Bystronic

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Task Force on Climate Related Financial Disclosures (TCFD) Report 2024

1. Governance:

Disclose the organization's governance around climate-related risks and opportunities.

Recommended Disclosure	CDP Climate Change & Report 2024 references	Brief description
1.1. Describe the board's oversight of climate-related risks and opportunities	CDP – C1.1a & C1.1b Governance	The climate-related risks and opportunities are monitored and managed on a annual basis. Several governance bodies are involved in this process:
1.2. Describe management's role in assessing and managing climate-related risks and opportunities.	CDP – C1.2 Responsible business	· The board of directors is responsible for overseeing the company's approach to managing climate-related risks and opportunities. The CEO is responsible for implementing the company's climate strategy and reporting to the board on progress against targets · The Executive Committee has a nominated in 2021 a Sustainability Chief Officer who decides on the sustainability strategy and monitor the carbon commitment. · The Sustainability council was formed in 2021 to propose precise and measurable transformation programs for the 2021 – 2025, which are then submitted to the Executive Committee for approval. · The Sustainability project manager together with the Chief Sustainability Officer coordinate the overall sustainability strategy and rollout of action plans. · Climate-related risks and opportunities are integrated into the company's strategic planning process, investment decisions, and risk management framework. First scenario analysis to assess the potential impacts of different climate-related scenarios on the company's financial performance and resilience are introduced in 2023.

2. Strategy:

Disclose the actual and potential impacts of climate-related risks and opportunities in the organization's businesses, strategy and financial planning where such information is material.

Recommended Disclosure	CDP Climate Change & Report 2024 references	Brief description
1.1. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	CDP – C2.1a,C2.1b, C2.2a, C2.3, C2.4, C2.4a Sustainable solutions	To identify the materiality of climate-related risks and opportunities, Bystronic sustainability department performed a scenario-based risk and materiality analysis. 2 emissions pathways and 3 time horizons have been considered: Shared Socioeconomic Pathways (SSPs): SSP5-8.5 (>4°) and SSP1-2.6 (<2°) by 2025, 2030, 2050. Significant climate-related risks and opportunities identified for Bystronic include:
1.2. Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning	C2.3, C2.3a, C2.4, C2.4a Sustainable solutions	

Category of Risk	Risk / Opportunity sub-category	Risk	Opportunity	Scenario (SSP5-8.5) > 4°C	Scenario (SSP1-2.6) < 2°C
Transition Risks	1. Policy and Legal Risks	Risk and operational costs due to carbon pricing (50 to 150€ per ton), new taxes (CBAM), new rules (Eco-design), new efficiency objectives (Energy Label)		Low	Moderate
	2. Technology Risks		As already implemented, there is an opportunity to improve energy efficiency and switch to renewable energy via on site solar and virtual power purchase, reducing energy costs, emissions and exposure to carbon pricing	Low	High
		Risk if energy costs increase impacting machine use and production		Moderate	High
		Risk if competition advances on energy / resource efficient features and products which makes their products more attractive for the customer		Moderate	High
	3. Market Risks		As already implemented, there is an opportunity of research and developement advancements achiev- ing goals for sustainable prod- ucts and technologies and gain market share: Bystronic clean tech features, Nitrogen generastor, deep standby chiller, ...	Moderate	High
		Risk of logistic costs impacting material costs. Circularity must be embeded in the business model and products to limit growing cost in purchases		Moderate	Moderate
			As in implementation there is an opportunity to refurbish, repair and remanufacture more components to generate new revenues and extend lifetime of the machines	Moderate	Moderate
	4. Reputation Risks	Risk of being late versus competition commitment to climate targets and position Bystronic as a sustainability pioneer		Low	Moderate
Physical Risk	1. Acute Risks	Risk of extreme weather events damaging infrastructure, equipment or material		Moderate	Low
	2. Chronicle Risks	Risk of climate change affecting cost, quality of raw material of critical suppliers		High	Moderate

