

SEPERATE NON-FINANCIAL
GROUP REPORT 2021

Smart sustainable solutions

At a glance

NON-FINANCIAL INDICATORS OF LPKF AG

Employees	2021	2020
Proportion of women at first management level	18%	18%
Proportion of women at second management level	14%	14%
Sickness rate (production sites)	4.8%	n / a
Turnover rate	5.02%	6.41%
LTIFR	0.9%	0.6%
Training days per employee	0.73	0.55

Environment	2021	2020
Proportion of recyclable materials in the total waste volume	56%	54%
Proportion of green electricity at the production sites	98,93%*	86,21%
Water consumption / employee**	6.42 m ³	5.67 m ³
CO ₂ emissions in the Group	3,876.89 t***	1,025.06 t

Value creation	2021	2020
R&D	14.2%	11.4%
Error rate	48	34

* 12 / 31 / 2021: 100%

** The key figures for water consumption per employee are reported for the first time in 2021. For this reason, the previous year's key figures are not included in the scope of the audit.

***The sharp increase is the result of expanded data acquisition (see Criterion 2.4 "Climate-Relevant Emissions")

Detailed information about our goals can be found in Section 1.6. ("Goals").



Cover

The cover shows an LPKF employee assembling the optical components in the processing head of a system for structuring thin-film solar modules. The processing head is the heart of the system. It directs up to twelve laser beams onto the solar panel.

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FOREWORD BY THE MANAGEMENT BOARD

Garbsen, April 27, 2022

Dear Ladies and Gentlemen,

LPKF understands sustainability to mean acting responsibly to achieve and promote lasting economic success as well as ecological and social progress. For us, this is not a new trendy topic, but a core element of our corporate roots and an integral part of our strategy.

With the first LPKF systems in 1976, we already made it possible for our customers to replace chemical processes with a mechanical process or later also with a laser process. Offering customers an efficient, cost- and resource-saving and sustainable process has been a key driving factor at LPKF from the very beginning and is now an overriding corporate goal.

We see great opportunities for LPKF in the growing importance of sustainability. We grow with products and technologies that benefit society and reduce environmental impact. Our lasers operate contact-free, clean and fast with low energy consumption. In this way, in addition to product innovations, we help our customers save energy and raw materials through modern, more precise manufacturing processes. In the solar sector, we enable our customers to manufacture thin-film solar modules with higher efficiency. With our new ARRALYZE technology, we make it possible to screen large cell populations cost-effectively - an important step towards new therapeutic approaches for serious diseases and towards personalized medicine.

In our own value creation, we design processes in an environmentally friendly way and take care to save resources. We already have a low CO₂ footprint in the manufacture of our products and aim to improve this further. In our supply chain, we also ensure that sustainability standards are complied with and further established along the supply chain. We work in partnership with employees, suppliers, customers and other stakeholders and promote more diversity, variety and international cooperation in our workforce.

In order to continuously improve in this respect and to involve our workforce more broadly, we have identified the ESG issues that are of particular importance to us in a cross-site project in 2021 and set ourselves concrete targets for the coming years. In our view, two important goals are the reduction of CO₂ emissions and a higher recycling rate. We were able to complete the ISO certification of our environmental management and occupational safety processes both as early as 2021.

In the close cooperation between colleagues, we have jointly experienced the energy and passion with which employees in all areas support these efforts and actively drive them forward with their own ideas. We will continue to do so in the future.

We have been an official member of the UN Global Compact since November 2021. We support the UNGC's principles in the areas of human and labor rights, environmental aspects, and anti-corruption. We want to actively support the goals of the United Nations and continuously improve in the process.

For further information and facts & figures, please refer to our non-financial report.

Best regards,



Dr. Klaus Fiedler
Chief Executive Officer



Christian Witt
Chief Financial Officer

* The foreword is not a mandatory component of the non-financial consolidated reports and was therefore not included in the audit

BUSINESS MODEL

Object of the business, services and products:

LPKF Laser & Electronics AG (LPKF AG) is a leading provider of laser-based solutions for the technology industry. LPKF laser systems are of crucial importance to the production of printed circuit boards, microchips, automotive parts, solar modules, semiconductor elements, and a large number of other components. The LPKF Glass Foundry also supplies customers from a range of industries with high-precision glass components.

Our customers use our machinery to produce ever smaller and more precise components. At the same time, they can augment the functionality of these components and take advantage of new design opportunities to create products at the cutting edge of technological feasibility, both for industry and consumers. Our energy-efficient and intelligent solutions also actively contribute to the protection of the climate and the environment. We help our customers to become more resource-efficient, to reduce their levels of hazardous substances and waste, and to conserve energy.

Our employees are experts in the field of laser technology and understand how to integrate the laser as a tool into high-performance machinery. We therefore have a significant influence on progress in a number of high-tech fields. Overall, this results in smaller, more powerful and more energy-efficient products, which in turn means improvements in mobility, networking, power generation and digital entertainment.

The shares of LPKF AG are listed in the SDAX of the German Stock Exchange.

Supplementary comments:

The information in this report refers, in part, to the 2021 Annual Report of the LPKF Group. Unless stated otherwise, the information relates to LPKF Laser & Electronics AG and all its subsidiaries.

The consolidated financial statements and the combined management report are audited annually by an independent auditor. Further regular audits are conducted as part of various certification processes for LPKF AG and its subsidiaries, for example quality management audits.

Note on the key performance indicators: The reported key performance indicators are the company's own indicators (see KPIs with *), but are based on the GRI (Global Reporting Initiative) standards.

This report is a Separate Non-Financial Consolidated Report in accordance with subsections 315b and 315c in conjunction with sections 289c to 289e of the German Commercial Code (HGB). All links in this report are for further information only and are not part of the Separate Non-Financial Consolidated Report.

1 STRATEGY

1.1 OUR SUSTAINABILITY CONCEPT

For LPKF, sustainability means acting responsibly to achieve lasting economic success, ecological and social progress and to securing the Company's future. LPKF accepts responsibility for the health and quality of life of its employees, customers and consumers and for the protection of the environment. With its energy-efficient and intelligent solutions, the company wants to make an active contribution to protecting the climate and environment and to advances in medicine. LPKF systems help customers to become more resource-efficient, to reduce their levels of hazardous substances and waste, and to conserve energy.

All sustainability considerations are firmly anchored at Management Board and Supervisory Board level at LPKF. Environmental issues can be found in the areas of responsibility of both Management Board members. In coordination with the Supervisory Board, the Management Board determines the Group strategy and decides on the statements contained therein regarding sustainability issues. The Remuneration and ESG Committee of the Supervisory Board also engages with sustainability issues at Supervisory Board level.

