SUPPLEMENTARY INFORMATION

on the Carbon Border Adjustment Mechanism (CBAM)
and the Procedure for CBAM-related Price Adjustments starting in 2026

Thematic Introduction

Pursuant to the Carbon Border Adjustment Mechanism (CBAM) Basic Regulation (EU) 2023/956, the CBAM Implementing Regulation (EU) 2023/1773, and the implementation-relevant Omnibus I Package of May 2025, the CBAM is a climate policy instrument of the European Union aimed at reducing EU greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. Specifically, it seeks to compensate for the competitive disadvantage of intra-EU production, which arises from the fact that certain products manufactured within the EU (e.g., steel) are subject to pricing under the EU Emissions Trading System (EU ETS), in place since 2005. The resulting cost increases will become more noticeable from 2026 onwards, as the total number of available emission allowances and free allocations will gradually be reduced starting that year. This will lead to a shortage of ETS certificates and, consequently, to higher costs for products whose emissions-intensive production requires the purchase of such certificates. To counteract the potential relocation of CO_2 emissions to countries with lower environmental standards, CBAM requires importing companies to purchase CBAM certificates to account for the greenhouse gas emissions generated during the production of goods in third countries. Affected are EU-based companies importing iron, steel, cement, aluminum, electricity, and fertilizers or products manufactured from these materials from non-EU countries. Exempt from CBAM are goods originating in the EU as well as products from EFTA countries (CH, NO, LI, IS).

The cost-effective implementation phase of CBAM will begin on January 1, 2026. According to the Omnibus IPackage provisionally adopted in June 2025, the earliest date for the purchase of such CBAM certificates has been postponed to February 2027. However, the certificates must then be acquired retroactively for all imports made in 2026. This obliges Würth, as an importer, to create provisions from the sales revenues of the affected products in 2026 in order to cover the costs of the subsequent, retrospective certificate purchase.

Implications for Goods Deliveries in 2026

The resulting CBAM-related additional costs for affected goods deliveries in 2026 will depend on the CO_2 emissions

incurred during production (Real CO2 Values, alternatively EU Default Values), CBAM certificate prices, EU benchmark values (for European production), and the CBAM factor, the latter of which provides for a phased implementation until 2034. As of today, three key components of the CBAM cost calculation formula remain undetermined: the actualized EU Default Values and the EU Benchmark Values are expected to be published by the EU towards the end of 2025, and the CBAM certificate prices will be based on the ETS CO_2 certificate prices in 2026.

Against this background, Würth can only make price agreements with effect beyond 2025 under the reservation that a subsequent adjustment of prices to offset future CBAM costs is possible. In this regard, the parties agree that the present pricing agreement does not include the additional costs for CBAM and is therefore concluded under the reservation that, with the concretization of the aforementioned CBAM cost factors, Würth is authorized to make an appropriate price adjustment in the course of 2026.

Consequently, Würth has opted for a price reservation solution, which authorizes Würth to make an appropriate price adjustment for the year 2026 at its reasonable discretion, once the relevant CBAM cost factors have been more concretely defined towards the end of 2025 or beginning of 2026. In this context, this subsequent adjustment is carried out in accordance with the transparent procedure described below, solely for the purpose of compensating the actual CBAM costs incurred. Conversely, the alternative approach of an early determination of an anticipatively estimated CBAM surcharge was rejected, as its calculation would have to rely on uncertain assumptions that are only conditionally reliable regarding three relevant calculation factors (see above). Thus, the risk would have been too high that such proactive pricing, due to the still pending regulatory and procedural clarifications, would result in a situation requiring for extensive correction and readjustment measures at a later stage.

Procedure for Determining CBAM-related Price Adjustments

To enable our customers at this stage to understand the methodological approach for determining the extent of subsequent price adjustments and, if necessary, to carry out their own anticipatory cost estimation, the calculation model for determining the reasonably foreseeable CBAM-related additional costs, which Würth follows when exercising the price reservation at its reasonable discretion, is described below. The central formula for determining CBAM costs is based on the EU publication: "Carbon Border Adjustment Mechanism (CBAM) - Questions and Answers" (as of August 8, 2024), referable under point 123.
The following CBAM cost determination model is supplemented by a description of some operational details regarding the implementation scenario, intended to serve the purpose of a fair and mutually transparent implementation of the price adjustment.

