

Separate Combined Non-financial Report

Sustainability is the basis of KSB's corporate strategy. This includes the responsible use of resources and the environment as well as the company's responsibility to employees and corporate social commitment. These topics are covered in this separate combined non-financial report pursuant to Sections 289b(3) and 315b(3) HGB [*Handelsgesetzbuch* – German Commercial Code] and Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter referred to as the EU Taxonomy Regulation). The report fulfils the requirements of the CSR Directive Implementation Act [*CSR-Richtlinie-Umsetzungsgesetz*] and combines the statement at company level with the Group statement outside of the management report.

In accordance with its business model, KSB aims to supply customers worldwide with high-quality pumps and valves as well as related service. The company develops the vast majority of its products itself and manufactures them in factories on four continents. The products are sold via its own sales organisation, supported by dealer networks comprising selected partners. KSB's business model is presented in the Group management report on page 44.

By joining the UN Global Compact in 2010, KSB committed to aligning its business activities with ten universal principles. The Global Compact principles apply equally to managers and employees throughout the company as well as to all suppliers and business partners.

The EU taxonomy and KSB

In accordance with Article 8 of Regulation (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, in conjunction with the Delegated Acts of 4 June 2021 and 6 July 2021, KSB is now required to report on the nature and extent of its environmentally sustainable economic activities as defined in the EU taxonomy's classification system. The EU Taxonomy Regulation pursues six environmental objectives:

- 1) Climate change mitigation
- 2) Climate change adaptation

- 3) Sustainable use and protection of water and marine resources
- 4) Transition to a circular economy
- 5) Pollution prevention and control
- 6) Protection and restoration of biodiversity and ecosystems

Reporting obligations apply to the year under review 2021 as per Article 8 of Regulation (EU) 2020/852 and Article 10 of the supplementary Delegated Act of 6 July 2021. Companies are obliged to report the proportion of business activities which are considered "taxonomy-eligible". The share of total revenue or total capital expenditure / total expenditure accounted for by the sales revenue, capital expenditure (CapEx) and operating expenditure (OpEx) of these activities must be reported. For this first year of reporting, only climate objectives 1) and 2) are relevant.

Taxonomy-eligible economic activities are defined in Annexes I and II to the Delegated Act of 4 June 2021.

However, the catalogue of economic activities described in the EU Taxonomy Regulation only applies to a small proportion of KSB's activities. The Group's principal business – the production of pumps and valves, and the provision of related services – is currently classified as a taxonomy-non-eligible economic activity within the meaning of the EU Taxonomy Regulation.

The European Securities and Markets Authority (ESMA) has pointed out that adjustments to the activities and indicators defined in the EU Taxonomy Regulation are likely. The following reporting reflects the obligations set out in the current published version of the EU Taxonomy Regulation at the time when this non-financial report was prepared and audited.

The Draft Commission Notice published on 2 February 2022 was taken into account as far as the preparation process allowed. It was not possible to complete the complex and quality-assured process of obtaining the necessary information relating to capital and operational expenditure by the publication date. If the EU Taxonomy Regulation had been applied in full, taxonomy-eligible capital and operating expenditure might have been higher.

Process

Taking the above context into account, a cross-departmental project team implemented the requirements of the EU Taxonomy Regulation at KSB. Staff from Integrated Management Systems and Sustainability, Finance and Controlling were involved in the project at Group level. For individual economic activities, detailed information was provided by employees from specialist departments including IT, Product Development, Sales and Facility Management. The analysis is based on the consolidated companies as disclosed in the list of shareholdings of the 2021 consolidated financial statements.

The process was designed in consultation with KSB’s Management. The project team informed Management on progress and potential risks and obstacles as well as current developments.

In a first step, all activities as per the catalogue of the EU Taxonomy Regulation were analysed at Group level to establish which of these activities are applicable to KSB and whether they are revenue-generating or exclusively expenditure-driven. The results, relevant definitions of terms and the next steps in this process were determined and documented.

Analysis as per the Delegated Act Annexes did not identify any revenue-generating activities, as KSB is ultimately a supplier of

products and technologies. KSB supports other companies in their implementation of enabling activities as defined in the EU Taxonomy Regulation. The services provided in the KSB SupremeServ Segment are not covered by the EU Taxonomy Regulation either. KSB’s total sales revenue amounts to € 2,343,577 thousand (see the Notes, Section V. Income Statement Disclosures).

Below is a description of KSB’s taxonomy-eligible activities for the Category C KPIs of capital and operating expenditure.

EU Taxonomy Regulation KPIs (Key Performance Indicators)

The KPIs were defined according to the descriptions set out in the Delegated Regulation supplementing (EU) 2020/852, Annex I / KPIs of Non-financial Undertakings. To determine the performance indicators for all taxonomy-eligible economic activities listed in the table below, parameters were set according to the definition of sales revenue as well as capital and operating expenditure, analyses were carried out and decisions were reached on a case-by-case basis. In order to determine the KPIs for all taxonomy-eligible activities, consolidated data from Accounting was used and additional information was obtained from the companies concerned. Items were assigned to a maximum of one taxonomy-eligible economic activity in order

Economic activity by EU taxonomy sector

	Activities of KSB SE & Co. KGaA according to EU taxonomy definition and characteristics
6. Transport	<ul style="list-style-type: none"> ▪ Purchase, financing, rental, leasing and operation of vehicles
7. Construction and real estate	<ul style="list-style-type: none"> ▪ Renovation of existing buildings ▪ Installation, maintenance and repair of energy efficiency equipment ▪ Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) Installation, maintenance and repair of instruments and devices for measuring and controlling the energy performance of buildings Installation, maintenance and repair of renewable energy technologies

to avoid duplicate entries. The capital and operating expenditures of taxonomy-eligible economic activities are assigned to Category C of Annex I to the EU Taxonomy Regulation.

