as one of the founders and and board of trustees find it inspiring to exchange ideas with young researchers during their scientific work and to witness the progress. The charitable trust has been involved in the field of institutional research since 2007 at the Institute for Industrial Information Technology (inIT) of the Ostwestfalen-Lippe technical University of Applied Sciences. Primarily with the foundation's support, it has quickly developed into a leading research institute. In Germany, the institute has realized the first Science-to-Business Center CIIT in the field of intelligent automation, established the research factory SmartFactory OWL together with the Fraunhofer Gesellschaft research organization, and established the Fraunhofer Institute and company. The charitable trust continues to be involved in individual sponsorships by offering doctoral scholarships in electrical engineering and machine building. To ensure that Germany's technical advances remain at an international level, applied basic research on topics related to production, electrical, and automation technology is being funded at several German universities. Many different disciplines are sponsored in the field of machine building. Supporting international congresses with the "Cross Border Studies Program" is also important to the charitable trust. Young students should have the opportunity of becoming acquainted with new countries and cultures, to study with people who speak a different language, and thus to experience life outside of their comfort zone.

xplore competition – international effort to promote technology and education

The xplore Technology Award is an international technology and education competition organized for over 20 years and firmly embedded in the Phoenix Contact's DNA. Its purpose is to invite schoolchildren, students, trainees, and young professionals to come up with technical solutions to various challenges in a creative way with the aid of Phoenix Contact products and solutions. All subsidiaries worldwide are invited to participate in the competition by offering their knowledge and consulting with the teams. This ensures that each team can find a contact person with whom

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they can share information in the local language. The 100 best project teams receive technical components and systems from Phoenix Contact and are invited to implement their ideas. After completion of the implementation phase, an expert jury determines the five best teams in each category. These teams and their projects are invited to Germany, where the teams present their work. The jury decides live and in person who the winners are in each category. In addition to being awarded outstanding prizes, the winners also have the opportunity to present their automation solution to a large expert audience.

The latest competition that began in 2022 is themed “Technology Award for a sustainable world” and reflects the Group’s purpose, which was set out in writing for the first time, as well as the strategic direction of the All Electric Society. The competition is looking for technological solutions for everyday life – both at home and at work. The idea here is to integrate the topics of smart building, smart infrastructure, e-mobility, and educational solutions for the world of tomorrow.

OWL Study Fund

Phoenix Contact sees the promotion of young talent as a community project. One way of promoting young talent is offered by the Studienfonds OWL foundation, a cooperation project unique in Germany made up of an alliance of five universities. Students in OWL are to be provided with tangible and intangible support. The objective is to develop a network between sponsors and sponsored parties and thus to raise the profile of OWL as a business location. The financial support provided by Phoenix Contact focuses on the so-called Deutschlandstipendium scholarship, supporting three students through the Studienfonds OWL foundation each year with €1,800. Alongside financial support, Phoenix Contact also participates by offering intangible support. This latter offers the advantage of connecting with students through various event formats, such as scholarship celebrations, networking events, lectures, etc.

Partner events with other companies highlight topics such as modern working environments. Lectures, collaborative development of ideas, and workshops round off the events offered.

In addition to participating in the Studienfonds

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OWL foundation, Phoenix Contact also sponsors one more scholarship holder from each of the selected universities. In general, the Group regularly looks at university rankings and coordinates internally which – also new – study programs are of interest to the departments. Several international subsidiaries have also already initiated various sponsorship programs, providing targeted support for schoolchildren or students. For example, the subsidiary in Brazil partners with the German-Brazilian Chamber of Industry and Commerce and other cooperating local institutions. The objective here is to prepare women from disadvantaged social classes in particular for the labor market by offering a fifteen-month dual training program. In 2022, even more women participated in the program, so there is continuous funding.

Respecting human rights

The Code of Conduct, which explicitly includes the ILO labor standards, applies throughout the Phoenix Contact Group. Moreover, all subsidiaries worldwide are included in the process of adhering to all duties of care obligations in accordance with the Supply Chain Due Diligence Act. Phoenix Contact refers to the policy statement. > Policy statement





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Risk management (GRI 102)

Risk management is structured so that it can identify, analyze, and assess existing risks at an early stage. The material risks for the Group are described and assessed in detail in the risk management system. The objective is to create internal transparency and increase awareness of risks. The Group's risk manual describes the concept, methods, and implementation. The Executive Board and the Advisory Board receive regular reports on the status of the risks and the measures initiated.

