

EU taxonomy and its implementation at Vossloh

As part of the European Green Deal climate action initiative, the EU Commission aims to achieve the transition to a modern, resource-efficient and competitive economy and climate neutrality by 2050. A central component of this is the EU Taxonomy Regulation, a classification system for defining environmentally sustainable economic activities. The Regulation – which went into effect July 12, 2020 – defines six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

According to the EU Taxonomy Regulation, economic activities are environmentally sustainable if they – make a substantial contribution to achieving one or more of the six environmental objectives listed (Substantial Contribution), – do no significant harm (DNSH) to the achievement of the five other EU environmental objectives, and – comply with minimum requirements for occupational safety and human rights (minimum safeguards).

The regulations differentiate between taxonomy-eligible and taxonomy-aligned activities. If activities can be assigned to the taxonomy criteria, they are taxonomy-eligible, regardless of whether the technical screening criteria are met. Activities are taxonomy-aligned if the taxonomy-eligible activities also meet the criteria.

Pursuant to the EU Taxonomy Regulation, Vossloh reports below on the share of sales revenues, capital expenditure (CapEx) and operating expenses (OpEx) of taxonomy-eligible and non-taxonomy-eligible economic activities.

Reporting for the 2024 financial year is carried out in accordance with the Taxonomy Regulation in the version dated June 18, 2020, the technical screening criteria of the delegated act on the Taxonomy Regulation of June 4, 2021 for environmental objectives 1 (climate change mitigation) and 2 (climate change adaptation) and the delegated act of June 27, 2023. The latter adds further sectors and economic activities to the taxonomy that contribute significantly to environmental objectives 3 (the sustainable use and protection of water and marine resources), 4 (the transition to a circular economy), 5 (pollution prevention and control) and 6 (the protection and restoration of biodiversity and ecosystems). When analyzing the activities, Vossloh focused primarily on their material contribution to the environmental goal of "climate change mitigation". No activities were identified that have a significant impact on environmental objectives 2 to 6.

Multi-stage audit of Vossloh's business activities

The analysis of all activities of the Core Components, Customized Modules and Lifecycle Solutions divisions revealed that all of Vossloh's business activities can be assigned to category "6.14 Rail infrastructure" of the Delegated Regulation. According to the regulation, this category includes the construction, modernization, operation and maintenance of railroad lines as well as the manufacture and installation of track material.

For economic activities to be classified as environmentally sustainable, they must meet the technical screening criteria for being taxonomy-aligned. The taxonomy-eligible activities were analyzed and the shares of taxonomy-aligned sales revenues, CapEx and OpEx were determined as follows:

- Substantial Contribution: Compliance with the technical screening criteria was checked individually for the activities of each business unit.
- Do no significant harm (DNSH): The DNSH criteria mainly relate to compliance with legal requirements and, in the case of the "transition to a circular economy" objective, to fundamental aspects of business activity. Against this background, an assessment of DNSH conformity at business unit level was regularly adequate.
- Minimum safeguards: A group-wide approach to ensuring compliance with the minimum safeguards was implemented here, which enables these requirements to be tracked properly and seamlessly.

Vossloh's business activities are generally considered to make a substantial contribution to climate change mitigation if they meet the technical screening criteria set out in the "Rail transport infrastructure" category. According to the regulation, Vossloh's activities are only considered to make a substantial contribution to climate change mitigation if they are carried out on electrified rail lines or on lines for which there is a plan for electrification, even if the electrification of the rail infrastructure is not within Vossloh's sphere of influence. This does not include rail lines that are only intended for the transportation of fossil fuels.

Next, the activities classified as climate change mitigation had to be assessed to determine whether they had a significant negative impact on one or more of the above-mentioned environmental objectives (DNSH criteria). With regard to the DNSH criteria for the EU environmental objective "climate change adaptation", there is no evidence that Vossloh's economic activities have an adverse effect on climate change adaptation.

