

SUSTAINABILITY REPORT 2023

Our values and our responsibility – for today and the future



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Foreword by the Chairman of the Supervisory Board



Dear shareholders, employees, customers, and business partners of Basler AG,

We are pleased to present the second independent sustainability report of Basler AG. Previously, it was part of our general corporate reporting. The relevance and regulatory requirements now demand a more comprehensive report on our activities and the status of their implementation.

As a listed family business, social responsibility and sustainable business practices are a matter of course for us. This method of operation has been firmly anchored in the company in various ways for many years. We are pleased to take this opportunity to provide a more comprehensive insight into our efforts with this separate report.

Our company is a leading international manufacturer of high-quality image processing components and solutions for applications in factory automation, medicine, transportation, and a variety of other markets. As a globally competitive supplier of capital goods, we are therefore called upon both as a provider of technical solutions for a more sustainable world and at an operational level to make our contribution to preserving the foundations of life.

With an export ratio of over 80 % and facing strong international competition, we are fundamentally caught between the need to remain competitive on one hand and the need to transform to a more sustainable economy on the other. This balancing act is made more difficult by numerous global challenges and crises (including the Ukraine war, energy crisis, disruption to global supply chains, and coronavirus pandemic). Nevertheless, both must succeed: maintaining our economic license to operate and fulfilling our responsibility for people and the environment.

The World Climate Change Conference in Egypt (COP27) issued mixed results and the impressive warning that the 1.5-degree target is probably no longer achievable, yet everything must be done to prevent a climate catastrophe. That warning, and many others, remind us of our special responsibility for the future.

Against this backdrop, the increasing regulatory requirements and the desire of some stakeholders for a deeper insight into non-financial ("ESG"/sustainability) issues are more than understandable. The desire for transformation and transparency is also driven by numerous regulations and an ambitious program by EU institutions to achieve the goal of a climate-neutral circular economy by 2050.

As a result, information expectations are increasing and the sustainability report of Basler AG follows this development.

Responsibility for this topic is assumed at the Management Board and Supervisory Board level. Dedicated Sustainability Management ensures that sustainability is given high priority in all areas of the company; explicit integration of sustainability into the overall strategy ensures that the competing priorities described above can be balanced all the times. There is a particular focus on climate change and the circular economy as a strategic element. In the future, activities in this area will be brought together, reviewed, and managed in an even more structured way.

Although we are not at the beginning of the transformation and are proud of what we have achieved so far, the pace of change must increase if we want to live up to our responsibilities to all stakeholders and future generations. This assumption of responsibility fits seamlessly into our values, which have shaped our corporate culture from the very beginning.

I wish you an insightful read.

Yours

A handwritten signature in black ink that reads "N. Basler". The signature is written in a cursive, slightly stylized font.

Norbert Basler
Founder and Chairman of the Supervisory Board

1. General information

1.1 Preliminary remarks on this sustainability report

The year 2023 represents an economic turning point for the Basler Group. As explained in the financial report of the consolidated financial statements, the sales crisis in 2023 necessitated a significant reduction in personnel and long periods of temporary work, as well as a restructuring adapted to this.

Although Sustainability Management was not directly affected by the reduction in personnel, the supply of various established data streams from the specialist departments was disrupted. The resulting information gaps are being closed as quickly as possible. The focus of the information presented follows the priority according to legal requirements, the wishes of the most important stakeholders and, finally, the activities that appear relevant to the interested public.

Due to this overall situation, some deviations from previously selected reporting standards, methodological procedures, and planned activities were inevitable, resulting in reporting components being removed from the announcements in the non-financial management report 2022. To ensure the greatest possible transparency and continuity, reference is made to the relevant deviations in the text. In accordance with legal requirements, the report for the coming financial year (2024) will change fundamentally and be prepared as an integrated report.

Following this brief classification, the most important points relevant to understanding the sustainability development of the Basler Group are presented.

1.2 Scope of consolidation, materiality thresholds, and time horizons

The contents of this sustainability report generally refer to the Basler Group with 1,004 employees (excluding dormant employment relationships, trainees, and interns), corresponding to the scope of consolidation shown in the group management report, with the exception of the Polish and Japanese subsidiaries for the environmental and climate-related disclosures. The integration of the Polish subsidiary, whose task is to support research and development activities, was completed in the reporting year (10 employees at the end of the year). The Japanese subsidiary (6 employees at the end of the year) is a branch that falls below the materiality threshold for most of the climate and environment-related sustainability risks, opportunities, and impacts considered material in this report. The defined materiality threshold for branches without a significant environmental and emissions

impact is less than one percent of employees (>10 employees at the end of the year) in relation to the Group. Deviating from this, individual disclosures are limited to the parent company Basler AG or some of the subsidiaries if a materiality threshold has not been reached or if certain data points are not yet available in sufficient quality. In each of these cases, reference is made to the limited coverage. The basic corporate policy, guidelines, and material sustainability impacts and risks are not affected. For the purposes of this report, the following time horizons are defined: "short-term" refers to one year, "medium-term" to a period from one to five years, and "long-term" to a period from five to ten years. The term "very long term" is used for projections over ten years.

1.3 Management responsibility and Sustainability Management at the Basler Group

Information on the composition, remuneration, and diversity of the Supervisory Board and Executive Board, the independence and expertise of the Supervisory Board, and the compliance organization can be found in the Corporate Governance Report in the Annual Report for the 2023 financial year. In addition, the organization, the role of the Management Board and Supervisory Board, and the information flows within the framework of Sustainability Management are described in more detail below.

A separate staff unit within the "Administration" area of responsibility of the COO/CFO is responsible for managing the material impacts, risks, and opportunities associated with sustainability issues. The tasks of this unit include recording material sustainability issues, reporting and communicating them to stakeholders and the public, integrating sustain-

ability issues into other management areas, and managing specific projects for the targeted improvement of the Group's sustainability impacts, opportunities, risks, and communication. The Sustainability Manager reports regularly on these and on the status of measures and projects to the Head of Administration and the COO/CFO, as well as twice a year to the Audit Committee of the Supervisory Board as part of the preparation and review of the sustainability report, and on an ad hoc basis (e.g. advising on the selection of auditors and external consultants). All members of the Supervisory Board have knowledge of sustainability reporting and auditing in accordance with Section 289 HGB. In addition, Prof. Dr. Mirja Steinkamp and Lennart Schulenburg, as members of the Supervisory Board and the Audit Committee, have special expertise in the requirements for sustainability reporting and auditing.

At the end of 2023, the central parts of the Group strategy adopted in 2022 were supplemented and specified with regard to climate and environmental sustainability (see Climate and environment section). Within this framework, individual projects and targets were defined, their progress recorded in six-month sprints, and reported to the Executive Board and senior managers. Sustainability Management is also involved in the monthly approval of new and changed company processes, on an equal footing with quality, risk,

and compliance management. This ensures that sustainability aspects are taken into account in new and modified processes. Regardless of the project, a comparison is carried out with the management of foreign companies at the end of the year as part of the materiality analysis and the preparation of the sustainability report. In practice, a regular exchange also takes place at this level during the year regarding specific projects or the introduction of new guidelines.

1.4 Due diligence, internal control, and risk management

To the extent that due diligence is associated with certain sustainability issues, these are mainly performed by the respective specialist departments. The Human Resources department monitors and is responsible for the effects, risks, and opportunities relating to employees; the Purchasing department for those relating to suppliers and arising along the supply chain; and the Sales department for those relating to customers and downstream value creation. These departments assume group-wide responsibility from within Basler AG, in coordination with the foreign companies. Individual implementation tasks can be delegated to them. The local management is responsible for the locally specific safety, health, environmental, and climate-related impacts or risks associated with the activities of the respective individual companies. They report to the Management Board, are involved in strategy development, and in the regular reviews of the Executive Committee. Sustainability Management at Basler AG advises and supports the data collection, analysis, and management of the respective specialist departments with technical analyses and expertise on requirements and implementation practice, particularly regarding environmental, climate, human rights, diversity, and cultural issues. In 2023, workshops lasting several hours were held with all material functions and managers of Basler AG and all subsidiaries to prepare the sustainability report and to improve material sustainability topics. As a rule, the focus was on the changing requirements for the sustainability report, an initial assessment of materiality, and feedback from these groups.