Total capital expenditure comprises all additions to intangible assets under IAS 38, property, plant and equipment under IAS 16, and additions to rights of use under IFRS 16 shown in the Notes (IV. Balance Sheet Disclosures).

The EU taxonomy definition for total operating expenditure only covers a certain portion of operating expenditure. These are expenses related directly to research and development (excluding staff and training expenses), building refurbishment, maintenance and repairs as well as short-term leases (see the Notes, Section V. Income Statement Disclosures).

For the 2021 financial year, taxonomy-eligible capital expenditure accounted for less than 2 %* of total capital expenditure, which was € 103,599 thousand.

For the 2021 financial year, taxonomy-eligible operating expenditure accounted for less than 1 %* of the total operating expenditure within the scope of the EU Taxonomy Regulation, which was € 60,816 thousand.

Given the dynamic situation relating to taxonomy legislation, KSB points out that the impact analysis and interpretation of the financial indicators to be determined may be subject to progressive adjustments in the future.

Sustainability reporting

The management concepts relating to key issues outlined here apply to both the Group and to KSB SE & Co.KGaA; any instances where this is not the case are duly indicated. All information in the non-financial report relates to KSB SE & Co. KGaA and the Group in 2021. References to information not included in the group management report in this section represent supplementary information and are not part of the separate non-financial report. PricewaterhouseCoopers GmbH performed a limited assurance engagement on the information

KSB supports the 17 Sustainable Development Goals set out by the United Nations. Ten of these are particularly important for the company:



SUSTAINABLE DEVELOPMENT GOALS

in this report in accordance with ISAE 3000 (Revised) and issued an independent assurance report, see page 39.

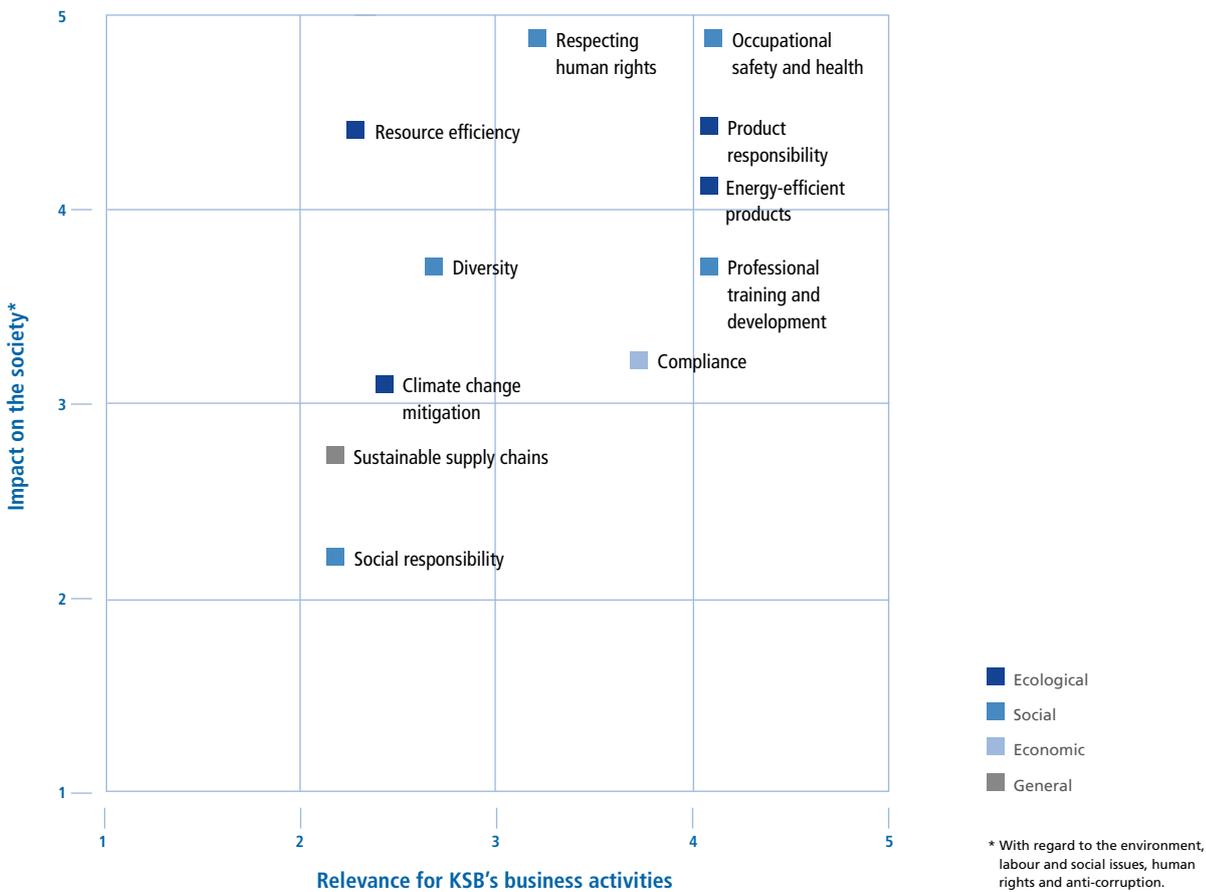
In the areas of human rights, labour standards, the environment, anti-corruption and sustainability in the supply chain, the concepts and activities set out in this report follow the principles of the UN Global Compact.

The non-financial report covers 29 material Group companies, unless otherwise stated. These were selected on the basis of their impact on aspects such as energy consumption and the number of employees in 2017. The 29 Group companies include all consolidated subsidiaries with production plants and two service companies with energy-intensive workshops.

