



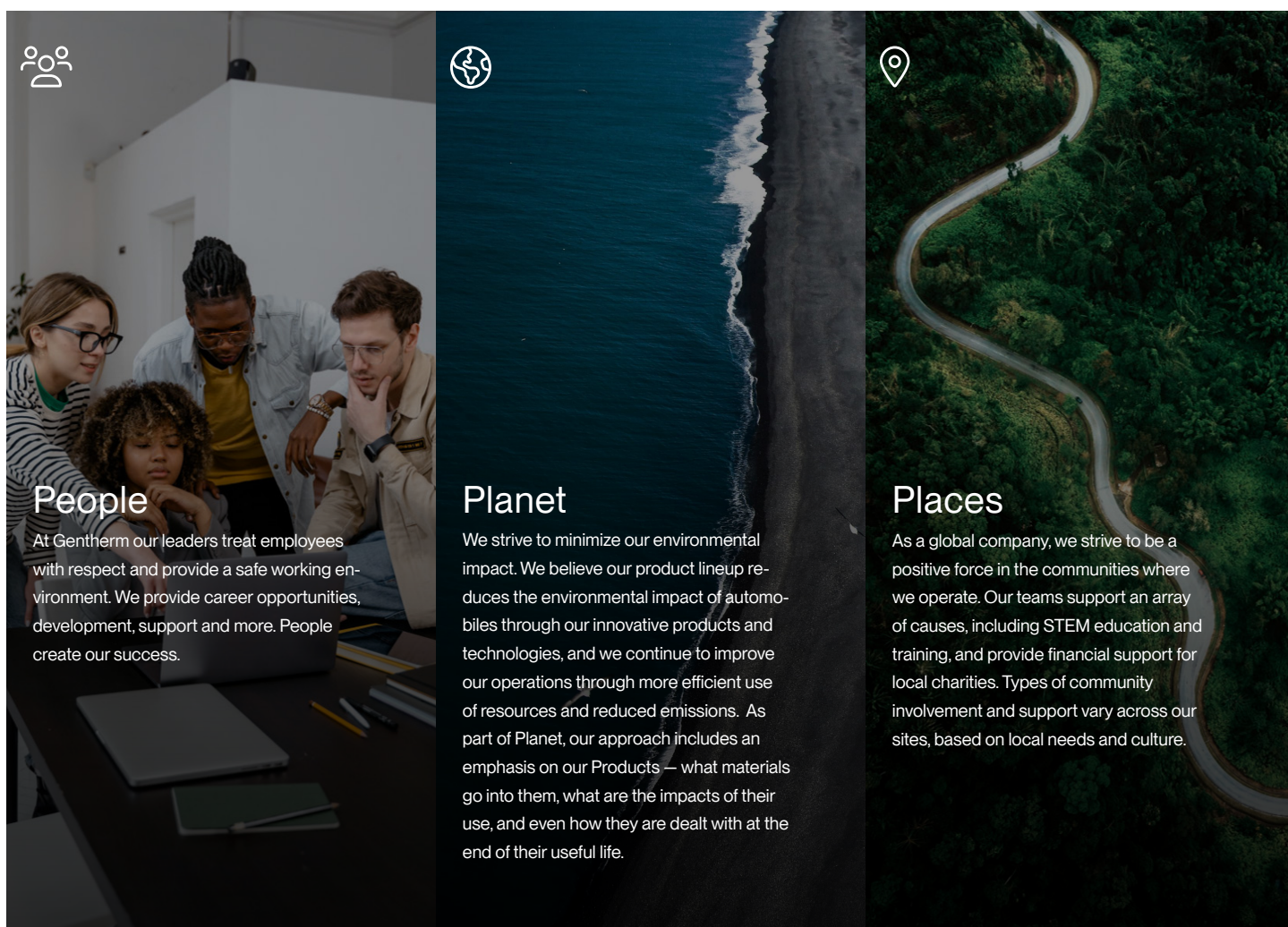
2023 Sustainability Update

PEOPLE · PLANET · PLACES

GENTHERM

Introduction

At Gentherm, our Sustainability program continues to grow and advance in many areas, including working with stakeholders to ensure that we disclose relevant and requested information related to our program. This 2023 Sustainability Update is intended to add to, expand on, or further clarify the data and information available in our 2022 Sustainability Report ([here](#)). This 2023 Sustainability Update includes data that was not previously available or disclosed in prior publications, as well as references, additions, or clarifications to previously published data and information.