Recommended Disclosure	CDP Climate Change & Report 2024 references	Brief description
2. c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	CDP – C3.2, C3.2a Sustainable solutions	Chief Sustainability Officer, task is to develop climate and environment scenario analysis (including critical reviews of the geopolitical landscape, commodity and resources availability, economic and financial evolutions, climate sensitivity and evolving policies, energy transition pathways and technology developments, cross-check with new publications, particularly the ones from the International Energy Agency, BNEF, the IRENA, among others). Governance is under the leadership of the Chief Sustainability Officer, and both short- and long-term analysis are used to inform strategic priorities across business and operations. To create climate scenarios based on less than 2- and more than 4-degrees climate warming, we used climate models that project the global mean temperature increase under different greenhouse gas concentration pathways: the Shared Socioeconomic Pathway (SSP1-2.6) pathway assumes that greenhouse gas emissions peak around 2020 and then decline, leading to a global mean temperature increase of less than 2 degrees Celsius by the end of the century. The SSP5-8.5 assumes that greenhouse gas emissions continue to increase throughout the 21st century, leading to a global mean temperature increase of 4 degrees Celsius or more by the end of the century. **Assumptions:** To investigate the consequences of these scenarios for the metal industry and sheet metal industry in particular, we made some assumptions about how climate change will impact these industries. For example, we assume that a less than 2 degree warming scenario would lead to increased demand for renewable energy technologies, such as wind turbines and solar panels, electric cars and mobility transports, new buildings and renew agricultural machinery sectors which require significant amounts of metals like steel, aluminum and copper. In contrast, a more than 4 degree warming scenario could lead to reduced demand for these technologies as well as reduced demand for other metal-intensive products, such as cars and construction materials, due to decreased economic activity and population displacement. Furthermore, increased physical risks from climate change, such as extreme weather events, could impact the supply chain and production of machinery and its components, resulting in higher prices for the customers. In addition, regulatory measures and carbon pricing policies aimed at reducing greenhouse gas emissions could increase the costs of production and impact the competitiveness of these industries. **Electricity price/availability: I**n a less than 2 degree warming scenario, there could be increased investment in renewable energy technologies, leading to increased availability of low-carbon electricity and potentially lower prices over the long term. However, there may be short-term disruptions to electricity supply chains due to extreme weather events. In contrast, in a more than 4 degree warming scenario, electricity supply chains could be more vulnerable to extreme weather events and there may be decreased demand for electricity due to reduced economic activity, leading to higher prices. **Steel price:** In a less than 2 degree warming scenario, increased demand for renewable energy technologies and other low-carbon products could drive up demand for steel, potentially leading to higher prices. However, increased investment in steel recycling and other low-carbon steelmaking technologies could mitigate some of this price increase. In a more than 4 degree warming scenario, decreased demand for steel due to reduced economic activity and population displacement could lead to lower prices, but increased physical risks from climate change could also disrupt steel supply chains, potentially driving up prices. **Carbon price:** In a less than 2 degree warming scenario, there could be increased adoption of carbon pricing policies and other regulatory measures aimed at reducing greenhouse gas emissions, potentially leading to higher carbon prices over time. In contrast, in a more than 4 degree warming scenario, there may be less political will to implement such policies, potentially leading to lower carbon prices or no carbon pricing at all. **Regulation:** In a 1.5 degree warming scenario, there could be increased regulatory pressure to reduce greenhouse gas emissions, potentially leading to new regulations on industrial emissions and increased investment in low-carbon technologies. In contrast, in a more than 4 degree warming scenario, there may be less regulatory pressure on greenhouse gas emissions in the short term, potentially leading to fewer regulations and less investment in low-carbon technologies. **Electronic price/supply chain disruption:** In both the less than 2 degree and more than 4 degree warming scenarios, increased physical risks from climate change, such as extreme weather events, could disrupt the supply chain for electronic components used in metal sheet cutting and bending machinery. However, in a less than 2 degree warming scenario, increased investment in low-carbon technologies could lead to increased demand for electronic components used in renewable energy technologies, potentially driving up prices and exacerbating supply chain disruptions. In a more than 4 degree warming scenario, decreased demand for electronic components could lead to lower prices, but increased physical risks from climate change could also drive up prices and exacerbate supply chain disruptions. **Key takeaways from the analysis is the dominant role of:** · **Electrification:** the world is becoming more electric, with demand growing potentially up to 3x by 2050; · **Regionalization:** IEA has acknowledged that oil is a finite resource and that production levels are likely to plateau and eventually decline as reserves are depleted. This will lead on the long-term to less globalization and together with geopolitical situation have impact on supply chain structures. · **Move to Digitalization:** with the increase in connectivity, complemented by real-time information, competitive computing capabilities, and artificial intelligence, digital technologies play a major role in reaching decarbonization targets while augmenting economic productivity, notably around efficiency in energy and resource use and circularity, as well as increased resiliency and security.