In the foreign companies, the general managers assume responsibility for the implementation of the central guidelines and specifications, as well as for the further development of sustainability topics.

The risk and opportunities analysis on which this report is based goes beyond the risk and opportunities presented in the Group management report by providing a more detailed consideration of the material sustainability risks and opportunities. These are mostly indirect in nature, often have a longer time horizon than the usual business risks, and are subject to greater uncertainty. Both risk analyses are coordinated with each other via risk management. In the 2023 financial year, Sustainability Management supported the entire risk analysis process to better understand the materiality of partial business risks. In addition, the Audit Committee of the Supervisory Board reviews the completeness and correctness of the report in accordance with its statutory duties.

The Audit Committee and Supervisory Board review the sustainability reporting as part of a structural and system audit. In addition, the information in the sustainability report is checked with the help of random samples. The Audit Committee and the Supervisory Board have concluded that the Basler Group's sustainability reporting is appropriate and effective.

2. Sustainability, strategy, and business model

The companies of the Basler Group develop, produce, and market image processing components for professional users. Digital cameras, which are primarily used in industrial mass production, medical applications, traffic control, and logistics, currently account for the majority of sales. In addition, the Basler Group is continuously expanding its product range and is therefore gradually developing into a software-supported solution provider of image processing systems and components. According to customer surveys, Basler products are characterized by innovation, high reliability, simple integration, and a very attractive price-performance ratio. Target customers are national and international manufacturers of capital goods (OEM customers) who integrate image

processing components and solutions into their own systems and devices and market these to end users. Decisive factors in the company's 30-year success story are a value-oriented corporate culture, the courage to embrace change, the willingness to see constant change as normal, and the passion to drive forward customer-oriented innovations to lead the company sustainably into the future. Reliability and trustworthiness are material brand values for the Basler Group among customers, employees, suppliers, partners, and other stakeholders. The company's vision/mission is to develop computer vision technology that is used in applications to improve the quality of life of all stakeholders.

2.1 Stakeholder management

The interests and views of the company's stakeholders are collected and recorded as part of the materiality analysis of the responsible functions and departments. This information is updated every two years unless there are no material changes in terms of new impacts and risks in the meantime. Information and inquiries from customers and the downstream value chain are recorded by the Sales Back Office and the Customer Relationship Management team. Information from suppliers and the upstream value chain is collected by Supplier Quality Management. Employee concerns are dealt with by the HR department and, at Basler AG, also by the General Works Council. Compliance-related sustainability aspects are also recorded via the whistleblower system and processed in the compliance team with a "multiple-eye principle". Locally specific impacts, risks, and opportunities in the foreign companies are the responsibility of the respective management teams and are also collected centrally as part of the materiality analysis. As in the previous year, the supplier qualification department, the legal department, the customer quality team, and the HR department carry out numerous comparisons with Sustainability Management on an ad hoc basis. In addition to the whistleblower system, all stakeholders are encouraged via the sustainability website to make submissions and inquiries on all sustainability

topics via the email address sustainability@baslerweb.com. Sustainability Management and the Head of Administration are responsible for collecting and responding to the submissions and coordinating them with the specialist departments and the Management Board, depending on the type of submission. It is particularly gratifying to see an increase in employees' own initiative here, who approach Sustainability Management directly with ideas for improvements. The CFO communicates with investors and rating agencies on sustainability issues together with Investor Relations Management and Sustainability Management. Numerous discussions on the topic of sustainability were also held with investor representatives and rating agencies in 2023. Sustainability Management also conducts analyses on specific topics, such as the handling of human rights in the supply chain or the climate and environmental impact of activities at locations worldwide. The key result of these efforts in 2023 is the realization that increasing transparency about the company's overall sustainability impact is the most important concern for corporate stakeholders, as this also affects various disclosure obligations. Among other things, this resulted in a significant expansion of the scope and depth of reporting content.

2.2 Material sustainability impacts and risks of the business model

As outlined, the business model consists of the development and production of high-quality computer vision hardware and software and their global distribution, along with third-party products for industrial customers from a wide range of different industries. Contrary to last year's expectations, the sales figures of previous years were not achieved in the most recent fiscal year. The forecasted relative contributions of the individual sales drivers were not met. The material sustainability impacts, risks, and opportunities described in the 2022 Sustainability Report must therefore be preceded by an additional financial sustainability risk, which influenced the materiality analysis of the following factors to an unexpected extent:

1. Sales development

The decline in sales determined the Group's risk management in 2023 more than any other factor. The necessary course of restructuring and reorganization demanded a great deal from everyone involved. Due to the high relevance of ESG, the chosen sustainability course was maintained without resource cutbacks. Only future investments were adjusted to an appropriate extent to remain in line with the actual sales results.

2. Technology and innovation orientation

With regard to employees, innovation orientation is associated with material impacts as well as opportunities and risks. Attracting and retaining highly qualified employees through an attractive environment and an appreciative corporate culture, flexible working conditions, as well as further development and qualifications have a significant impact on the well-being and prospects of employees and are also crucial to the company's success (see chapter 4). In the last sustainability report, the focus on technology orientation was used to identify potential opportunities and positive impacts for the transformation to a climate-neutral circular economy (see chapter 3). The focus on innovation continues to be an important guarantee of success for the workforce.

3. Development, production, and distribution of electronics

Due to its product range and the high proportion of sales generated with electronic hardware, the Basler Group is also

subject to the sustainability impacts typically associated with the electronics industry. On the environmental side, this concerns the transformation to a circular economy: in particular the reduction of electronic waste, repair and recycling, the highest possible resilience and control of substances of concern, and activities in the value chain. Another impact results from the emissions effect associated with the energy consumption of products (see chapter 3.3). The role as an "enabler technology" is complementary. Especially in the areas of so-called GreenTech, opportunities are increasingly opening to make the production of technologies more efficient through the use of our technology and engineering, thus serving as a catalyst for a sustainable energy transition.

4. Global growth

The activities of the Basler Group only cover a limited section of a long and complex global value chain. The entire manufacturing process, from the raw material to the finished component, as well as the integration of Basler products into the machines and systems of end customers worldwide can only be monitored and influenced to a limited extent. Challenges exist in the possibility of negative social and environmental impacts in the supply chain and in the use of products for purposes that are not compatible with Basler's values and principles (given that products reach the market via distributors). In line with the increasing due diligence requirements, substantial investments will be made in 2024 in the continuous expansion of the monitoring of suppliers, materials, and components in order to counter impending risks at an early stage.

5. Climate change

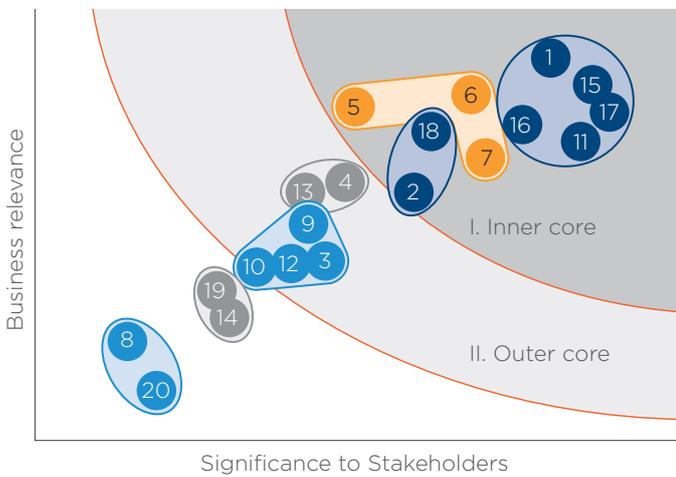
Climate change and its consequences are categorized as one of the greatest overarching challenges for humanity, every human activity, and every industry, albeit to varying degrees. Neither Basler locations nor the business model are exposed to a specific form of risk from climate change. Nevertheless, the Basler Group will fulfill its responsibility to contribute to its mitigation. The comments on this topic are limited to the future achievements in this area.