With a view to implementing the sustainability strategy as part of the Company's operating activities, rules and processes were set out in the following documents: the Strategy Paper, the LPKF mission statement, the Risk Management Handbook, the Management Handbook, process descriptions, guidelines, the [Compliance Code](#), the German Corporate Governance Code and the LPKF Executive Code of Conduct.

In addition, sustainability matters are also dealt with and reviewed in various departments within the company, such as Product Development, Quality Management, Human Resources, Procurement, Organization, Sales Assistance, Innovation and Communications. The cross-departmental sustainability team that was set up in 2017 collates information on sustainability issues and is also responsible for producing the CSR Report. The Corporate Communications department is responsible for reporting.

1.2 STRATEGIC ANALYSIS AND ACTION

The LPKF AG business model has focused on ESG matters since the company's foundation. This results not only from legal conditions but primarily from the technologies that make the processes more efficient and sustainable for customers. Driven by the aspiration of technological leadership, LPKF sees this as an opportunity to generate future value for its stakeholders. From the company's perspective, sustainable solutions will also influence the competitive position in the future.

At the start of 2021, LPKF launched the "Beaming Sustainability" project throughout the group. Consisting of a total of 17 sub-projects, its objective is the strategic evolution and evaluation of the processes and structures regarding the key sustainability aspects. The sub-projects can be broken down into the areas of Human Resources and Community, Supply Chain, Products & Applications, Resources, and Communication & Governance. The resulting sustainability strategy will then be rolled out across the entire Group.

LPKF has established specific measures with a view to implementing its sustainability concept, such as:

- Refinement of Group strategy and long-term planning by the Management Board at least once every year, in conjunction with the heads of the business segments and the managing directors of the subsidiaries and following consultation with the Supervisory Board
- Regular checking of the results of the management system processes
- Regular internal audits
- Annual management review.

LPKF AG's quality management system, which complies with DIN EN ISO 9001, describes the interaction between company processes and the requirements placed on executives, products and services.

The LPKF Compliance Code requires all employees to observe applicable laws everywhere and at all times, to respect ethical principles and to adopt sustainable practices. With regard to corporate governance, LPKF obeys the German Corporate Governance Code (Deutscher Corporate Governance Kodex).

The [Mission Statement](#) of the LPKF Group, "Success is Teamwork", is also an integral part of the Group strategy and is accessible to all employees in German and English at all sites. It incorporates key action areas and principles related to sustainable development, particularly in the areas of value creation, employees, the environment and society that are relevant for LPKF. Executives and staff are encouraged to act in accordance with the values enshrined in the Mission Statement in their day-to-day dealings with one another and in their contact with customers or suppliers. The Mission Statement also has a role to play in personnel development measures and forms the basis for the Company's Executive Code of Conduct.

As a technology group, LPKF operates in a dynamic market environment. New opportunities constantly arise from a changing technology landscape and new market requirements. Components are becoming ever smaller, more complex and more precise. Advances in miniaturization and the growing use of nanoscale materials are increasing the complexity of components and demanding the adoption of innovative processing methods. Laser-based processes will contribute substantially to this development. Systematically identifying and leveraging these opportunities is a major factor in the sustainable growth of the LPKF Group. Opportunity management involves closely monitoring new markets and applications, regularly evaluating market analyses and reviewing the focus of the product portfolio.

We focus on both the development of sustainable solutions for our customers and the sustainable manufacturing of our products. Opportunities to promote sustainable development exist in particular in the environmentally-friendly applications of laser technology. It generally involves lower tool costs and more energy-efficient operations. For certain applications, chemical processes are being displaced. We are thus making an active contribution to reducing the volume of scrap and waste at our customers. In 2021, LPKF had its environmental management system certified to DIN EN ISO 14001. This is also intended to address the aspect of sustainable as well as resource-efficient development in the future.

The opportunities are offset by risks associated with the development of new laser-based technologies. Using laser sources as a tool involves risks for the user. We believe it is our responsibility to protect customers and employees from these risks. Our customers are comprehensively informed

about and trained on the risks. Furthermore, the occupational safety management system, which is certified to DIN ISO 45001, is a top priority at LPKF (for more details, see Criterion 4.3 “Occupational Safety”).

The non-financial aspects are subject to regular controls and are reviewed as part of our management system. Management, planning as well as occupational safety and environmental protection form part of the Integrated Management System and are thus subject to regular review by officers appointed by the Management Board for quality, occupational safety, and the environment and external audits. Performance indicators are subject to annual review in the annual financial statements. Just like the current risk situation, they are determined and reported on a monthly basis. Various committees, in addition to the Management Board and the Supervisory Board, examine the indicators and risks each month.

Responsibility for reviewing key performance indicators for environmental aspects currently lies with various different areas and individuals such as Facility Management (energy, waste, emissions) or the Hazardous Substances Officer.

A risk management system (RMS) has been set up to guarantee the continued existence of the LPKF Group as a going concern in the long term. The purpose of the RMS is to ensure that risks are detected early on and communicated to the competent decision-makers within the company. This is designed to ensure that appropriate action can be taken to deal with the risks identified and to prevent any loss or damage.

During the reporting year, a project to integrate ESG risks into the company’s internal risk management system was conducted across all sites. Following a risk analysis, additional ESG risks relating to environmental and corporate social responsibility issues were incorporated. LPKF sees this as an important part of its comprehensive monitoring of possible risks that may have endogenous as well as exogenous causes. You can find details about the newly incorporated risks in the relevant sections.

As part of the 2021 risk assessment, no risks with a very high likelihood of occurrence and serious negative consequences for non-financial aspects were identified for the 2021 reporting year.

1.3 MATERIALITY

LPKF AG is a highly specialized, international technology company that operates across a broad social landscape. On account of the various product segments, we are involved in a multitude of sectors, such as the electronics industry, medical technology sector, the automotive industry and the solar industry. Compared with other industries, our operating activities have a lower impact on sustainability considerations. Nonetheless, the development of our management system has revealed various sustainability factors of relevance to our company’s operations. These are reviewed every two years and supplemented or amended as necessary. The most recent analysis of key non-financial aspects in accordance with HGB took place in February 2021.

The analysis produced the following topics:

Value creation/Quality – Impact on the sustainable development of the company and its customers

Employees – Impact on employee satisfaction and job security

Environment – Impact on nature and resources

Society – Impact on social development

The impacts of our operating activities on key sustainability considerations are described in Criterion 1.6 (“Goals”). Our laser systems contribute to the environmental aspect in different ways. This is explained in more detail in Criterion 2.2 (“Resource Management”).

Information about the opportunities and risks arising from our operating activities can be found in Criterion 1.2 (“Strategic Analysis and Action”). We have set ourselves the strategic objectives stated in Criterion 1.6 (“Goals”) for the four aforementioned doubly critical topics according to the HGB.