As part of its corporate responsibility strategy, KSB is also committed to supporting social initiatives. The company chooses to report on these activities on an entirely voluntary basis, as these do not have any significant or material impact on its business success.

* Other capital and operating expenditure included in the denominator is not taxonomy-eligible.

Material sustainability issues for KSB



Material issues

KSB communicates regularly with various stakeholders in order to identify their interests and expectations regarding the company. In the year under review, specialist departments and the Sustainability Committee, with oversight from Management, reviewed and updated the material sustainability issues defined on this basis; see materiality matrix above. The Committee took into account new regulatory requirements arising from the EU taxonomy and Germany’s Supply Chain Due Diligence Act (SCDDA) which will apply from 2023, evolving stakeholder expectations and greater focus on KSB’s sustainability goals.

The issues were evaluated in terms of their impact on society with regard to the environment, labour and social matters, human rights and corruption. In five cases, KSB has chosen to modify the terminology it uses:

- “Climate change mitigation” has replaced “Emissions”
- “Product responsibility” has replaced “Product safety”
- “Diversity” has replaced “Equal opportunities”
- “Occupational safety and health” has replaced “Occupational health and safety”
- “Professional training and development” has replaced “Education and training”



Non-financial objectives up to 2025 and performance indicators

Aspects	Objectives up to 2025	Performance indicators
Resource efficiency	More than half of newly developed products are subject to ecological assessment.	Number of development projects
Energy-efficient products	KSB's water pumps save an annual 850,000 tonnes of CO ₂ .	CO ₂ savings for KSB water pumps with variable speed drives
Emissions	KSB production plants reduce their CO ₂ emissions by 30 %. (Reference year: 2018)	CO ₂ emissions at production sites
Education and training	Each employee invests at least 30 hours per year in training and development.	Number of training hours per employee per year
Equal opportunities	Women make up at least 20 % of management staff.	Proportion of women in management positions
Engagement	The employee satisfaction index is 80 %.	Engagement score according to employee survey
Occupational safety and health	The number of working days lost due to occupational accidents is reduced to fewer than 0.3 days per employee per year.	Number of days lost due to accidents (lost time accident rate)
Social commitment	KSB is involved in at least 25 social projects worldwide every year.	Number of CSR projects
Sustainability in the supply chain	The sustainability performance of 90 % of the key regional and global suppliers is assessed.	Proportion of suppliers assessed

* The 17 Sustainable Development Goals of the United Nations take into account the three dimensions of sustainability: social, environmental and economic aspects. KSB's material sustainability issues relate to the goals addressing poverty (1), hunger (2), health and well-being (3), quality education (4), gender equality (5), clean water and sanitation (6), decent work conditions and economic growth (8), sustainable consumption and production (12) and climate action (13).

In its review of material issues, and in consultation with all Members of Management, the Sustainability Committee decided to adjust the positioning of the Group's sustainability focus points to reflect their relevance for KSB's business activities. This included a fundamental analysis of the advantages of effective management of the respective issue, of potential disadvantages when risks arise, and of trends in technologies and individual industry sectors.

The aspects and factors necessary for understanding the development and performance of the business and the position of the company as well as the impact of business activities on the following issues remain the same:

- Environment (resource efficiency, manufacturing of energy-efficient products, climate change mitigation and product responsibility)
- Combating corruption and bribery (compliance)
- Respecting human rights (sustainable supply chains)
- Employee concerns (professional training and development, diversity, occupational safety and health)

These issues are related at a fundamental level to manufacturing, products, business partners and employees. KSB's products also make a direct contribution to protecting the environment, for example, by saving energy or via their use in waste water treatment.

Status as at 31 Dec. 2020	Status as at 31 Dec. 2021	Objective by 2025	SDGs*
7 %	24 %	> 50 %	 
428,902 t CO ₂ **	369,416 t CO ₂ **	850,000 t CO ₂	  
15.1 %	13.6 %	30 %	
14.6 hours / year	15 hours / year	30 hours / year	 
13 %	13 %	20 %	
No survey in 2020; result from 2019: 57 %	No survey in 2021; next survey 2022	80 %	
0.27 days	0.28 days	< 0.3 days	
25	26	25	    
> 50 %	Approx. 56 %	90 %	 

** The basis for this calculation can be found on page 32 of this report.

Risks related to non-financial factors

KSB does not see any material risks, as assessed based on the net risk method, associated with its own business and the business relations of the company or its products and services which, in all probability, have or could have a serious negative impact on non-financial aspects such as the environment, anti-corruption, human rights, employee concerns and social issues. The consequences of the COVID-19 pandemic once again led to challenges in 2021, but did not entail material risks. All other risks affecting business activities are described in the Group management report from page 61.

Goals for 2025

KSB supports the 17 Sustainable Development Goals set out by the United Nations. In 2019, the company developed nine specific sustainability objectives which are aligned with these Sustainable Development Goals and the material issues they address. The company aims to achieve them by 2025 at the latest.

The nine objectives adopted by Management cover environmental, employee, social and supply chain sustainability topics. They focus on climate protection, the promotion of decent working conditions and sustainable economic growth, and



Energy consumption

	Total	KSB SE & Co. KGaA	Europe**	Asia / Pacific	Americas	Middle East / Africa / Russia
Total energy consumption*	277,916 MWh	103,468 MWh	144,146 MWh	34,512 MWh	81,040 MWh	18,218 MWh
Total electricity	159,180 MWh	37,435 MWh	56,377 MWh	32,343 MWh	55,896 MWh	14,564 MWh
Electricity from renewables***	72,772 MWh	23,806 MWh	39,975 MWh	9,417 MWh	19,626 MWh	3,753 MWh
CO ₂ emissions	87,582 t	20,644 t	26,724 t	22,397 t	27,901 t	10,560 t

* Electricity, gas, fuel oil, district heating, wood, etc.