2.3 Materiality analysis and changes compared to the previous year

A list of twenty relevant topics was compiled from a comprehensive collection of possible sustainability aspects, taking into account international reporting standards, regulatory and social trends, and industry-specific requirements in 2022. In a survey of top management with the responsible corporate functions, the business relevance (opportunities and risks) and significance for the assigned stakeholders (impact) were assessed in accordance with the principle of "double materiality". In the 2024 financial year, the materiality analysis will be renewed and - also in preparation for

the new reporting obligations of the European Union - the process and thematic categorization will be adjusted again. Due to the changed business situation in 2023, the "Financial performance" factor has become significantly more relevant compared to the chart and would be weighted with maximum values on both axes. However, as no explicit survey of all stakeholder groups was carried out due to short-time working, this information remains unchanged. The following materiality matrix shows the unchanged results:

Materiality matrix for 2023 (unchanged from 2022)



<p>Business and Governance</p> <ul style="list-style-type: none"> 1 Customer satisfaction 2 Data security in products 11 Financial performance 15 Innovation capacity 16 Integrity & compliance 17 Product performance & quality 18 Supply chain resilience 	<p>Environmental</p> <ul style="list-style-type: none"> 3 Decarbonization 8 Energy efficient products 9 Green supply chain 10 E-waste reduction / circular 12 Harmful chemicals 20 Waste (other than e-waste)
<p>Employee matters</p> <ul style="list-style-type: none"> 5 Development & training 6 Safety & health 7 Satisfaction & work-life-balance 	<p>Social</p> <ul style="list-style-type: none"> 4 Diversity & equality 13 Human rights / resp. sourcing 14 Inclusion 19 Social Engagement

2.4 The Basler sustainability strategy

Improving quality of life with computer vision

"Improving the quality of life with computer vision is not just a marketing slogan - it is what we do and how we see ourselves at Basler. We improve the quality of life with our products and their applications. We also take responsibility for how our products are created, for the people along our value chain, for the environment, and for the way we leave our planet for future generations. We see that the challenges and expectations for a more sustainable industry are increasing every year. But these challenges also offer opportunities. Companies that create financial value by also striving for social and environmental progress are the true leaders of tomorrow."

Hardy Mehl, COO/CFO

The aim of Basler's sustainability strategy is to make effective use of these opportunities. To this end, the Basler Group is guided by the following guidelines:

- ▶ **Transparency:** The Basler Group fulfills all legal requirements with regard to disclosure obligations. Communication with customers can go beyond this, especially when it concerns partnership-based cooperation and far-reaching change processes. Communication with the interested public is subject to its own risk assessment of the ethical, social, and environmental impacts of its own activities.
- ▶ **Stakeholder orientation:** The Basler Group is continuously improving the recording of stakeholder interests and dialogue to further develop itself as an organization. This means that different stakeholder interests are recorded and opportunities and risks are recognized.
- ▶ **Long-term orientation:** In economic terms, the Basler Group prioritizes long-term growth and resilient stakeholder relationships over short-term profit orientation, which is also reflected in the company's successful history. Social and environmental impacts are taken into account with foresight in order to develop positive effects and avoid damage before it occurs.
- ▶ **Shared value creation and innovation:** The combination of economic success with social and ecological sustainability defines the company's success as a whole. When this ideal reaches its limits in reality, the Basler Group places particular emphasis on the company's innovative

strength. New products and processes are designed to push traditional boundaries in order to create value in all areas. The dimension of sustainability has also been integrated into the innovation process in a variety of ways. For example, sustainability is an integral part of the Balanced Score Card and a separate pillar in every change process.

- ▶ **Areas of tension regarding the level of information:** The statutory disclosure obligations for various types of information lead to their own audit dynamics and processing challenges. The availability of external data does not mean that it can immediately and automatically lead to an adjustment in every process. Nevertheless, the Basler Group endeavors to keep this information up to date and to subject the resulting findings to a substantive review regarding economic, social, and environmental impacts.

To put these guidelines into practice with the appropriate measures, the company management created a staff position for Sustainability Management in 2021 and further promoted the integration of sustainability into the overall strategy in 2022. Among other things, a strategic initiative on environmental sustainability was introduced to continuously record and improve the climate and environmental impact of the Basler Group, in regular consultation with the Management Board and the Executive Committee. A comparable strategic initiative was launched at the end of 2023 regarding the standards in the supply chain, which will be implemented in 2024. The following chapters present the most material results of these measures from the past financial year.



3. Climate and environment

3.1 Climate change

The Basler climate and environmental policy regulates how the Basler Group deals with its positive and negative impact on the climate. The Basler Group aims to make an effective positive contribution to climate protection by maximizing customer benefits while reducing emissions and avoiding negative environmental impacts. It describes the Basler climate targets: Net zero emissions in Scopes 1 and 2 by the end of 2030, and a significant reduction in Scope 3 emissions in relation to sales. These targets were pursued through various measures. For example, various service providers were commissioned to provide the emissions database so that the potential and risks could be assessed. This included the estimated CO₂ emissions of the Group, CO₂ emissions of individual products, and specific calculations of individual measures in Ahrensburg. A transition plan was drawn up on this basis, outlining the development path to climate neutrality by 2030. In the first step, the transition plan aims to realize substantial savings potential, the result of which is largely self-financing. Starting in the first half of 2024, the first measures will be implemented directly and successively by 2030. In the second step, the remaining CO₂ emissions will only be sourced from electricity. As Basler AG will obtain 100 % of its electricity from genuine green electricity from January 1, 2024, a zero balance for scope 1 and 2 emissions will be possible for Basler AG in 2030. In the second step and during the transition period, fossil fuels (e.g. gas) will be neutralized via certificates.

The physical risks associated with climate change as well as transition risks related to the Basler Group's business model, strategy, and facilities are limited even in the long term. Stakeholder expectations regarding transparency and the management of the transition to a climate-neutral industry are currently playing a greater role and are being proactively evaluated by the Basler Group. The same applies to the climate impact of the Basler Group's activities. At its own locations, these are limited to heating the premises, a few company cars, and electricity consumption. As is common for the industry, there is greater leverage in the indirect emission effects that occur in the upstream and downstream value chain ("Scope 3" emissions).

The risk analysis is the joint responsibility of Sustainability Management and the risk management officer. For this report, analyses and projections on flood risks, heat, and water stress, as well as known adaptation measures were used. The assessment of transformation risks is based on projections of potentially rising energy costs and their impact on the costs of Basler AG. The climate risk analysis is unchanged compared to 2022.

Since the activities for the development, production, and distribution of image processing components and software are not directly dependent on changing climatic conditions or water and land use, the direct short, medium, and long-term physical risks associated with climate change are low. With the exception of the headquarters and the main production facility in Ahrensburg, Germany, the Basler Group's business model is not tied to specific locations or facilities. All Basler locations are rented and, with the exception of Ahrensburg, Neumünster, and Singapore, are predominantly office spaces. No long-term disruption to business operations due to the consequences of climate change is foreseeable at these locations. Even in a worst-case scenario (+5 °C pathway), no long-term business risk can currently be derived for the Basler production sites in Ahrensburg and Singapore with regard to sea level rise, flooding, and extreme temperatures. The city of Hamburg, close to the headquarters and main production site of Basler AG, is currently the most important business and transportation hub for the Basler Group. Since 2013, the city of Hamburg has implemented a convincing action plan to adapt to rising temperatures and flooding risks, which includes structural and emergency measures as well as permanent scientific monitoring of changing climate risks.

As part of the climate risk analysis, the Basler Group carries out an assessment of the water stress situation at Basler locations. Locations with very high water stress are Beijing and Xian. In a pessimistic scenario, the locations Shanghai, Suzhou, Seoul, Tokyo, and Singapore could be exposed to very high water stress in the long term. As the production and sales activities of the Basler Group does not require water, neither a material impact nor a direct material risk can be derived from this. Indirect risks cannot be reliably quantified

at present. The water consumption of the Basler AG together with the production site in Singapore amounted to 42,630 m³ in the fiscal year 2023.

An indirect but limited long-term-to-very-long-term risk is the availability of electronic components due to disruptions caused by increasingly extreme storms, water, and heat stress along the supply chain in a business-as-usual scenario, which cannot be precisely quantified at present. Supply disruptions represent an overarching risk that applies to the global electronics industry and other sectors as a whole. The Basler Group also considers itself resilient to potential sales risks that could arise from climate change-related cut-backs in other industries. Well diversified on the sales side, the Basler Group generates sales in 57 countries across the globe, in a large number of different industries, and also has a high level of innovation and flexibility.