1.4 STAKEHOLDER ENGAGEMENT

As a listed company, LPKF maintains a dialog with a number of stakeholders who have different demands of the company. We firmly believe that regularly exchanging information with different stakeholder groups is vitally important for the internal and public perception of the company. Stakeholders were defined as part of the review of the key non-financial aspects.

Our key stakeholders who have a direct interest in the company's sustainability issues include

- Employees and Works Councils
- Customers
- Suppliers
- Shareholders and investors
- Local councils
- Neighbors

Other stakeholders include

- Banks
- Insurance companies

In the 2021 reporting year, communication with stakeholders occurred through a wide variety of channels, for example via:

- Employee performance appraisals
- Virtual works and employee meetings
- Internal ESG blog
- “Digital Dessert” – A monthly live tutorial for digital applications
- “LPKF Big Picture” – Lectures for employees on special topics from the company
- Regular COVID-19 task force conference calls
- Monthly executive conference calls

- Intranet and social media
- Meetings of the Economic Committee
- 2020 Annual Report, 2021 Quarterly and Half-yearly Financial Reports
- Ad-hoc and press releases
- Press articles and interviews
- lpkf.com website
- Virtual Annual General Meeting
- Virtual roadshows, virtual investor conferences and discussions
- Conference calls for investors
- Trade fairs
- Virtual representative meetings
- Customer surveys

1.5 KEY PERFORMANCE INDICATOR FOR CRITERION 1.4

Key Performance Indicator GRI SRS-102-44*

The table below provides a summary of LPKF AG's key stakeholders, their interests and the actions taken to meet their expectations:

Stakeholder	Interests	Actions
Employees	<ul style="list-style-type: none"> • Secure job • Attractive job description • Fair pay • Opportunities for personal development • Appealing working environment 	<p>Some examples:</p> <ul style="list-style-type: none"> • Employee and executive development program • Employee participation as idea management • Informative presentations for employees • Getting-to-know-you events for new employees • Special performance-based payments • Employee stock program • Open dialog between the Management Board and employees
Works Council	Involvement of the Works Council in decisions affecting employees	Open and regular communication with the Works Councils at all German sites and with the Group Works Council
Customers	<p>Solutions that are</p> <ul style="list-style-type: none"> • powerful • reliable • precise • cost-effective • innovative • and sustainable <p>Furthermore:</p> <ul style="list-style-type: none"> • Speedy and punctual delivery • Reliable servicing <p>Sustainable and cooperative partnerships</p>	<ul style="list-style-type: none"> • Development of extensive customer solutions by means of complete production processes • New innovations • Improvement of product quality through systematic feedback on errors • Sale of service packages individually tailored to customers (support, maintenance and warranty extensions)

		Continuous improvement of in the supply chain to guarantee speedy and punctual deliveries
Suppliers	<ul style="list-style-type: none"> • Long-term sales • Growth 	<ul style="list-style-type: none"> • Process optimization • Security of supply • Market-based pricing
Shareholders, investors	<ul style="list-style-type: none"> • Sustainable growth • Profitability 	<ul style="list-style-type: none"> • Driving innovation forward • Optimizing costs • Boosting efficiency • Risk management • Open communication
Local councils, neighbors, politicians	<ul style="list-style-type: none"> • No pollution (emissions, noise, environmental impacts) by the company or its products • Jobs at the site 	<ul style="list-style-type: none"> • Observance of laws and requirements • Environmental management system • Boosting revenue and profitability
Banks	Liquidity	<ul style="list-style-type: none"> • Risk management assessment in relation to cash flow • Liquidity
Insurance companies	Prevention of loss/damage	<ul style="list-style-type: none"> • Monitoring of occupational safety measures • Comprehensive risk management

1.6 OBJECTIVES

The LPKF AG Management Board is actively committed to greater sustainability and has set out a series of long-term and medium-term non-financial goals for the Group. Selected non-financial goals are also taken into account in the Management Board remuneration.

In future, the non-financial goals will be reported as part of a twice-yearly report submitted to the Management Board and the Supervisory Board. Regular exchanges of information and monitoring of progress aims to guarantee the achievement and ongoing development of the defined goals.

The action areas were defined for each of the sustainability aspects of relevance to LPKF and incorporate the Sustainable Development Goals of the United Nations.

Value creation/quality:

We want to increase customer benefit, drive innovation and boost efficiency. To do so, we have defined the following action areas for value creation:

- Growth
- Innovation
- Cost discipline
- Working capital & capital employed

In order to achieve our objectives in this area, in 2020 we invested 11.4% of our revenue in research and development. R&D investment in the 2021 financial year amounted to 14.2%. Our objective for the years ahead is to continue our long-term investments in research and development with an R&D budget of approximately 10% of revenue.

Stronger sales and the expansion of after-sales and service business are contributing to the positive development of the business as well as to greater sustainability among our customers. We also focus in all areas on the efficient use of non-financial resources and on cost discipline.

Quality is a key indicator as it plays a significant role in increasing customer satisfaction. However, it also plays a major role internally because it helps us implement sustainability aspects. We have defined the following action areas to achieve our goals in this area:

- Improving product quality
- Improving idea management

Product quality

Product quality is measured by the error rate, which is one of LPKF's key performance indicators.

It is calculated as the ratio of error costs to revenue. Error costs include expenditure associated with the fulfillment of warranty obligations. The aim is not to exceed an error rate of 50 on a continuous basis.

The error rate is based on the warranty rate from 2013. To determine the warranty rate, the error costs are divided by rolling revenue (twelve months). To calculate the error rate, the average warranty rate over the last three years is divided by the warranty rate for 2013 and multiplied by 100%.

The error rate has developed as follows in the past three years:

2019: 48

2020: 34

2021: 48

The error rate has deteriorated year on year and has returned to the value of 2019. This increase is due to the resumption of service visits that were delayed due to the travel restrictions imposed during the pandemic year of 2020.

We assume that the error rate will continue to remain stable.

Idea management

In 2019, we established works idea management at the Garbsen site. We were particularly pleased that most of the proposals received during the reporting year related to environmental issues for the first time, which is indicative a greater environmental awareness among the workforce.

Employees:

We want to be an attractive and responsible employer. Our employees are the basis for the future of the LPKF Group. The experience and specialist knowledge of the people who work for LPKF worldwide mean that we can succeed in offering innovative technologies in markets on which there is sometimes hard-fought competition. The retention and development of personnel are essential for the Company's success in the long term. Occupational health and safety plays a central role throughout the process chain. We also attach great importance to the involvement of our employees in the various sustainability issues.