Management decisions are based on the concept of multi-level risk management designed to identify risks at an early stage. This includes business management tools used to support decision-making and prompt reporting. The risk managers in the specialized areas take appropriate measures to minimize operational risks and to reduce the likelihood of their occurrence. This safeguards the value-added chain. Updated forecasts and appropriate planning allow critical deviations to be identified in due time. A continuous controlling process ensures that risks are monitored and action steps are followed.

Phoenix Contact's key objective remains that of achieving sustainable and profitable growth while striving for a balanced relationship between risks and opportunities. Demand for electromechanical and electronic products and solutions is expected to grow in the coming years. This applies to the same extent to the untapped market potential of existing product lines and to business with customized solutions. In addition, the megatrends of digitalization, urbanization, globalization, and the energy transformation to counteract climate change offer long-term opportunities, as Phoenix Contact has the necessary development and product expertise. Phoenix Contact sees sustainable growth in the markets for renewable energies, energy efficiency, smart grids, water management, and e-mobility. Phoenix Contact's vision of the future, the "All Electric Society", is based on the assumption of a society in which electrical energy is available in unlimited

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quantities and in a climate-neutral manner as a primary form of energy. The electrification, networking, and automation needed to achieve this provide us as a company the opportunity to tap new sales potential and play a decisive role in shaping the industry's transformation towards climate neutrality.

For Phoenix Contact, designing products in compliance with standards and norms is mandatory. The Group monitors changes within the relevant standards centrally and forward them to the business units promptly. Currently, the EU and other countries are increasing their efforts to reduce the use of lead in products. We conduct time-consuming and resource-intensive tests and material changes to substitute lead in alloys. Given the increase in manufacturing costs, a change to lead-free* products will temporarily impact earnings in the low single-digit million range. In the meantime, new alloys have been increasingly entering the market, and the price disadvantages can be expected to wane over the medium term. Phoenix Contact is preparing for new regulatory plans and requirements that affect the cybersecurity of products.

* in terms of RoHS Regulation: Below 0,1%

Corporate compliance (GRI 205, 206, 207)

To ensure compliance at all levels, Corporate Compliance Management (CCM) was created in 2018 as a separate organizational unit under the Chief Financial Officer (CFO). Before the establishment of CCM, a central, structured compliance risk analysis was conducted that identified significant compliance risks and that was supported by a law firm specializing in this area.

CCM is responsible for the worldwide anchoring of the Compliance Management System within the Phoenix Contact Group. This includes developing standards and framework conditions that are implemented nationally and internationally. CCM operates within a defined scope and is supplemented by other decentralized compliance responsibilities, which are anchored within the Group.

All rules and guidelines are laid out in the Corporate Principles and the Code of Conduct and are implemented in all companies of the Phoenix Contact Group worldwide.

In addition, CCM develops guidelines on particular topics such as antitrust law and preventing corruption.

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A central policy database as well as an intranet site ensure the publication of all CCM policies. Consistent communication internally ensures that all employees in Germany are well informed.

Added to this is a supplemental compliance training concept. It consists of regular training sessions for all employees, specific to the target group and risk-oriented, while aligned with each individual's area of work and responsibility. In 2022, a total of 8,970 (2021: 8,363) compliance training sessions were held on various topics as part of the training concept.

Preventing corruption is an important topic of Corporate Compliance Management. At its core, it is the Allocation Policy, which contains all corruption-related risks identified in the compliance risk analysis. The policy is conveyed as part of the compliance training concept. Conducting this compliance risk analysis helped to identify a specific risk, which is now the topic of an individual guideline and attached as an appendix to the Allocation Policy. There were no confirmed cases of corruption during the reporting period.

Another important topic of CCM is the prevention of anti-competitive behavior. At the heart of these activities is the antitrust policy, which contains all antitrust-related risks identified in the compliance risk analysis. The policy is also conveyed as part of the compliance training concept. There were no corresponding legal proceedings during the reporting period.

In its business relationships, Phoenix Contact relies on interactions based on trust and partnership for positive and continued collaboration. Adherence to statutory, social, and company-internal obligations is of utmost importance at Phoenix Contact.

