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List of Abbreviations



Founded over 160 years ago, Škoda Group is a direct successor to the mechanical engineering plants founded in 1859 by Count Wallenstein in Western Bohemia, and is now a European powerhouse in the field of transportation engineering, with products present in over fifty countries.

With the whole world in motion, people need to travel, as do goods. We offer safe, environmentally friendly and future-proof transportation solutions. Škoda Group represents sustainable mobility for people, business and places. Connected, seamless and safe.

**Sustainable mobility
for people, businesses
and places.**

Connected, seamless, safe.



About our Report

Škoda Group¹ is pleased to present its first Environmental, Social and Governance (ESG) report in reference to Global Reporting Initiative (GRI) 2021 guidelines.



In the report we share our ESG performance for the period of 1 January until 31 December 2022, if not stated otherwise. As this report was published in July 2023, we also included some relevant events that occurred in early 2023 for a general overview.

Some chapters inform generally about Škoda Group as whole, with specific chapters on ESG covering those subsidiaries with more than 30 employees in reporting year 2022. As concerns service destinations, we only included Full Service Prague, due to the insignificant impact of all other service destinations. Some sections relate specifically to individual entities and this fact is always mentioned, contributing to full transparency of our report.

In the report we inform about our Sustainability Strategy and the targets we set. When determining the Sustainability Strategy, we considered industry-specific rail standards, mainly those of the UIC International Union of Railways, and further GRI 2021, ESRs draft and SASB standards as well as MSCI, S&P and Sustainalytics ratings.

This report also contains forward-looking statements which are based on current plans and forecasts of Škoda Group's management. Such statements are relevant to the current scope of activity and are, by their nature, subject to potential risks and uncertainty factors that could cause actual results to differ from the plans, objectives and expectations expressed in such forward-looking statements.

Škoda Group aims to publicly report on sustainability-related topics on an annual basis, discussing the opportunities and challenges that we encounter as we work to enhance performance and conduct business in the most responsible manner possible.

As a proud member of PPF Group, we believe that our adherence to ESG principles is essential to ensuring the long-term sustainability of our business and to the communities we serve.

In our drive for full transparency, we aim to continuously improve our ESG performance and reporting, and proudly present our first ever report on sustainability. We believe that our dedication to ESG principles will not only benefit our stakeholders, but also support the development of a more sustainable future for all.

¹ Until 1 January 2023, the official name of the corporate group was Škoda Transportation Group. Effective as of 2 January 2023 the corporate group was extended and renamed to Škoda Group. In the report we consequently use the currently valid name.

Foreword

GRI 2-22

Dear Stakeholders,

Allow me, as the CEO of Škoda Group, a PPF Group company, to welcome you to our first ESG report. Environmental, Social and Governance principles are core to our business operations and thus I welcome the opportunity, after my first full year of leadership, to share with you our ESG journey.



Škoda Group develops a full range of solutions for public transport. **By their nature, our products support sustainable mobility, with almost all of them running purely on electricity and producing no emissions during operation.** The transport sector, as one of the biggest emitters of greenhouse gases, has great potential to lower emissions, improve air quality and standards of living. This potential is especially accessible in public transport.

The last 12 months have seen many **significant developments in the key areas of vehicle deliveries, contracts signed and innovations, along with the opening of new representative offices** in Italy and Sweden. Trains were delivered to South Moravia (CZ) and Latvia, trams to Rhein-Neckar-Verkehr (DE), Pilsen, Ostrava (both CZ), among others, and a whole e-bus fleet is now operating in Prague (CZ).

Contracts were signed for trams and trolleybuses for Bratislava (SK), with additional **battery-operated trolleybuses** to be delivered to more Czech cities. We will be **fully servicing** Tampere (FI) trams for the following ten years, and **maintaining** trams from Gothenburg (SE), giving them a second lease on life.

Finally, in the area of innovation, we've followed up on hydrogen bus development with a first certification for an H₂ 12-metre bus and also **introduced anti-collision system**, which is a forerunner to autonomous trams. We will continue to invest in research and development to constantly bring new solutions to our customers, supporting them in their sustainability goals.

Škoda Group prioritizes the well-being and safety of our employees and customers. We provide ongoing training and support to ensure our employees are equipped with the necessary skills and knowledge to perform their jobs safely. We also promote diversity and inclusion in our workforce, and we believe that a diverse team leads to greater innovation and success.

In addition to our social policies, we understand the impact of our operations and products, and our goal is to promote a cleaner, healthier environment for future generations. As of 2022, we have redoubled our efforts in managing our impact by starting with this ESG reporting journey, in which we have defined our strategy – also to be introduced in this report. **We have developed new product technologies to reduce emissions, such as battery-powered trains, and have implemented energy-efficient measures in our facilities** – an excellent example is our Finnish Otanmäki factory, where all electricity comes from fossil-free wind power, purchased from a wind park merely kilometres away, or the decision to invest in solar panels in some of our factories.

As a company that enables better, safer and more seamless transport, we are an integral aspect of the communities we operate in. Last year, **we supported charities, public sports facilities and sport teams, culture, local heritage and diverse events in the Czech Republic, Finland and elsewhere. We also collected donations to support people affected by the war in Ukraine.**

Our company operates with the highest ethical standards and respects transparency and accountability, as evinced by this report. We strive to maintain a strong corporate governance framework that includes a focus on board diversity, independence, and risk management.

We recognize that ESG considerations are critical to the long-term success of our company and the communities we serve. We intend to continuously improve our ESG performance, and we will continue to work with our stakeholders to identify new opportunities to make a positive impact. Municipalities all over Europe will benefit from our assistance with meeting the Clean Vehicles Directive and other climate neutrality goals.

I extend my sincere gratitude to our colleagues and stakeholders, who are dedicated to our sustainability vision and responsibly contribute to our goals. Your unwavering support is highly appreciated, and I am excited to continue sharing our ESG journey with you.

About Škoda Group

GRI 2-1, GRI 2-6

OVERVIEW

With **over 7,500 employees**, Škoda Group is a large-sized provider of full-service solutions for intercity and city mobility with strong digital competences. **The company has subsidiaries all over Europe** – growth in recent years has been organic, with offices opened in **Italy** in 2022 and **Sweden** in 2023, and via acquisition, with purchases of Molinari Rail in **Austria** and The Signalling Company in **Belgium** in 2023. Thanks to an ecosystem of sites and plants and significant investments in own research and development, our product portfolio of modern vehicles and services meets the latest European standards.

Sustainability is firmly anchored in our company's organizational culture, with key products including low-floor trams, suburban train units, metro vehicles, trolleybuses, buses with alternative drive and electric motors and complete drives for transportation systems. The development of digitisation, signalling and IT is central to this as well as service, maintenance and overhauling.

Škoda Group is considered a strong player for transportation solutions, with historically strong brand recognition. A prominent purveyor of sustainable rail and road transportation, it is a first choice for many municipalities with cutting-edge solutions, such as low-floor trams, electric or hydrogen buses, battery-powered trains and trolleybuses with drive batteries extending range to areas where there are no overhead lines, giving customers the flexibility to better define routes as per population distribution needs.

Our plan for improving technologies and developing new and more sustainable products can be seen in the ratio of investments to R&D against revenue – this has remained constant through the years at about 2% to 3%. In 2022, R&D investments accounted for 3% of revenues.

A significant innovation from 2022 worth expanding on is the new hydrogen bus

that uses PEM fuel cells and batteries as its power source, with a range of up to 350 kilometres. **As part of our new energy vehicles offering, it is a critical solution for emission-free cities of tomorrow.** Škoda Group thus delivers a complex offering of urban and suburban transport solutions that can fit either existing municipal infrastructure or even locations without overhead lines, be it on rails or by road. This portfolio diversification helps build a stable, loyal customer base with all types of infrastructure, and ensures ongoing competitiveness in the rapidly evolving sustainable transportation industry.





REORGANISATION FOR THE FUTURE

Reflecting the rapidly changing dynamics of the markets it is in, Škoda Group has executed organisational changes that move it closer to customers by simplifying and streamlining corporate processes and striving to expand into new markets. **One of the most important changes in the Group is the division into individual regions and product lines, enabling us to manage activities locally.** The new structure makes it possible to address customer needs individually, as teams have a better understanding of their region and can develop appropriate solutions and offerings, along with new centrally controlled functions for more efficiency. This reorganisation allows the company to wholly focus on its market segments and meet the increasing market demands.

OUTLOOK

Škoda Group's growth alongside technological and geographical diversification helps to protect profitability in case of adverse local trends. The Western region is seeing growth via acquisitions outside of Germany in Belgium and Austria, whilst the Northern region now encompasses all of Scandinavia. **We will be actively regaining market share in the Eastern region and retaining our dominant position on the CZ/SK markets.** Our R&D aims to deliver products that have the lowest environmental impact yet also deliver maximum flexibility to our municipal partners, aided by innovations in signalling, automation, digital services and infrastructure-agnostic reach.

A key goal is the transfer of best practices between our companies to better deliver efficiencies, delivering optimised performance across all markets; as investments in innovation and technology are applied across all geographies, we will be driving high-quality services through economies of scale.

Overall, our strong legacy and approach to business have enabled Škoda Group to establish itself as an important player. Diversified service offerings provide a superior customer experience, and by investing in innovation and technology and applying best practices across all of its markets, the company is poised for continued success in the years to come.

Our Journey and Technological Advancement

1800

- 1859** Count Wallenstein-Vartenberk **establishes a branch** of his foundry and machine shop in Pilsen, Czech Republic
- 1866** **Emil Škoda**, skilled engineering expert and dynamic entrepreneur, **starts working as chief engineer**; factory has over a hundred workers
- 1869** **Emil Škoda purchases the company**
- 1880s** **Transformation into a modern steelworks** delivering castings weighing tens of tons. First “transportation foray” with steel castings and forgings for large passenger and military ships

1900

- 1920** **First steam locomotive**
- 1923** World-famous winged arrow in a circle **trademark registered**
- 1925** Škoda **buys car company Laurin and Klement**
- 1927** **First electric locomotive**
- 1936** **First trolleybus**
- 1986** **First articulated trolleybus**
- 1995** **First low-floor trolleybus**
- 1997** **First low-floor tram**

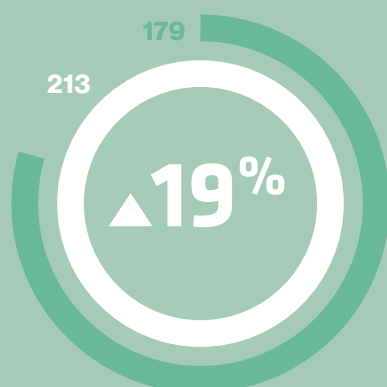
2000

- 2008** **First low-floor tram with pivoting bogies**
- 2008** **First hydrogen bus**
- 2014** **First electric bus**
- 2018** **Acquired by the PPF Group**
- 2021** **New generation of electric bus**
- 2022** **New generation of hydrogen bus**
- 2023** **Introduction of battery train and gaining new signalling competences (ETCS)**
- Today** **Škoda Group is a major player in transportation industry**, with its products operating in over 50 countries worldwide. The company continues to innovate and develop new technologies to meet the evolving needs of the transportation market.

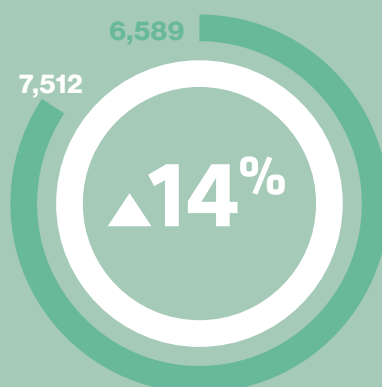
Key Highlights 2022

2022 was a critical year on many levels, both geopolitically and for Škoda Group. The company has seen significant developments year-on-year in several key areas.

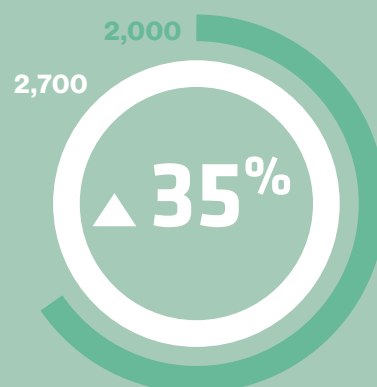
Delivered cars



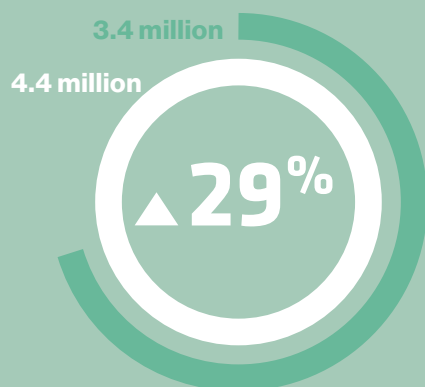
Employees



Blue-collar employees



Production hours



These important developments were realised during a year of significant transformation and streamlining of activities, leading to a more decentralized and effective organizational structure. The result has been an increase in capacity, a corresponding rebalancing of workloads in different sites, and improved efficiency of operation in production, logistics and technology – all crucial to deliver backlog and increase competitiveness.