There are the following action areas:

- Employee retention
- Employee involvement
- Promoting young professionals
- Occupational health and safety
- Diversity
- Qualifications

LPKF had its occupational safety management system certified to ISO 45001 in 2021.

For the sustainability issue “Employees”, we have set ourselves the following specific goals:

Target	Target status 2022	Actual status 2021
Female executives at management level 1 and 2	Level 1: ≥ 17% Level 2: ≥ 23%	18% 14%
Target	Industry average	Actual status 2021
Sickness rate at the production sites below the industry average (metal-processing and electronics industry)	5.6% (current available average from 2020)	4.8%
Target	Continuous target	Actual status 2021
LTIFR	< 5	0.9
Target	By 2025	Actual status 2021
Training days per employee Group-wide	1.5	0.73

Society:

We are actively involved through donations and support for a range of projects at the company's various locations. Our goal is to act and be perceived as a dedicated member of society and a responsible neighbor. The review of perceptions of LPKF is based, for example, on a multitude of discussions and regular monitoring of articles in the press. The effectiveness of the compliance system is also regularly reviewed.

There are the following action areas:

- Compliance
- Community commitment

For the sustainability issue “Society”, we have set ourselves the following specific goals:

Target	Per year	Actual status 2021
Charitable community projects (German sites)	At least one project per site	4 projects per site
Participation rate of employees in community projects	20%	31.2%

Environment:

We strive to protect nature and conserve resources in all our business activities. On the one hand, we are using our products to drive forward the replacement of chemical production processes with laser technology. We are also using them to promote the economical use of renewable energy in the solar sector.

We try to design our processes to use resources as sparingly as possible. To this end, we have determined the most important environmental aspects, from which we have derived actions to improve our environmental balance. To continuously improve our environmental contribution, we have defined the following action areas at our production locations:

- Energy efficiency
- CO₂ reduction
- Reduction of non-recyclable materials and hazardous waste
- Product lifecycle

We are targeting carbon-neutral production by 2030 through more efficient processes and the use of renewable energy (self-generated and purchased externally). We calculate our waste and energy data as well as our carbon footprint each year to monitor these action areas. We have expanded the calculation of data to include the entire Group and have further improved the calculation basis. This allows causes of high CO₂ consumption to be identified more quickly. Further progress has also been made in the areas of sustainable CO₂ reduction and the avoidance of waste (for details, see Criterion 2 “Environment”).

LPKF had its environmental management system certified to DIN EN ISO 14001 in 2021.

For the sustainability issue “Environment”, we have set ourselves the following specific goals:

Recycling

Target	Target status 2025	Actual status 2020	Actual status 2021
Proportion of recyclable materials	≥ 80%	54%	56%

CO₂ emissions

Target	Time of target achievement	Target	Actual status 2021
Reducing carbon footprint per output*	2023	10% reduction	n/a
	2025	30% reduction	
Carbon-neutral production	2030	0 t emissions	181.5 t
Reducing CO ₂ emissions from traveling**	2030	70% reduction	79.3%
Green electricity	2022	100% production locations	98,93%***
Expansion of electric mobility in company cars	2025	25% in the company fleet	1.4%
	2030	100% in the company fleet	

* 2021 is the base year; travel, freight and energy are included; see also Criterion 2.4 (“Climate-Relevant Emissions”)

** Compared to the values from 2019

*** 12/31/2021: 100%

UN Global Compact and Sustainable Development Goals

In September 2021, LPKF signed the UN Global Compact, thereby aligning itself with the global initiative for sustainable and responsible corporate governance. Consequently, LPKF supports the goal of implementing the Sustainable Development Goals (SDGs). These 17 goals for sustainable development were adopted in 2015 by the member states of the United Nations with the aim of promoting sustainable development worldwide at economic, social, and ecological level.

We firmly believe that the SDGs will accelerate sustainable progress and will contribute to compliance with our corporate goals and policies in many areas. By reviewing our goals and significant topics on a regular basis, we want to ensure that our company develops in harmony with the SDGs.

To sharpen the focus, we prioritized the goals. Our materiality analysis has identified the following SDGs as the key action areas for LPKF that have the greatest potential influence:



Our minimum target in all these areas is a best-practice approach. With regard to the goals of responsible consumption and production, affordable and clean energy, decent work and economic growth and industry, innovation and infrastructure, we feel that we are performing well since our corporate strategy and our products already contribute significantly to their achievement.

This does not necessarily imply that none of the other SDGs are relevant to LPKF. We believe that we are already well set up to support these in many respects. However, some of the goals are not actively pursued due to their low potential influence.

1.7 DEPTH OF VALUE CHAIN

Value chain

The value chain at LPKF begins with research and development and continues through procurement, production, sales and marketing, production, order processing, logistics, service and commissioning all the way to the customer.

To manufacture LPKF products, we purchase components, assemblies and services, which we then pass through the final assembly stage with its qualified quality controls and corresponding acceptance protocols to create the final product.

Sustainability factors in the value chain

Wherever the market and tendering situations permit, we use suppliers that are located near to our production location to avoid long transport distances and to optimize delivery times.

We expect our suppliers to act responsibly in the areas of occupational safety, environmental protection, employee rights and anti-corruption measures. Our conditions of purchase require them

to ban forced and child labor, observe internationally recognized human and employee rights, and comply with environmental standards and anti-corruption legislation. In response to the Dodd-Frank Act in the US, we expect our suppliers to make a self-declaration ruling out the use of what are called “conflict minerals”.

The main ecological problems that occur at almost all stages of the value chain are the consumption of non-renewable resources (metals, plastics) and the CO₂ emissions arising from energy consumption and transportation. We report on our targets for reducing CO₂ emissions in Criterion 1.6 (“Goals”). Social problems may include inadequate working conditions at suppliers, although we review these in line with our purchasing conditions and the confirmation of our code of conduct before entering into business relationships and as part of the supplier evaluation.

We are as yet unable to comprehensively monitor or control the upstream links in the supply chain and associated process stages. Since there is no contractual relationship between LPKF and sub-suppliers, direct intervention in this regard – including by legal means – is not possible. When signing the LPKF Code of Conduct, however, direct suppliers are obligated to respect and ensure adherence to the ten principles of the UN Global Compact throughout their supply chains as well.

As part of the sustainability project initiated during the reporting year, the evaluation and control of the supply chain with regard to ESG criteria will improve significantly in the future.

Following a corresponding ESG risk assessment, a detailed evaluation of key production suppliers with regard to their ESG management was conducted and its key points were audited. These activities will be further expanded in 2022 in order to optimize the LPKF supply chain with regard to sustainability aspects.

Supplier evaluation

LPKF conducts an annual supplier evaluation for series production suppliers, which represent up to 80% of the direct annual purchasing volume. Other service providers or suppliers are included in the evaluation as and when required.