The BKMS® whistleblowing system is available to employees, business partners, and third parties in the event of knowledge of damaging conduct or economic and legal risks. It is a global, certified system with the functionality to preserve anonymity. Reports of potential violations of the law and internal regulations can thus be made without disclosing one's identity. An electronic mailbox enables anonymous dialog, with the opportunity to ask follow-up questions. The system can be used digitally by external parties via the company website and is located on an external server. It is not possible to trace the submitted information. Data protection

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requirements are completely fulfilled.

The reports are recorded in the BKMS® whistleblower system and then viewed by employees at an international law firm. If further communication is required between the relevant attorney's office and the whistleblower, this will be conducted in strict confidence and, if desired, anonymously. The information is then forwarded to Phoenix Contact's CCM, where it is carefully reviewed. If necessary, additional measures will be taken to rectify the situation as quickly as possible.

Tax compliance

Taxes have economic and regulatory implications. At Phoenix Contact, tax compliance is understood as both an administrative activity and a strategic management task. This mindset requires a proactive approach to ensuring that tax rules are followed in a manner that is efficient in terms of processes and taxes, i.e., that tax aspects are considered at the right time.

Phoenix Contact expects that taxes will become an increasingly important topic for the Group. The Group is growing not only in terms of quantity, but also in terms of the complexity of its business models. The Group also operates in an internationally stringent regulatory environment.

The tax function has been firmly integrated within the organizational area under the CFO since 2008, initially with its own organizational unit in Finance and, since 2016, with an independent area in what is today referred to as the Corporate Tax & Group Governance Unit.

Phoenix Contact meets the tax requirements by applying a tax strategy that is derived from the Corporate Principles and the Code of Conduct and based on three pillars:

1. Tax Compliance: In line with the principles of sustainability and a trust-based cooperation set in the Corporate Principles, tax compliance, i.e., the systematic and proper fulfillment of tax law requirements and the overriding principle of Phoenix Contact's tax strategy. Tax compliance is an absolute necessity. We do not pursue any aggressive tax structuring activities that might also affect how the general public perceives a family business. We avoid any risks to our reputation. Our tax managers maintain a professional relationship with the tax authorities, always bearing in mind the legitimate interest of the Group and its owners

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in keeping the tax burden as low as possible.

2. Tax follows business: Based on this principle, in the event of conflicting goals between non-tax business development objectives and tax objectives, the “Business First” principle will always take priority in case of doubt without jeopardizing the goal of compliance. In this case, the long-term healthy development of business takes precedence over short-term tax considerations.
3. Consideration of tax influences on business strategy measures: When assessing matters in terms of the principle, the following must always be weighed: Taxes in terms of payments and expenses on the one hand and tax savings as a payments and reduced costs on the other, directly impact the key performance indicators (KPIs) for business development – both with regard to the tax payments themselves and the process-related costs incurred in the manner in which the processes are structured, in some cases only after a delay of several years as a result of tax audits. This limits the principle that “tax follows business.”

These three principles of Phoenix Contact’s tax strategy are outlined in the tax policy that applies throughout the Group. In addition to these principles, the Group’s tax policy for all Group companies illustrates how the responsibilities between the remote/local units and the central tax department are regulated, in which cases the remote/local units need to involve the central tax department, and which principles apply when working with external tax advisors. The Group’s tax policy is reviewed annually to determine whether it requires updating.

Not only are the tax principles firmly embedded int the Group’s tax policy, but also in other guidelines. One example is the General Transfer Pricing Guideline, which applies to the entire Group. They are accessible in a worldwide policy database and on the intranet. The central tax department offers both mandatory and elective training on such guidelines and other special tax questions at both a national and international level, for example, in the form of seminars on transfer pricing or value-added tax. This is an integral part of the central Tax Compliance Management System at Phoenix Contact.

Tax aspects are also embedded in the Group’s overall compliance system. Accordingly, as part

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of Phoenix Contact's overall risk management system, significant tax risks are reviewed, re-evaluated, and updated every six months. External auditors also assess and report on tax-relevant aspects in their review of the annual financial statements in Germany and abroad, as does our internal audit department. The BKMS® whistleblower system is also open for tips on aspects related to tax compliance.