Summed up in three words,
2022 can be defined as the year of
Growth, Expansion and Efficiencies.



Broken down by geographies, key 2022 highlights include:

REGION CZ/SK

Two tram contracts were awarded for Bratislava (SK) as well as trains for Slovakia, tram options were gained for Pilsen and Ostrava (both CZ).

REGION CENTRAL EAST

Metro Warsaw (PL) was homologated, EMU electric trains for Latvia are now finished with a prototype commissioned, and Estonia ordered more electric trains.

REGION NORTH

Tram for Jokeri line in Helsinki (FI) was homologated. A VR Night coach contract was finalized in Finland (beginning of 2023) and 8 additional trams were signed for Tampere.

REGION WEST

The new Rhein-Neckar-Tram for Mannheim, Ludwigshafen and Heidelberg (DE) was presented at InnoTrans along with delivery of the first unit to a customer's network and an option was signed for the delivery of 15 trams to Cottbus. A new operational entity was also set up in Italy.

In terms of the business units “Components & Bus Mobility” and “Digital”, 2022 expansion highlights include:

COMPONENTS & BUS MOBILITY

We have achieved our highest historical backlog of € 350M on our books, along with our innovative hydrogen bus prototype development finalized and ready to use. The whole electric bus fleet for Prague is now in operation, converters were delivered for locomotives destined for Tanzania and a new business partnership has been realised with sister company Temsa.

DIGITAL

Our Automatic Train Operation system has seen its first deployment on a train (prior to this it had been on metro vehicles) and we also introduced our Anti-collision system, currently undergoing testing. In Pilsen, an autonomous polygon – a living laboratory – was opened as part of the Smart City Pilsen project, to which we are contributing with the development of an autonomous tram. An initial project with a complex portfolio of digital products was also delivered to Latvian Rail.

Brand

The year 2022 ended all trademark disputes between Škoda Group and Škoda Auto over the use of the Škoda brand. It was the result of a long-term negotiation that helped end the frequent confusion between both companies. Completely different products were marketed under the same brand. Škoda Group will be able to use the Škoda name, including the winged-arrow logo, until 2029. By then, the Group will complete a full rebranding.

This change will not affect any existing, pending, or future orders. And neither will the legacy of Emil Škoda be forgotten. Therefore, there is no doubt that Škoda Group will be able to build its future and fulfil its vision of providing modern solutions for sustainable mobility.



Our Mission, Vision and Values



Škoda Group's mission is to promote sustainable mobility for people, businesses and places, in a connected, seamless and safe manner.

To achieve this, the company benefits from several key strengths: well-diversified businesses across multiple geographies, leading positions in stable markets with positive trends, and high-quality assets and services, contributing to the strong financial performance of the operating companies. This is supported by a strong track record and experience, backed by accomplished executive management and a strong shareholder.

The company is continuously investing in infrastructure, innovation and technology to remain at the forefront of the industry. It also emphasizes continuous improvement, vertical integration, and synergies within the organization, to maximize efficiency and profitability. Finally, Škoda Group maintains a continued focus on cash flow generation with a conservative financial profile and policy, ensuring stability and long-term sustainability.

Škoda Group's values are determined by ACE. Our core values lay the foundation for what Škoda Group cares about and how we have a common purpose that we all should understand, work towards, and live by. Understanding and living these values will lead to success.



ACCOUNTABILITY

- We are accountable for our own work
- We do what we have committed to
- We look for solutions not excuses



COOPERATION

- We communicate clearly and transparently
- We respect and support each other
- We work as one – one voice, one team. We are Škoda



ENTREPRENEURSHIP

- We go above and beyond
- We are empowered to take decisions and act on them
- We strive to learn new skills and continuously improve ourselves, our work, our products



Škoda Group values manifest in the following principles

1 VALUE PEOPLE

We value everyone and treat people equally with dignity and professionalism

2 ACT WITH INTEGRITY

We make responsible decisions based on high ethical and professional standards

3 PROTECT SAFETY AND HEALTH

The safety and health of our employees and business partners is our priority

4 HAVE A LONG-TERM VIEW

We look beyond the present to deliver future value

5 BE INNOVATIVE

We aim to be one step ahead in technical knowledge and environmental awareness

Critically, our ACE is highly relevant to the principles of ESG

- **Accountability ensures that we are aware of the responsibility for our actions and impacts on the environment and society.** It involves transparent reporting, adherence to regulations, and taking ownership of sustainability goals.
- **Cooperation emphasizes the importance of addressing ESG challenges collectively and in diverse teams.** It encourages partnerships, knowledge sharing, and the pooling of resources for sustainable development.
- **Entrepreneurship drives innovation and creativity in finding sustainable solutions to ESG issues.** It fosters a culture of problem-solving, risk-taking, and creating new business models that integrate environmental and social considerations into core operations.

Together, Accountability, Cooperation, and Entrepreneurship form a powerful framework for advancing our ESG goals and creating a more sustainable future.

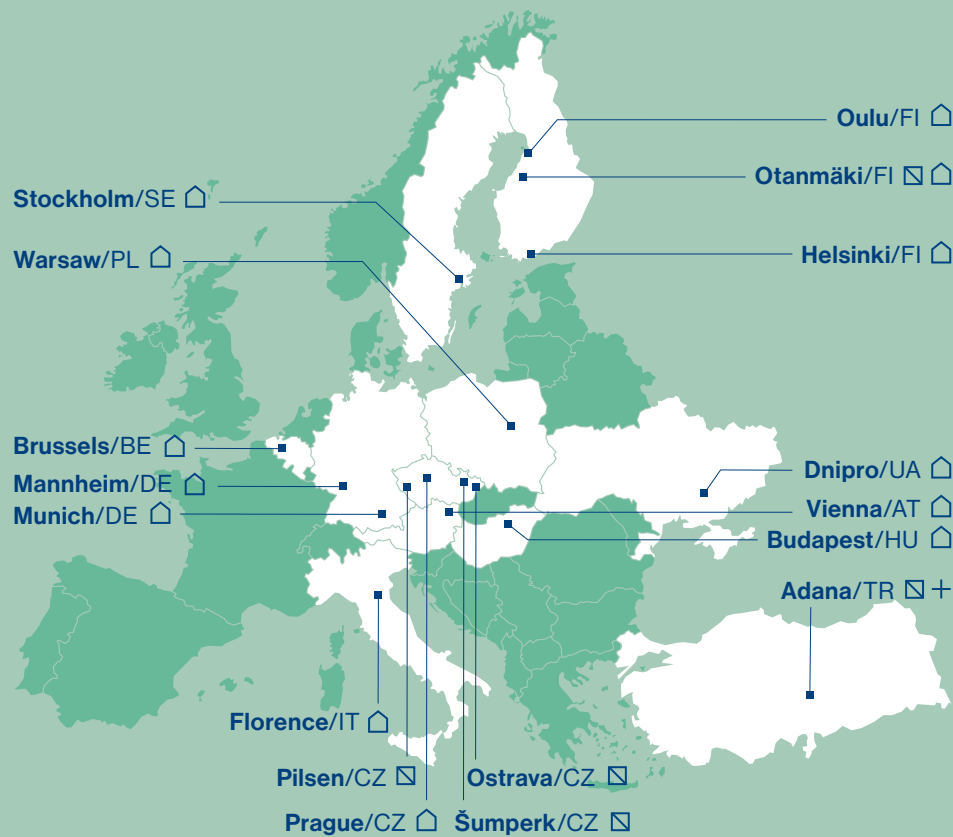


Where we Operate

GRI 2-1, GRI 2-2

In 2022, Škoda Group consisted of the parent company Škoda Transportation a.s. and related subsidiaries. For full transparency, we are including the complete list, however, this report discloses data of those companies with over 30 employees in 2022 and thus with the most significant impact.

Changes in 2023 for full transparency: an office was opened in Sweden, with Austrian Molinari acquired along with Belgian The Signalling Company.



Production sites

City (Site)	Country	Size (ths. m²)	Activity
Ostanmäki (Transtech)	FI	54.0	Steel & aluminium welding, final train assembly
Šumperk (Pars)	CZ	53.7	Repairs, modernization, final train assembly
Ostrava (Ekova)	CZ	43.1	Repairs, modernization, final train assembly
Pilsen (Electric)	CZ	37.9	E-buses, trolleybuses, traction motors, convertors
Pilsen (Transportation)	CZ	37.6	Stainless & carbon steel welding, bogies, EMUs, metro, final train assembly
Ostrava (Vagonka)	CZ	14.6	Aluminum welding, assembly of EMUs and coaches
Total		240.9	

Adana (Temsa²)	TR	113.3	Manufacturing of coaches and buses
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- Production sites
- Offices
- Joint ventures (Temsa)

² Sister company of ŠKODA TRANSPORTATION a.s., 50% owned by Škoda B.V. in 2022

Company	Country	Activity
Parent company		
ŠKODA TRANSPORTATION a.s.	CZ	Manufacturer of rail vehicles
100% subsidiaries included in this report		
ŠKODA ELECTRIC a.s.	CZ	Manufacturer of buses, trolleybuses, and components
ŠKODA VAGONKA a.s.	CZ	Manufacturer of rail vehicles
ŠKODA PARS a.s.	CZ	Manufacturer of rail vehicles and modernization of rail vehicles
Škoda Polska Sp. z o.o.	PL	Sales and project office
SKODA TRANSPORTATION UKRAINE LLC	UA	Research and development
ŠKODA CITY SERVICE s.r.o.	CZ	Service
POLL, s.r.o.	CZ	Development and production of HVAC systems
ŠKODA TVC s.r.o.	CZ	Metal processing operations
Škoda Transtech Oy	FI	Manufacturer of rail vehicles
ŠKODA EKOVA a.s.	CZ	Manufacturer of rail vehicles and modernization of rail vehicles
ŠKODA DIGITAL s.r.o.	CZ	Developer of software and small hardware devices
Bammer Trade a.s.	CZ	Service and maintenance
VÚKV a.s.	CZ	Research, development, testing of rail vehicles
ŠKODA ICT s.r.o.	CZ	IT Infrastructure for Škoda Group
100% subsidiaries not included in this report		Due to thier low impact in terms of company operations
Škoda Investment a.s.	CZ	Rental of real estate, apartments and non-residential premises
Škoda Servis s.r.o.	CZ	Management and maintenance of real estate
Ganz-Skoda Electric Ltd.	HU	Sales and service office
OOO Vagonmaš ³	RU	Manufacturer of rail vehicles
SKODA Transportation Deutschland GmbH	DE	Sales and project office
Skoda Transportation USA, LLC	USA	Sales office
Škoda Transportation Balkan d.o.o	SRB	Sales office
SKODA TRANSPORTATION ITALIA S.R.L.	IT	Sales office

³ Due to the sanctions and other restrictive measures imposed by the European Union, it is not possible to confirm the acquisition of control over OOO Vagonmaš as of this date or as of the date of the financial statements. Therefore, as of 31 December 2022, this company has not been included in the consolidation entity.

Engagement in External Initiatives

GRI 2-28

Škoda Group promotes participation and collaboration with industry associations, government bodies, international organizations, NGOs/NPOs and other external CSR organizations and initiatives.

PARTNERSHIPS

Škoda Group views membership of international and national industry organisations and initiatives as being of great importance, providing opportunities for collaboration, networking and knowledge sharing. This is crucial for us as transport manufacturer to stay competitive and up to date with industry trends, best practices and stakeholder needs.

These partnerships deliver access to a wider range of resources, such as funding opportunities, research and development programs, and training and education initiatives. Furthermore, such relationships deliver platforms to engage with policymakers and stakeholders at both international and national levels, enabling dialogue about policy decisions that affect our industry and providing a forum for us to advocate for policies that support our business goals and objectives. That benefits the communities in which we are active, along with customers, suppliers and employees.

Examples of such partnerships enabling policy development at an international level include **UITP**, the International Association of Public Transport and **UNIFE**, the European Rail Supply Industry Association, where we are members since 2023.

On a national level, we interact with bodies such as **ACRI** – Association of Enterprises of the Czech Railway Industry, which connects the railway industry in Czechia and is the national member of **UNIFE**. We cooperate with the Swedish **Sparvagnsstäderna**, the light rail vehicle (LRV) union of LRV public bodies, which also, in turn, cooperates with other Scandinavian countries. Our relationships in Germany include **VDB** – the German Railway Industry Association, which is an industry-wide platform with hundreds of members representing the entire value chain; and the German e-mobility association **BEM**. Finally, we also cooperate with the Association of German Bus Industry **bdo**.