In the scenario of a delayed expansion of renewable energies with simultaneously rising CO₂ prices and increased demand, energy costs could continue to rise in the long term. Monetary savings could be realized by switching to 100 % genuine green electricity and will thus have a positive impact on the operating result of Basler AG. Overall, the Basler Group sees itself as largely resilient to the typical transformation risks.

The transformation of the industry to climate-friendly technologies and processes offers opportunities in the medium to long term, which the Basler Group intends to capitalize on with a stronger focus on corresponding end customers from the GreenTech sector (e.g. in the photovoltaic, battery, or agricultural industries). Another opportunity in the medium

to long term lies in implementing the strategy to reduce the energy consumption of Basler products, especially from a system perspective. Lower energy consumption by the entire Vision System compared to the competition can represent an additional incentive to buy for certain customers in the long term, if the trend towards sustainability in procurement prevails. The Basler Group is working on measurable improvements as part of product development instead of advertising with offset certificates.

The emissions impact of the Basler Group's own activities is rather low compared to other industries. The only direct sources of emissions at Basler sites (Scope 1) are attributable to the Group's own heating systems and leased company cars. Other indirect sources at the sites are electricity and district heating consumption (Scope 2). As is usual for the industry, the largest part of the emissions impact is indirect, i.e. it lies in the upstream and downstream value creation and outside the activities of the Basler Group (Scope 3). The following charts represent the first comprehensive calculation of the Basler Group's carbon footprint for 2022. Due to the high effort involved in preparing a greenhouse gas balance, including all material subsidiaries, the climate balance for the current year can only be reported in the following year. The greenhouse gas balance was calculated in accordance with the Greenhouse Gas Protocol standard of the World Resource Institute. To calculate the greenhouse gas balance and to check the emissions reports provided by other business partners, the Basler Group obtained advice from an environmental management company. All values are given in metric tons of CO₂ equivalents ("CO₂ e").

GHG Emissions in 2022:

in metric Tons of Co2 equivalents



*Delimitations of Scope 1 and Scope 2 emissions: All emissions from company car consumption, heating, purchased electricity and district heating from the German sites in Ahrensburg, Mannheim, Neumünster, Hamburg, the production site in Singapore, the Chinese sites in Beijing, Shanghai, Shenzhen, Suzhou, Chengdu and Xian as well as Hsinchu (Taiwan), Exton (USA) and Seoul (South Korea) are included.

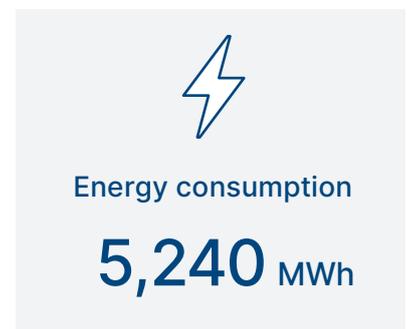
For Scope 2 emissions, the Basler Group has opted for a location-based calculation of electricity-related emissions. This means that the main polluter, the electricity consumed at the headquarters and main production site in Ahrensburg, was weighted with the national German emission factor, although green electricity was purchased for 2023. However, this still came from predominantly older Norwegian hydro-

wer plants via the system of guarantees of origin. The Basler Group does not consider this to be emission-free electricity, as guarantees of origin are viewed critically by experts and hardly represent a contribution to the energy transition. According to the GHG Protocol, the scope 2 emissions could have been significantly minimized mathematically through this crediting.

Energy consumption and composition 2022*

Consumption type	Consumption (in MWh)
Purchased energy	3,364
of which electricity	3,024
thereof district heating	340
Natural gas	1,876
Total	5,240

* Substantial parts of the data for the 2023 accounting year were incomplete at the time of reporting, which is why they will have to be provided subsequently in the 2024 Sustainability Report. The information includes all energy consumption of all locations and subsidiaries of the Basler Group, with the exception of Krakow and Tokyo. This also includes the consumption of the Italian and Korean subsidiaries, which are not yet included in the carbon footprint for 2021 due to Group integration.



Following the 2022 climate assessment, the Board of Directors and the Executive Board of the Basler Group decided to reduce the energy consumption of products developed in-house in line with customer requirements. It is true that this item in the Group's carbon footprint also depends on external factors, particularly the speed of decarbonization in the destination countries. Nevertheless, until the global effort is completed, there is a great deal of leverage for reducing emissions in our own development. To this end, Sustainability Management has worked with the research and development department and product management to develop a strategy and initial measures that should have been implemented in the 2023 financial year. Due to the economic situation in 2023, the measures have been delayed. In second place is the so-called "CO2 backpack" of the components purchased to produce industrial cameras. In the 2023 financial year, a consulting firm carried out a detailed analysis of individual components with regard to the greatest savings potential. A product-related carbon footprint can be derived from this as an example, although it cannot be converted to the entire product portfolio. Nevertheless, valuable insights can be gained in this way to substantially optimize the CO2 footprint of Basler products.

In addition, Basler AG already offers its employees in Germany subsidies for climate-friendly public transportation and bicycle use and replaces business trips with online communication where possible and sensible.

The Basler Group attaches great importance to climate change and the reduction of emissions overall and takes responsibility for its own emissions impact with substantial measures to make a positive contribution to a future worth living. The continuous expansion and improvement of climate accounting and the impact of emissions will remain a core component of the sustainability strategy in the long term.

3.2 Resource consumption and circular economy

No material risks arise from the mere use of resources. The increase in efficiency can help to further reduce material costs. In the long term, the transition to a circular economy offers the Basler Group opportunities for testing innovative business models and the use of computer vision for resource-saving processes as well as in the recycling industry. These long-term opportunities cannot yet be quantified, but market developments will continue to be monitored as part of the product strategy.

The targets and approach to resource use and the transition to a circular economy are laid out in Basler's climate and environmental policy. It prescribes the decoupling of value

creation from greenhouse gas emissions and the ecological footprint of resource use as long-term climate and environmental goals. The target in the previous year's report was to develop further key figures on resource use and the circular economy in the 2023 financial year. However, this was not given priority due to the short-time working ordered in the relevant departments, which is why the sub-project has been postponed for the time being. At the same time, it was determined that recording the weight of incoming materials was already incomplete and unreliable, which is why the calculation will be adjusted using consumption values recorded by weight by the contracted forwarding companies as the basis.

Resource use 2023*	Weight (in tons)
Products sold (incl. packaging)	105.97

*Explanations on data quality: The total includes the items shipped by the four largest shipping companies. The value therefore represents a minimum value.



The Basler Group is pursuing the goal of further increasing material efficiency and, in particular, further reducing direct electronic waste in relation to sales. The recording practice will be fundamentally revised for 2024, as other disclosure obligations also apply for this financial year. In production, even minimal defects are always reworked to achieve the

highest quality with minimal waste. To this end, Basler AG offers a repair service, both within and outside the warranty period, to keep Basler products in circulation for as long as possible. At the same time, the Basler Group is working on innovations to further increase the circularity of the business model.

3.3 Disclosures in accordance with Regulation (EU) 2020/852 ("EU Taxonomy")

In accordance with Regulation (EU) 2020/852 and the relevant provisions of the associated Delegated Regulation (EU) 2021/2178, the Basler Group publishes the shares of taxonomy-eligible and taxonomy-aligned economic activities at Group level.

Group-wide, absolute values for 2023

Activities	Sales in (T€)	(in %)	Investments (in T€)	(in %)	Operating expenses in (T€)	(in %)
A. Taxonomy-eligible	0	0 %	0	0 %	27	0.03 %
A.1 of which taxonomy aligned	0	0 %	0	0 %	27	0.03 %
A.2 Taxonomy-aligned but not taxonomy-compliant	0	0 %	0	0 %	0	0 %
B. Not taxonomy-eligible	203,102	100 %	30,088	100 %	104,917	100 %
Total (A. + B.)	203,102	100 %	30,088	100 %	104,917	100 %

Basler AG does not report any taxonomy-eligible activities because there is (as yet) no EU regulation covering its business activities.

Explanation of the reference values:

The total figures for sales, investments and operating expenses were calculated in accordance with the regulation; please also refer to the explanations in the published IFRS notes under point 3 "Accounting policies".