In the process, different criteria are evaluated according to a predefined weighting that is based on systems and takes account of what are called soft facts. The classification is divided into A, B, C and D suppliers. For C and D suppliers, action plans are requested, and their implementation is monitored accordingly.

This form of supplier evaluation has been conducted accordingly since 2016 and has been gradually further developed since then.

For the evaluation during the reporting year, we incorporated ESG aspects into the soft-fact criteria to take account of the issue of sustainability in the supplier evaluation.

LPKF exports approximately 90% of its products to other countries. To prevent goods being supplied to customers in embargo countries, an Exports Officer was appointed to monitor and be responsible for in-house export control. This role can be performed only by a member of the Management Board. The Exports Officer assigns these duties to the section responsible for export control and is informed of any changes by that section. The Export Control Officer is responsible for passing on all relevant

information to the departments. In addition, LPKF regularly screens relevant sanctions lists using special software.

1.8 INNOVATION AND PRODUCT MANAGEMENT

Research and development are of considerable significance to LPKF: innovations have a decisive influence on future capabilities and thus on economic success. The primary strategic goal of R&D activities is to attain, secure or develop the company's role as an innovation leader within the sectors in question. We realize this through innovative products with unique selling points that are protected by patents. In addition to our own R&D activities, new procedures and products are being developed both in partnerships with universities and research institutes and in joint projects with industry partners.

The LPKF product portfolio is continually being reworked and overhauled on this basis: we want to improve performance and efficiency, reduce costs, avoid substances of concern and regulated substances and analyze the contribution of all individual components. This is where changing customer requirements play a major role, especially with regard to sustainability and resource use. Our ability to provide customers with long-term and future-proof products is a primary goal. At the same time, we strive to improve energy efficiency with each new generation of our systems. Closely networking the company's development departments with sales and service, and providing an annual R&D budget of around 10% of revenue make significant contributions in this regard. A detailed development process aims to ensure that those requirements are known and fulfilled in every project.

In addition to cost-efficiency, quality is also a central value of LPKF products and a significant factor in terms of sustainability. In order to offer our customers stable machines suitable for volume production quickly given the often short development cycles, we continuously hone our ability to avoid, detect and rectify errors and to learn from them. The reliability of our systems reduces downtimes with our customers, thus improving their use of resources. The majority of LPKF products and technologies is based on the efficient use of laser technology, which enables the replacement, for example, of conventional chemical and mechanical processes (for more information, see Criterion 2.2 "Resource Management").

2 ENVIRONMENT

LPKF is aware of the major challenges involved in slowing the pace of climate change. We also embrace our responsibility and want to play our part in achieving the goal of keeping the increase in global temperatures significantly below 2 degrees. On the one hand, we have set ourselves ambitious goals to reduce our carbon footprint but also want our products themselves as well as responsible action to make an active contribution to achieving this goal.

2.1 USE OF NATURAL RESOURCES

LPKF strives to use natural resources as sparingly as possible and to minimize the impact of its operations on the environment.

Only a very low proportion of hazardous waste is generated by the production of our high-tech systems, as well as by the supporting processes. The quantity of this hazardous waste is evaluated annually so that actions to reduce it can be initiated if necessary.

Our expertise lies in research and development. The system components required are therefore chiefly procured from external suppliers and assembled as part of our manufacturing processes. Water and energy consumption throughout the Group are tracked and compared. LPKF constantly strives at all stages in the internal value chain to optimize its use of energy and resources.

Precise details about the use of resources in the reporting period as part of our business activities are provided in Criterion 2.3 (energy consumption, water consumption, waste). Those figures relate both to the usage necessary in order to maintain operations at the sites and the consumption required to manufacture our products.

2.2 RESOURCE MANAGEMENT

LPKF strives to continuously optimize energy and resource consumption and to this end has set itself the goals listed in Criterion 1.6 (“Goals”).

Due to the relatively low direct environmental impact of the development and assembly of laser systems compared with conventional production systems, the purely environmental risks in this area are deemed not to be significant. Nevertheless, the consumption of energy and resources is regularly recorded, monitored and evaluated. We strive to make our systems ever more efficient while keeping energy requirements at the same level. Our motivation in doing so is to achieve positive effects for the environment as well as a competitive advantage.

As well as implementing the requirements of the RoHS and REACH regulations in our own company, we also include our suppliers by evaluating relevant criteria at the qualification stage.

Hazardous substances

We make every effort to minimize the proportion of hazardous substances used in the development of our technologies. An annual substitution survey is conducted for all hazardous substances to determine whether liquids, gases and solids that are harmful to the environment can be replaced by

less harmful alternatives. We adhere to strict guidelines regarding the use and storage of chemical substances (see Criterion 4.3. "Occupational Safety"). All actions are monitored and evaluated by a Hazardous Substance Officer.

For the application of our LIDE technology (Laser Induced Deep Etching), the use of hazardous substances cannot be completely avoided. Nevertheless, we minimize the quantity of hazardous substances and rinsing water used in the LIDE foundry. Highly concentrated acids are purchased in small quantities and diluted for use in our technical applications. The rinsing water is used multiple times before being professionally disposed of.

To ensure the best possible protection for our customers and the environment as well, those substances and products with a high risk potential (SVHC) that are used in our systems are consistently identified. To this end, we are currently developing an improved process as part of a project. Here too, the goal is to identify the best possible alternatives to SVHC substances based on a substitution process. For externally sourced substances, this is done primarily by requesting and evaluating information from the suppliers.

During the reporting year, the topic of hazardous substances was examined as part of a project conducted across all sites to integrate ESG risks into the company's internal risk management system. Following a risk analysis, it was incorporated as a risk of "hazardous substances escaping into the environment" with a very low probability of occurrence. As a measure to prevent leaks of hazardous substances, waste and transport concepts as well as instructions and policies were also defined in addition to the occupational safety measures listed in Criterion 4.3 ("Occupational Safety").

Recycling

We are already recycling 56% of our waste. We are continuously working to improve our recycling rate and, to this end, have set ourselves a goal listed in Criterion 1.6 ("Goals"). We also attach great importance on ensuring the environmentally compatible disposal of any waste that is not recycled. For this reason, we have entrusted the disposal of such waste to partners that have professional sustainability management systems in place.

More information about the waste volume can be found in Criterion 2.3.

With our service packages and upgrades, we keep our systems up to date and extend their service life. We have also introduced an "Equal to New Concept". This involves replacing all wear parts, repairing defective components and reselling them at a discounted price. This will keep the waste generated by our products at a low level.

We use recyclable wood that meets the IPPC standard as packaging for our systems.