Specifically in the area of hydrogen innovation we are members of **HYTEP**, the Czech Hydrogen Technology Platform, as well as the **Hydrogen Cluster**, fomenting knowledge sharing and mutual support in the field of hydrogen technologies at the Czech national level, along with coordination of activities related to the development of these applications

Our interactions also include partnerships with, and support of, other organisations with a narrower focus such as the **Finnish Railway Society**, an enthusiast organisation, or the **Green Railways Association**, which was created at the behest of Czech Railways and Czech Railways Cargo, with a charter to support environmentally friendly transportation.



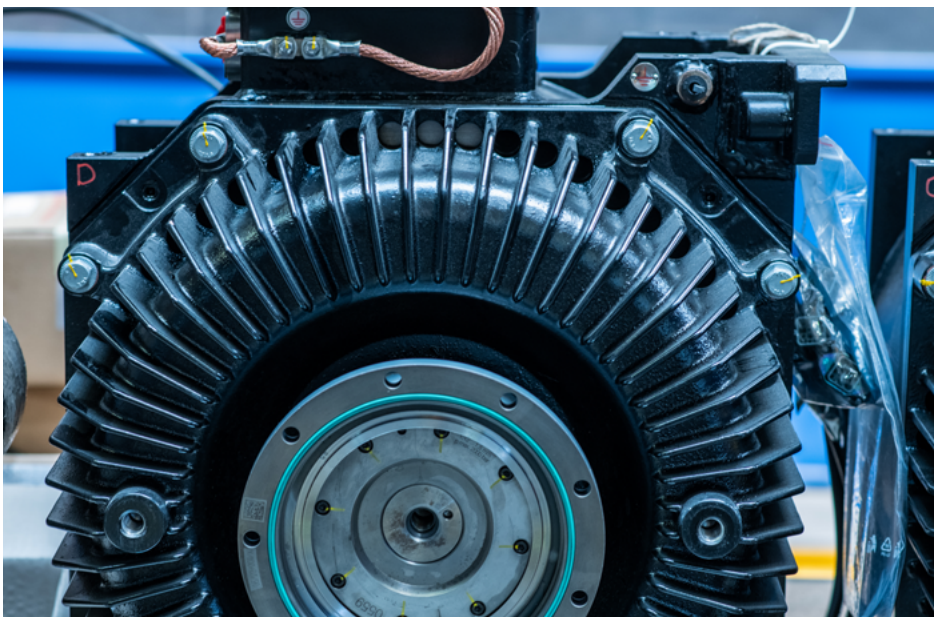




CERTIFICATIONS

Our quality policies and philosophy of continuous improvement help us shape our customers' product experience. **We are active in ensuring that we meet the latest and most complex quality assurance certifications and require the same from our suppliers.**

Škoda Group currently has **ISO 9001** (the international standard for quality management system), **ISO/TS 22163 IRIS** (quality management systems in the rail industry), **ISO 14001** (environmental management standard) and **ISO 45001** (occupational health and safety management systems). In addition, we are certified for special processes such as for welding according to **EN 15085-2** and **ČSN EN ISO 3834-2** and **14554-1**; or for gluing according to **DIN 6701-2**.



Sustainability Strategy

GRI 2-23, GRI 2-2

Our purpose is to offer sustainable mobility for people, businesses and places across the global market, which we are highlighting through our Sustainability Strategy, centred around four pillars.

The Sustainability Strategy was rolled out after we assessed our impacts on the environment and society throughout our value chain and identified material sustainability topics together with our stakeholders.

The process of data collection for the chosen material topics has commenced, and we will define our targets after we evaluate this data during 2023. This goal setting approach demonstrates that we are a serious and trustworthy partner for long-term sustainable development.

Accountability						
Entrepreneurship			Cooperation			
Products for Sustainable Mobility 	Operations for Climate Protection 		Attractive Company for Everybody 	Business Ethics and Transparency for the Future 		
Mission	Mission		Mission	Mission		
Become a flexible provider of sustainable solutions for public transport pursuing sustainable innovations, promoting product safety while focusing on a sustainable supply chain.	Minimise the negative environmental effects of our operations and strive to make more sustainable choices.		Be an attractive employer that promotes safety, wellbeing, diversity and long-term employee development.	Conduct business with integrity, uphold the highest standards of business ethics and advocate for transparency.		
We focus on	We focus on		We focus on	We focus on		
Product safety	Sustainable innovations	Sustainable supply chain	Energy consumption and renewable transition		Occupational health and safety	
			GHG emissions		Employee engagement, development and retention	
Customer satisfaction			Waste and water management		Diversity, inclusion and equal opportunities	
					Transparency of business conduct and information disclosure	

KPIs

- Customer satisfaction score
- Granted IP rights/patents
- (Average) product energy consumption
- Number of safety problems found in quality checks
- Number of suppliers evaluated based on ESG criteria
- % of key suppliers who committed to the Supplier Code of Conduct

KPIs

- Energy consumption intensity (per employee/hour of working time)
- % of energy from renewable energy sources
- GHG emissions total and intensity (per employee/hour of working time) – Scope 1, 2 and 3
- Waste intensity (per employee/hour of working time)
- Share of recycled waste

KPIs

- Number of learning and development hours (total/per employee)
- Number of recordable work-related incidents
- Lost Time Injury Frequency Rate

KPIs

- % of white-collar employees trained in the Code of Conduct
- % of third parties that committed to the Third-party Code of Conduct



“Our objective is to engage all stakeholders and address every critical topic relevant to our business. By expanding our sustainability agenda in this manner, we not only ensure a comprehensive and holistic approach, but also the credibility of our Sustainability Strategy. This is the natural progression of our ESG efforts, marking a significant step forward in preparation for the upcoming reporting requirements.”

Lýdia Rosová, Group ESG Manager



Stakeholder engagement

GRI 2-29

Engaging with our stakeholders and understanding their interests and concerns is key to the credibility of our ESG strategy. We aim to systematically approach them to gain a better understanding of their perspectives on our environmental, economic and social impacts, including impacts on human rights, and acknowledge their views on our governance and business ethics.

This will help us build stronger relationships along the value chain, prevent and mitigate our negative impacts, and successfully manage our Sustainability Strategy. The stakeholders' engagement channels, key issues, and our initiatives and responses to their concerns are listed below.



Our stakeholder dialogue and responses

Stakeholder groups	Key concerns and expectations	Engagement approach	Our initiatives and responses
Investors	Transparent business information, accurate disclosures, risk and crisis management, ESG disclosure in business strategy	Regular meetings and dialogues, regular publications and press releases	Publishing annual reports and ESG reports, providing transparent company updates
Governments, regulators and financial institutions	Compliance with applicable national and international laws and regulations, continuity of business operations, disclosure of ESG strategy and data	Regular meetings with responsible regulatory and governmental bodies, required disclosures	Engaging with local governments and regulators, being a responsible corporate citizen, publishing annual reports and ESG reports
Media	Transparent information about products and business activities	Regular contact informing about company and product news, social media engagement	Publishing press releases, social media posts, responding to media questions and inquiries
Customers	Understanding the market situation, reflecting customer needs in sustainable solutions, product quality (e.g. design, functions, safety)	Customer dialogue and consultations, satisfaction surveys, face-to-face or virtual project-related meetings, fairs presence, social media	Developing new innovative solutions, taking action from the results of satisfaction surveys, improving our portfolio based on customer requirements, establishing long-term partnerships
Suppliers	Equal and fair procurement process, building long-term relationships, acting according to the ESG strategy	Face-to-face or virtual meetings, supplier audit visits and other engagement activities	Establishing a sustainable supply chain approach, reviewing and improving procurement policies and processes, promoting long-term partnerships
Employees	Equal career and development opportunities, occupational health and safety, work-life balance and wellbeing, unified workplace, no discrimination	Intranet, engagement surveys, performance appraisals and individual development/yearly goal plans, internal channels for employee complaints and whistleblowing, Corporate Social Responsibility (CSR) activities	Code of Ethics, HR policies and procedures, trainings, offering competitive salaries and benefits, developing and implementing talent management programs, conducting employee engagement surveys and performance assessments, providing channels for employees to safely express their concerns, organizing CSR activities
NPOs, communities	Active community engagement	CSR-related activities, charitable donations	Acting as a responsible member of the community, supporting local community-related projects, partnerships, CSR programs and campaigns, including donations and advocacy

Materiality assessment

GRI 3-1, GRI 3-2

The task of building a sustainable future is a shared responsibility, which is why Škoda Group aligns its long-term corporate strategy with people and the planet.

To achieve this alignment, we are focusing on the positive, negative and potential impacts of our business activities and managing these in a manner that is transparent and objective for all external and internal stakeholders. Thus, our materiality assessment helps us identify and prioritise these most significant impacts on the environment, economy and people.

Materiality assessment process

A deep understanding of our most crucial business activities, their impact, and the views of different groups of stakeholders is fundamental for our success in the long run. We utilised GRI Global Reporting Universal Standards 2021 and its reporting principles as the basis for this report and conducted a materiality assessment accordingly.

We initiated an extensive assessment process to identify the list of ESG topics where we have the most significant impacts. The process included the following steps:

1. Understanding our business context

We identified a list of potentially relevant material impacts based on an in-depth analysis of peers in the same sector or with similar products and geographical location, and on a review of international ratings, rankings, and relevant ESG frameworks.

2. Identifying our positive and negative, current and potential, impacts

We gathered quantitative and qualitative data for FY 2022 in order to identify the positive and negative impacts of our activities throughout our entire value chain.

3. Assessing the significance of our impacts

Based on inputs from external sources (ESG frameworks and standards, rating agencies, industry guidelines, best practices) and also from stakeholder surveys (key external stakeholders, particularly customers, suppliers, communities, policymakers, the media, NGOs as well as internal stakeholders) we assessed the significance of both negative and positive impacts, current and potential, on the environment, economy and people, including impacts on human rights.

4. Prioritizing and validating the most significant impacts for reporting

We grouped impacts into topics based on their content and prioritised the most significant ones for reporting. Final validation was done at a materiality workshop with internal as well as external experts together with Group executives.

List of material topics

The materiality assessment identified 10 material topics that were validated by our top management. These topics build the strategic framework of our sustainable strategy.

1. Product quality, safety and customer satisfaction
2. Employee health, safety and wellbeing
3. Employee engagement, development and equal opportunities
4. Climate change, pollution and energy consumption
5. Innovations for sustainable products
6. Waste, circular economy and sustainable use of materials
7. Sustainable supply chain
8. Governance and business conduct
9. Affected communities
10. Water management

Our Value Chain

GRI 2-6

As Škoda Group, we draw on various resources (inputs) through our value chain to create an extensive and innovative portfolio of vehicles and services (outputs). From the sourcing of raw materials to the production of components and vehicles and their end-of-life disposal, we are aware of many positive and negative impacts that can occur along our product value and supply chains. It is incumbent upon us to take responsibility for sustainability issues that can affect the environment, people and our business.

Our value chain consists of the following main stages:

- **Bidding and sales** – based on customer product specification, negotiations are initiated with that customer, leading to a final offer, and possibly a contract.
- **Development** – technical product documentation, concepts and detailed specifications are then prepared based on the final offer. In parallel, we also conduct general, not project-related, R&D. We follow legislative requirements as well as develop new products or new functions for our existing products.
- **Procurement** – based on input from the development stage, suppliers are approached for quotations and the purchasing process finishes with the sending of a purchase order. Components are then delivered to our premises, checked for quality, and stocked.
- **Production** – vehicle production includes processes such as welding, painting, gluing, component assembly, and vehicle commissioning. Component production mainly involves the assembly of sub-deliveries. Each of our products is subject to an extensive testing phase, with some tests executed on our premises, and some outsourced or executed in the customer's network.
- **Logistics** – final products are delivered to customers, followed by an official handover.
- **Service and maintenance** – depending on the customer contract, this phase can include activities such as warranty service, spare parts delivery, or full service.
- **Disposal** – at the end of the service life we guide our customers on how to dispose of components and materials in a sustainable manner.



To strengthen our holistic value chain approach to sustainability, we have assessed the impacts of our activities at each stage of our value chain.

The material topics identified through the materiality assessment reflect environmental, societal and economic areas on which our value chain activities have the most significant impact, and which are a fundamental part of long-term stakeholder dialogue. We also assessed how we can mitigate these impacts within the value chain activities.

The fundamental sustainability impacts of our value chain activities are visually represented in the diagram.



Stages where the majority of our material economic, social and environmental impacts occur

	Bidding and sales	Research and development	Procurement	Production	Logistics	Service and maintenance	Disposal
Material impacts of our value chain							
							
							
							
							
							
							
							

Supporting activities

Strategic planning and governance	Human capital management	Finance	Project management	Marketing		
 Climate change, pollution and energy consumption		 Employee engagement, development and equal opportunities		 Product quality, safety and customer satisfaction		
 Waste, circular economy and sustainable use of materials		 Employee health, safety and wellbeing		 Innovations for sustainable products		
 Water management		 Affected communities		 Sustainable supply chain		

Products for Sustainable Mobility

GRI 2-25, GRI 3-3

Innovations for sustainable products

Why is the topic material for us?