Explanations on the assessment of taxonomy capability:

Turnover: Due to its product range - as a manufacturer of industrial cameras and provider of machine vision solutions - the Basler Group did not generate any sales from the economic activities listed in Annexes I and II to Delegated Regulation (EU) 2021/2139 in the 2021 financial year.

Operating expenditure:

The taxonomy-eligible and -compliant activities in operating expenses are activities with NACE code M71, consulting and planning services with the goals of general CO2 emissions calculation and CO2 reduction, as well as the goal of achieving climate neutrality at the headquarters in Ahrensburg through refurbishment.





4. Social affairs and employees

4.1 Material impacts, risks, and opportunities in connection with employment

Qualified, motivated, and healthy employees are the basis for the success of the Basler Group. Regarding the Basler business model, which is geared toward the development and production of high-quality technology products and highly qualified employment, the material opportunities and risks arise primarily from the recruitment and retention of well-trained and capable employees. Due to the favorable location conditions and growth prospects in the computer vision market, there are mainly opportunities for renewed growth in the medium term. In the short term, however, risks have also become more apparent, which can be derived in particular from attractive salaries. They put a strain on a company's liquidity, making it vulnerable to exogenous shocks such as short-term declines in sales. Such a risk materialized in 2023

on an unprecedented scale. The previous year's workforce had to be reduced by 16.8 % as part of the restructuring measures initiated at an early stage. This entails risks arising from the multiple financial burdens of salaries and severance payments, as well as the loss of expertise. To make the most of opportunities, management attaches particular importance to offering employees an attractive working environment and ensuring that they have the appropriate qualifications for the requirements of their work at Basler through training and further education. Health, job satisfaction, and the promotion of further development have material positive impacts both on the employees themselves and on the long-term success of the company.

4.2 Employment structure

The result of the staff reduction is presented in detail for reasons of transparency. The following breakdowns are based on headcount, not full-time equivalents. This includes all employees, including the Executive Board, but does not include trainees, interns, non-employee workers, or those with dormant employment contracts.

Breakdown by gender and type of employment (head count as at 31.12.2023)

Region	EMEA				APAC				Americas	total	Previous year	Trend in %
	Germany	Italy	Poland	China	Singapore	Korea	Taiwan	Japan	USA			
Country	456	15	8	63	19	36	15	7	21	640	777	-17,6
Country	456	15	8	63	19	36	15	7	21	640	762	-16,0
unlimited	0	0	0	0	0	0	0	0	0	0	15	-100,0
temporary	354	15	8	63	18	36	15	7	20	536	654	-18,0
Full-time	102	0	0	0	1	0	0	0	1	104	123	-15,4
Part-time												
	239	9	2	45	24	19	12	2	12	364	430	-15,3
Female (total)	238	9	2	45	24	19	12	2	12	363	416	-12,7
unlimited	1	0	0	0	0	0	0	0	0	1	14	-9,3
temporary	112	6	2	45	23	19	12	2	12	233	285	-18,2
Full-time	126	3	0	0	1	0	0	0	0	130	145	-10,3
Part-time												
Other	0	0	0	0	0	0	0	0	0	0	0	0
Total	695	24	10	108	43	55	27	9	33	1004	1207	-16,8
Compared to previous year	832	23	5	166	46	62	27	6	40	1207		
Trend in %	-16,5	-4,3	+100	-34,9	-6,5	-11,3	0	+50	-17,5	-16,8		

Regardless of the reduction in staff, Basler AG offers all employees the option of part-time employment to enable people in all life situations to participate in a flexible working life according to their wishes - this also applies to managers. In addition, Basler AG offers shares of remote work, sabbaticals, and workation for flexible working arrangements.

The Group-wide employee turnover rate at the Basler Group was around 20 % in the 2023 financial year. The employee turnover rate includes employees who left voluntarily over the year divided by the total number of employees in the Group as of the reporting date of December 31, 2023, excluding trainees, temporary staff, interns, and members of the Management Board. The employee turnover rate, which has

risen sharply compared to previous years, includes 190 full-time equivalents who left the company due to the crisis as part of the volunteer programs offered. A total of six trainees completed their training in the 2022 financial year, and all six were taken on as permanent employees.

The Basler Group uses non-employee workers to a limited extent, mainly in production, to cushion order peaks. During the 2023 financial year, a total of 43 non-employee workers were employed. The average duration of employment was nine months. None of these non-employee workers were taken on as permanent employees by the Basler Group during the course of the year. At the end of the 2023 financial year, one non-employee worker was employed by Basler AG.

4.3 Basic company policy for employment

The principles set out in the Basler Code of Conduct as well as other corporate guidelines and policies apply to the entire Group, over and above the respective statutory minimum requirements. These include:

- ▶ Compliance with employment-related laws and guidelines as a minimum standard
- ▶ Respect for human rights on the basis of the UN Charter
- ▶ The unrestricted right to freedom of association and collective bargaining
- ▶ Effective occupational health and safety
- ▶ The ILO core labor standards
- ▶ Fair treatment and protection against discrimination based on gender, age, skin color, origin, nationality, religious affiliation, sexual orientation, disability, certain political views, or trade union activity
- ▶ Protection against harassment
- ▶ The appreciation and inclusion of diversity (Diversity Charter)
- ▶ A culture of appreciation and mutual respect

Employees can report violations of these principles either anonymously, via the internal whistleblower system, or to an external body, as well as directly to line managers, HR managers, or the compliance team. Employees can access the relevant information on the company intranet.

Based on these principles, the management of each individual company in the group can reach further agreements with their employees to regulate cooperation. For the employees of Basler AG, as the largest individual company, the company agreements which were concluded with the works councils at the locations and the general works council particularly apply. These include agreements on vacation and working hours, IT use and data protection, employee development, remuneration, profit sharing and special payments, the possibility of sabbaticals, and others. In the event of conflicts in the workplace, Basler AG employees can also make use of the Fürstenberg Institute's advisory services free of charge and anonymously if they wish.

4.4 Occupational health and safety and health management

Safety and a healthy working environment have top priority at the Basler Group, without exception, in all activities and in all areas of the company. The highest standards are observed and legal requirements are consistently implemented. As a matter of principle, the Basler Group has a culture of foresight and the exclusion of potential hazards before new devices, workplaces or equipment are used. These principles apply throughout the Group.

Depending on the type of activities and national laws, different health and safety requirements apply at the various locations of the Basler Group worldwide. Special regulations and measures apply in Ahrensburg and Singapore, as production also takes place at these locations in addition to office work. The Neumünster site has a job store where electronic and mechanical equipment and prototypes are produced on a small scale at special workstations. At all other locations, predominately only office work takes place, plus light warehouse work (receipt of goods and preparations for shipping) and, to a lesser extent, work on equipment such as test stations. No particularly hazardous activities are carried out at any of the Basler Group's sites and the hazardous substances used at the production sites are materially limited to cleaning agents, solder paste, and lubricants.

At the production sites in Ahrensburg and Singapore, a separate manual regulates the roles, responsibilities, and rules for occupational health and safety. Regular risk assessments are carried out at both sites and the documented results are reported to the Management Board and local management. These assessments include hazardous goods storage, emissions, and particulate matter within buildings, as well as other risks to employees' health. All employees must undergo regular instruction and training on occupational safety, and at the production sites also on ESD protection and maintaining cleanroom conditions. In Ahrensburg, regular occupational safety inspections are carried out by the employers' liability insurance association, and in Singapore by a government authority. In addition to the usual fire alarm systems, sprinkler systems, and fire extinguishers, the safety equipment also includes smoke extractors and special air circulation systems. Protective equipment is provided depending on the risk assessment; in production, safety shoes, safety gloves, respirators, safety goggles, or ear muffs are provided depending on the activity. The guideline for handling hazardous substances is that the mildest suitable means must be used for each purpose (substitution test). At the main production site in Ahrensburg, a hazardous substances officer is responsible for the approval of hazardous substances. For each approved hazardous substance, this officer draws up operating instructions on handling, safety precautions, and information on potential health hazards. Like all safety instructions, they are the subject of instruction by the manager and are publicly available to all employees on the intranet.



There were no work-related fatalities or serious injuries in the Basler Group in the 2023 financial year. Overall, there was one work-related injury in the entire Group. The occupational accident rate, calculated as the number of occupational accidents in relation to the number of hours worked times 1,000,000, was therefore 0.56. The number of working days lost due to work-related illnesses and injuries in the 2023 financial year was 2 working days.