Based on the above, the implementation of the price adjustment clause, at Würth's reasonable discretion, shall adhere
to the following principles and methodologies:

a) The price increase may only be implemented within the scope of and to offset the CBAM-related cost increases
incurred. A promotion of additional profit margin is not permitted.
b) The reasonable discretion regarding the extent of the price adjustment shall be based primarily on the import tonnage and determined according to the CBAM certificate price to be paid, the CO_2 emission values per ton of the affected product recorded by Würth (Real CO2 Values, alternatively EU Default Values), the defined EU Benchmark Values, and the CBAM factor, in accordance with the following base formula:

CBAM additional costs = (Real CO_2 value – (EU benchmark value × CBAM factor)) × CBAM certificate price

The individual calculation figures/ calculation factors of the formula are defined as follows:

- Real CO2 Values: CBAM-relevant CO2 emissions for CBAM-affected products, collected by Würth Industrie Service from its suppliers, and reported to the EU through quarterly CBAM reporting.
- EU Default Values: Reference values published by the European Commission for embedded emissions of certain CBAM goods. These values are used when the actual values from a sub-stream supplier are not available, or until the actual values of a specific manufacturer have been verified by EU-accredited external auditors as required by the Commission.
- EU Benchmark Values: EU-defined CO2 benchmark values for the production of affected products within the EU, based on the 10% best (i.e., least emission-intensive) manufacturers within the EU.
- CBAM Factor: EU-determined percentage or factor, reducing the phased implementation of CBAM additional costs over the implementation phase until 2034. For 2026, it is set at 97.5%, meaning only 2.5% of the actual emissions of a non-EU sub-supplier (manufacturer) exceeding the EU benchmark values are CBAM-cost relevant.
- CBAM Certificate Price: The price for a CBAM certificate is determined as the weekly average price of the EU Emissions Trading System (EU-ETS) and corresponds to the average of closing prices on the official auction platform for each calendar week. It reflects the cost per one (1) ton of emitted CO_2. For the purpose of asserting the price reservation during the first implementation year 2026, Würth may make an assumption regarding the CBAM certificate price in order to calculate the CBAM costs and incorporate them into thearticle prices. This assumption must be documented and

will be reconciled at year-end with the actual development of certificate costs to agree on a subsequent invoicing or refund, or an alternative form of compensation in case of significant differences.

Sample calculation: (1.9 t CO_2 – (1.7 t CO_2 × 0.975)) × €75 / t CO_2 = €18.19 per ton of goods

This calculation model will be applied to the affected articles of the customer's delivery portfolio based on the corresponding CN codes, whereby Würth will use the actual emission values (Real CO2 Value) of the respective sub-suppliers obtained from the ongoing CBAM reporting system. In the absence of Real CO2 Values from a previous supplier or until the point of the intended validation of actual values by the EU, the EU Default Values will be used. Based on the customer-specific delivery quantity and the unit weight, the CBAM-related additional costs can then be determined at the article level and converted into an appropriate price surcharge. If an article is sourced from multiple sub-suppliers, particularly in the case of commercially available standard or catalog articles, a weighted Real CO2 Value or Default Value is applied. The amount of this value is determined according to each sub-supplier's respective quantity share of the total quantity.

If the CUSTOMER does not agree to the use of the Real CO2 Values recorded by Würth in the course of the CBAM cost calculation according to the above formula, the most recently valid standard values ("Default Values") of the EU shall be applied instead. These correspond to the CO_2 emissions defined by the EU for individual products (CN code), which may be used in CBAM reporting in the absence of actual values provided by third-country sub-suppliers.

c) The right of adjustment pursuant to the above provisions will be exercised by Würth during the course of 2026, but not before January 19, 2026 (earliest effective date), in order to consider stockpiling of goods with an import date prior to January 1, 2026, which are not subject to CBAM-related expenses.

d) The effective date as the point in time for the price adjustment of the affected product portfolio shall be determined at Würth's reasonable discretion, taking into account fairness considerations such as inventory levels and the customer's current consumption. For individual products with a value volume affected by the price adjustment of more than €25,000, Würth may determine and specify the effective date separately.

e) Würth shall notify the CUSTOMER in writing and in a clear and reasonable manner of the need for price adjustment determined in accordance with the above provisions and shall specifically designate the respective price adjustment date(s) as the effective date.

Final Remarks

Independent of the procedure described above, alternative agreements regarding pricing and the allocation of CBAM-related costs for the year 2026 may be made on a case-by-case basis, provided that a different method offers greater compatibility with the customer's internal business processes. After all, it is in the mutual interest to find practical solutions that enable reliable and predictable collaboration in light of increasingly complex regulatory frameworks.

If, as our customer, you are presented with the above-described pricing reservation approach by Würth Industrie Service, either through an offer or an order confirmation or if this approach is referenced during price negotiations, you are welcome to propose your own ideas for an alternative method of allocating the incurred or expected CBAM costs prior to the conclusion of the contract. Based on this, we can also agree on a specific price adjustment mechanism individually.

25th of June 2025
Würth Industri Sverige AB