Innovation plays a key role in the development of sustainable products by driving the creation of new technologies and services that minimise environmental impacts and promote sustainability.

Our products contribute to reducing the negative impact on the climate by encouraging the transition from individual transportation to public transport. By continually exploring new technologies, we drive an environmental impact and contribute to the advancement of sustainable mobility characterised by reduced emissions and improved air quality. Additionally, our efforts have a profound social impact, influencing communities and enhancing the overall quality of life for individuals.

Management of the material topic

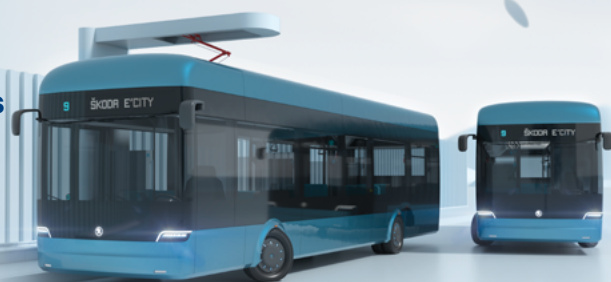
We actively support new policies, investments and technologies that help to push innovative development in the rail and bus industries.

By actively managing innovation and development focus, we move the boundaries of rail and bus technology, improve operational efficiency, and deliver sustainable solutions. Our approach to innovation helps us to stay at the forefront of the industry, addressing evolving customer needs and contributing to the advancement of the transport sector.

Research and development (R&D) investment

Škoda Group systematically allocates resources to R&D activities. In 2022, we invested 3% of revenues, exploring new technologies, materials and design concepts to improve the performance, efficiency and safety of rail and bus systems. Our R&D efforts focus on energy consumption, eco-design, noise, automation and digitisation. We actively seek to reduce the carbon footprint of our products, aligning with the industry's shift towards sustainable mobility solutions.

There is a growing focus on reducing noise and vibration in the transportation sector, which is reflected in relevant legislative measures. Collaboration with industry stakeholders is essential in our pursuit of noise and vibration reduction. Together, we aim to develop and implement solutions that not only comply with regulatory requirements, but also exceed customer expectations for noise and vibration comfort.



Eco-design

This sustainable design approach aims to minimise the environmental impact of products and services throughout their lifecycle. We're discovering how to apply eco-design principles in our product development process. In the coming years, we aim to carry out a life cycle assessment (LCA) for selected products to evaluate their total environmental impacts and identify areas for improvement.

Product lifecycle management (PLM)

Škoda Group has recently placed a renewed focus on PLM to enhance the development and management of rail and bus vehicles. By adopting PLM methodologies, we will optimise product development processes, improve collaboration, and streamline the entire lifecycle. Furthermore, PLM helps us to improve maintenance and service capabilities.

Digital transformation

We focus on digital transformation initiatives to optimise operations, improve maintenance practices, and enhance passenger experience. Škoda Group employs artificial intelligence, data analytics and other technologies to enable predictive maintenance, real-time monitoring, and intelligent decision-making.

Brand new products

Electric bus E'CITY for the Prague Public Transit Company

Presented at Czechbus Fair 2021, with the first vehicles delivered in February 2022, we introduced our electric bus solution in operation. The Škoda E'CITY features two-pole charging and a galvanically separated charger. This allows charging from the existing infrastructure for tram or trolleybus lines during the day, while the vehicle is in operation. Recharging takes between 15 and 30 minutes. In addition, Prague received an advanced energy management system for the entire fleet, which will enable cost-effective battery charging and extend battery life. The advantages of this unique solution include the lower cost of the charging infrastructure, longer daily range, and greater flexibility for use on different routes.

Further development of our hydrogen bus – model H'CITY

Introduced at InnoTrans fair in September 2022, the H'CITY bus is a quiet and clean vehicle for urban transport, characterised by high comfort. Its range is up to 350 km. It is currently (2023) undergoing testing and homologation in Prague. Not many cities have hydrogen infrastructure yet, but we believe in the potential of this alternative drive and trust that these vehicles will become more common.

Battery Train (BEMU)

Work has also been underway on our battery-powered train. BEMU is the perfect vehicle for non-electrified tracks. Developed on the RegioPanter platform, this train can travel up to 80 km without an overhead line with a maximum speed of 120 km/h. The batteries are continuously recharged by driving under traction or by recuperating energy during braking. BEMUs will be delivered for trial operation in the Moravian-Silesian Region by the end of November 2024.

Anti-collision system

Another solution introduced to the public at the InnoTrans fair. It significantly improves operational safety for our customers. The objective is collision avoidance at all operating speeds and the system has a human detection capability at 50 metres with highly accurate obstacle detection. We are currently testing and collecting data to quantify detection success and collision risk.

350 km
H'CITY hydrogen bus
maximum range

80 km
BEMU maximum range with
a speed of 120 km/h



“Our anti-collision system underwent more than six months of concept testing in Tampere and extensive scenario-based testing at the Prague depot. The system's advantage lies in its detailed mapping of the entire city track network, ensuring a high level of accuracy. The hardware platform developed for the anti-collision system can further be used with other software solutions without the need for hardware modification. This will not only bring financial savings to transport operators, but also provide an ecosystem for further development towards an autonomous tram.”

Michal Mrázek, Software Engineer, BU Digital



Automatic Train Operation

ATO is another member of the autonomous technology family we are developing and deploying. This system automatically guides the train and allows the timetable to be repeatedly updated based on real track conditions, helping to keep to set timetables and save energy. The main added value for the customer is the optimal use of capacity and the possibility of energy savings of 5-15%, depending on several factors, such as the route capacity, the experience of the driver, the type of train, season, etc. The ATO system was successfully validated on a 16Ev electric unit for our Latvian customer Pasažieru Vilciens.

New technical features of trams

Our latest trams incorporate several noteworthy technical features that enhance their efficiency, comfort and environmental friendliness. For instance, trams for SWB (Stadtwerke Bonn) are equipped with CO₂ HVAC units, which utilise carbon dioxide as the refrigerant. This innovative technology helps to reduce the environmental impact of the trams' air conditioning system by minimizing greenhouse gas emissions.

Another remarkable feature,

supercapacitors, can be found in trams operated by rnv (Rhein-Neckar-Verkehr) in Mannheim, Ludwigshafen and Heidelberg. These components are fed with energy generated during braking, storing it for later use. By harnessing this recuperative braking energy, the trams can significantly increase their traction performance on dedicated track areas and enhance their overall energy efficiency.

Furthermore, the trams are equipped with

an intelligent light temperature adjustment system in the passenger area. Depending on the environmental conditions, the lighting automatically adjusts to create a perception of coolness or warmth. In particular, the system utilises "cold" light to indirectly promote a feeling of cooling, allowing the HVAC cooling power to be reduced. Similarly, the system utilises "warm" light to create a sense of warmth, thereby reducing the need for excessive heating. This dynamic lighting system not only enhances passenger comfort, but also optimises the energy consumption of the HVAC system, making the trams more energy-efficient overall.



“After the first weeks of passenger service, we can say that the new Rhein-Neckar-Trams deliver what they promise. Operation is practically faultless, with boarding and alighting working smoothly, and all our passengers can feel the higher level of ride comfort. There was also a lot of praise for the new trams from our drivers.”

**Martin in der Beek, Technical Managing Director
Rhein-Neckar-Verkehr GmbH**

“Measurements indicate, that our trams can typically save up to 35% of energy in city traffic and between 15% and 25% in intercity traffic. And, for comparison, our metros in Warsaw currently achieve 37% recuperation. This is dependent on long-term average consumption over the whole year with differing seasonal and passenger loads in traffic.”

**Milan Šrámek, Head of Electrical
Systems Rolling Stock**

Innovations with a social impact are also viewed as critical by Škoda Group. The latest generation of the Artic tram model, which will operate on the Jokeri line between the Finnish cities of Helsinki and Espoo, offers a kneeling feature in the centre part of the tram. This allows the vehicle to reduce the height difference between the tram and the platform. Although generally used in buses, this innovation is unique on the tram market. Persons with reduced mobility and those who use wheelchairs can easily enter the tram without additional support from a driver or a ramp. **The kneeling system is thus truly another step towards equity and democratisation of mobility.** The advantages for operators include the ability to maintain operation without the need to make changes to platforms and infrastructure as well as weight and maintenance savings thanks to the removal of devices such as the PRM ramp.

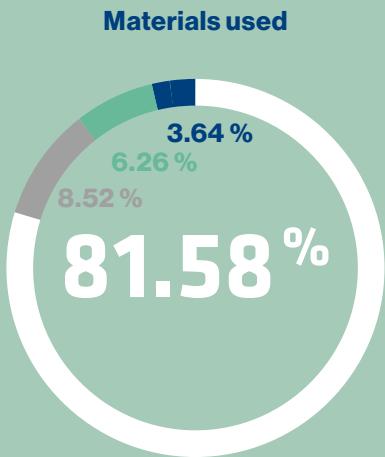
“As a wheelchair user, I firmly believe that accessibility is a fundamental human right. I recently had the opportunity to experience Škoda Group's new Artic X54 tram, designed to provide barrier-free traveling options for the public thanks to a kneeling system. Škoda has done a great job and it is crucial to acknowledge that there is still much work to be done on the part of the cities due to differing platform heights and infrastructure. It is imperative that we create a truly inclusive environment for all individuals, including the provision of wheelchair-accessible tram stops. A seamlessly accessible infrastructure not only benefits people with disabilities, but also enriches the lives of everyone in the community.”

**Yodit Melaku, Social Counsellor,
Kynnys ry – The Threshold Association**

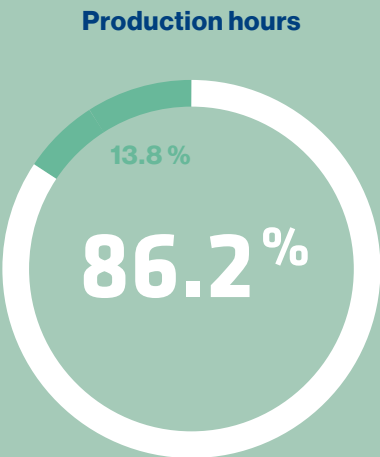


Product carbon footprint (PCF)

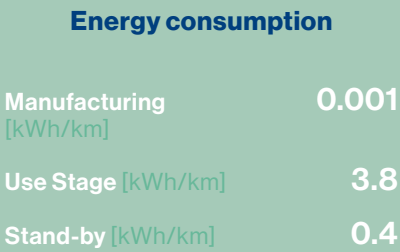
The 36T ForCity Smart tram
for Rhein-Neckar-Verkehr (Mannheim, Ludwigshafen, Heidelberg)



- Steel – plates, profiles and castings
- Other
- Ferroalloys
- Plastic

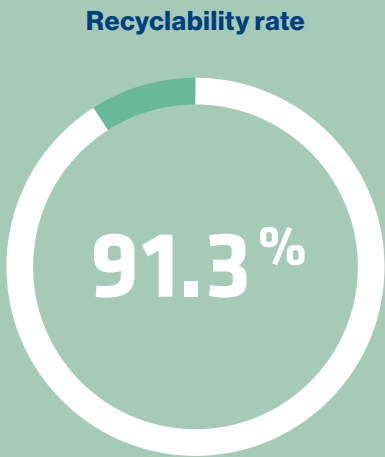


- At Škoda sites
- Dedicated for sub-deliveries

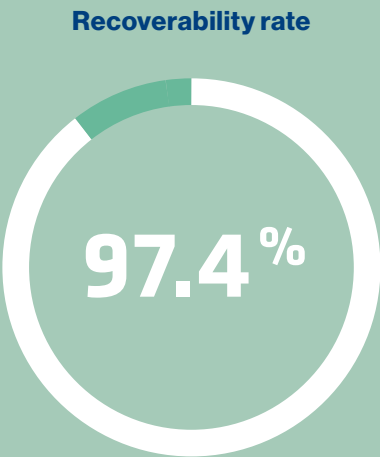


Data are valid according to established simulation criteria. In real operations, these values may vary depending on operational conditions.

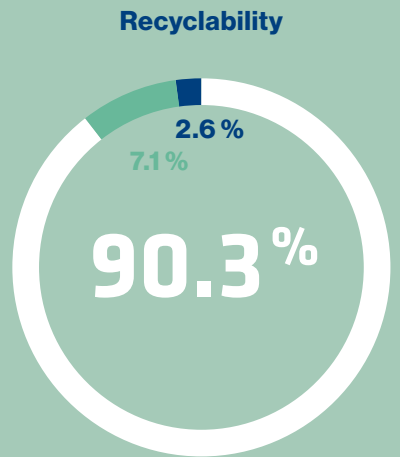
Maintenance and spare parts are also considered based on the life cycle costs (LCC) plan.