Basler AG's annual occupational safety training is offered as an e-learning course and 90 % (previous year: 93 %) of employees have completed this e-learning course. In addition, first responders (56 employees), fire safety officers 22 (previous year: 29), and safety officers 7 (previous year: 6) received initial or refresher training. The floor officer function was replaced by the safety officers.

In addition to occupational safety, ensuring physical and mental health is a top priority for the Basler Group. At the Ahrensburg site, the company doctor offers regular vaccinations and check-ups. At the smaller production site in Singapore, the Basler Group additionally supports medical check-ups and treatments outside of health insurance with up to € 700 per year. Basler AG also works together with the Fürstenberg Institute, which supports the company in health management. The focus here is primarily on psychological counseling and the prevention of stress factors. This service is free of charge for Basler AG employees.

4.5 Representation of interests, social security, and remuneration

The Basler Group is committed globally and without restriction to the right of all employees to freedom of association and the right to collective bargaining, within the framework of the legislation applicable at each location. All Basler managers are required to comply with the existing rights - in particular, the practice of so-called "union busting" is rejected. Such behavior constitutes a violation of the Basler Code of Conduct (see section "Working conditions") and employees can report violations via the anonymous whistleblower system. No violations of this kind were reported or became known in the 2023 financial year.

Basler AG is fully subject to European and German legislation with its high standards regarding employee rights and employment. There, 100 % of the permanent employees (excluding management) are represented by a general works council, including a representative body for severely disabled employees, youth and trainee representatives, and other committees. This means that a total of 69.3 % of the Group's employees are represented by a works council. The management has traditionally maintained a very good and cooperative relationship with the elected employee representatives. The Basler Group sees the self-organized representation of

employees' interests as an opportunity for better and more productive work.

With the exception of Singapore, all employees of the Basler Group are currently covered by social security in the event of illness, unemployment, accidents at work, acquired disability, maternity leave, and retirement. In Singapore, not all employees are insured against unemployment, as this is not required by law.

The remuneration ratio in the Basler Group, calculated as the ratio between the highest annual salary and the median of all annual salaries of all other employees, was 7.45 in the 2023 financial year (previous year: 8.27). The calculation is based on gross salaries and includes all remuneration components, including special payments and bonuses as well as share awards agreed in the share plan. The development of the value is largely explained by the effects of non-employee workers, which in total have a greater impact on the median salary than the effect of the deferred variable remuneration of the highest-paid employee. As a technology company with a high proportion of highly qualified employees, the median salary is correspondingly high.

Region	EMEA				APAC					Americas
Country	Germany	Italy	Poland	China	Singapore (cleaner)	Singapore (other)	Korea	Taiwan	Japan	USA
Currency	EUR	EUR	PLN	CNY	SGD	SGD	KRW	TWD	YEN	\$
Adequate wage (either statutory minimum wage or ILO 60 %)	12	7,52	23,5	23,27	8,31	17,98	9620	152,3	1113	7,25
Lowest wage actually paid	12	10,07	64,95	50,58	9,23	11,53	15360	165,38	2.682,35	24,51

4.6 Equal treatment, diversity, and inclusion

The Basler Group sees diversity as an opportunity for the future viability, resilience, and innovative strength of the company. The economic environment is increasingly shaped by globalization as well as demographic and social change. As an internationally active group that thrives on its own ability to innovate and its attractiveness as an employer for talented specialists, open-mindedness towards other cultures and the diversity of people is a success factor. At the same time, companies have an influence on ensuring that people of all genders, backgrounds, and personal lifestyles are equally valued and participate in shaping society. Companies can only be economically successful if the existing diversity is recognized, promoted, and utilized.

The Basler Code of Conduct sets out a minimum standard of fair treatment and protection against discrimination and harassment based on gender, age, skin color, origin, nationality, religious affiliation, sexual orientation, disability, certain political views, or trade union activity.

The Basler Group has committed itself to the "Diversity Charter" to document the further-reaching demands it places on itself as a company and on its employees, both externally and internally. The Diversity Charter is an initiative to promote diversity in companies and institutions. The initiative has been supported by the non-profit association Charta der Vielfalt e. V. since 2010. The aim of the initiative is to promote the recognition, appreciation, and inclusion of diversity in the German workplace. Organizations should create a working environment that is free of prejudice.

By signing the agreement, the Basler Group has committed itself to the following guidelines on diversity in the company:

- ▶ To cultivate an organizational culture that is characterized by mutual respect and appreciation; to create the conditions for managers and employees to recognize, share, and live these values
- ▶ To review HR processes and ensure that they do justice to the diverse skills and talents of all employees as well as the performance requirements
- ▶ Recognizing diversity within and outside the organization, valuing its potential, and using it profitably for the company
- ▶ Make the contents of the Charter the subject of internal and external dialog
- ▶ Informing employees about the added value of diversity and involving them in the implementation of the charter
- ▶ To provide annual public information on activities and progress in promoting diversity and appreciation

Breakdown of employees by age group (head count as at 31.12.2023)

Gender	Age group	Employees	Top management (Management Board and Executive Directors)	Share of top management in %
Male (total)		624	15	2.40
	under 30	57	0	0.00
	30 - 50	418	6	1.44
	over 50	149	9	6.04
Female (total)		364	1	0.27
	under 30	43	0	0.00
	30 - 50	235	0	0.00
	over 50	86	1	1.16
Other/no information		0	0	0.00
Total		988	16	1.62

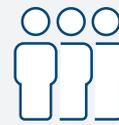
The Basler Group actively endeavors to ensure equal opportunities for all employees according to the functions they perform. There is no unequal remuneration for equal work. The unadjusted pay gap¹ between male and female employees across the Group amounted to around 18.42 % at the end of the 2023 financial year (previous year: 20.6 %). The adjusted pay gap is only 0.67 % and is materially due to individual factors. The difference to the unadjusted pay gap can be explained almost entirely by the fact that more male than female employees hold management positions in the company or are employed in the research and development department. In January 2022, the Supervisory Board and the Management Board decided that a women's quota of 30 % for senior executives and at department management level should be achieved at Basler AG by the end of 2025. The first management level below the Management Board is divisional management or senior executives, followed by department management. At the end of the 2023 financial year, Basler AG employed 9.09 % (previous year: 28.6 %) female executives and 27.5 % female department heads. This development is due to the fact that one female manager voluntarily stepped down from the executive circle of directors and another left the Group entirely.

Persons with disabilities can contact us at any time with their concerns about the application process, working conditions, and support with applications for certificates of severe disability, either electronically or on site, anonymously if they wish. The Basler Group cultivates an inclusive culture and enables all people with severe disabilities to work without discrimination or barriers in everyday life. In the 2023 financial year, a total of 2.6 % of employees in the Basler Group had a severe disability. Typically, not all employees with disabilities register their disability with their employer or are sometimes unaware of the possibilities for taking their disability into account. The representation of severely disabled persons at Basler AG therefore actively communicates these options to the company.



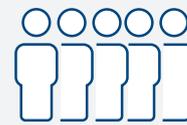
**Employees
in the under-30
age group**

100



**Employees
over 50**

235



**Employees
30-50 years
of age**

653



4.7 Development and training

As a technology and innovation-driven company, the skills of its employees are of particular importance to the company's success. With the current recruitment freeze on additional specialists, the further development of employees is an important building block for the implementation of Basler's growth strategy in a dynamically developing market. A major opportunity for internal development lies in meeting the shortage of skilled workers on the targeted growth path. In addition, the transfer and documentation of knowledge is an important factor in retaining expertise within the company. As a result of the digital transformation, there will be areas of work in which automation will prevail and employees will have to use their skills to open new areas of work. There is a risk here if the existing workforce is not upskilled in some areas in good time. At the same time, development and training have an important positive impact on employees' job satisfaction and their future prospects as qualified specialists.

The aim of the development strategy is therefore to have the right skills available at the right time and to ensure that employees feel able to meet the demands of new roles and expanded areas of expertise.

The Basler Group pursues a needs-oriented training and further education policy and offers employees a wide range of individual training and further education opportunities, as well as development measures, which are described in the

company framework agreement on employee development. Rapid change (e.g. the introduction of new working methods and tools) requires good networking of the functional areas with Learning & Development so that the necessary learning topics are also available "on demand".