Our contribution to the sustainable use of resources

Many of our products are designed to contribute to the efficient and responsible use of resources. Our laser technologies are also designed to help our customers make their production processes more productive and efficient. In many sectors, these technologies can replace chemical and mechanical processes, which can lead to substantial savings of hazardous substances and waste (especially contaminated effluents).

Technology	Contribution to conserving resources
CleanCut technology for processing printed circuit boards	With laser depaneling, printed circuit boards are quickly and reliably cut out from the panel. A minimal heat-affected zone and minimal mechanical stress enables a higher yield in printed circuit board production and therefore lower material consumption than with conventional technologies. Accumulations of cutting residues are safely and efficiently filtered from the air.
StencilLaser	StencilLaser technology is used primarily in electronics production for laser cutting of templates for solder paste printing. Thanks to high energy efficiency, the systems consume less energy in operation and require no cooling water. Accumulations of cutting residues are safely and efficiently filtered from the air. With an average service life of ten years, the systems are extremely durable.
LIDE technology (Laser Induced Deep Etching)	LIDE technology enables resource-efficient use of glass in microsystems technology, which allows the silicon material that is normally used to be replaced with glass. The switch to glass can save a great deal of energy during raw material processing.
Chemical-free semiconductor prototyping	Using products from the Development department, circuit board prototypes can be manufactured by milling or laser technology without the use of etching technology and the associated chemicals. The in-house processes at our customers eliminates many of the long transport routes that would otherwise be required to create individual prototypes. The systems are generally in use for more than 15 years and are therefore extremely durable.
Highly efficient thin-film photovoltaics	Our systems for manufacturing thin-film solar modules can produce large modules within a short time, which helps make production more efficient. In addition, the use of LPKF technology makes the individual solar modules more efficient because they generate energy more effectively. Our systems thereby make a positive contribution to improving the carbon footprint of the manufacture of thin-film modules in the solar industry. The solar modules produced in this way can be used economically even in the absence of subsidies.
High-throughput screening of cells	With the new ARRALYZE business field, LPKF is addressing the strong demand for miniaturization and automation to enable the parallelization of biological experiments and to drastically reduce the quantities of expensive reagents required for these types of experiments. The long-term goal is to address issues relating to personalized medicine designed to enable treatments tailored to each individual patient.
Laser welding of plastics	The use of laser radiation to join plastics helps eliminate adhesives, which usually contain hazardous substances. What is more, the technology enables an efficient, sustainable and particle-free production of critical sensors and components used in the automotive industry and in medical technology. With a service life of around ten years, the systems are extremely durable.

2.3 KEY PERFORMANCE INDICATORS FOR CRITERION 3.1 – 3.2

Key Performance Indicator GRI SRS-302-1*

Energy consumption

Energy consumption throughout the Group amounted to 5,751,702 kWh in the reporting year.

Following the integration of the sales companies in Asia into our data acquisition processes in 2020, our Sales Company from the USA was also included during the reporting year. As a result, we are recording data from the entire Group since 2021.

Production sites

kWh	2021	2020	2019	2018
Electricity	3,398,116	2,829,417	2,855,632	2,928,960
Gas	2,033,649	1,641,225	1,753,252	1,603,487

Sales Companies

kWh	2021
Electricity	193,146
Gas	126,791

In 2021, we have included all sales companies for the first time, so a year-on-year comparison is not possible.

Electricity consumption at the sales companies excluding the USA has reduced from 139,432 kWh the previous year to 100,746 kWh. Electricity consumption of 92,400 kWh was recorded in the USA.

This year-on-year increase in energy consumption is due in particular to the capacity increases in Garbsen (LIDE foundry and new ARRALYZE laboratory). Measures were initiated to reduce gas consumption.

Energy sources

Overall, the proportion of green electricity used across the Group is 95%. Both the USA and Naklo sites converted to green electricity in 2021. It will not be possible to switch to green electricity at all locations in the near future due to the lack of availability in some countries.

Production sites

Source	2021	2020	2019	2018
Green electricity*	98.93%	86.21%	85.32%	15.29%
Green gas	67.01%	59.24%	62.85%	0%

(*12/31/2021 100%)

As we have been using green electricity in Naklo since February 2021, the proportion of green electricity as at 12/31/2021 was 100%, and 98.93% on average at all production sites in the reporting

year. We have therefore achieved our goal of using 100% green electricity at all production sites by 2022.

Heating energy consumption in the group

	2021*	2020	2019	2018	2,017
Pellet consumption at the Suhl site	67.68 t	54.88 t	60.98 t	72.86 t	75.3 t
Energy consumption for heating (gas)	2,160,440 kWh	1,641,225 kWh	1,753,252 kWh	1,603,487 kWh	1,379,902 kWh

*For the first time incl. location USA, therefore data from 2021 are not comparable with previous years

Gas consumption at the USA site amounted to 126,791 kWh. There is no gas consumption at the other sales companies. Optimization measures were initiated in order to reduce the need for heating energy. We also plan to conduct an energy audit in 2023.

Key Performance Indicator GRI SRS-303-3*

Water consumption

Water consumption in the Group amounted to 5,121 m³ in the reporting year.

Production sites

m ³	2021	2020	2019	2018
Total water consumption	4,352	3,758	4,801	3,730
Water consumption per employee*	6.42	5.67	7.33	6.10

*The key figures for water consumption per employee are reported for the first time in 2021. For this reason, the previous year's key figures are not included in the scope of the audit.

Sales Companies

m ³	2021
Total water consumption	769

In 2021, we have included all sales companies for the first time, so a comparison with the previous year is not possible.

The share of the sales companies in overall water consumption excluding the USA fell from 12.7% to 6.77%. Overall, the share of all sales companies in water consumption was 15%. The determination of water consumption at the sales companies is partially based on estimates since some of the facilities are on shared supplies.

LPKF does not produce at locations subject to increased water stress.

Key Performance Indicator GRI SRS-303-4*

Water discharge

None of our locations release contaminated water into the water cycle.

Key Performance Indicator GRI SRS-306-2*

Waste volume

The volume of waste generated throughout the Group amounted to 115.3 tons in the reporting period.

Production sites

In metric tons	2021	2020	2019	2018
Total waste volume	98.4	79.2	127.4	101.2
Waste volume per employee*	0.15	0.12	0.19	0.17
Hazardous waste/substances**	6.5	4.2	2.7	4.4
Recycled materials	63.4	43.4	n/a	n/a

*The key figures for waste generation per employee are reported for the first time in 2021. For this reason, the previous year's key figures are not included in the scope of the audit.

**Key figures for hazardous waste were reported for the first time in 2020. For this reason, the key figures from 2018 and 2019 are not included in the scope of the audit.