Potential according to ISO 22628



Potential according to ISO 22628



- Material recycling
- Energy recovery
- Residue/disposal



The absolute contribution of the 36T 3-module tram to climate change (Global Warming Potential)

Absolute carbon footprint

5,201
t CO₂e

or

14.16
g CO₂e per passenger-km

This PCF is calculated for the product's complete life cycle – i.e. cradle-to-cradle.

We are aware of the limitations of the final results, for example, some of the calculations required under ISO EN 14067, namely the LCA of materials and energy consumption, are based on mathematical models, hence susceptible to unforeseen changes in the future.

After an extensive search in publicly available documentation for tram public tenders in the EU over the last five years and recalculations of competitors' PCFs per passenger-km, we can conclude that the 36T carbon footprint is comparable with the products of our main competitors.

Producer	Type	PCF LCA/1 passeng.km (in g of CO ₂ e)	Recalculated 36T results (in g of CO ₂ e)
A	Model 1	0.963	0.91 ⁴
A	Model 2	18.85	14.16
B	Model 3	18.03	14.16

⁴ Without electricity use GHG/LC emissions.

Product quality, safety and customer satisfaction

GRI 2-25, GRI 3-3

Why is the topic material for us?

We believe that the quality and safety of our products and services are fundamental to customer satisfaction. We endeavour to provide our customers with sustainable, reliable and durable products and services that meet their needs while delivering the best user experience.

We strictly adhere to regulations and safety requirements to minimise the risk of passenger injuries. Furthermore, we recognise that our vehicles can have an impact on both passengers and the communities residing in the areas where our vehicles operate. Through our approach to product quality, safety and responsible business practices, we directly influence the satisfaction of our customers and community environment.

Management of the material topic

Product quality and safety

We implemented Entity in Charge of Maintenance (ECM) in 2022, along with attendant successful certification. Škoda Group thus became a certified organisation responsible for maintenance with EU-wide accreditation. In the European railway system, an ECM assumes a crucial role in ensuring vehicular safety and safe operational conditions through a comprehensive maintenance system.

The change in Group structure also led to the adjusting of our approach to product quality and safety. Processes and a culture of quality, integrated and harmonised on a Group level, are key drivers toward high-level operational efficiency and customer satisfaction. In 2022 we also identified KPIs and WoW (Way of Working) across the sites, undertaking key organizational adjustments and reinforcements with clear division of responsibilities.

We also completed Quality Gates and Project Management Office projects.

This involved identifying fixed milestones – Gates – with predefined criteria to be met before a project can proceed to the next phase. Complementary to that we are progressively improving the efficiency of non-conformity management process and non-quality cost collection.



“Our aim for the following two years is to further enhance the current processes, automating and digitalising them where possible. Our goal is to develop a culture of experience in which we share lessons learned. Our mission is to transition the concept of Quality from a *supportive* into a *leading* role in our value chain.”

Piotr Chmiel, Group Operations Quality Director

Our strategic quality management:

Plan quality management

- Quality management plan
- Quality metrics



Manage quality

- Test & evaluate documents
- Quality reports



Control quality

- Ensure quality standards
- Verified deliverables



Škoda Group focuses on the following areas, among others, to ensure the quality and safety of our products:

Compliance with standards and requirements: It is our responsibility to comply with all applicable regulations, regional legislation and industry standards with regards to quality and safety. Moreover, we manage this topic following international standards and qualifications including ISO 9001, ISO 14001, ISO 45001 and ISO/TS 22163.

We adhere to rigorous safety standards and regulations, such as the European Union's **Technical Specifications for Interoperability (TSIs)** for heavy rail products and the **International Electrotechnical Commission (IEC)** standards for all products. Furthermore, we fulfil the safety requirements specified by our customers to ensure the safe integration of our products into their railway system.

Safety of our products is further secured by supplier qualifications and by using high-quality materials within our production process.

Enhanced safety systems: we invest in the development and implementation of vehicle safety systems such as Automatic Train Protection (ATP) and Automatic Train Operation (ATO). These systems improve train operations, reduce human error, and enhance overall safety on rails.

Quality control measures: We employ robust quality control measures throughout the manufacturing process. This includes stringent material inspections, component testing, and factory acceptance tests to identify and rectify any potential quality issues before the trains or other vehicles are delivered to customers.

Reliability and durability: We focus on designing and manufacturing rail and bus vehicles and components that are reliable and durable. We employ innovative engineering technologies, use high-quality materials, and conduct extensive testing to ensure the longevity and performance of our products, resulting in safer operation.

Customer engagement and satisfaction

Our customers' needs are core to our decision-making process. We strive to build long-term relationships with our customers, stay in touch with our current customers and reach out to potential ones. We share our experience, business cases and company information through various communication channels, including social media.

Customer satisfaction survey

We regularly measure customer satisfaction through customer satisfaction surveys, conducted twice a year. This direct feedback helps us continuously improve, with our service managers approaching and engaging our customers in dialogue. We initiate a follow-up process to identify key issues and to determine the improvement actions. The questionnaire enables customers to express their thoughts on the approach and behaviour of the responsible service manager and the rest of the Škoda team, the speed of response to customer requests or the quality of problem resolution.

Sustainable supply chain GRI 2-25, GRI 3-3

Why is the topic material for us?

Sustainable practices reach beyond our own operations. A sustainable supply chain refers to the management and integration of social, environmental and economic factors across the entire supply chain to minimise negative impacts and promote sustainable practices. It involves considering the environmental and social aspects of sourcing, production, transportation and distribution of goods and services.

Our impact extends to our supply chain through the conscientious selection of suppliers based on their environmental impact, safeguarding of human rights, promotion of fair labour practices, prohibition of child labour, and encouragement of responsible business conduct. The responsible choices we make in our supply chain have indirect implications on our overall sustainability performance.

Management of the material topic

Cooperation and long-term partnerships are crucial for sustainability in the supply chain. We actively collaborate to identify areas for improvement, and implement sustainable material sourcing strategies. We have been working on a Supplier Code of Conduct that will not only strengthen supplier partnerships, but also ensure that we address ESG risks in our supply chain. The Supplier Code of Conduct will be fundamental for earning and maintaining stakeholder trust and will prepare us for upcoming regulations related to due diligence within the supply chain.

Critical raw materials

We place particular focus on critical raw materials.

Raw materials and critical raw materials are essential components in the production of our rail and bus solutions. However, their extraction and processing could potentially have environmental and social impacts. We monitor developments in EU legislation, such as the Conflict Minerals Regulation and the EU Raw Materials Initiative, that address these challenges to ensure compliance with the legislative requirements.

Diversification and risk management

For operational sustainability, we follow the approach of supplier diversification. Through this, we mitigate the risk of relying on a single source and promote competition among suppliers to improve sustainability practices.

No less important is project risk management during the sourcing phase. We conduct comprehensive assessments to identify potential risks and develop mitigation measures in each customer project.



Operations for Climate Protection

The principle of environmental care and prevention of negative environmental impacts is an integral part of Škoda Group's business. We are fully aware of our responsibility for the management of all Group activities in relation to the careful use of natural resources and the minimization of possible adverse impacts of the Group's activities on the environment.

Environmental management

Consistent compliance with legislative requirements for environmental protection is a given. It is a necessary condition for the further development and improvement of complex environmental care.

We have been certified since 2010 and subsequently recertified according to the international ISO 14001: 2016 standard, which specifies the requirements for an environmental protection system and testifies to our ongoing efforts to minimise the impact of our activities on nature.

We continuously update a register of environmental aspects for all our sites. The method of dealing with environmental aspects and the principles for reviewing the relevant legal and other environmental requirements applicable for implementation in Škoda Group's system

are set out in the internal environmental policies and risk management, which further sets out the procedure for:

- defining objectives and environmental programs
- monitoring key variables and assessing compliance with legal and other requirements
- ensuring competence and training
- internal and external communications.

Environmental aspects are identified for each activity covered by environmental legislation. The activities assessed include those within our value chain. The identification of aspects begins with the entry of material into the organization and ends with the dispatch of products and waste disposal.

The identification and assessment of the significance of environmental aspects are carried out by our Ecologists and Site Directors in cooperation with external companies.

Activities with a significant environmental impact are continuously assessed and monitored. Measures are implemented to reduce environmental impact where possible and based on available good practice.

Certifications

In 2022, Škoda Group successfully passed surveillance audits of all necessary standards. The gradual alignment of process management across the Group with the transition to the group form of ISO 9001 certification was also initiated.

Our site certifications with the latest recertification year

Plant	ISO 9001	ISO/TS 22163	ISO 14001
Škoda Transportation a.s.	2021	2021	2021
Škoda Electric a.s.	2021	2022	2022
Škoda Vagonka a.s.	2022	2020	2020
Škoda Digital s.r.o.	2021	–	–
Škoda Pars a.s.	2021	–	2021
Škoda Ekova a.s.	2021	–	2021
POLL s.r.o.	2020	–	2020
Škoda TVC s.r.o.	2021	–	–
Škoda Transtech Oy	2021	2021	2021
Škoda City Service s.r.o.	2025	–	–

For 2023 and beyond, **ISO 50001 energy management audits and ISO 31000 for risk management** are planned. The main objectives behind certification are reassurance in terms of economic, environmental and safety outcomes, and strengthening our risk management system to mitigate and prevent possible risks and threats.



Climate change, pollution and energy consumption

GRI 2-25, GRI 3-3

Why is the topic material for us?

Climate change is one of the most pressing environmental challenges. It is closely linked to sustainable operations, which refer to the process of manufacturing goods and services while minimising negative environmental impacts through reducing consumption of non-renewable energy and emissions of CO₂, increasing overall energy efficiency.

We are mindful of our impacts. Our production processes for rail and road public transport vehicles currently partially rely on energy derived from non-renewable sources, resulting in the emission of greenhouse gases and other air pollutants.

Management of the material topic

Škoda Group intends to reflect upon and tackle the following activities contributing to climate change impact mitigation:

- **Energy use and decarbonisation:** we are actively looking for opportunities to continue to reduce our consumption of non-renewable resources and our carbon footprint. We are focused on evaluating solutions that will help us increase our production and consumption of renewable energy over the long term.
- **Material use efficiency:** in the production sector, we are aware of the potential for efficiency improvements in both production and consumption and for lowering our environmental impact.

- **Products and services:** public transport and its related services present significant opportunities to reduce the carbon footprint and implement adaptation measures. We are steadily addressing these points and through them helping to achieve the ambitious decarbonisation goals not only of our Group but also of our customers and partners.
- **Collaboration and innovation:** Collaborating with stakeholders, such as governments, research institutions and suppliers, to develop innovative solutions for reducing emissions and addressing climate change impacts can enhance the company's reputation and competitiveness.

Škoda Group carbon footprint

We calculated our carbon footprint in Scope 1, 2 and relevant categories of Scope 3 for year 2022. The greenhouse gases (GHG) included in the calculations are expressed in equivalent tonnes of CO₂ and refer to emissions of carbon dioxide, methane, and nitrous oxide (CO₂, CH₄ and N₂O, respectively), in addition to the hydrofluorocarbons (HFCs) associated with refrigerant gas leaks.

Direct emissions (Scope 1): emissions from fuel consumption in stationary and mobile installations, as well as fugitive emissions from the recharging of fluorinated gases

Indirect emissions (Scope 2): derived from electricity consumption and thermal energy consumption

Other indirect emissions (Scope 3): we calculated our fuel- and energy-related activities, waste management and transport, employee commuting and business trips

For carbon footprint calculation, the GHG Protocol Corporate Accounting and Reporting Standard (GHG Protocol) was used. The methodology is set such that the results of the calculation are numerically equivalent to the ISO 14064-1.

Data collection

Data for Scope 1, 2 and 3 were collected from all companies within the scope of calculation. Primary data were used as the preferred source of information, especially for Scope 1 and 2. For Scope 3, the maximum effort was made to obtain relevant data, including a detailed analysis of business trips or questionnaire-based evaluation of the employee commuting. When necessary, we used proxy data, compliant with the GHG Protocol.

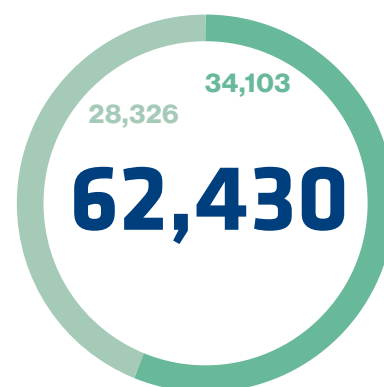
Calculation method

The primary sources of emission factors were as follows:

- EEA for location-based electricity emissions
- AIB for market-based electricity emissions in the case of residual mix
- IPCC, DEFRA, EUROSTAT, and relevant material databases for other emissions

Where applicable (e.g. electricity), transmissions and distribution losses and WTT emissions were calculated in Scope 3, Category 3. Emission factors were used consistently. To avoid double counting, intercompany transfers were identified during the data collection process.