At this time, various corporate projects are planned as part of the Digital Transformation Roadmap, aimed at further modernizing, digitalizing, and automating numerous business processes. The main goal in the area of tax compliance is to take advantage of this opportunity. Plans are in place to more closely integrate the Tax Compliance Management System with both domestic and international business processes, and to be synchronized with the progress of the Digital Transformation Roadmap. This should strengthen process reliability beyond the measures that have already been taken. The three core approaches include increasingly harmonized data structures, further standardized and automated process flows, and increased use of IT-based and automated controls.



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GRI	Key performance indicator	Unit	2020	2021	Difference [%]	Remark
201 Economic performance	Direct economic value generated and distributed					
	Revenue	thousand €	2,356,736	2,974,100	26.2	
	Of which					
	Germany	thousand €	711,076	902,612	26.9	
	Rest of Europe	thousand €	721,894	896,134	24.1	
	Asia	thousand €	525,673	655,238	24.6	
	Americas	thousand €	374,024	486,336	30.0	
	Rest of the world	thousand €	24,069	34,480	43.3	
	Salaries and benefits for employees	thousand €	990,000	1,127,000	13.7	
	Investments	thousand €	143,000	178,000	24.5	
	Research and development	thousand €	178,000	198,000	10.9	
	Financial consequences of climate change for the organization and others	€	N/A	N/A		

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GRI	Key performance indicator	Unit	2020	2021	Difference [%]	Remark
205 Anti-corruption ESRS G1-4	Total number of employees made aware of the organization's anti-corruption policies and procedures		9,136	9,805	7.3	
	Total number of employees who received anti-corruption training		244	2,667	993.00	
	Total number of confirmed incidents in which contracts with business partners based on violations in connection with corruption were terminated or not renewed		0	0	0	
206 Anti-competitive behavior	Number of confirmed incidents of corruption		0	0	0	
	Legal action taken due to anti-competitive behavior, cartel and monopoly formation		0	0	0	
	Total number of legal cases		0	0	0	
301 Materials	Total weight/volume of materials used	t	364,960	341,198	-6.5	
	Non-recycled material used	t	353,663	303,853	-14.1	
	Recycled material used	t	11,297	37,346	230.6	
	Percentage of source materials recycled	%	3.1	10.9		

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GRI	Key performance indicator	Unit	2020	2021	Difference [%]	Remark
302 Energy ESRS E1-5	Total energy consumption	MWh	246,923	259,269	5.0	
	Total fuel consumption from non-renewable sources	MWh	144,802	150,699	4.1	
	Natural gas/liquid gas	MWh	138,600	143,226	3.3	
	Fuel oil, coal, gasoline/diesel	MWh	6,201	7,473	20.5	
	Total fuel consumption from renewable sources	MWh	0	0	0	
	Natural gas/liquid gas	MWh	0	0	0	
	Fuel oil, coal, gasoline/diesel	MWh	0	0	0	
	Energy consumption	MWh	102,122	108,570	6.3	
	Power consumption	MWh	97,082	104,742	7.29	
	Thermal energy consumption	MWh	5,039	3,431	-31.9	
	Cooling energy consumption	MWh	0	397	0	
	Reduction of energy consumption	kWh	0	-7,660	0	
303 Water consumption ESRS E2-4	Total water withdrawal	ML	300.4	344.6	14.7	
	Surface water	ML	5.5	5.0	-18.6	
	Water from third parties	ML	293.0	326.7	11.5	
305 Emissions ESRS E1-6	Gross volume of direct GHG emissions (Scope 1)	tCO_2e	32,347	36,556	4.3	
	Biogenic carbon emissions	tCO_2e	0	0	0	
	Gross volume of indirect energy-related GHG emissions (Scope 2)	tCO_2e	48,437	64,688	5.0	
	Gross volume of GHG (Scope 1-3)	tCO_2e	700,000	820,000	17.1	
	Relative volume of GHG emissions (Scope 3)	tCO_2e	0.292	0.276	-5.5	