** Including KSB SE & Co. KGaA

*** Total differs due to rounding

health and well-being. In addition, KSB is committed to doing even more to promote gender equality. The company also intends to gather more comprehensive information on how suppliers deal with sustainability issues. KSB is dedicated to combating poverty and hunger as well as ensuring the availability of clean water and education through social projects. Developing the knowledge of employees is another binding goal. More information on the individual objectives and progress towards their completion at the end of the year under review can be found in the overview on page 28/29, and in the respective sections of this non-financial report.

Management staff with specialist responsibility for Production, Product Management, Human Resources, Purchasing, Communications and Integrated Management have developed plans for achieving the objectives by 2025. The respective departments report their implemented and planned measures to the Sustainability Committee. The Committee reviews progress towards the completion of each objective twice a year and monitors measures taken.

Environment

CLIMATE CHANGE MITIGATION AND RESOURCE EFFICIENCY

Objectives:

As a manufacturing company, KSB endeavours to use natural resources responsibly and is especially committed to reducing its energy and raw materials consumption as much as possible. This helps lessen the impact on the environment while simultaneously increasing the profitability of the company. Furthermore, KSB avoids economic and legal risks which could poten-

tially result from environmental damage and failure to comply with laws and regulations.

By 2025, KSB intends to assess the environmental impact of more than 50 % of its development projects in accordance with the international ISO 14040 standard. This concerns new product developments and significant design modifications to existing type series. Detailed information on the life cycle assessments of new products can thus be determined.

A further goal to be achieved by 2025 is a 30 % reduction in the global CO₂ emissions of the manufacturing plants (based on figures from 2018).

Organisation, processes and measures:

KSB follows the internationally recognised ISO 14001 environmental management system to continuously improve its environmental performance. To date, the company has implemented the environmental management system at 37 production and assembly locations (KSB SE & Co. KGaA: 3 locations); this represents 90 percent coverage.

KSB carries out regular energy audits at its major European locations to reduce energy consumption and CO₂ emissions. In the year under review, audits took place in France, the Netherlands and Spain. The resulting measures include the energy-efficient refurbishment of buildings and foundries.

KSB regularly records and evaluates data on energy consumption and CO₂ emissions. Energy consumption was at 277,916 megawatt hours (KSB SE & Co. KGaA: 103,468 megawatt hours) in the year under review. This represents a year-on-year increase of 10,759 megawatt hours (KSB SE & Co. KGaA:

+ 4,771 megawatt hours). This was due to increased manufacturing activity in the Group, which is reflected in higher sales revenue. Particularly energy-intensive pump testing took place in Frankenthal in 2021, including a 168-hour hot water performance test of a boiler feed pump for a Chinese power plant.

In terms of Group-wide electricity consumption, the share of renewable energies was 45.7 % (KSB SE & Co. KGaA: 63.6 %). This represents a percentage increase of 9 % on the previous year – the highest value the company has ever achieved. KSB calculates CO₂ emissions for Scope 1 and Scope 2 in accordance with the Greenhouse Gas Protocol. The Group’s emissions in the year under review amounted to 87,582 tonnes of CO₂ (previous year: 86,342 tonnes of CO₂); for KSB SE & Co. KGaA, the figure was 20,644 tonnes of CO₂, (previous year: 22,181 tonnes of CO₂). While the parent company reduced emissions of the climate-critical greenhouse gas by 1,537 tonnes compared with the previous year, the value recorded across the Group increased by 1,240 tonnes. The reasons for this are increased production costs, particularly in regions relying on an energy mix with larger proportions of conventional energy sources such as coal and gas.

Waste is a by-product of manufacturing. KSB therefore continuously modernises its factories to reduce the amount of hazardous substances used in the manufacturing processes. If environmental pollution is identified at a location, the company sets aside provisions to meet obligations for necessary remediation. Provisions totalling € 1,022,000 have been recognised for KSB SE & Co. KGaA in the financial statements.

In 2020, KSB developed a life cycle assessment strategy in accordance with the ISO 14040 international standard to assess the environmental impact of new product developments and significant design changes to existing type series. In a pilot project, the company’s product developers defined a suitable process to apply to further development projects. Three more projects were added in 2021. This means that KSB has assessed the environmental impact of around a quarter of its new developments in accordance with the international ISO 14040 standard.

The year under review saw KSB adapt its product creation process for new developments. Each development is now analysed to determine the extent to which it is suitable for the circular economy. In addition to the well-known goal of maximising the products’ service life, aspects such as modularisation for straightforward, mono-material dismantling and recycling quotas are becoming increasingly important.

Percentage of renewable energy in power consumption



Climate change mitigation is one of the most important global challenges. KSB is therefore seeking to reduce greenhouse gas emissions at its locations. At some locations, the company has already managed to make electricity consumption climate-neutral. Three locations in Germany and Italy received corresponding certificates in 2021. A total of six KSB companies in Europe obtain 100 % of their electrical energy from renewable sources.

Although very few business trips took place in 2021 due to the pandemic, KSB employees opted for climate-neutral means of transport such as trains, which use 100 % green electricity in Germany. This saved almost 26 tonnes of CO₂ compared with other means of transportation.

As in the previous year, KSB installed numerous water dispensers at many locations in the year under review to conserve resources. These devices allow employees to obtain drinking water from the immediate vicinity of their workplace in the office or workshop. This supports the company’s contribution to sustainability and relieves its burden on the environment.