Emissions 2022⁵ in t CO₂e



- Scope 1
- Scope 2⁶
- Scope 1 + 2

Fuel- and energy-related activities

6,714

Waste in operations

2,340

Business travel

1,183

Employee commuting

6,392

- Scope 3 in t CO₂e

In the following years, we plan to extend the data collection and calculate all categories of Scope 3 as per GHG Protocol to get an entire overview of our emission sources. Given the aim of emission reduction, we are currently concentrating on opportunities in both direct and indirect emissions, such as consuming renewable energy, and in further optimisation and strengthening energy management and policies on our sites to decrease our environmental impact.

A detailed and realistic plan with short-, middle- and long-term targets is currently (2023) being prepared. In parallel, we are also creating robust methodology and including the remaining Škoda Group entities into the calculation for FY 2023.

⁵ Consolidation method: operational control

⁶ Location-based

Energy savings and decarbonisation measures

At our Pilsen factory, we procure air gases that are generated using 100% renewable electricity. This environmentally conscious approach translates into a significant reduction of approximately 99% of carbon emissions. In 2022, this resulted in a CO₂e reduction of 38 t. These renewable air gases are specifically utilised for welding purposes.

The decision was made in 2022 that starting 1 January 2023, our factory in Otaňmáki will exclusively use wind energy. The estimated electric energy use for 2023 is 11,200 MWh and switching to 100% wind energy will save up to 1,800 t CO₂e (Scope 2, including losses). Last year, we also made the switch from traditional lighting to LED technology. That brings an additional saving of 900 MWh. We are investigating further savings potential, especially with CO₂-free heating energy.

Potential savings of
1,800
t CO₂e
at our Otaňmáki factory

LED lighting was also implemented at Bammer trade, with the project focused on the public lighting around the administration building. This will lead to a yearly saving of 178 MWh. Further lighting upgrades were implemented at several halls of our Ostrava site, bringing yearly savings of 180 MWh, representing a saving of 50% on overall lighting energy.

We continue to invest in renewable energy sources at all our sites, with 15 photovoltaic power plants currently installed. By the end of 2022, we had installed a capacity of 1 MWp, which yields approximately 1 GWh of green electricity. In the upcoming months, we are targeting up to a tenfold increase in installed capacity to help cover 1/3 of total electricity consumption by the end of 2024.

By the end of 2024,
1/3
of our electricity consumption
will come from solar energy

Our battery-powered handling machine runs on rails and on the road

Powerful, flexible and environmentally friendly – this is our new battery-powered handling machine that replaced a diesel locomotive at our Pilsen premises. The machine is used for moving manufactured vehicles and their parts to the tracks and between production halls. It is capable of pulling entire trams or even train sets weighing up to 1,000 tonnes. The handling machine runs on both rails and - thanks to its additional wheels - on the road, contributing to flexibility at our factory.

Šumperk bees

Our Šumperk site is surrounded by forests and fields. A love of nature is deeply ingrained in our local employees. Three years ago, five top management members united their passion for beekeeping and built beehives on company premises. Since then, the honey the bees produce is given as presents to customers labelled with the motto “We work for you as hard as bees”.

In the first year, the bees produced around 40 kg of honey. There are currently four hives, and the employees take care of them when working conditions allow.



Waste, circular economy and sustainable use of materials

Why is the topic material for us?

Waste management refers to the systematic handling, treatment, and disposal of waste generated by Škoda Group's operations. Waste and material management in general receive significant attention from the manufacturing industry.

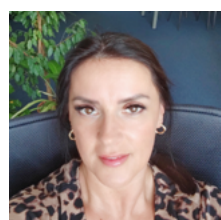
We acknowledge that our production process generates diverse forms of waste, especially packaging and residual materials, which necessitate careful and proper management to prevent any potential environmental harm. Our approach to responsible waste management will have significant impacts on the environment and the communities in which we operate.

Management of the material topic

It is our responsibility to take steps to prevent improper disposal of waste. For this reason, we are actively improving our control and manufacturing processes, including the implementation of ISO 14001 or ISO 9001 management systems, to ensure adequate waste management, reduce waste volumes and apply elements of circular economy where possible. We monitor waste generation as part of our certified environmental systems.

Applying circular economy principles

We are looking for opportunities to integrate circular economy principles into the way we design, build and maintain our products. **We understand that strong growth in the extraction of raw material resources continues to support the global economy, but also adds to overall environmental pressures and impacts across the globe.** At Škoda Group, we treat waste as a material that has or potentially can have other uses when appropriately handled, recycled or reprocessed.



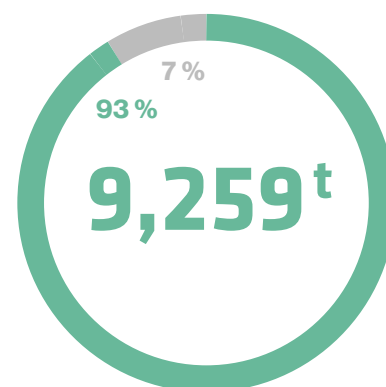
“At Bammer trade, we use empty containers from casting oil (200 litres) or vaseline (50 litres) to store of hazardous waste such as non-functioning oil filters and contaminated sorbent. Everything is safely stored and collected by a contracted company for disposal. This reduces the collection of empty packaging. In the sorting of bio-waste, we for example collect coffee grounds from the beverage machines located on the premises, which are placed in a container designated for bio-waste.”

Pavla Vaníková, Investments and Asset Management Associate

GRI 2-25, GRI 3-3

78 %
share of recycled waste

Total waste



- Non-hazardous
- Hazardous



We manage waste responsibly

We support recycling and raising awareness about its importance. **To achieve this, we have implemented several initiatives and established a recycling program that collects and properly disposes of recyclable materials such as paper, plastic and glass.**

Our employees are encouraged to participate in the program by placing recyclables in the designated bins

throughout the office. Additionally, we organise onboarding and regular training sessions and workshops to educate our employees on the benefits of recycling and how to properly recycle. To ensure efficiency, we regularly review and evaluate waste management, seeking improvements and optimizations. Through these efforts, we create a culture of sustainability and environmental responsibility within our company and encourage others to do the same.



Water management

GRI 2-25, GRI 3-3

Why is the topic material for us?

Water management refers to the process of planning, developing, distributing and managing the use of water resources to ensure their sustainable and efficient utilization. It involves the management of both freshwater and wastewater.

The manufacturing process for primary materials like steel and aluminium, which we procure from suppliers, entails substantial water consumption. Additionally, materials such as plastics and electronics also necessitate significant amounts of water during their production. Inefficient water usage could eventually lead to increased risk of water stress, which we aim to prevent through mindful water management.

Management of the material topic

We embrace our responsibility to monitor and manage water usage to minimise the impact on water resources and the environment.

Total water
consumption in 2022

302,182 m³

Water management at Pilsen site

At the Pilsen site, we operate eleven oil separators located in parking areas, which are used to capture oil substances in the event of accidental leakage from parked cars, and one grease separator used to capture floating grease in the wastewater from canteen operation.

All waterworks are regularly monitored. At an interval of four times a year, an accredited laboratory collects water samples via the mixed Water Sampling Protocol, and subsequently prepares a test report that demonstrates compliance with the permitted pollutant limits.

We reuse water from shower tests

Each of our vehicles must undergo a shower test. At our Pilsen site, the tests on trains and trams are conducted in a specialised water box, where we employ a reusable water system. This system allows us to recycle and reuse the water used in the testing process. A general test takes around 40 minutes, when the whole vehicle is showered at once. Afterwards, the water is pumped back from the drain into the water container. Water that cannot be reused undergoes wastewater treatment before it is discharged into the public sewer.

Attractive Company for Everybody

Employee engagement, development and equal opportunities

GRI 2-25, GRI 3-3, GRI 2-7, GRI 2-30

Why is the topic material for us?

We place people at the centre of our business every day – they are fundamental for Škoda Group's sustainable growth. At the end of 2022, more than 6,400 employees from over 20 nationalities were working in the reported entities.

Through our recruitment practices, company culture and career opportunities, we have an impact on employee satisfaction, performance and retention that is further manifested in the overall company success and its future.

Management of the material topic

We aim to create a safe, inclusive and inspiring environment, where individual needs, interests and abilities are always accepted. Our culture should empower everybody to grow and foster our employees' work conditions, safety, development and wellbeing.

We are currently implementing key human capital initiatives to drive engagement, attract and develop talents and retain diverse teams. Our people strategy is designed to create the right environment for all our current and potential employees. We drive employee engagement through initiatives in leadership, onboarding, career building and wellbeing. These initiatives are implemented and further directed according to international standards, including ISO 9001 and ISO 45001, as well as our Code of Ethics that highlights our inclusive working environment.

We strive to be a responsible employer not only for our current employees, but also for those who could be part of Škoda Group team in the future. Our effort seems to be paying off – we took second place in the Czech TOP Employers awards in 2022 in the Automotive & Engineering Industry category.



Total number of employees (FTE number, rounded)

	Full-time		Part-time		Total by gender		Total 2022
	Female	Male	Female	Male	Female	Male	
Czechia	1,114	4,599	37	36	1,155	4,631	5,786
Poland	2	28	0	0	2	28	30
Ukraine	9	36	0	0	9	36	45
Finland	65	475	2	20	67	495	562
Total 2022	1,190	5,138	39	56	1,233	5,190	6,423



	Permanent employees		Temporary employees	
	Female	Male	Female	Male
Czechia	858	3,716	297	915
Poland	2	28	0	0
Ukraine	9	36	0	0
Finland	66	490	1	5
Total 2022	935	4,270	298	920

Employee engagement

It is of great importance for us to listen to our employees' diverse ideas and experience as well as to appreciate the challenges and obstacles they face. To foster engagement with our people we conducted an employee engagement survey at the beginning of 2022. Based on extensive feedback comprising nearly 3,000 responses, we can conclude that **67% of our employees are proud to work with us. This number is well above the Czech benchmark, which is around 51%, however, we recognise that there is still room for improvement.**

At the end of 2022, we decided to take the employee survey to the next level. We kicked off the "Impuls project" which is conducted via a quarterly questionnaire with 16 questions. Our goal is to get a comprehensive picture of how people feel at work, how the work environment affects them, and of their understanding of company goals and their own contribution to the company's success.

The results go directly to the responsible manager only if five or more employees from the team complete the survey. This secures even more anonymity. Regular feedback provides the chance for immediate reaction to employee concerns and it is a solid basis for quick improvements to the action plans that drive sustainable change in our workplace.

Employee retention and professional development

We aim to offer every colleague fair and competitive compensation, trainings, and other benefits that will motivate and enable them to pursue a long-term career with us. Employee benefits include, among other things, sick days, flexible working hours and home office.

Currently, we are putting together a talent management program that will enhance training opportunities and provide a set of new technical and digital skills based on the specific needs of our employees. In 2022 our employees participated in mandatory courses, including trainings required by legal and company regulations; on top of that, we offer a wide portfolio of language courses – in-house or online, in groups or one-on-one.

Employee participation in regular performance and career development reviews

79%
Executive category

52%
Non-executive category



"We want to positively motivate our people to manage change bottom-up, from employees to management. Everyone can express themselves and give insights and suggestions. Our products are made by our people. Our success depends on them."

Šárka Moučková, Vice President HR

Equal opportunities and an inclusive team culture

Our Code of Ethics strictly prohibits any behaviour that is deemed unacceptable in the workplace – discrimination, abusive behaviour, and unfair treatment. Furthermore, it highlights many aspects of our respect for human rights, including working conditions, and treatment with fairness and respect regardless of skin colour, ethnic or social background, religion, age, disability, sexual identity, orientation, worldview or gender. We also have an ethics line, where our employees can raise concerns in the matter of discrimination and human rights abuse.

We believe that a flexible work environment is necessary to retain talent and make our teams more diverse. For example, we offer flexible working models for our employees during parental leave. They can decide to work on part-time agreements pursuant to the applicable law. In 2022, 25% of female employees on leave took advantage of this opportunity. We appreciate being able to stay in touch with our employees during this life phase and help them with the transition back to the standard employment model once they wish to do so.



“I chose to work during parental leave because I felt a need for self-realization, and I didn’t want to lose my knowledge and contacts. It was also very important to me to find the right balance between my working life and the important time spent with my child because, after my parental leave, this balance will be even more crucial. My employer strongly supported me, even during unexpected events such as child illnesses. I could schedule my working life as I needed, enabling me to perform all my duties.”

Adriana Blahutová, Head of Quality Department, BU Digital

Recruitment of young talents

One sign of a diverse company is its age structure. **We very much appreciate the colleagues who have spent many years or even most of their careers with Škoda Group. We also understand the competition for young talent across the market and we actively cooperate with multiple local universities.** In the Czech Republic, partnerships include the University of West Bohemia in Pilsen, Czech Technical University Prague and Technical Universities in Ostrava and Brno; in Finland, we partner with Tampere University.