People

At Gentherm our leaders treat employees with respect and provide a safe working environment. We provide career opportunities, development, support and more. People create our success.

Planet

We strive to minimize our environmental impact. We believe our product lineup reduces the environmental impact of automobiles through our innovative products and technologies, and we continue to improve our operations through more efficient use of resources and reduced emissions. As part of Planet, our approach includes an emphasis on our Products — what materials go into them, what are the impacts of their use, and even how they are dealt with at the end of their useful life.

Places

As a global company, we strive to be a positive force in the communities where we operate. Our teams support an array of causes, including STEM education and training, and provide financial support for local charities. Types of community involvement and support vary across our sites, based on local needs and culture.

For more information about Gentherm's Sustainability Program or any of the information contained within this update or the previously published Sustainability Report, please contact our Sustainability team at Sustainability@Gentherm.com.

01

EMISSIONS & ENVIRONMENTAL UPDATES



SCOPE 1 AND SCOPE 2 EMISSIONS

As reported in our 2022 Sustainability Report ([here – Pg. 46](#)), our Scope 1 & 2 emissions totaled 33,889 MT of CO₂e in 2022. Of that total, 1,934 MT (5.7%) were related to Scope 1 emissions, while 31,955 MT (94.3%) were related to Scope 2 emissions.

With over 94% of Gentherm's CO₂e emissions related to purchased energy (Scope 2), decreasing the consumption of energy from non-renewable sources is key to achieving our committed reduction of 59% by 2035. As stated in our 2022 Sustainability Report ([here – Pg. 45](#)), our team is examining a variety of tools and options to achieve our goals. As part of driving this process forward, in 2023, Gentherm engaged a market leading energy consulting firm to help analyze global renewable energy options and opportunities and identify the best steps for individual Gentherm locations.

As for stated emission reduction targets, while our stated goal looks at a total of Scope 1 and Scope 2, we do also expect each of those individual components to have generally similar reduction results (59% by 2035). For example, as noted in our Carbon Reduction tool box ([here – Pg. 45](#)), on-site generation and purchases of renewable energy will drive Scope 2 progress while energy efficiency and fuel changing / fuel switching will drive Scope 1 progress.

2022 SCOPE 3 EMISSIONS

Gentherm's estimated Scope 3 emissions are calculated annually and included as part of our CDP submission each year. Gentherm's CDP submission is publicly available and can be reviewed on the CDP website ([here](#)). The timing of the publication of our Annual Sustainability Report precludes us from including the Scope 3 emissions data in our reporting earlier in the year, however, the process of calculating these emissions is completed annually and are estimated as follows:

▪ Category 1 – Purchased Goods & Services	592,510 MT CO ₂ e
▪ Category 2 – Capital Goods	19,111 MT CO ₂ e
▪ Category 3 – Fuel and Energy Related Activities	6,874 MT CO ₂ e
▪ Category 4 – Upstream Transportation & Distribution	75,796 MT CO ₂ e
▪ Category 5 – Waste Generated in Operations	1,138 MT CO ₂ e
▪ Category 6 – Business Travel	4,027 MT CO ₂ e
▪ Category 7 – Employee Commuting	20,400 MT CO ₂ e
▪ Category 8 – Upstream Leased Assets	1 MT CO ₂ e

▪ Category 9 – Downstream Transportation & Distribution	Included in Category 4
▪ Category 10 – Processing of Sold Products	--
▪ Category 11 – Use of Sold Products	1,320,884 MT CO ₂ e
▪ Category 12 – End-of-Life Treatment of Sold Products	17,114 MT CO ₂ e
▪ Category 13 – Downstream Leased Assets	--
▪ Category 14 – Franchises	--
▪ Category 15 – Investments	--

Note: Category 7 data was not included in Gentherm's CDP submission based on variances between CDP Scope 3 methodologies and Gentherm's Scope 3 calculation methodologies. This difference represents an approximate variance of 1.2% impact to total Scope 3 emissions.