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GRI	Key performance indicator	Unit	2020	2021	Difference [%]	Remark
306 Wastewater and waste ESRS E5-5	Total weight of the hazardous waste	t	701.2	554.8	-20.9	
	Reuse	t	87.0	131.0	50.6	
	Recycling	t	93.8	66.9	-28.7	
	Total weight of non-hazardous waste	t	5382.6	5824.1	8.2	
	Reuse	t	95.8	143.2	49.4	
	Recycling	t	3,779.3	3,992.2	5.6	
	Total number and total volume of significant leakage of harmful substances recorded		0	3		
	Location of the leakage of harmful substances		None	Blomberg, Lüdenscheid, Poland		
	Volume of the leakage of harmful substances	l	N/A	92		
	Leaked harmful substance		-	Oil		

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GRI	Key performance indicator	Unit	2020	2021	Difference [%]	Remark
308 Supplier assessment	Percentage of new suppliers evaluated using environmental criteria	%	35.8	40	11.7	
	Number of suppliers verified with respect to environmental impacts		97	83	-14.4	*
	Number of suppliers identified as having significant actual and potential negative environmental impacts		16	5	-68.8	*
	Significant actual and potential negative environmental impacts identified in the supply chain		0	0	0.0	*
	Percentage of suppliers identified as having significant actual and potential negative environmental impacts and improvement measures agreed upon as a result of the assessment	%	0	0	0.0	*
	Percentage of suppliers identified as having significant actual and potential negative environmental impacts and consequently having their business relationship terminated, as well as reasons for this decision	%	0	0	0.0	*
401 Employment	Total number and ratio of new employees during the reporting period by age group, gender, and region		931	1,970	111.6	
	Women		414	844	103.9	
	Under the age of 30		192	338	76.0	
	Between the ages of 30 – 50		206	468	127.2	
	Over the age of 50		16	38	137.5	
	Men		517	1,126	117.8	
	Under the age of 30		292	549	88.0	
	Between the ages of 30 – 50		198	521	163.1	
	Over the age of 50		27	56	107.4	

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GRI	Key performance indicator	Unit	2020	2021	Difference [%]	Remark
401 Employment	Total number and ratio of employee turnover during the reporting period by age group and gender		888	1,227	38.2	
	Women		414	588	42.0	
	Under the age of 30		119	187	57.1	
	Between the ages of 30 – 50		228	312	36.8	
	Over the age of 50		67	89	32.8	
	Men		474	639	34.8	
	Under the age of 30		162	229	41.4	
	Between the ages of 30 – 50		207	285	37.7	
	Over the age of 50		105	125	19.0	
	Total number of employees who took parental leave		782	881	12.7	
	Women		429	461	7.5	
	Men		353	420	19.0	
	Total number of employees who returned to work within the reporting period after taking parental leave		801	862	7.6	
	Women		428	444	3.7	
	Men		373	418	12.1	
	Total number of employees who returned to work after parental leave ended and were still employed 12 months after returning to work		791	355	-55.1	
	Women		403	410	1.7	
	Men		327	387	18.3	

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GRI	Key performance indicator	Unit	2020	2021	Difference [%]	Remark
403 Occupational health and safety ESRS S1-14	Implementation rate of the planned safety training courses	%	100	99.98		
	Number of work accidents with medical care		60.7	84.4	39.0	
	Sick days		89.0	92.0	3.4	

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GRI content index GRI 102

The following GRI content index shows how Phoenix Contact follows on the topics of the GRI Standard that are material to it. The information on the fulfillment of the indicators orients on the report pages, which are linked here. If a listing is not fully covered by the references, the additional information is supplemented in the column "References, explanations, and omissions", or the reasons for omission are explained.

GRI standard		References, explanations, and omissions
Organizational profile		
102-1	Name of the organization	Phoenix Contact Group
102-2	Activities, brands, products, and services	Phoenix Contact Group Sustainable products and services
102-3	Headquarters of the organization	Phoenix Contact Group
102-4	Operating sites	Phoenix Contact Group
102-5	Ownership and legal form	Phoenix Contact Group About this report
102-6	Markets supplied	Phoenix Contact Group
102-7	Size of the organization	Phoenix Contact Group As a family business in the legal form of a limited partnership, Phoenix Contact does not provide any information on its total capitalization.
102-8	Information on employees and other staff	Phoenix Contact Group Employees
102-9	Supply chain	Environmental
102-10	Significant changes in the organization and its supply chain	