Results:

- KSB has conducted life cycle assessments for 24 % of newly developed products.
- KSB has again increased the share of renewable energy in its electricity consumption. This increased from 36.7 % to 45.7 % in the Group compared with the previous year.
- In 2021, KSB SE & Co. KGaA reduced its CO₂ emissions by 1,537 tonnes despite increased energy consumption.

Products

Objectives:

KSB's products and service offerings contribute to the efficient and responsible operation of customers' systems. The company therefore strives to maximise its range of products offering many years of operation characterised by reliability and low energy consumption.

By 2025, KSB aims to reduce the CO₂ emissions generated through the operation of its water pumps by 850,000 tonnes per year in Europe alone by using variable speed drives.

Organisation, processes and measures:

To assess how much carbon dioxide KSB water pumps save during operation, Product Management in the year under review determined the number of these pump sets in use based on the production volume since 2007, and calculated their average annual energy consumption. This estimate assumes 7,000 operating hours and a typical load profile for these applications as well as the average CO₂ equivalent for Europe of 295.8 g/kWh according to the German Association of the Automotive Industry (VDA) for 2022 for the European Union electricity mix. As shown in the Energy Efficiency with Electric Drives study from the German Electrical and Electronic Manufacturers' Association (ZVEI), demand-oriented operation via the use of variable speed drives and high-efficiency motors allows energy savings averaging 30 % compared with conventional fixed-speed pump systems. Savings of at least 30 % can therefore also be assumed for KSB's standardised water pumps. The calculation will be continued.

With many countries seeing increased expansion of renewable energies and a renaissance in nuclear power, the electricity mix has changed considerably. The CO₂ savings attributable to KSB water pumps with variable speed drives have thus decreased by about 60,000 tonnes of carbon dioxide compared with the previous year. The Sustainability Committee will examine whether the target defined for the 2022 financial year needs to be adjusted in light of these developments.

KSB attaches great importance to the role of product quality and safety in preventing accidents and environmental pollution. In production, the company complies with recognised standards such as CE and a well-established quality management

system in accordance with the international ISO 9001 standard. This allows processes to be designed such that systematic errors during product manufacturing can be avoided. In addition, the company's own Made by KSB certification available at twelve locations designates a level of quality which exceeds the requirements of the international standard for quality management. The certification stands for quality, short delivery times, professional service and optimised manufacturing processes.

Results:

- With their variable speed drives, KSB's population of water pumps are estimated to have saved approx. 370,000 tonnes of CO₂ in 2021.
- A total of 127 of KSB's locations are certified to the ISO 9001:2015 quality management standard to ensure the reliability and safety of their products. As in the previous year, the year under review saw TÜV Rheinland audit 15 locations worldwide. In addition, internal audits are carried out annually at all locations.

Compliance

Objectives:

For KSB, lawful conduct is an important and indispensable part of corporate social responsibility. Customers and business partners expect the company to act with integrity. That is why compliance with legal regulations and Group-wide directives is part of KSB's core values.

The aim is to train all relevant employees on anti-trust / cartel law and anti-corruption policies. Using a global matrix of requirements, KSB for example ensures that all personnel with customer or supplier contact are familiarised with these topics. Group-wide training is repeated every three years and will be performed again in 2022. Any interim training needs are covered twice a year.

Organisation, processes and measures:

Lawful conduct is an integral element of KSB's corporate social responsibility. A binding compliance management system supports the compliant conduct of employees. It ensures compliance with legal provisions and internal regulations, thereby safeguarding the economic success of the company in the long term. The compliance system is designed to ensure that KSB and its employees always act in line with applicable laws and directives.

Group Management is responsible for organising compliance and is monitored by the Supervisory Board's Audit Committee. A Group Compliance Officer is responsible for compliance management and reports to Group Management on relevant topics every six months. Support is provided by a Group Compliance Committee, consisting of top-level managers from the company.

KSB's Compliance Manual describes structures and processes designed to ensure compliant conduct, and specifies responsibilities and instruments.

A core element of the compliance system is the KSB Code of Conduct, which applies across the entire Group. It defines the key legal and business policy principles, providing employees with guidance for their actions. The Code also sets forth the corporate values which govern conduct in day-to-day work: honesty, responsibility, professionalism, trust and appreciation. On this basis, KSB has formulated and communicated specific principles and rules of conduct.

In order to avoid risks resulting from a loss of reputation and legal repercussions, KSB issued two binding corporate directives, one covering compliance with cartel / anti-trust law and one dealing with the prevention of corruption. Both of these directives help to prevent potential violations. Employees receive appropriate training in recognising potential risks and practical guidance to ensure proper conduct.

In the event that employees become aware of violations or are unsure whether their actions are compliant, they refer the matter to the compliance organisation, and specifically to the designated Compliance Officer. If necessary, reports will be treated anonymously. In addition, any circumstances that give rise to legal or anti-trust concerns can be reported directly to an independent ombudsperson, who can process potential cases without naming informants. Plausible evidence indicating infringements is investigated.

KSB does not tolerate any violations of compliance by its employees. If investigations reveal sufficient evidence of a violation, this will have consequences for the individual concerned. Depending on the severity, sanctions range from a disciplinary warning to immediate termination of employment; law enforcement agencies may also be involved.

Results:

- 2021 saw 478 employees successfully complete compliance training e-learning modules.
- Reports of suspected compliance violations submitted via the ombudsperson and the compliance organisation triggered a clearly defined three-stage procedure in each case to clarify the facts and initiate the necessary measures.

Human rights / Sustainability in the supply chain

Objectives:

Respecting human rights is a core element of corporate social responsibility as practised by KSB. The company recognises the obligations this entails – internally and along the entire value creation chain. It is KSB's declared goal to prevent all forms of discrimination on the basis of individual characteristics such as age, origin, religion, appearance, gender, sexual orientation, disability or marital status. KSB does not tolerate discrimination, harassment or reprisals of any kind in the work environment.