Note: In-line with Gentherm's 2022 Sustainability Report, all 2022 environmental metrics exclude the Alfmeier and Dacheng locations acquired in 2022. For more information, please review our 2022 [Sustainability Report](#), page 7, which outlines our reporting methodology related to these acquisitions.

WATER USAGE, REUSE, & RECYCLING

In 2022, Gentherm's total Water Consumption equaled 143,412 cubic meters, or approximately 37.8 million gallons. With over 14,000 employees, that equates to 2,700 gallons per employee - or about 10 gallons per workday. At Gentherm, water is not a primary input into our manufacturing processes, so most water usage is for sanitary purposes, cooking, or landscaping / irrigation.

While Gentherm has global operations, only a few locations operate in areas defined as High or Critically water stressed. According to the UN Water report ([here](#)), Figure 1 and Figure 2, over 99% of our operations are in sites defined as Low or No Stress. Gentherm does have operations in South Korea, which is noted as High Stress. Our activities in this location represent less than 1% of our global staffing and less than 1% of our global water usage.

While representing a small portion of our global water usage, our main South Korea office recently updated new faucets and equipment that utilize pressure to decrease water usage for hand-washing and other usage. This technology is forecasted to reduce water consumption in this site by 20-30% per year.

As part of our Sustainability program, our team annually reviews water usage at sites, including identifying best practices that can be leveraged across locations to help reduce water usage. This process also includes risk evaluation, focusing our efforts and reviews on those locations located in the areas identified as being in water stressed or potentially water stressed locations.

In addition to efforts to reduce water usage and water consumption, our sites also work to identify and implement opportunities for water reuse or recycling. Led by the water recycling efforts at our Celaya, Mexico location, where approximately 80% of all water used is recycled via an on-site facility, total global water reuse / recycling in 2022 was approximately 11,500 cubic meters, representing around 8% of Gentherm's total water consumption.

SUPPLY CHAIN ENVIRONMENTAL IMPACT & GUIDANCE

Gentherm believes in requiring sustainable activities in our supply chain. As part of our supplier requirements and criteria, we have clearly identified and communicated our requirements for vendor sustainability. These requirements are outlined here:

- [Supplier Code of Conduct](#): The Environmental section of this document requires vendors to comply with applicable environmental laws, to minimize pollution, and to continuously work to reduce all forms of waste.
- [Supplier Requirements Manual](#): As part of our supplier requirements, Gentherm encourages all vendors to operate under a certified EMS, including certification to the ISO14001 standard. Certification to that standard includes additional credit or "points" on the vendor scorecard. This document also requires that vendors align with [Gentherm's Environmental, Health, and Safety](#) policy.
- [Terms and Conditions of Purchase](#): These standard requirements encourage vendors to comply with all applicable environmental laws, implement scrap and waste reduction programs, and work to minimize the use of natural resources and the use of hazardous materials.

Through these policies and ongoing communications with our vendors, Gentherm has not, to the best of our knowledge, been engaged with a vendor that has experienced significant negative environmental impacts that would fall outside of standard practices or expected norms for this business. While Gentherm is a manufacturing company, which inherently includes use of energy and resources, our products generally involve little to no hazardous materials and are not water-intensive in their production.

ENERGY CONSERVATION PROGRAM

A key component of our sustainability tool, The Bee from Manufacture 2030, is the ability to track small, site specific and developed projects that can drive energy and resource savings. Each Gentherm location uses the tool to create and track locally enacted projects aimed at increasing energy and resource efficiency. Since the implementation of this system, we have recorded over 130 individual projects, covering almost every location in the company.

In 2022, we recorded a total of 67 implemented projects, with total annual forecasted / potential impact as follows:

	North America	Europe	Asia-Pacific	Total
Projects Completed	9	24	34	67
Cost Savings	\$19,500	\$38,500	\$152,500	\$210,500
Emissions Reduction	9 MT CO ₂ e	116 MT CO ₂ e	405 MT CO ₂ e	530 MT CO ₂ e
Electricity Savings	-	178,700 KWh	461,650 KWh	640,350 KWh
Water Reduction	-	5,000 M3	500 M3	5,500 M3

Note: Estimated impact calculated based on site entered project data, including applying an internal factor to estimate actual forecasted impact as compared to maximum / best case forecasts.