The criteria for the EU environmental goal "the sustainable use and protection of water and marine resources" essentially refer to legal and official requirements that Vossloh is obligated to comply with. Many of Vossloh's business activities do not use water as a resource at all, for example, the milling of rails and turnouts, welding services, logistics activities or assembly work. Otherwise, the resource is used in Vossloh's factories primarily for the surface treatment of products, as a coolant in manufacturing processes and for the production of concrete ties. Contaminated wastewater is treated in the company's own wastewater treatment plants so that it at least meets the discharge standards of the public water supply (see also the explanations on page 99 et seq.).

With regard to the environmental goal of “The transition to a circular economy”, Vossloh products meet the requirements for durability and longevity, as most components are designed for a very long service life and are recyclable and recoverable at the end of their useful life. In addition, the service portfolio of the Lifecycle Solutions division contributes to extending the service life of rails and turnouts.

Vossloh also meets the requirements relating to the EU environmental goal of “pollution prevention and control”. A large number of Vossloh products and services contribute to the reduction of noise and vibrations on the track (see also the “Noise reduction on tracks” section on page 121 et seq.).

With regard to the EU environmental objective of the protection and restoration of biodiversity and ecosystems: Environmental impact assessments (EIA) and similar assessments are carried out by Vossloh if required. Vossloh is generally not subject to the EIA obligation when manufacturing products. Finally, by boosting track availability and enabling greater traffic through this land use, Vossloh is helping to minimize the land required for the construction of rail infrastructure, thereby contributing to the preservation of biodiversity.

Information on compliance with the minimum requirements regarding occupational safety and human rights can be found on pages 118 et seq., 123 et seq., 130 and 138 et seq. of this report.

Taxonomy-eligible and -aligned sales revenues, CapEx and OpEx

Based on this approach and the above assumptions and estimates, the Vossloh Group's taxonomy-eligible and taxonomy-aligned sales revenues, CapEx and OpEx are as follows

	2024			2023		
	Total (in € million)	Taxonomy-eligible (in € million / in %)	Taxonomy-aligned (in € million / in %)	Total (in € million)	Taxonomy-eligible (in € million / in %)	Taxonomy-aligned (in € million / in %)
Sales revenues	1,209.6	1,209.6/100	807.5/67	1,214.3	1,214.3/100	762.8/63
CapEx	93.6	64.8/69	43.5/47	74.5	58.2/78	40.2/54
OpEx	74.0	70.9/95	48.2/65	68.2	65.9/97	43.9/65

Sales revenues from taxonomy-aligned business activities exceeded the previous year's figure by 5.9 %. The increase is primarily attributable to the Switch Systems and Rail Services business units. The proportion of taxonomy-aligned sales revenues increased by 4 percentage points.

Capital expenditure (CapEx) for taxonomy-aligned activities was 8.2 % higher than in the previous year. The increase is primarily attributable to the Rail Services and Switch Systems business units. The Tie Technologies business unit also increased its investment expenditure marginally. The proportion of taxonomy-aligned capital expenditure fell by 7 percentage points to 47 %.

Operating expenses (OpEx) for taxonomy-aligned activities increased by 9.8 %. The increase is due in particular to higher maintenance and repair expenses. The proportion of taxonomy-aligned operating expenses remained unchanged at 65 %.

Further information on sales revenues, CapEx and OpEx

Sales revenues are defined as net sales revenues in accordance with IFRS, as reported in the statement of profit or loss, and therefore only relate to fully consolidated subsidiaries. The share of environmentally sustainable sales revenues is calculated by dividing the taxonomy-aligned net sales revenues by the total Group sales revenues. Further information on sales revenues can be found on page 163 of the Annual Report.