We focus primarily on students in technical fields, looking to identify the best talents and give them the opportunity to apply their knowledge to real projects in the rail industry.

Opportunities to regularly meet include job fairs or events we organise at universities. At Tampere we even opened a campus office to enable regular contact with students. Furthermore, we support projects such as Design+ or S@P (Students and Work Practice), that connect students with companies to give them the chance to work on real business cases.

Students can write their bachelor’s or master’s theses with us and, especially in Czechia, gain a place on our paid traineeship program, which is seeing remarkable long-term success – over 90% of students stay with us as full-time employees after completing their Trainee appointments.

90 %
of our trainees switch to full-time employment

We have co-organised the prestigious Emil Škoda Award for many years – a competition for the best master’s and dissertation theses. It is our aim to support the exceptional performance of master’s and doctoral students in the technical fields of universities, with winners awarded financial prizes.



“I joined as a trainee in March 2020 and started on a full-time basis after three years in March 2023. I spent all this time in the Hardware Development department. I took on many different tasks, including the development of new HW units, testing their functionality, preparing documentation and technical specifications or calculating product lifetime. It allowed me to work flexibly while studying. I am very happy to have been part of the trainee programme. It is very beneficial for students who want to gain new insights and apply their knowledge in practice.”

David Bartůněk, former Trainee, now Hardware Engineer, ampersand Components & Bus Mobility



Employee health, safety and wellbeing

GRI 2-25, GRI 3-3

Why is the topic material for us?

We operate in a heavy manufacturing and labour-intensive industry. **Providing safety and security for our people and maintaining a work-life balance is a fundamental part of being a responsible employer.** Ensuring that every employee feels safe and secure is not just a basic human right and a legal requirement, but also our unequivocal long-term ambition.

We significantly impact the health and safety (H&S) of our employees, primarily concerning the prevention of work-related injuries, fatalities and diseases. The influence of our H&S initiatives goes beyond immediate wellbeing and has far-reaching consequences for individuals and society in the form of productivity, absenteeism and business continuity.

Management of the material topic

To mitigate the risks of work injuries and diseases, we have implemented a combination of H&S policies, awareness campaigns and wellbeing programs. By securing operations and training, we are preventing incidents that might not only harm our people, but that could also damage our assets reputation and goodwill. **We mitigate any potential negative impact on the health of our employees by strictly following our H&S policy**, updating the terms regularly, and annually auditing the documented health and safety procedures. We ensure our employees are periodically trained based on the legal requirements and specifications of our production sites.

The management of H&S impacts is performed in accordance with international and national standards such as ISO 9001, ISO 14001 and ISO 45001. From 2022 onwards, due to the change of Group structure and the new split of regions and business units, our Occupational Health and Safety departments were also unified and are now managed at Group level. The new structure is effective from September 2022 and its goal is to have a unified H&S approach, reporting, and KPIs and create a network to share experiences from all our sites and companies.

The plan for the upcoming months is a general H&S campaign, establishment of an IT platform for safety management and further enhancement of the safety culture in the company.



“Our motto is *“I work safely because I want to”*. For us it means that we are all focused on maintaining and developing occupational health and safety through proactive and work-sustaining activities. We are engaging our personnel to develop a safe work community to both motivate and involve all colleagues and partners to improve safety culture. The feedback has so far been encouraging.”

Pekka Auvinen, Group EHS Director



Incident investigation and mutual collaboration

Top management, together with appointed H&S managers and site directors, are responsible for health and safety protection within our working environment. They meet regularly to assess current H&S procedures, review workplace injuries and draw conclusions on correcting and mitigating such situations. Once incidents are investigated, they are further documented and shared across production sites to inform and educate all employees on the reason for their occurrence and to enable future anticipation of similar workplace situations. At the same time, lessons learned are shared and discussed as safety alerts within the Group.

Mitigation of potential negative impacts is also in the hands of our employees – they have the opportunity to bring forward ideas on improving the workplace environment and safety procedures. In 2022, 36 health and safety initiatives were raised by our employees. This knowledge sharing across our Group fosters our aim to always ask questions, express opinions, address concerns and thus anticipate possible incidents.

Promotion of health and wellbeing

Many injuries that can occur in the workplace are related to the musculoskeletal system. Blue-collar colleagues from the BU Components & Bus Mobility are visited by physiotherapists twice a week. They treat any stiffness from repetitive work with kinesio taping, providing advice on preventing such painful conditions. Additionally, some colleagues might be recommended to undergo further individual therapy, such as radiofrequency therapy or rehabilitation exercises. Last year, 103 colleagues regularly took up this opportunity. With the help of physical therapy, comprehensive education and a well-defined home exercise plan, many employees have experienced relief from both acute and chronic pain.

Bike to work

Regular exercise is important for all our colleagues. Despite promoting public transport, every May we support the “Bike to work” challenge. In total, 311 employees from Škoda Group participated across locations in Pilsen, Prague, Ostrava and Šumperk last year. We drove, walked, or ran 8,985.39 km and saved 10,963.12 kg of CO₂ by using non-motorised means of transport. Some of our colleagues were among the most successful participants overall, even among the record holders in terms of the regularity of rides and kilometres covered.

All-Sports Day

Our All-Sports Day in Pilsen, Ostrava and Šumperk has already become a tradition. Each year, colleagues create teams to compete in disciplines such as relay racing, football, beach volleyball or table tennis. It's not just about athletic performance; it's also about enjoying a great atmosphere and the positive spirit of the entire event, which brings employees together in a relaxed manner.

Affected communities

GRI 2-25, GRI 3-3

Why is the topic material for us?

We are an integral part of, and contribute to, the communities we are a part of by virtue of our production sites, offices and business operations.

We exert an impact on communities through various means, such as job creation, tax contributions, and support for community development initiatives. Our vehicles play a crucial role in enhancing living standards and fostering sustainable economic development for all stakeholders involved.

Management of the material topic

We help where we operate: guided by this motto we have curated a relevant selection of non-profit and social engagement activities. These initiatives encompass a wide range of educational, sporting, cultural and other charitable causes and events in communities where we conduct our business, mainly in the area of production activities.

Charity	Sport	Areas	Others	Culture
Municipal Charity Pilsen	HC Škoda Pilsen	Škodaland	Donations to Ukraine	Shakespeare Festival
Home of St. Zdislava	Draci Pars Šumperk	Škodapark	Three Kings fundraising	Janáček's May
Saint George's Home for the Elderly	FC Baník Ostrava	Techmania	Motol hospital oncology patients	Napoleonic festivities
Ovahelp	AK Škoda Pilsen		Children for Children	Ostrava Railway Museum
Syöpäsäätiö – Cancer Foundation	Škoda Fit Half Marathon		The Winged Wheel Foundation	Association of Railway Modellers
	Kajaanin Hokki			The Lower Vítkovice Area

We additionally support those in need with individual charitable donations.

Our Sourcing department organises a yearly raffle of suppliers' Christmas presents. A recent example is colleagues donating to the family of Kristian, who requires rehabilitation due to his unfortunate state of health. Colleagues from Region West organised a similar activity during their annual meeting, sending a donation to Šneček Children's Centre in Pilsen.

Support for Ukrainians

Having business operations in Ukraine and closely monitoring the war situation there we are driven to help these communities as much as we can. **Since the beginning of the war, we have helped more than 300 family members of our Ukrainian colleagues from our office in Dnipro as well as those already working in the Czech Republic.** We have arranged transport for their family members to Pilsen and provided free accommodation. We secure documents, make the necessary reports to Czech authorities, and assist with their overall integration in the new country. **If needed, psychological assistance can be provided as well.** Many of their family members have already found employment in our company – in production, logistics or project positions in the technical department.

Our colleagues in Ukraine are facing an unprecedented situation. Despite its gravity, many of them have decided not to leave their country and to continue to work and live there during a state of war.

To support them, we opened a donation account and doubled the sum our employees collected, ending up with a total of CZK 232,000. The sum was divided among the 32 colleagues in the Ukraine office to provide them with necessities such as drinking water, food, clothing, protective equipment and hygiene products, or to rebuild their homes.

Additionally, our Ukrainian colleagues have themselves showed their support.

They purchased medical equipment for a military hospital, medicines, food and hygiene products for volunteer centres, donated blood, equipped bomb shelters or even took part in weaving camouflage nets. Also, our sister company Bammer trade approached the Red Cross to obtain a list of needed supplies, for which management immediately released the required funds.



Business Ethics and Transparency for the Future

Governance and business conduct

GRI 2-9, GRI 2-10, GRI 2-11, GRI 2-12, GRI 2-13, GRI 2-14, GRI 2-15, GRI 2-16, GRI 2-17, GRI 2-18, GRI 2-24, GRI 2-26, GRI 2-27

Why is the topic material for us?

The effective functioning of governance bodies, transparent disclosure of business information, and engaging in constructive dialogue with our stakeholders form the cornerstones of a successful sustainable organization and long-term excellent reputation.

Maintaining high ethical standards, insisting on compliance with anti-corruption and anti-bribery policies, and taking a zero-tolerance approach to the breaches of applicable laws positively impact our corporate culture and reputation. Our solid ethical governance protects our business from the risks of non-ethical dealings that could damage our reputation and impact our stakeholders.

Management of the material topic

Corporate Governance Structure

In 2022 our sole shareholder was Skoda B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, The Netherlands. ŠKODA TRANSPORTATION a.s. (“Škoda Transportation”) was a 100% subsidiary of Skoda B.V. and the controlling company of several controlled companies that constituted a corporate group called Škoda Transportation Group⁷. Škoda Group is indirectly owned and controlled by Renata Kellnerová and family, through direct and indirect ownership in PPF Group N.V., the (indirect) majority shareholder of Skoda B.V.⁸

The Board of Directors (Board) is the statutory body of Škoda Transportation, composed of the Group’s management, directing and representing the company. Members of the Board are appointed by the General Meeting of Škoda Transportation and may be suspended or dismissed by the General Meeting at any time. The Board is obligated to promote best interests and ensure sustainable growth. Moreover, members are responsible for the entire management of the company including long-term strategic planning and implementation, corporate strategy planning, and business policy introduction. The business address of all Board members is Emila Škody 2922/1, 301 00 Pilsen, Czech Republic. The current composition and size of the Board reflects the interest of our stakeholders in combination with the availability of qualified candidates.

⁷ Valid name until 1 January 2023, afterwards Škoda Group. As of 2 January 2023, the controlling entity of Škoda Group is not ŠKODA TRANSPORTATION a.s., but Škoda a.s.

⁸ Effective as of 31 December 2022, through a cross-border merger with Skoda B.V., Škoda a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00 Prague, Czech Republic, became the successor of Skoda B.V. and thereby the sole shareholder of ŠKODA TRANSPORTATION a.s.

Didier Pfleger

Chairman and CEO of Škoda Group

Didier Pfleger is a graduate of Ecole Polytechnique in Paris and Ecole Supérieure de l'Aéronautique in Toulouse. Before Škoda Group, he was the CEO of Alstom Aptis, the bus-making division of Alstom. He began his career with Alstom's power division, overseeing the management of various gas turbine, boiler, and thermal power plant projects. He worked as managing director of GEA's power generation division in Germany and as senior vice-president of ABB Group, supplying robotics systems to automotive manufacturers. Before returning to Alstom in 2010, he was a member of the Executive Committee of AMEC, a FTSE 100 company, in London, engaged in engineering and project management.

At rolling stock producer Alstom, Didier's responsibilities as a senior executive included managing the company's assets and various infrastructure segments. He held several senior positions, including member of the executive board of Alstom Group, president of Alstom Middle East Africa & Central Asia, president of Alstom Germany and Austria, and president of Alstom Global Solution Division.

Didier's top management experience spans work in large cross-cultural teams across Europe (France, Germany, Poland, Switzerland, UK), the USA, India, China, Africa, the Middle East and Central Asia. He has managed thousands of employees and overseen budgets of billions of euros.

The following table specifies the members of the Board of Directors for fiscal year 2022 (applicable on 31 December 2022)

Name	Position	Commencement of current term of office
Didier Pfleger	Chairman	14.02.2022
Tomáš Ignačák	Vice Chairman	21.01.2022
Martin Oravec	Member	01.03.2022
Zdeněk Sváta	Member	21.01.2022

Tomáš Ignačák

Vice chairman and President of CZ/SK Region

Tomáš Ignačák graduated from the Faculty of Electrical Engineering of the Brno University of Technology. He completed his postgraduate studies at Nicolaus Copernicus University in Torun and holds a Master of Business Administration (MBA) degree from The Nottingham Trent University at BBS BUT Brno. He joined Škoda in Šumperk in 1993 and since then has held various positions. He is currently President of Region CZ/SK.