FLEET VEHICLES / FLEET VEHICLE EFFICIENCY

As stated in our 2022 Sustainability Report ([here - Pg. 65](#)), Gentherm does not maintain a vehicle fleet. While we do maintain a de minimus number of vehicles for sporadic, non-specific employee use, as well as vehicles for testing and engineering purposes, the small volume renders all actions in this area generally outside of the scope of our planning and program actions. We would consider actions such as setting fleet fuel economy policies, establishing timelines for improvement, or focusing on vehicle type to be non-materials and hence not applicable to Gentherm.



02

HUMAN RIGHTS & SAFETY UPDATES

HUMAN RIGHTS & EMPLOYEE TRAINING

As noted in our 2022 Sustainability Report ([here - Pg. 39](#)), Gentherm's Compliance Training Program delivers training across a variety of areas, including risk associated with human trafficking, modern slavery, and child labor. In 2022, over 2,200 employees completed training in this area, including over 350 employees from our Supply Chain team (including Purchasing and Logistics).

SAFETY

In our 2022 Sustainability Report, Gentherm disclosed our safety program's guiding principles as well as our key metrics around Lost Time Case Rate (LTCR). To further expand on our disclosure and transparency around safety at Gentherm, it should be noted that our LTCR data is inclusive of both Gentherm employees as well as all contractors working for Gentherm, site visitors and anyone else on-site at our locations. Our commitment to safety looks at a contract employee with the same lens we view all other employees. As a result, we do not subdivide our safety data between employees and contractors, as we believe that our safety data should reflect our total workplace safety results, regardless of employment status.

As stated in our 2022 Sustainability Report, Gentherm has not recorded an on-site, work-related fatality in our 20+ year history, and this information is once again inclusive of contract employees.



03

EMPLOYEE TRAINING & POLITICAL ACTIVITY UPDATES

EMPLOYEE TRAINING

As noted in our 2022 Sustainability Report ([here - Pg. 29](#)), Gentherm delivered over 500,000 hours of training to our employees in 2022. This includes new hire orientation, production and quality training, process training, and more. Based on our global employee count, this represents approximately 35 hours of training per employee, per year.

POLITICAL LOBBYING / ACTIVITY

As stated in our 2022 Sustainability Report ([here - Pg. 65](#)), Gentherm is a member of standard industry groups such as AIAG, OESA, and other similar organizations. These types of organizations may, at their discretion, participate in political lobbying activities on behalf of the industry or overall membership. Gentherm's participation in these groups includes total annual membership fees of approximately \$50,000 per year. Gentherm does not directly participate in any lobbying or similar types of political involvement.

04

CERTIFICATIONS AND CLIMATE CHANGE RISK & STRATEGY



CERTIFICATIONS AND ALIGNMENT WITH STANDARDS

ISO-45001: In 2022, approximately 57% of all Gentherm employees worked in facilities that were ISO45001 certified. Two major facilities are working towards certification, and are expected to be certified in 2023. Those steps would bring our covered population to over 90%.

ISO-50001: As of 2023, Gentherm has achieved ISO-50001 certification at one major manufacturing site, our location in North Macedonia. From a employee count perspective, this represents approximately 17% of our global team. Additional sites are reviewing criteria for ISO50001 certification and may pursue certification as appropriate.

CLIMATE CHANGE RISKS & STRATEGY

In-line with market trends as well as industry standards and common frameworks, such as TCFD, Gentherm reviews climate-related risks on two major fronts:

- Risks related to the transition to a lower-carbon economy, including the potential impact Gentherm's products and customers.
- Risks related to the physical impacts of climate change, and how it may affect Gentherm or other members of our supply chain.

Gentherm's analysis risks related to climate change are covered in detail in our publicly available Form 10-K, available [here](#). Key highlights include:

- Detailed analysis of risks related to shifting industry and consumer behaviors and the potential effect on Gentherm operations, as well as analysis of risks related to increased intensity, frequency or duration of severe weather events that could affect Gentherm operations (page 26).
- Risks affecting our IT systems and hence our business operations, including risks related to potential natural disasters, which may become more frequent due to climate change (page 21).
- Risks affecting our manufacturing sites and capabilities, including risks related to potential natural disasters, which may become more frequent due to climate change (page 23).