The company also refuses to accept human rights violations by its suppliers. KSB therefore aims to assess 90 % of its global and regional key suppliers in terms of their sustainability performance by 2025. This will focus on, but not be limited to, their safeguarding of human rights.

Organisation, processes and measures:

By signing the UN Global Compact, KSB has undertaken to protect and respect international human rights. The company also complies with the conventions of the International Labour Organisation (ILO). All KSB companies respect the freedom of association and the right to collective bargaining. The company also observes government sanctions such as embargoes, and communicates internal directives on export control.

In 2020, KSB published a Human Rights Policy Statement. It documents the company's commitment with respect to employees, business partners and the public. The policy statement defines human rights criteria which must be observed in everyday business.



The year under review saw KSB appoint a Human Rights Officer. This means that the company already fulfils the requirement to name an internal contact person stipulated in the German Supply Chain Due Diligence Act (SCDDA) in force from 2023. The Officer will report at least once a year on the status of human rights at KSB.

Basic conduct requirements among the workforce and with business partners are governed by the KSB Code of Conduct.

2021 also saw KSB renew its commitment to the UK Modern Slavery Act. This includes a commitment to ensure that all business conducted – including the supply chain – is free from all forms of forced labour, slavery or human trafficking.

KSB uses active supplier management to identify and avoid risks in the supply chain. For every order placed, the supplier declares that it complies with the rules in the company's Code of Conduct, which corresponds with the human rights principles defined in the UN Global Compact. These measures were taken to minimise the risk of human rights violations in the supply chain. As a matter of principle, KSB does not work with companies that are known to violate human rights.

In 2021, KSB introduced online training for buyers and employees from other areas to raise awareness of human rights issues in the supply chain. The e-learning is compulsory for all relevant employees, and participants receive a certificate after successfully completing a test.

Purchasing uses questionnaires to assess human rights risks at suppliers. This allows potentially critical business partners to be identified throughout the Group, especially with regard to child labour and the use of conflict materials. KSB expanded its database during the year under review. The most important indirect purchasing suppliers are now included alongside the most important principle material groups.

KSB derives suitable measures from the self-disclosures requested from its suppliers via questionnaires. These include careful examination of how the issues are handled and monitoring of improvement measures taken.

KSB's employees can contact the compliance organisation or an ombudsperson regarding human rights issues, following the same procedure as for suspected compliance violations (see

page 33). The newly appointed Human Rights Officer is available as an additional contact person.

Results:

- An online training course launched in 2021 raises participants' awareness of human rights issues in the supply chain. In the year under review, 273 employees participated.
- KSB has assessed the sustainability performance of approx. 56 % of its key global suppliers. This also includes the actions of business partners regarding human rights.

Employees

SUCCESS THROUGH DIVERSITY

Objectives:

Around the globe, more than 15,000 KSB employees aim to offer customers the best experience possible. The company celebrates the diversity of its staff, because diverse teams contribute the greatest range of different perspectives to the company's success. As a mechanical engineering company with a traditionally low quota of women, KSB is therefore seeking to develop the potential of its female employees in particular. The goal is to increase the proportion of women in management positions to at least 20 % by 2025 (2021: 13 %).

High-performing and motivated staff are the basis for a company's economic success. KSB is therefore striving to increase its engagement score, which measures employee satisfaction, to 80 % by 2025.

Lifelong learning plays a crucial role in identifying the needs of markets and customers. KSB thus implements targeted training and continuous learning measures to steadily develop the skills of its workforce. By 2025, the company aims to increase the number of training hours per employee per year to 30 hours; in the year under review this figure was 15 hours.

Number of training hours per employee

15

(KSB SE & Co. KGaA: 14)

Organisation, processes and measures:

Overall responsibility for human resources work at KSB lies with the head of Human Resources, who reports directly to the CEO and coordinates Group-wide HR issues. Individual locations' human resources departments look after their local managers and employees.

When recruiting future employees, the company uses several channels. In addition to traditional job advertisements, contact with potential applicants is also established via online social networks and platforms. Due to the pandemic, opportunities to participate in recruitment fairs in 2021 were once again limited. The same applies to cooperations with universities and schools, another channel by which KSB establishes contact with potential candidates.

In order to ensure demand for skilled staff is met, the company continuously trains young people. Opportunities for trainees include completing part of their training with one of KSB's international companies. This improves their capacity for international cooperation and offers valuable experience gained in a different environment. At the end of 2021, 249 trainees and students in dual work / degree programmes prepared for professional life at KSB's German locations. In 2021, KSB spent € 7,962,000 on its multi-award-winning vocational training programmes. With the official handover of the refurbished vocational training centre in Frankenthal, KSB aims to deliver quality training far into the future.

KSB continuously develops the skills and knowledge of its employees to prepare them for specialist and management positions. The company has developed a three-stage approach for this purpose. It distinguishes between Group-wide, departmental and individual professional training measures. Training requirements are agreed between managers and employees at annual performance evaluation interviews. Qualification measures cover engineering, business administration, information technology, social competence, communication and leadership.

In an effort to increase the number of training hours, KSB has intensified communication within the company to inform the staff about relevant opportunities. These include training modules, courses, workshops and time for free self-study and knowledge exchange between staff. An additional e-learning course for managers was launched to raise awareness of the training opportunities. In 2021, employees invested an average of 15 hours into activities for their professional development (KSB SE & Co. KGaA: 14.6 hours).

2021 saw KSB launch a one-year scholarship programme open to all Group employees. It is specifically designed around the requirements of the digital transformation and provides up-to-date information, relevant background knowledge and explanations on key digitalisation topics.