During the pandemic, the Basler Group introduced a learning management system to enrich the learning culture and make learning content available digitally as well as in person. The switch to this type of online learning requires openness from the entire workforce and the creation of appropriate learning environments. The Basler Group was able to support onboarding worldwide with automated introductory training, make learning opportunities accessible via a streaming tool, and enable employees to create their own learning content with the help of an authoring tool.

In the area of training young talent, a regular needs assessment is carried out to determine where initial vocational training can be used to develop young talent. The Basler Group also uses university partnerships and new dual study programs to develop young talent and adapt to future needs within the company.

In the 2023 financial year, 95 % of the active employees of the Basler Group took part in the regular performance and development reviews. On average, employees completed

	Executive Management	Research and development	Operations	Administration	Marketing/Sales/Communications
(a) Percentage of employees who have participated in regular performance and development reviews	100	99,9	95	95	99,9
(b) Average training hours of employees by department and gender					
Male		12,22	13,10	20,01	13,20
female		28,21	11,40	16,50	18,89

14.7 hours of internal training at the Basler Academy. A total of € 413.71 per employee was spent on internal training.

4.8 Work-life balance

A good work-life balance is an important factor for the well-being and performance of employees as well as for the attractiveness of the Basler Group as an employer in a dynamically changing labor market. For the Basler Group, general job satisfaction and the compatibility of work and family life in particular have very high priority.

The Basler Group conducts a weekly measurement of employee satisfaction to identify fluctuations at an early stage and take countermeasures if necessary. The associated catalog of changing questions comprises four categories: enjoyment of work, level of information, resilience, and leadership behavior. The average value across all categories forms the overall satisfaction. The value is part of the Group's balance scorecard and therefore represents a key optimization parameter.

A particular challenge for employees in the 2023 financial year was the follow-up work on the new ERP system as well as the significant sales-related reduction in headcount, restructuring, and short-time working. Management, the HR department, and the General Works Council are monitoring the distribution of the workload very closely. With a few exceptions, all employees have been placed on short-time working. Short-term overtime is always compensated and, as a "tone from the top", appointments and emails outside of core working hours have been prohibited. As an additional measure to reduce and better distribute the workload, some projects were reprioritized, flexible working models such as remote working and workation were made possible, and resilience training was offered. Even if this meant that some departments had to deal with additional tasks in the short term, these and other digitalization projects are the building

blocks of a long-term strategy to diversify the business model and work more flexibly and effectively in a pleasant working environment with a lower workload in the future. Thanks to the appreciative culture and strong team spirit at the Basler Group, all of these projects were successfully implemented.

In the financial year, a total of 1,004 employees across the entire Basler Group were entitled to take family-related leave for pregnancies, parental leave, or to care for relatives. A total of 93 employees made use of this option, 5.3 % (previous year: 5.8 %) of the female beneficiaries and 4.1 % (previous year: 5.5 %) of the male beneficiaries.

Basler AG has also been certified as a family-friendly company by the "Career and Family" initiative in regular audits since 2011. The services offered include emergency care for children or elderly relatives and advice from the family support network service.



4.9 Responsibility in the supply chain

Respect for human rights, ILO labor standards, occupational safety, and employee rights are non-negotiable principles for the Basler Group. To ensure that the Basler Group does not allow any form of violation in its business relationships, internal and external communication and the corresponding due diligence processes are continuously expanded and improved. The voluntary commitments and associated processes introduced in the 2022 financial year have led to a change in risk perception regarding supply chains. In the 2023 financial year, random checks were not only carried out at the supplier level, but also extended to the material and component levels. Some of the potential risks identified in the process were reviewed by external experts. The results of this external information are incorporated into a systematic analysis of a manageable portion of the potential risks in the supply chain. This analysis will be carried out in the first half of 2024.

The Basler Group sees possible violations of the principles listed below as a general reputational risk. The probability and extent of such violations by direct suppliers cannot currently be reliably estimated. Improved sources of information, which are to be developed and integrated in 2024, will enable a more precise statement about the risk in future.

As part of the supplier qualification carried out in the 2023 financial year and regular audits of (mainly European and Asian) suppliers, above-average working standards were identified in the past. In the case of rare, insignificant violations, these were quickly corrected through measures within the set deadline. The supplier structure of the Basler Group is materially characterized by a division into large and internationally operating suppliers, who must comply with the strictest requirements of their global and well-known customers, and some smaller regional suppliers, who are mostly subject to high European legal occupational health and safety standards and employee protection rights. Due to its size, the Basler Group can exert influence on the latter in its role as a customer if violations of the standards described above become known. At the same time, there is increasing pressure on the largest international suppliers to provide greater transparency up to the mines and smelting furnaces of production. The Basler Group acts as a risk intermediary. On one hand, it provides incentives to make the supply chain transparent and keep it clean by offering long-term partnerships. On the other hand, appropriate contractual clauses are used to hedge the reputational risk by passing on any recourse claims that could be asserted due to incorrect information in full to the suppliers and manufacturers.

The principles and standards of cooperation with suppliers are set out in the Basler Code of Conduct and the Basler Corporate Guideline on Conflict Minerals. The contents of the Basler Code of Conduct include:

- ▶ Compliance with employment-related laws and guidelines as a minimum standard
- ▶ Respect for human rights on the basis of the UN Charter
- ▶ Effective occupational health and safety
- ▶ The ILO core labor standards, including the right to freedom of association and collective bargaining,
- ▶ Fair treatment and protection against discrimination based on gender, age, skin color, origin, nationality, religious affiliation, sexual orientation, disability, certain political views, or trade union activity
- ▶ Protection against harrassment
- ▶ Freedom of expression
- ▶ Compliance with competition and antitrust law
- ▶ Prevention of corruption, bribery, and corruptibility
- ▶ Handling of personal data
- ▶ Sustainable environmental and climate protection

These principles are the subject of supplier selection, supplier audits, and the risk analysis of the purchasing organization. For audits and supplier visits, material suppliers are defined based on the purchasing volume and importance for the Basler Group. These are audited before each contract is concluded, and one to two additional supplier visits are carried out each year. Existing suppliers are audited every two years or more frequently if necessary.

Due diligence in connection with conflict minerals along the entire value chain was carried out in the 2023 financial year by comparing reported smelters using the Conflict Minerals Reporting Template (CMRT) and the Extended Minerals Reporting Template (EMRT) of the Responsible Minerals Initiative. In 2023, the group of risk analysts from Product and Material Compliance and Sustainability Management was expanded to include Strategic Procurement. In the first quarter, this team developed a horizontally and vertically expanded approach to reviewing and managing the relevant legal requirements. Based on this, the materials and components of individual suppliers were again randomly checked in the 2023 financial year and deviations from the information provided were identified. As a substantial proportion of suppliers had not or not fully confirmed compliance with the Basler guidelines by the time this report was finalized, a residual risk remains in the Basler Group that cannot yet be quantified.

4.10 Social commitment

As a company, the Basler Group is integrated into society and social contexts in a variety of ways and also bears a broader social responsibility. This applies in particular to the location of the group headquarters in Ahrensburg, where Basler AG is one of the largest employers and where the majority of employees work. The aim of social commitment is to promote local economic and social development and to take into account the interests of local stakeholders. In addition to charitable donations and involvement in associations (see Associations and donations), a particular focus of social commitment is on educational cooperation. Young people should be able to develop an understanding of technology at an early age and become enthusiastic about technical professions.

The Basler corporate policy for donations and external commitments regulates the ethical guidelines for these commitments and continues to focus on educational cooperation and regional orientation.

Employees of suppliers as well as external whistleblowers can also report violations of these principles anonymously and directly to the supplier qualification department, the management, the compliance team (compliance@baslerweb.com), or Basler's Sustainability Management (sustainability@baslerweb.com). Information on violations is included in the risk analysis of the purchasing organization and in the materiality analysis of Sustainability Management. The Basler Group reports on violations and measures as part of the sustainability report.

In the 2023 fiscal year, the Basler Group did not become aware of any violations of human rights, labor-related rights, environmental protection, or other principles of the Basler Group at direct suppliers, either during audits or through other channels. Nevertheless, there are isolated indications of violations at indirect producers or distributors, the independent verification of which is difficult, but is resolutely pursued by the Management Board.