In addition, Gentherm performs and disclosed detailed risk analysis as part of our annual CDP preparation and submission process. As noted in our submission, our risk analysis reviews current regulations, emerging or potential regulations, changes in technology, shifting market demands or trends, potential reputational risk, acute physical and chronic physical risk to our locations and companies within our supply chain. Gentherm's risk analysis around climate-change related topics is part of the company's overall Enterprise Risk Management (ERM) process.

The ERM process at Gentherm includes numerous members of senior leadership, and reports annually to the Board of Directors, ensuring that we have Board level oversight of these risks.

To address the climate change risks identified and to minimize their potential to impact the business, Gentherm has developed and deployed multiple steps to mitigate them. These include efforts focused on short-term risk mitigation as well as mid and long-term.

- To address short-term or immediate risks, Gentherm maintains property damage insurance, as noted in Form 10-K page 23. Aligned with increased risks related to climate change, both acute physical and chronic, our insurance helps protect the company against potential events.
- Related to longer-term risks including shifting market demands, changing technologies, or other risk areas that may be associated with climate change, Gentherm's overall business strategy positions the company to address those challenges.
- Gentherm's business strategy consists of four major pillars, as noted in Form 10-K page 6.
 - Leverage World Class Talent and Culture
 - Extend Technology Leadership
 - Focused Growth
 - Deliver Financial Excellence

FORWARD LOOKING STATEMENTS AND DISCLAIMERS

This report contains forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent our goals, beliefs, plans and expectations about our prospects for the future and other future events. Such statements may be identified by the use of forward-looking terminology such as “anticipates,” “appears,” “believes,” “continues,” “could,” “designed,” “effect,” “estimates,” “evaluates,” “expects,” “forecasts,” “goal,” “initiative,” “intends,” “may,” “objective,” “outlook,” “plans,” “potential,” “priorities,” “project,” “pursue,” “seek,” “should,” “target,” “when,” “will,” “would,” or similar terms, variations of such terms or the negative of such terms.

The forward-looking statements included in this document, including our targets and goals, are made as of the date hereof or as of the date specified and are based on management’s reasonable expectations and beliefs. Such statements are subject to a number of assumptions, risks, uncertainties and other factors, many of which are difficult to predict and generally beyond our control, which could cause actual results to differ from that described in the forward looking statements. Such risks and uncertainties include the risks noted in reports that we file with the Securities and Exchange Commission, including the Risk Factors identified in our Annual Report on Form 10-K for the year ended December 31, 2022, as well as additional factors we may describe from time to time in other filings with the U.S. Securities and Exchange Commission. Except as required by law, we expressly disclaim any obligation or undertaking to update any forward-looking statements to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

This report describes topics that we consider to be important to stakeholders when evaluating sustainability matters at Gentherm. The inclusion of information in this report is not an indication that such information is material as defined under the U.S. federal securities laws and the applicable regulations thereunder. No part of this report or our sustainability website disclosure constitutes, or shall be taken to constitute, an invitation or inducement to invest in Gentherm or any other entity and must not be relied upon in any way in connection with any investment decision.

Statements regarding our policies, guidelines or goals are aspirational in nature. They are not promised to be delivered nor guaranteed for achievement. We cannot guaranty that our directors, officers, employees and suppliers follow the requirements of our codes, policies and guidelines in all circumstances. Uncertainties are inherent in collecting data from a wide range of facilities and operations in a global company. Standards of measurement and methods of calculating sustainability data are developing and numbers reported (other than audited financial data) are based on company calculations and good faith estimates and have not been externally assured.

Unless otherwise indicated, references to “Gentherm,” “the Company,” “we,” “our” and “us” in this report refer to Gentherm Incorporated and its consolidated subsidiaries. The content of this report generally covers subject matter for the 2022 calendar year unless otherwise noted and is limited to operations owned and/or operated by Gentherm. For some performance indicators, prior year data is provided to allow for annual comparisons.

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