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GRI standard		References, explanations, and omissions
102-11	Precautionary approach or precautionary principle	
102-12	External initiatives	Corporate responsibility
102-13	Membership in associations and interest groups	Protection of environment and climate
Strategy		
102-14	Statement of the highest decision maker	Foreword by the GEB
102-15	Main impacts, risks, and opportunities	Sustainability
Ethics and integrity		
102-16	Values, principles, standards, and codes of conduct	Corporate responsibility Corporate compliance
102-17	Procedures for consultation and concerns regarding ethics	Corporate compliance
Corporate management		
102-18	Management structure	Phoenix Contact Group
102-19	Delegation of powers	
102-20	Board-level responsibility for economic, environmental, and social issues	
Involvement of stakeholders		
102-40	List of stakeholder groups	
102-41	Collective bargaining agreements	
102-42	Stakeholder identification and selection	
102-43	Involvement of stakeholders	Involvement of stakeholders
102-44	Important topics and concerns raised	Involvement of stakeholders
Procedure for reporting		
102-45	Entities included in the consolidated accounts	About this report
102-46	Procedure for determining the content of the report and the delimitation of topics	Materiality analysis

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GRI standard		References, explanations, and omissions
102-47	List of essential topics	Materiality analysis
102-48	Redisplay of information	
102-49	Changes in reporting	
102-50	Reporting period	About this report
102-51	Date of the last report	About this report First sustainability report
102-52	Reporting cycle	
102-53	Contact persons for questions about the report	Andreas Kehl, Lennart Gorholt
102-54	Declaration on reporting in accordance with the GRI standards	About this report
102-55	GRI content index	GRI content index
102-56	External assessment	

Economic performance indicators

Economic performance		
201-1	Direct economic value generated and distributed	Phoenix Contact in numbers
201-2	Financial implications of climate change for the organization and others	
201-3	Liability for defined benefit pension plans and other post-employment benefit plans	
201-4	Financial support from the public sector	
Procurement practices		
204-1	Share of expenditures for local suppliers	

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GRI standard		References, explanations, and omissions
Anti-corruption		
205-1	Operating sites screened for corruption risks	Corporate compliance As part of establishing corporate compliance management, a central compliance risk analysis was performed in which representatives from various areas of the Group were surveyed. The compliance risks identified form the basis for the central Allocation Policy, which applies equally to all (currently German) subsidiaries. Since a risk-based approach is taken, it is not necessary to screen individual operating sites.
205-2	Communication and training on anti-corruption directives and procedures	Corporate compliance The training courses indicated are those of Corporate Compliance Management alone. Consequently, further training is provided by the decentralized compliance officers.
205-3	Confirmed incidents of corruption and measures taken	Corporate compliance
Anti-competitive behavior		
206-1	Legal proceedings due to anti-competitive behavior or the formation of a cartel or monopoly	Phoenix Contact in numbers
Taxes		
207-1	Tax concept	Corporate compliance
207-2	Tax governance, control, and risk management	Corporate compliance
207-3	Involvement of stakeholders and management of fiscal concerns	Corporate compliance

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GRI standard		References, explanations, and omissions
Environmental performance indicators		
Materials		
301-1	Materials used by weight or volume	Materials and disposal Phoenix Contact in numbers
301-2	Recycled source materials used	Materials and disposal Phoenix Contact in numbers
301-3	Recycled products and their packaging materials	
Energy		
302-1	Energy consumption within the organization	Energy and emissions Phoenix Contact in numbers
302-2	Energy consumption outside the organization	Energy and emissions Phoenix Contact in numbers
Water and wastewater		
303-1	Water as a shared resource	Phoenix Contact in numbers
303-2	Handling the effects of water recirculation	
303-3	Water withdrawal	
303-4	Water recirculation	
Emissions		
305-1	Direct GHG emissions (Scope 1)	Energy and emissions Phoenix Contact in numbers
305-2	Indirect GHG emissions (Scope 2)	Energy and emissions Phoenix Contact in numbers
305-3	Other indirect GHG emissions (Scope 3)	Energy and emissions