Composition of the sales revenues numerator (taxonomy-aligned sales revenues)

€ million	2024	2023
Sales revenues from contracts with customers	807.5	762.8
Total	807.5	762.8

Capital expenditure (CapEx) comprises investments in non-current intangible or tangible assets, including goods acquired as part of asset or share deals, as shown in the Consolidated Statement of Financial Position. Capital expenditure is calculated on a gross basis, i.e. without taking into account scheduled and unscheduled depreciation. Further information on CapEx can be found on pages 173 et seqq. of the Annual Report.

The numerator used to determine the taxonomy-aligned CapEx is calculated as follows:

Breakdown of the CapEx numerator

€ million	2024	2023
Additions to property, plant and equipment	29.6	35.1
Additions to intangible assets	2.3	2.0
Additions to investment property	0.0	0.0
Additions to rights of use	6.6	3.1
Additions to assets acquired in business combinations	5.0	0.0
Total	43.5	40.2

Operating expenses (OpEx) take into account non-capitalizable expenses recognized in the statement of profit or loss such as research and development, building renovation measures, short-term leasing, maintenance and repair and all other direct expenses from the maintenance of property, plant and equipment to ensure that the taxonomy-eligible assets are ready for operation.

The numerator used to determine the taxonomy-aligned OpEx is calculated as follows:

Breakdown of the OpEx numerator		
€ million	2024	2023
Research and development	9.5	7.8
Maintenance and repair expenses	35.1	32.8
Lease expenses	2.5	2.3
Training expenses	1.1	1.0
Total	48.2	43.9

EU taxonomy indicators according to Annex II to the Commission Delegated Regulation

Sales revenues

Economic activities	Code(s)	Absolute sales revenues	Proportion of sales revenues	Substantial contribution criteria					
				Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Environmental pollution (8)	Circular economy (9)	Biodiversity (10)
		in € million	%	%	%	%	%	%	%
A. Taxonomy-eligible activities									
A.1. Environmentally sustainable activities (taxonomy-aligned)									
6.14. Rail transport infrastructure	6.14	807.5	67	67					
Sales revenues from environmentally sustainable activities (taxonomy-aligned) (A.1)		807.5	67	67					
Of which enabling			67	67					
Of which transitional									
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities)									
6.14. Rail transport infrastructure	6.14	402.1	33						
Sales revenues of taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities) (A.2)		402.1	33						
Total (A.1 + A.2)		1.209.6	100						
B. Non-taxonomy-eligible activities									
Sales revenues of Taxonomy-non-eligible (B)		0.0	0						
Total (A + B)		1.209.6	100						

*Y – Yes, taxonomy-eligible activity that is taxonomy-aligned to the relevant environmental objective

N – No, taxonomy-eligible activity, but not taxonomy-aligned with the relevant environmental objective

DNSH criteria ("Does Not Significantly Harm")								Taxonomy-aligned proportion of sales revenues, year 2024	Taxonomy-aligned proportion of sales revenues, year 2023	Category (enabling activities)	Category (transitional activities)
Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Environmental pollution(14)	Circular economy (15)	Biodiversity (16)	Minimum Safeguards (17)					
Y/N*	Y/N*	Y/N*	Y/N*	Y/N*	Y/N*	Y/N*	Y/N*	%	%	E	T
		Y	Y	Y	Y	Y	Y	67	63	E	/
								67	63		
		Y	Y	Y	Y	Y	Y	67	63	E	/
								67	63		