KSB's internal distance learning programme Pump Applications Professionals, which has been in place for more than ten years, offers interested engineers and technicians with relevant experience to become experts in this field. Since 2021, KSB has been offering the internal professional development opportunity as an external distance learning course in cooperation with the technical universities in Berlin and Graz.

A new Human Resources tool introduced in 2020 which enables KSB to automate and standardise HR processes is now available to all Group companies following its Group-wide rollout in the year under review. Managers use the web-based application to support the professional development of their employees. In addition, all users can update information on their knowledge and skills in their personal profile. This increases the visibility of knowledge available in the company.

The second year of the pandemic saw KSB continue to expand its range of e-learning modules and online trainings. For example, employees took advantage of the company's

Number of training hours

	Total	KSB SE & Co. KGaA	Europe	Asia / Pacific	Americas	Middle East / Africa / Russia
Hours per employee	15	14	14	18	13	14

web-based learning platform to an even greater extent than in the record year of 2020, using this virtual environment to continue their training without the need for face-to-face contact. More than 14,000 staff from 66 countries can now use the learning platform.

Diversity and equal opportunities are an important basis for economic success in a globalised world. KSB's binding human resources principles align with the Conventions of the International Labour Organization (ILO) and apply to all Group companies. The company selects candidates for positions exclusively on the basis of necessary professional requirements and the individual performance and potential of the applicant. Clear responsibilities were defined to support this process. Management works to ensure that the principles of equal opportunities and diversity are realised in company practice. Human Resources communicates these principles within the Group and adapts them where required. HR also fosters an awareness of this important topic and offers corresponding training and advice.

KSB also focuses on equal opportunities when filling management positions with at least one direct report. In 2021, the proportion of female managers in the Group remained unchanged compared with the previous year at 13 % (KSB SE & Co. KGaA: 10 %); the share of women in the total workforce is 16 % (KSB SE & Co. KGaA: 19 %). In order to achieve a more balanced mix of men and women in management, KSB implemented several measures in the year under review. Once again, these included local and global events for young female talent attended by members of Management. This supports KSB's efforts to ensure that talented women are seen and heard within the company. Specialised professional development opportunities are available to support female employees in planning their career and prepare them for their professional future. In addition, KSB is increasingly seeking to appoint women to management positions if applicants are

equally qualified. Human Resources and managers make concerted efforts to approach potential female candidates, make them aware of their prospects and encourage them to take advantage of opportunities.

Challenges associated with the COVID pandemic arose once again in the form of school and nursery closures. The company provided its employees with mobile working options in order to ease the burden on parents in particular. In addition, many employees used flexible working time models to care for their family members.

A motivating work environment brings out the best in employees, fostering the commitment, passion and performance required for a company to succeed. KSB thus strives to be an attractive employer. The company regularly evaluates the satisfaction of its workforce by conducting a Group-wide employee survey every three years; the next one will be carried out in 2022. In the year under review, two shorter local surveys were conducted for the first time in the Region Europe West and at KSB Shanghai Pump Co., Ltd. in China in order to determine current levels of satisfaction among staff.

Employee engagement is a living part of KSB's corporate culture. Even under the difficult conditions of the second year of the pandemic, measures were taken worldwide to increase employee satisfaction and engagement. As in the previous year, virtual events continued to support open exchange between managers and employees. The company has introduced its own satisfaction brand to raise awareness within the Group workforce and support the internal communication of measures designed to boost engagement. These measures are regularly communicated within the company, for example via the Intranet.

Measures to promote employee engagement were undertaken in all companies in 2021, with managing directors reporting directly to Group Management on their implementation.

Due to pandemic-related restrictions, it was only occasionally possible for staff to meet for sports and leisure activities in 2021. As a substitute, virtual get-togethers were organised.

Results:

- KSB has made an HR tool introduced in 2020 available to all Group companies. It automates and standardises personnel-related processes.
- The number of completed training sessions recorded via the company's online learning platform increased again after a record year in 2020 to 31,322 (2020: 24,164). 9,473 (2020: 8,617) employees completed training sessions.
- In 2021, the vocational training department moved into the newly renovated vocational training centre in Frankenthal. This is where KSB's experts of the future are trained.

OCCUPATIONAL SAFETY AND HEALTH

Objectives:

Employee health and safety are top priorities for KSB. The company's goal is to protect staff from risks at work and to keep the number of occupational accidents as low as possible. By 2025, KSB aims to permanently reduce the number of days lost due to accidents to fewer than 0.3 days per employee (2021: 0.28 days). In addition, employees have access to a range of health-focused services.

Organisation, processes and measures:

KSB has set up an interdisciplinary COVID task force to respond quickly and flexibly to unfolding events. The company has established operational protective protocols at all locations. Remote working arrangements were put in place to reduce the risk of infection. In addition, locations introduced a range of measures and rules applying equally to employees and external parties depending on the local situation. These included general hygiene measures and avoiding business trips, face-to-face meetings as well as customer visits, and the implementation of mandatory requirements for wearing masks and keeping distance. The communication of appropriate hygiene measures and the distribution of protective masks were also part of the measures.

COVID-19 vaccination campaigns took place at the three largest German production locations. Employees gladly accepted the offer for first, second and booster vaccinations to protect themselves and those around them from the coronavirus.

The focus of accident prevention in everyday work at KSB is in the production areas due to their increased risk. Appropriate training, instruction and other preventive measures are implemented regularly. In the year under review, 36 production and assembly sites (including all factories of KSB SE & Co. KGaA) were certified according to the ISO 45001 international occupational health and safety standard. This represents 88 % of the locations.