Martin Oravec

Member and CFO

Martin Oravec is a graduate of the University of Economics in Bratislava. He joined Škoda Group as CFO in 2022. He has broad experience in finance positions, having worked for telecommunication companies within PPF Telecom Group. His top management experience spans work in consulting companies including Ernst & Young and Deloitte.

Zdeněk Sváta

Member and President of Central East Region

Zdeněk Sváta graduated from the University of West Bohemia in Pilsen, Faculty of Electrical Engineering. He joined Škoda shortly after and has been working at the company for over 15 years. He started in the position of Project Manager, where he was responsible for individual production projects. He is now President of Central East Region.



More detailed information on the governance structure and on the process of evaluation and remuneration of the Management Board can be found in the Škoda Group Annual Report for Fiscal Year 2022 and in the Articles of Association.

ESG Governance

Our approach to sustainable development and accountability for our Sustainability Strategy rests with the newly established ESG management body, that is part of the Corporate Strategy department. The Group ESG Manager reports to the Vice President of Corporate Strategy, who reports directly to the CEO. Our CEO highlights the importance of the Group's sustainable business strategy across all subsidiaries as well as within the Board of Directors.

The Group ESG Manager is tasked with achieving ESG objectives, as they are an important element in all our strategic activities and are intertwined with our transformation processes. The Sustainability Strategy is managed in a matrix management organization, which was created based on the materiality assessment, impact assessment, and assigned goals and KPIs. The indicators identified within the material topics have a Sponsor from Top Management with full accountability for execution, and an Owner from their team responsible for the implementation of actions required to achieve the set ESG objectives.

CEO



Vice President
Corporate Strategy



Group ESG Manager



“Škoda Group is a sustainable company by nature – for over 160 years we have been contributing to society through our solutions that improve public transport systems. Our culture of responsibility towards people and sustainable mindset will further guide us in the face of the societal and environmental challenges. That is why we have integrated ESG within the Corporate Strategy department to seamlessly align ESG topics with our overall business strategy.”

Martina Casanova, Vice President Corporate Strategy

Ethical business practices

Being a responsible, ethical, and transparent business organization allows us to address the impacts we have or might have on people and the planet. **Our Code of Ethics defines key ethical and compliance principles, including our core values and statements regarding respect and protection of human rights and fair labour, anti-corruption, and anti-bribery.** This encompasses zero tolerance of any violation of human rights, including the use of child labour, forced labour or human trafficking. We also have zero tolerance for bribery and corruption. Policies aimed at relations with public authorities, business relations, prevention of corruption, and measures against money laundering are also established within the Code of Ethics.

The Code of Ethics is enforced across all Škoda Group subsidiaries, and all our employees must familiarise themselves with the content and the compliance management system and confirm it electronically via the EasyArchiv platform. The process must be repeated each time the documents are updated as it is an employment obligation. There is also onboarding training for newcomers regarding business ethics and compliance.

Compliance

All companies within Škoda Group must be compliant with the laws and regulations, including anti-trust and competition laws, of the countries, in which they operate. Employees and business partners are obliged to refrain from any acts or activities that could be considered non-compliant with applicable laws or our Code of Ethics. Our sole shareholder PPF Group further advocates compliance with the PPF Group Code of Ethics, relevant legal regulations, and standards in a manner that preserves PPF Group's reputation and prevents any harm to its name and operations. Based on these requirements, a Corporate Compliance Program for communication and raising of concerns was established. **The channels of communication of the Compliance Programme include⁹:**

- personal notification sent to the department's Compliance Officer
- notification by telephone to a member of the department's Compliance Officer
- email sent to the Ethics e-mail address of Škoda Group as published on the Intranet and on our website - the report may also be completely anonymous at the discretion of the employee who decides to report the problem

Škoda Group does not tolerate retaliation against employees who report in good faith possible violations of the Code of Ethics. Such retaliation against employees is punishable by disciplinary action under the applicable regulation. Furthermore, a Compliance Officer is appointed to oversee the Corporate Compliance Program, that also sets principles for the investigation of complaints and determining remedial action. This Compliance Officer also oversees and enforces the compliance program across all our subsidiaries.

Risk management

We employ robust risk management systems and procedures to systematically identify and assess risks across the value chain. To enhance the identification of risks that will ensure business continuity and improve emergency preparedness, we are preparing for voluntary ISO 31000 certification, dedicated to risk management. Attaining the ISO 31000 risk framework will help us provide a high level of reassurance for our stakeholders about our economic resilience, professional reputation, and environmental and safety outcomes. It provides us with clear guidance on risk management, identifying, analysing, and then evaluating whether the risk should be modified by the relevant risk treatment, as we aim to improve the identification of opportunities and threats, and effectively allocate and use resources for risk treatment.

Conflict of interest

The general governance structure is configured to avoid or at least circumvent the risk of intra-group conflicts of interest: the links and interactions between the various entities of the Group, allocation and segregation of activities, processes, roles, and responsibilities, reporting lines, decision-making processes and checks. Furthermore, parties related to the Board of Directors, including close family members, personnel who are controlled or significantly influenced by the individuals of the Board, or entities in which the individuals of the Board hold significant voting power are also considered related parties where conflict of interests may arise. Members of the Board are obliged to comply with policies related to the ban on competition and conflict of interests under the applicable legal regulations, e.g. personal transactions, anti-bribery and corruption, complaints handling, incident reporting, treating customers fairly, product approval, claims management, outsourcing, and anti-money laundering and combatting terrorism financing policy. In 2022, we did not receive any notice of conflicts of interest.

In 2022 we did not record any incidents of corruption or bribery or any convictions for violation of anti-corruption and anti-bribery laws.

⁹ Applicable until 10 May 2023. As of 11 May 2023, new Compliance Programme was launched



EU Taxonomy

The EU Taxonomy, a classification system establishing a list of environmentally sustainable economic activities, has emerged as a crucial framework for promoting such activities within the European Union. Its importance extends to various sectors, including the rail and bus industry. Škoda Group recognises the significance of the EU Taxonomy and has actively engaged in analysing and preparing for the upcoming regulation, namely the Corporate Sustainability Reporting Directive. By aligning our activities with the EU Taxonomy, we aim to enhance transparency and disclosure of our sustainable practices, ensuring that our operations adhere to the defined environmental objectives.

In 2022, we conducted an eligibility analysis against the two existing EU Taxonomy pillars:

1. Contribution to climate mitigation
2. Contribution to climate adaptation

In the coming period, we will focus on assessing compliance with the established technical criteria and selected sustainability activities.

Disclosures

2022

Energy consumption (MWh)

From renewable sources	7,374
From non-renewable sources	240,055
Total	247,429
Share of renewable energy consumption	3,07%
Energy consumption intensity per employee	39

Energy production (MWh)

Non-renewable energy production from non-renewable source	156,748
Renewable energy production from renewable source	6,291
Total	163,039

GHG emissions (t CO₂e)

Scope 1 GHG emissions	34,103
Scope 2 GHG emissions (location-based)	28,326
Scope 1+2 GHG emissions	62,430
Scope 3:	
Fuel- and energy-related activities	6,714
Waste in operations	2,340
Business travel	1,183
Employee commuting	6,392

Water (m³)

Total water consumption	302,182
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Waste (t)

Total amount of waste	9,259
Total amount of non-hazardous waste	8,634
Total amount of hazardous waste	625
Waste intensity per employee	1,44
Share of recycled waste	78%

Own workforce (FTE)

Number of employees	6,423
Female employees	1,233
Male employees	5,190
Permanent female employees	935
Permanent male employees	4,270
Temporary female employees	298
Temporary male employees	920
Full-time female employees	1,190
Full-time male employees	5,138
Part-time female employees	39
Part-time male employees	56
Males at top management level	76
Females at top management level	11
Employees in the executive category	86
Employees in the non-executive category	6,337
Employees in the executive category that participated in regular performance and career development reviews	79%
Employees in the non-executive category that participated in regular performance and career development reviews	52%

Occupational Health and Safety

Percentage of own employees who are covered by the health and safety management system based on legal requirements and/or recognised standards or guidelines

100%

Number of recordable work-related injuries of own employees

355

Number of fatalities as a result of work-related injury

0

The number of fatalities as a result of work-related ill health

0

Business ethics, regulatory compliance and transparency

Total number of confirmed incidents of corruption or bribery

0

Number of convictions for violation of anti-corruption and anti-bribery laws

0

Amount of fines for violation of anti-corruption and anti-bribery laws

0

Number of confirmed incidents in which own workers were dismissed or disciplined for corruption or bribery-related incidents

0

Values are rounded to the next whole number

GRI Content Index

Statement of use	Škoda Group has reported the information cited in this GRI content index for the period 1 January – 31 December 2022 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standards	Disclosure	Reported in chapter	Page
GRI 2: General Disclosures 2021	2-1 Organizational details	About Škoda Group	9
	2-2 Entities included in the organization's sustainability reporting	Where we Operate	16
	2-3 Reporting period, frequency and contact point	About our Report	7
	2-4 Restatements of information	Not applicable, our first report	–
	2-5 External assurance	None	–
	2-6 Activities, value chain and other business relationships	Our Value Chain	26
	2-7 Employees	Employee engagement, development and equal opportunities	42
	2-8 Workers who are not employees	Employee engagement, development and equal opportunities	42
	2-9 Governance structure and composition	Business Ethics and Transparency for the Future	49
	2-10 Nomination and selection of the highest governance body	Business Ethics and Transparency for the Future	49
	2-11 Chair of the highest governance body	Business Ethics and Transparency for the Future	49
	2-12 Role of the highest governance body in overseeing the management of impacts	Business Ethics and Transparency for the Future	49
	2-13 Delegation of responsibility for managing impacts	Business Ethics and Transparency for the Future	49
	2-14 Role of the highest governance body in sustainability reporting	Business Ethics and Transparency for the Future	49
	2-15 Conflicts of interest	Business Ethics and Transparency for the Future	49
	2-16 Communication of critical concerns	Business Ethics and Transparency for the Future	49
	2-17 Collective knowledge of the highest governance body	Business Ethics and Transparency for the Future	49
	2-18 Evaluation of the performance of the highest governance body	Business Ethics and Transparency for the Future	49
	2-19 Remuneration policies	Škoda Transportation Articles of Association	–
	2-20 Process to determine remuneration	Škoda Transportation Articles of Association	–
	2-21 Annual total compensation ratio	Škoda Transportation Articles of Association	–

GRI 2: General Disclosures 2021	2-22 Statement on sustainable development strategy	Sustainability Strategy	21
	2-23 Policy commitments	Sustainability Strategy	21
	2-24 Embedding policy commitments	Business Ethics and Transparency for the Future	49
	2-25 Processes to remediate negative impacts	Within chapters: - Products for Sustainable Mobility - Operations for Climate Protection - Attractive Company for Everybody - Business Ethics and Transparency for the Future	28 36 42 49
	2-26 Mechanisms for seeking advice and raising concerns	Business Ethics and Transparency for the Future	49
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	2-29 Approach to stakeholder engagement	Sustainability Strategy	21
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GRI 3: Material Topics 2021	3-1 Process to determine material topics	Sustainability Strategy	21
	3-2 List of material topics	Sustainability Strategy	21
	3-3 Management of material topics	Within chapters: - Products for Sustainable Mobility - Operations for Climate Protection - Attractive Company for Everybody - Business Ethics and Transparency for the Future	28 36 42 49

List of Abbreviations

AIB	Association of Issuing Bodies	LC	lifecycle
AK	athletic club	LCA	lifecycle assessment
BEMU	battery electric multiple units	LCC	lifecycle costs
BU	business unit	LRV	light rail vehicle
ČSN	Czech Technical Norms	MSCI	Morgan Stanley Capital International World Index
CO2e	carbon dioxide equivalent	NGO	non-governmental organization
CSR	Corporate Social Responsibility	NPO	non-profit organization
CZK	Czech koruna	PCF	product carbon footprint
DEFRA	Department for Environment, Food and Rural Affairs	TS	technical specification
DIN	German Institute for Standardisation	PEM	proton-exchange membrane
EEA	European Environment Agency	PRM	person with reduced mobility
EHS	Environment, health and safety	R&D	research and development
EMU	electric multiple unit	SASB	Sustainability Accounting Standards Board
ESG	Environmental, Social, Governance	WTT	Well-to-Tank
ESRS	European Sustainability Reporting Standards		
ETCS	European Train Control System		
EU	European Union		
FC	football club		
FTE	full-time equivalent		
GHG	greenhouse gas		
GRI	Global Reporting Initiative		
GWh	gigawatt hour		
H&S	health and safety		
HC	hockey club		
HVAC	heating, ventilation, air conditioning		
KPI	key performance indicator		
MWh	megawatt hour		
MWp	megawatt peak		
IP	intellectual property		
IPCC	Intergovernmental Panel on Climate Change		
IRIS	International Railway Industry Standard		
ISO	International Organization for Standardization		