In % of total volume*	2021	2020
Proportion of hazardous waste/substances	6.7%	5.2%
Proportion of recycled materials	65%	55%

*These key figures are reported for the first time in 2021. For this reason, the prior-year key figures are not included in the scope of the audit.

Sales Companies

In metric tons	2021
Total waste volume	16,94

In 2021, we have included all sales companies for the first time, so a comparison with the previous year is not possible.

Since waste volumes are related to production capacities, our focus is on recycling as well as on prevention.

The proportion of recyclable materials in the Group increased from 54% to 56%.

The waste volumes from the sales company are based partially on estimates because they related mainly to residual waste measured in cubic meters.

The increase in hazardous waste can be attributed to the expansion of production in the area of the LIDE foundry in Garbsen. Generally speaking, we expect to see further increases corresponding to capacity increases. To counter these increases as effectively as possible, we installed a water processing plant in the LIDE foundry to desalinate the rinsing water. This plant uses ion exchangers and UV disinfection to recycle 99% of the rinsing water and keep it in circulation.

2.4 CLIMATE-RELEVANT EMISSIONS

In 2021, LPKF AG generated total CO₂ emissions of 3,876.89 metric tons (previous year: 1,025.06 metric tons), this is based on a calculation methodology for determining selected CO₂ emissions, which is explained on the following pages. This massive increase results from the fact that we have integrated freight data into our measurements for the first time. Without the freight data, we recorded a reduction in CO₂ emissions to 940 metric tons.

We are aware that we are part of the global strategy to achieve CO₂ neutrality by 2045. To make an important contribution to this goal, we plan to make our production carbon neutral by 2030. We want to gradually reduce our carbon footprint. To achieve this, we have set ourselves the goal listed in Criterion 1.6. ("Goals"). We are taking 2021 as the base year because it is the first year in which we have recorded emissions data from across the Group and have expanded the emissions sources measured. The emissions sources of relevance to us are shown below.

Freight and travel

Given our position as a global company, emissions from freight represent the greatest share. In this case, we have assumed the share attributable to the party that pays for the freight costs as specified by Incoterms. For this purpose, the data relating to the transportation of our systems and other deliveries serves as a basis from which greenhouse gas emissions are then calculated based on the means of transport used. For small consignments of piece goods, we work with estimates or information provided by our freight forwarders. For purchased goods, we assume responsibility for transportation commissioned by us. Here too, we rely on an estimate.

Transportation is essential to our business. Nevertheless, we are working to develop measures to reduce our CO₂ emissions in this sector.

Another important source of emissions is business trips to customers as well as business travel between locations. The majority of trips are undertaken by our service department for the purpose of operating our machines. We have already reduced the amount of travel within the Group substantially through the use of video conferences. However, we are also successfully testing new possibilities in the service area, which would enable technicians who are already active on site to carry out service work with video assistance. Although meetings with customers are increasingly taking place via video conferences, on-site demonstrations remain the most effective method of presenting the functionality of our machines.

Despite this, we are targeting a reduction in greenhouse gas emissions from business travel. Our reference year for this purpose is 2019.

Energy

Electricity and gas are the primary energy sources used at our locations. At locations where this can be implemented on a contractual basis, we are already purchasing electricity from renewable sources, which now covers more than 90% of our electricity consumption. We expect the electricity market to move in the next few years. Not only is a macroeconomic shift to electricity as an energy source to be expected, but the price structure will also change, not least as a result of steering intervention by the

state. We also want to play our part in this area by generating some of the electricity we require from our own systems. Based on the current state of technology, these will primarily be photovoltaic systems. The conditions at our locations are favorable because the buildings have flat roofs and uncomplicated architecture. Since most of the electricity will be consumed directly on site as it is generated, the ability to feed it into the public network is not a priority. We already started to investigate the suitability and investment requirements during the reporting year and we plan to commission the first system during 2022.

We rely mainly on gas to generate heat. Here too, we have concluded contracts to purchase climate neutral gas for our German production locations. As part of our renovation plans, we will also be changing over to electricity to generate heat in the long term. However, a timescale for this has yet to be agreed. Our renovation plans also include making improvements to our building insulation and using technologies to save electricity in the area of lighting and air condition/ventilation.

Since LPKF will also be impacted by the phase-out of the internal combustion engine, we are working to convert our company fleet to electric vehicles. With this in mind, we will install charging stations at all European locations to enable efficient charging of company vehicles. On the reporting date of 12/31/2021, our fleet was as follows: 93% pure combustion-engined vehicles, 5.6% hybrid vehicles, and 1.4% pure electric vehicles. Our target is to convert the fleet to 100% electric vehicles at the latest by 2030.

2.5 KEY PERFORMANCE INDICATORS FOR CRITERION 2.4

The CO₂ emissions are broken down according to sources under the following key performance indicators.

Direct and indirect GHG emissions in detail:

Key Performance Indicator GRI SRS-305-1*

Direct CO₂ emissions from gas and pellets throughout the Group amounted to 191 metric tons in the reporting period.

Production sites

In metric tons	2021	2020	2019	2018
Direct CO ₂ emissions due to gas and pellets	163	160	406	371
Direct CO ₂ emissions due to gas and pellets/per employee*	0.24	0.24	0.62	n/a

**Key figures for emissions per employee are reported for the first time in 2021. For this reason, the previous year's key figures are not included in the scope of the audit*

Sales Companies

Direct CO₂ emissions from gas and pellets were only incurred by the sales companies at the USA site, amounting to 29 metric tons.

CO₂ emissions have increased slightly year on year. Although consumption of heating energy has risen overall compared with the previous year, the increase in CO₂ emissions has only become apparent to a limited extent in Naklo and Suhl because Garbsen and Fürth already use eco-friendly gas.

We expect to see a reduction here next year when the Suhl location will also be using 100% carbon-neutral gas.

Key Performance Indicator GRI SRS-305-2*

Indirect energy-related CO₂ emissions from electricity across the Group amounted to 93 metric tons in the reporting year.

Production sites

In metric tons	2021	2020	2019	2018
Indirect energy-related CO ₂ emissions due to electricity	19	218	303	312
Indirect energy-related CO ₂ emissions due to electricity per employee*	0.03	0.33	0.46	n/a

*Key figures for emissions per employee are reported for the first time in 2021. For this reason, the previous year's key figures are not included in the scope of the audit

Sales Companies

In metric tons	2021
Indirect energy-related CO ₂ emissions due to electricity	74

In 2021, we have included all sales companies for the first time, so a year-on-year comparison is not possible.

At the production sites CO₂ emissions due to electricity of 19 metric tons are at the lowest level since data measurements began. Since we now purchase green electricity for all production locations, we can assume emissions of 0 metric tons for next year.