2020 saw KSB begin introducing the global Vision Zero concept developed by the International Social Security Association (ISSA) in its production departments in order to reduce the number of occupational accidents. This aims to increase involvement of management staff so as to raise awareness of improved occupational safety and health. Managers learn about suitable measures that they can apply individually to their production facilities.

Local contact persons at all major production sites received training on the concept and its implementation. In the year under review, central Integrated Management assessed the current status of Vision Zero via quarterly surveys. In cases where the target of fewer than 0.3 accident-related days lost per employee was not met, members of staff responsible collaborated to identify causes and initiate suitable measures to achieve a long-term increase in safety. In 2021, this was the case at the locations of seven companies.

Occupational stress is an ever-increasing health hazard. In order to minimise psychological strains and to ensure a well-balanced work load, KSB completely revised an analysis form that has been available since 2013. Managers in Germany can use the form to record instances of psychological stress in the workplace and assess possible hazards.

KSB maintains an active occupational health management system with a holistic approach. As well as fulfilling the company's legal occupational health and safety obligations, this framework enables KSB to provide voluntary health-focused services such as flu vaccinations. To this end, the company offers ongoing health initiatives including support for giving up smoking and preventive health care courses.

110

In 2021, KSB contributed to 110 social projects and charitable initiatives worldwide.

Results:

- In Germany, the company medical service organised 2,897 first, second and booster vaccinations against COVID-19. 717 flu vaccinations were also administered.
- The number of accident-related days lost per employee and year was slightly higher than in the previous year at 0.28 (lost time accident rate).

Society

Objectives:

KSB strives to foster sustainable development and well-functioning cooperation within society. The company is therefore committed to providing financial support for organisations engaged in social initiatives. With its charitable commitments, KSB seeks to contribute to the development of the common good. By 2025, the company intends to support at least 25 social projects every year.

Organisation, processes and measures:

KSB's binding Donation Directive sets out for which purposes and under which conditions the company may make financial or material commitments. In this context, the focus is on supporting organisations and projects dedicated to the education, social support and protection of children and young people. The company is also committed to helping the disadvantaged. In the event of disasters it provides assistance to both people and organisations.

The year under review witnessed floods in many parts of the world which cost numerous lives and caused enormous destruction. KSB supported the victims of these flood disasters with financial resources and pump donations, for example in Germany, the Balkans and Indonesia.

KSB's Indian companies have traditionally been strongly committed to charitable organisations and institutions in the vicinity of their locations. The company has thus made a contribution to improving living conditions, especially for children and women. KSB also donated regularly to projects around the world to provide people with clean drinking water.

The company's social engagement sees KSB making a contribution towards achieving the United Nations' 17 Sustainable Development Goals. As in previous years, the company focused on health and well-being (goal 3), quality education (goal 4) and industry, innovation and infrastructure (goal 9).

Founded in 1942, the Geheimrat Dr. Jacob Klein-Unterstützungseinrichtung e.V. benevolent fund originally functioned to finance the KSB pension scheme. Since 1999, the charitable organisation has continued to support current and former employees of KSB SE & Co KGaA (including employees of the German Group companies) and their immediate families in cases of urgent financial need, for example, by providing grants for health care treatment and medical aids.

Results:

- In 2021, KSB participated in 26 social projects and 84 charitable initiatives worldwide.

More information on social commitment is available at www.ksb.com/csr-en.

Limited Assurance Report on the Combined Non-financial Report

To KSB SE & Co KGaA, Frankenthal

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting¹

We have performed a limited assurance engagement on the combined non-financial report of KSB SE & Co KGaA, Frankenthal, (hereinafter the "Company") for the period from 1 January to 31 December 2021 (hereinafter the "Combined Separate Non-financial Report").

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report.

RESPONSIBILITY OF THE EXECUTIVE DIRECTORS

The executive directors of the Company are responsible for the preparation of the Combined Separate Non-financial Report in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB („Handelsgesetzbuch“: „German Commercial Code“) and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the „EU Taxonomy Regulation“) and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "EU-Taxonomy and KSB" of the Combined Separate Non-financial Report.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as the executive directors consider necessary to enable the preparation of a Combined Separate Non-financial Report that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU-Taxonomy and KSB" of the Combined Separate Non-financial Report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

¹ PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the Combined Separate Non-financial Report and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

INDEPENDENCE AND QUALITY CONTROL OF THE AUDIT FIRM

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors (“Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer“: “BS WP/vBP”) as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

RESPONSIBILITY OF THE ASSURANCE PRACTITIONER

Our responsibility is to express a conclusion with limited assurance on the Combined Separate Non-financial Report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company’s Combined Separate Non-financial Report, other than the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report, are not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section “EU-Taxonomy and KSB” of the Combined Separate Non-financial Report.

In a limited assurance engagement the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities :

- Gain an understanding of the structure of the Group’s sustainability organisation and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Combined Separate Non-financial Report about the preparation process, about the internal control system relating to this process and about disclosures in the Combined Separate Non-financial Report
- Identification of likely risks of material misstatement in the Combined Separate Non-financial Report

- Analytical procedures on selected disclosures in the Combined Separate Non-financial Report
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the Combined Separate Non-financial Report
- Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the Combined Separate Non-financial Report
- Inquiries on the relevance of climate-risks

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

ASSURANCE OPINION

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Combined Separate Non-financial Report of the Company for the period from 1 January to 31 December 2021 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section “EU-Taxonomy and KSB” of the Combined Separate Non-financial Report. We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report.

RESTRICTION OF USE

We draw attention to the fact that the assurance engagement was conducted for the Company’s purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned.

Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Frankfurt am Main, 9 March 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke
Wirtschaftsprüfer
German public auditor

ppa. Meike Beenken