CapEx

Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria						
				Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Environmental pollution(8)	Circular economy (9)	Biodiversity (10)	
		in € million	%	%	%	%	%	%	%	
A. Taxonomy-eligible activities										
A.1. Environmentally sustainable activities (taxonomy-aligned)										
6.14. Rail transport infrastructure	6.14	42.0	46	46						
6.5 Transportation with motorcycles, passenger cars and light commercial vehicles	6.5	0.9	1	1						
7.3 Installation, maintenance and repair of energy-efficient appliances	7.3	0.2	0	0						
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking lots belonging to buildings)	7.4	0.1	0	0						
7.5 Installation, maintenance and repair of devices for measuring, regulating and controlling the overall energy performance of buildings	7.5	0.1	0	0						
7.6 Installation, maintenance and repair of technologies for renewable energies	7.6	0.2	0	0						
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		43.5	47	47						
Of which enabling			47	47						
Of which transitional										
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities)										
6.14. Rail transport infrastructure	6.14	20.4	21							
6.5 Transportation with motorcycles, passenger cars and light commercial vehicles	6.5	0.9	1							
CapEx of taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities) (A.2)		21.3	22							
Total (A.1 + A.2)		64.8	69							
B. Non-taxonomy-eligible activities										
CapEx of Taxonomy-non-eligible activities (B)		28.8	31							
Total (A + B)		93.6	100							

DNSH criteria ("Does Not Significantly Harm")								Taxonomy-aligned CapEx proportion, year 2024	Taxonomy-aligned CapEx proportion, year 2023	Category (enabling activities)	Category (transitional activities)
Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Environmental pollution(14)	Circular economy (15)	Biodiversity (16)	Minimum Safeguards (17)					
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	
	Y	Y	Y	Y	Y	Y	46	42	E	/	
	Y	Y	Y	Y	Y	Y	1	1	/	/	
	Y	Y	Y	Y	Y	Y	0	0	E	/	
	Y	Y	Y	Y	Y	Y	0	0	E	/	
	Y	Y	Y	Y	Y	Y	0	0	E	/	
	Y	Y	Y	Y	Y	Y	0	0	E	/	
							47	43			
	Y	Y	Y	Y	Y	Y	47	43	E		
										/	
							47	43			

OpEx

Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Substantial contribution criteria						
				Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Environmental pollution(8)	Circular economy (9)	Biodiversity (10)	
		in € million	%	%	%	%	%	%	%	
A. Taxonomy-eligible activities										
A.1. Environmentally sustainable activities (taxonomy-aligned)										
6.14. Rail transport infrastructure	6.14	48.2	65	65						
6.5 Transportation with motorcycles, passenger cars and light commercial vehicles	6.5	0.0	0	0						
7.3 Installation, maintenance and repair of energy-efficient appliances	7.3	0.0	0	0						
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking lots belonging to buildings)	7.4	0.0	0	0						
7.5 Installation, maintenance and repair of devices for measuring, regulating and controlling the overall energy performance of buildings	7.5	0.0	0	0						
7.6 Installation, maintenance and repair of technologies for renewable energies	7.6	0.0	0	0						
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		48.2	65	65						
Of which enabling			65	65						
Of which transitional										
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities)										
6.14. Rail transport infrastructure	6.14	22.6	30							
6.5 Transportation with motorcycles, passenger cars and light commercial vehicles	6.5	0.1	0							
OpEx of taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities) (A.2)		22.7	30							
Total (A.1 + A.2)		70.9	95							
B. Non-taxonomy-eligible activities										
OpEx of Taxonomy-non-eligible activities (B)		3.1	5							
Total (A + B)		74.0	100							

DNSH criteria ("Does Not Significantly Harm")								Taxonomy-aligned OpEx proportion, year 2024	Taxonomy-aligned OpEx proportion, year 2023	Category (enabling activities)	Category (transitional activities)
Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Environmental pollution(14)	Circular economy (15)	Biodiversity (16)	Minimum Safeguards (17)					
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
		Y	Y	Y	Y	Y	Y	65	65	E	/
		Y	Y	Y	Y	Y	Y	0	0	/	/
		Y	Y	Y	Y	Y	Y	0	0	E	/
		Y	Y	Y	Y	Y	Y	0	0	E	/
		Y	Y	Y	Y	Y	Y	0	0	E	/
		Y	Y	Y	Y	Y	Y	0	0	E	/
								65	65		
		Y	Y	Y	Y	Y	Y	65	65	E	
											/
								65	65		