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GRI standard		References, explanations, and omissions
Waste		
306-1	Waste generated and significant waste-related impacts	Phoenix Contact in numbers
306-2	Management of significant waste-related impacts	Materials and disposal Phoenix Contact in numbers
306-3	Waste generated	Phoenix Contact in numbers
306-4	Waste diverted from disposal	Phoenix Contact in numbers
306-5	Waste forwarded for disposal	Phoenix Contact in numbers
Environmental assessment of suppliers		
308-1	New suppliers screened using environmental criteria	Sustainable procurement Phoenix Contact in numbers
308-2	Negative environmental impacts in the supply chain and measures taken	Sustainable procurement

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GRI standard		References, explanations, and omissions
Social performance indicators		
Employment		
401-1	Newly hired employees and employee turnover	Working in the company Phoenix Contact in numbers
401-2	Company benefits offered only to full-time employees, not to temporary or part-time employees	Part-time employees also receive all company benefits proportionate to their working hours. Under the wage agreements, temporary workers do not receive the same level of benefits, such as retirement benefits, vacation pay, and Christmas bonuses. This is regulated differently in the wage agreements for temporary employment.
401-3	Parental leave	Phoenix Contact in numbers There is a legal right to parental leave. The requirements are set in the Federal Parental Allowance and Parental Leave Act (BEEG). Under this act, all employees shall also receive parental leave. It is not possible to determine how many individual employees would have this entitlement, as employees are not required to disclose the eligibility requirements for parental leave unless they request it.
Employee-employer relationship		
402-1	Minimum notification period for operational changes	
403-1	Management system for occupational health and safety	Occupational health and safety
403-2	Hazard identification, risk assessment, and incident investigation	Governance
403-3	Occupational health services	
403-4	Employee participation, consultation, and communication on occupational safety and health	
403-5	Employee training on occupational safety and health	Social
403-6	Promoting the health of employees	Occupational health and safety

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GRI standard		References, explanations, and omissions
403-7	Avoidance and mitigation of occupational health and safety impact directly related to business relationships	
403-8	Employees covered by an occupational health and safety management system	
403-9	Work-related injuries	Phoenix Contact in numbers
Basic and further training		
404-1	Average number of hours for basic and further training per year and employee	Phoenix Contact in numbers No gender reference possible.
404-2	Programs to improve the skills of employees and transition assistance	4 participants in a retraining program (sponsored by employment agency)
404-3	Percentage of employees receiving regular performance and career development reviews	Regular performance reviews are held in all German companies. In most companies, this is already laid down in collective bargaining agreements and already used on this basis.
Diversity and equal opportunities		
405-1	Diversity in control bodies and the workforce	Diversity and inclusion Phoenix Contact in numbers
405-2	Ratio of basic salary and remuneration of women to the basic salary and remuneration of men	The same pay is behind each job profile, regardless of gender. However, a comparison of pay in the case of different functions/job profiles is not appropriate.

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GRI standard		References, explanations, and omissions
Freedom from discrimination		
406-1	Incidents of discrimination and remedial action taken	Germany-wide assessment: none
Freedom of association and collective bargaining		
407-1	Operating sites and suppliers whose right to freedom of association and collective bargaining may be threatened	
Child labor		
408-1	Operating sites and suppliers with a significant risk	Corporate compliance Phoenix Contact has no indications that individual suppliers bear a significant risk for child labor.
Forced or compulsory labor		
409-1	Operating sites and suppliers with a significant risk for incidents of forced or compulsory labor	Sustainable procurement Phoenix Contact has no indications that individual suppliers bear a significant risk for forced labor.
Screening for respecting human rights		
412-1	Operating sites at which a human rights compliance audit or human rights impact assessment have been conducted	
412-2	Training for employees on human rights policies and procedures	

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GRI standard		References, explanations, and omissions
Social evaluation of suppliers		
414-1	New suppliers screened using social criteria	Phoenix Contact in numbers
414-2	Negative social impacts in the supply chain and measures taken	A complete revision of these processes is currently in progress as part of the requirements of the German Supply Chain Act (“LkSG”).
Customer health and safety		
416-1	Assessing the health and safety impacts of the various product and service categories	
416-2	Violations related to the health and safety impacts of products and services	
Marketing and identification		
417-1	Requirements for product and service information and identification	
417-2	Violations related to product and service information and identification	
Protection of customer data		
418-1	Substantiated complaints regarding the violation of the protection or loss of customer data	

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