3. Risk Management:

Disclose how the organization identifies, assesses, and manages climate-related risks

Recommended Disclosure	CDP Climate Change & Report 2024 references	Brief description
1.1. Describe the organization's processes for identifying and assessing climate-related risks.	CDP – C2.1a,C2.1b, C2.2a, C2.3, C2.4, C2.4a Sustainable solutions	Environment and climate-related risks are included in Bystronic's overall risk management framework. Risks are identified and assessed at Group level through interviews with experts and leaders, run by the Internal Audit responsible and the Legal Department each year. In 2024, around 20 of the Group's top managers were interviewed in addition to board members. In addition, a materiality analysis is conducted by the Sustainability department every 2 years to identify and prioritize material ESG issues through engagement with various stakeholders.
1.2. Describe the organization's processes for managing climaterelated risks.	C2.3, C2.3a, C2.4, C2.4a Sustainable solutions	The different governance bodies involved in the definition and monitoring of Bystronic's Sustainability roadmap and programs are in charge of defining strategic mitigation programs in response to the risks and opportunities identified. Strategic programs defined at Group level are then cascaded down to the sites for implementation and are monitored through our digital platform (Jedox Database and Qlick sense Dashboard). Performance against those programs is tracked and published continuously in the Bystronic dashboard, and annually in the Bystronic Sustainability report. Each program of the roadmap has a dedicated pilot in charge of driving the transformation and is sponsored at Executive Committee level to ensure management control and oversight.
1.3. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	CDP – C2.1, C2.2 Sustainable solutions	Climate adaptation risks are also studied and mitigated at site level for our industrial sites. Business Excellence department step by step introduces an Integrated Management System (IMS) covering the Group's main plants, Excellence centers, and large offices, and hosts ISO 14001, ISO 9001, and ISO 45001 – management systems. Each site is audited periodically.
		With suppliers, sustainability risks (including natural and climate-related hazards), are embedded into Supplier Risk Assessment. This process enables to define risk mitigation action plans with suppliers, as well as prioritize double sourcing strategies. At present, the impact of climate-related matters is not material to the Group's financial statements.

4. Metrics and Targets:

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Recommended Disclosure	CDP Climate Change & Report 2024 references	Brief description
4. a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	CDP – C4.2, C4.2a, C4.2b, C9.1 Data Performance	Each year, Bystronic measures and transparently discloses its end-to-end carbon footprint (Scope 1, 2, and 3). In 2024, Bystronic obtained a AA1000 Assurance Standard (AA1000AS v3) Type 2 moderate-level assurance from an independent third-party verifier on Scope 1, 2 and 3 emissions. This comprehensive carbon footprint helps pinpoint and understand the magnitude of climate-related risks and opportunities, and is also used to monitor progress. Scope 3 emissions represent more than 99% of the Group's carbon footprint, with 70% due to the use phase of products, and around 25% from the purchase of raw materials, equipment, and services. Carbon footprint of key Bystronic's products (Laser cutting and bending machines) are also quantified. Key metrics over the last four years on GHG emissions are published in the Data performance section of this document. Emissions calculations are done using the Greenhouse Gas Protocol methodology, compliant with ISO 14069 principles. Results are calculated in tonnes of CO_2 equivalent, considering all GHGs included in the Kyoto Protocol. The Group has launched several programs to directly or indirectly reduce GHG emissions under the Sustainable solutions pillars of its 2025 strategy. These programs cover the performance of the Group's operations (such as energy efficiency, renewable electricity procurement, fleet electrification), suppliers (require ment to get an Ecovadis score, to sign a Supplier code of conduct), and customers (provide more sustainable solution with to nitrogen generator instead of nitrogen supply and storage, innovation in more energy efficient machines). Bystronic is committed to the Business Ambition for 1.5°C initiative aimed at setting GHG emissions reduction targets in line with the global effort to limit warming to 1.5°C. In December 2023, Bystronic committed to GHG reduction targets aligned with SBTi, also aligned with the strategy 2025. Bystronic set near-term targets: By 2030, reduce value chain emissions by 25% and by 42% in operations (baseline 2021). The overall performance of these initiatives represents a significant impacts long-term incentives for top leaders.
4. b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	CDP – C6.1, C6.2, C6.3, C6.5 Data Performance	
4. c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	CDP – C4.1, C4.1a, C4.1b, C4.2, C4.2a, C4.2b Our commitment	