5 Business and Governance

The ultimate goal of corporate management at the Basler Group is the sustainable success of the business model. This means combining long-term economic success in accordance with the growth strategy with positive social and ecological effects on the quality of life of all stakeholders of the company. To this end, the Basler Group is committed to the ethical principles laid down in the Code of Conduct and the Basler Family Charter. The Supervisory Board and the Management Board attach great importance to maintaining a good culture characterized by a strong team spirit. The company has an "open door" policy, and the Board of Directors and managers are always available to address the concerns of employees. In 2023, Basler AG was honored for the fourth time with the

Axia Award¹ for excellence in corporate management for entrepreneurial excellence in the areas of strategy, productivity and innovation, culture and commitment, as well as corporate governance and finance. This may seem surprising in view of the reduction in staff, but it becomes plausible when you consider that this was achieved entirely through volunteer programs. Following the re-audit in 2023, Basler AG will continue to be certified in accordance with the ISO 9001 quality management standard, which underlines the company's commitment to quality.



¹The award for the "Best Managed Companies" was presented to Basler AG for the fourth time. The addition of the "Axia Award" has been valid for three years.

5.1 Compliance and business practices

The compliance of business activities with all relevant laws and company guidelines as well as the Basler values and principles is a basic prerequisite for sustainably successful business activities. The principles and compliance management of the Basler Group are intended to prevent harm to those potentially affected and to ensure ethical business practices. Violations of regulations or corporate ethics are always accompanied by legal, financial, and reputational risks. The success of the Basler Group is not only based on a good business policy, but also on business ethical integrity, trust, and open and fair dealings with employees, customers, business partners, shareholders, and other stakeholders.

The Basler Code of Conduct therefore sets out clear requirements on legal compliance, human rights, occupational health and safety, fair competition practices and antitrust law, corruption and bribery, selection of business partners, protection of personal data, trade controls, protection of business and trade secrets, and insider information. The Basler Code of Conduct is publicly accessible both internally and on the company's website.

In addition to the whistleblower system, the most important measures to limit compliance risks include regular mandatory training on various compliance topics. Voluntary e-learning courses on corporate culture are also offered. A new compliance e-learning package was rolled out in 2023.

Internal and external whistleblowers can anonymously and directly report violations of these principles to the compliance team (electronically or via a physical mailbox) or to an external ombudsperson named in the Code of Conduct. When violations are reported, the compliance team clarifies the facts of the case and takes appropriate measures under labor law as well as measures to prevent further incidents. To ensure that reports are dealt with appropriately, the committee is made up of representatives from the HR department, the legal department, a representative of the Management Board, and a representative of the Works Council. In the event of increased risks of violations, the legal department of Basler AG must always be consulted. The Basler Group reports on incidents as part of the sustainability report.

The respective specialist departments also have their own compliance officers for specific topics, in particular supplier qualification, foreign trade control, and product compliance. The legal department takes on an advisory role in this regard.

One case of discriminatory harassment came to light in the 2023 financial year. The case was investigated by the compliance team and the employee suffered consequences under employment law for their misconduct. The aggrieved person has not yet commented on legal action or the use of offers of help. The case remains active until a final decision is made.

5.2 Innovation, research, and development

The Basler Group's own innovative strength represents a material opportunity in terms of contributing to sustainable business success. Computer vision is a growth market that can benefit from increasing automation and technological developments in other industries. This does not rule out exogenous shocks, which have had a disproportionately positive impact on sales markets during the coronavirus pandemic, while the war in Ukraine and the economic tensions between the USA and China have had a negative impact on sales markets due to efforts to achieve technological self-sufficiency. For the Basler Group, this change means that new technologies must be continuously adapted in order to adjust product offerings. The company's ability to innovate plays a key role in this challenge.

On the other hand, the Basler Group also makes a material contribution to the business location with its successful investments in the research and development of future-oriented technologies. This attracts technological expertise and talented employees and keeps them in the region.

Full costs for R&D fell slightly compared to the previous year from € 33.5 million to € 33.0 million and amounted to 16 % (previous year: 12.3 %) of sales. The high R&D ratio, which is above the internal benchmark, is due to the unexpected slump in sales in the 2023 financial year. Based on outdated assumptions, the number of full-time equivalents in R&D was increased from 221 to 286 in the 2022 financial year. This figure turned out to be oversized in the financial year and was corrected during the year. As of the reporting date of 31.12.2023, the R&D organization of the Basler Group had 238 full-time equivalents.

Beyond this, no violations of the Code of Conduct or human rights were reported or otherwise became known in the 2023 financial year. No legal proceedings relating to such violations were pending in the 2023 financial year and no penalties or compensation were paid.

Basler AG is registered in the German Transparency Register; relevant register information: Lübeck, HRB, 4090.

BASLER
INNOVATION



As of the end of the 2023 financial year, Basler AG is the owner of 120 patents and patent applications, of which 58 patents are in force and 62 patent applications are in the application process. It is also the owner of 4 utility models and 22 designs as well as 170 registered trademarks. Further trademarks are in the application process.

Sustainability was further integrated into the innovation process as a separate topic in the 2023 financial year. For example, the integration of sustainability standards regarding the new disclosure requirements is present in all departments and the willingness to implement them has increased noticeably as a result. The Supervisory Board and the Audit Committee review the sustainability report with limited assurance. The importance of sustainability issues for the operating business regarding what is economically possible and reasonable continues to be part of the overall strategy of the Basler Group.



R&D
expenditure
in 2023

€ **33.5**
million



Head count
in R&D
in 2022

238

5.3 Data security in the products

In the context of software development, the data security of customers and the operational capability of machines with Basler software and hardware components is the most valuable asset. With the high level of security and reliability of the hardware and software developed in-house, the Basler Group enjoys an outstanding reputation with customers worldwide. A possible data leak or sabotage of or with the help of Basler products therefore also entails a certain reputational risk, although this is associated with a low probability of occurrence. As not all competitors have this self-image, the Basler Group derives an opportunity for the future from this, because a product strategy geared towards the security of customer data meets the security needs of customers.

Basler products are typically used in separate systems, but this may change in the future due to developments toward regular software updates and cloud services. The Basler Group therefore relies on a sustainable and multi-secured release process that ensures high quality and reliability of the software components and minimizes the risk of data leaks and vulnerability of Basler components.

5.4 Associations and donations

The "Basler Corporate Policy on Donations and External Commitments" regulates the framework conditions under which the Basler Group supports political and social causes. It stipulates that such support, which also includes membership of associations, is only possible if it is in line with Basler values and ethical guidelines such as transparency and political-party neutrality.

In the 2023 financial year, the Basler Group did not make any donations to politicians or political parties.

Basler AG is a member of the Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA) and paid a total of € 105 thousand in membership fees in fiscal year 2023.

Dr. Dietmar Ley, CEO of the company, is on the board of the Robotics and Automation Association of the German Engineering Federation VDMA.

Hardy Mehl is also a member of the Executive Board of the VDMA's Machine Vision Division and Arndt Bake is a member of the Executive Board of the European Machine Vision Association (EMVA) (retired on December 31, 2023).

Special processes such as "pair programming", "review processes", and "continuous integration" with a high level of unit tests and automated test coverage are used in development. Secure signing in the build and release procedures also ensure counterfeit protection so that customers can always rely on the Basler Group as the source of original software.

As software and cloud offerings expand, the issue of data security will become increasingly relevant in the future. In this context, additional test procedures (e.g. penetration tests) will be carried out to ensure the highest possible level of data security.

In the 2023 financial year, the Basler Group was not notified of any cases of data theft or sabotage from customers or became aware of any cases via other channels. There was one incident in which the Facebook account was hijacked. However, this only resulted in insignificant damage amounting to around € 3,000.

Basler AG's other donations in the 2023 financial year amounted to € 22.3 thousand (previous year: € 39.5 thousand). Of this amount, € 15 thousand (previous year: € 15 thousand) went to the politically neutral foundation Familienunternehmen und Politik, which supports family businesses in transformation topics such as digitalization and sustainability and makes their challenges heard in the media and politics. The smaller portion is divided between small donations for charitable purposes such as educational partnerships and support associations.



VDMA
membership fees
in 2022

€ 478
thousand



Donations
in 2022

€ 39.5
thousand

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