Key Performance Indicator GRI SRS-305-3*

Other indirect GHG emissions (Scope 3)

Production sites

In metric tons	2021	2020	2019
CO ₂ emissions due to company cars*	150	157	204
CO ₂ emissions due to air travel	287	352	2,958
CO ₂ emissions due to travel per employee**	0.64	0.77	4.83
CO ₂ emissions due to freight***	2,070	n/a	n/a

*Travel with company vehicles does not include travel with rental cars

**Key figures for emissions from travel per employee are reported for the first time in 2021. For this reason, the previous year's key figures are not included in the scope of the audit.

*** The calculation of CO₂ emissions is based on data from freight forwarders. The reported figure covers 86% of sales with freight forwarders and serves as the basis for the final extrapolation of emissions from freight in the Group as a whole.

Sales Companies

In t	2021*
CO ₂ emissions due to company cars*	87
CO ₂ emissions due to air travel	413
CO ₂ emissions due to freight**	213

In 2021, we have included all sales companies for the first time, so a year-on-year comparison is not possible.

**Travel with company vehicles includes both trips with company vehicles and rental cars.*

***Calculation of CO₂ emissions is based on data from freight forwarders. The reported figure is based on approximate values and serves as the basis for the final extrapolation of emissions from freight in the Group as a whole.*

For the use of company vehicles, we are seeing a continuous reduction in CO₂ emissions. Likewise, we have achieved a further reduction in emissions due to travel. In the same way as the previous year, this can be attributed to the limited opportunities for travel due to the COVID-19 pandemic. For this reason, we assume once again a slight increase in the medium term because business trips are an important component of our service and sales activities.

Freight was recorded for the first time in 2021 based on carrier data. For 86% of our revenue from our production sites involving freight forwarders, we were able to record the CO₂ emissions. We extrapolated the remaining 14% based on the known data.

It is clear that freight has the greatest need for optimization and we are working on appropriate measures to further improve our carbon footprint.

3 EU TAXONOMY

3.1 PROCESS DESCRIPTION

The EU Taxonomy Regulation came into force on January 1, 2022. This results from the European Green Deal and the associated target of carbon neutrality in the EU. Its objective is to direct finance flows into ecologically sustainable economic sectors. The classification system obligates LPKF to demonstrate sustainable economic activities. LPKF welcomes this push by the EU towards a sustainable future and is playing its part in achieving these goals.

For the classification of an economic activity as environmentally sustainable in terms of the EU taxonomy, a differentiation between taxonomy eligibility and taxonomy alignment is required. First, it must be checked whether the economic activity is described in accordance with the EU Delegated Regulation and would therefore be taxonomy-compliant. Here, the use of the NACE codes helps for orientation. Only economic activities that are taxonomy-capable can be considered ecologically sustainable, taking into account various criteria. In a second step, it is necessary to check whether the economic activity is also taxonomy-compliant by examining the technical assessment criteria.

Simplified reporting obligations apply for the reporting year 2021. This means that in the first reporting year, only the shares of taxonomy-eligible or non-taxonomy-eligible economic activities have to be reported for the key figures sales, CapEx (capital expenditures) and OpEx (operating expenditures).

However, the taxonomy as it currently stands is not considered advantageous for the mechanical engineering and plant construction sector. The reason for this is that sustainable products and production processes in our industry are usually developed tailor-made to meet the needs of customers. Therefore, the attribution of the taxonomy-eligible economic activity does not lie with LPKF, but with the companies that use LPKF's machinery and equipment. At the present time, the necessary economic activities for the segments in which LPKF is located are predominantly not represented in the taxonomy. In reality, only economic activities that are responsible for the lion's share of direct greenhouse gas emissions were selected.

An early integration of the economic activities attributable to LPKF would be beneficial so that it is also clear at this level that our technologies are sustainable and make a positive contribution to ecological aspects. LPKF technologies and systems are intended to drive the sustainable development of diverse sectors of the economy (see also criterion 2.2 "Resource management"). At this point, we would like to refer to an opinion on the EU taxonomy put forward by the VDMA industry association. The VDMA argues that the many specialized companies from the mechanical engineering and plant construction sector find themselves enormously disadvantaged even though many of them are already low-emission companies that are making important contributions to the sustainable transformation. From this, we can deduce for LPKF that a high proportion of our product portfolio is used to manufacture goods that already fall under the EU Taxonomy Regulation.

LPKF can locate the SolarQuipment segment in the classification system according to the EU taxonomy. In this context, the business unit falls into the category "Manufacture of renewable energy technologies". The figures for taxonomy-eligible revenue, capital expenditure (CapEx) and operating expenses (OpEx) can be found in the table under criterion 3.2 ("Information on the EU taxonomy").

3.2 INFORMATION REGARDING EU TAXONOMY AS PER ARTICLE 8 OF THE EU TAXONOMY REGULATION

In EUR thousand	€	%
Revenue		
Group	93,568	
of which taxonomy-eligible	12,113	13%
of which not taxonomy-eligible	81,455	
OpEx		
Group	15,724	
of which taxonomy-eligible	1,879	12%
of which not taxonomy-eligible	13,845	
CapEx		
Group	9,487	
of which taxonomy-eligible	74	1%
of which not taxonomy-eligible	9,413	

3.3 METHODOLOGY

LPKF has conducted an analysis of its own economic activities. This involved comparing our corporate activities across all segments with taxonomy-eligible activities. Based on the comparison, we were able to determine the share of taxonomy-eligible activities in our core business. Under the current configuration of the taxonomy, we concluded that only the solar segment can be considered taxonomy-eligible. The systems from our SolarQuipment business unit makes a contribution to climate protection. The laser structuring of thin-film solar modules enables the more efficient use of these photovoltaic modules and actively promotes the use of renewable energies. The exact allocation is determined by Annex 1 of the delegated act. According to Article 10, the economic activity is assigned to the first environmental objective of the EU taxonomy.

The data required for CapEx, OpEx and revenue was determined based on the preceding analysis. In this case, data was recorded by the Controlling department.

Total revenue results from the value shown in the income statement for the year in question. With regard to total investments (CapEx), the total of all gross additional to current and non-current assets is counted. Total operating expenditure (OpEx) includes all direct, non-capitalized costs that arise in conjunction with research and development, short-term leasing relationships, renovation measures and additional costs of servicing, repairs as well as maintenance. The numerator indicates the taxonomy-eligible share of the key figures. Screening was carried out at segment level and then at product level. The data was recorded in accordance with IFRS segment reporting in the SolarQuipment company. The denominator of the key figures corresponds to the figures from the financial reporting. The data was recorded on a consolidated basis for the company in accordance with IFRS.

4 EMPLOYEES

4.1 EMPLOYEE RIGHTS

Compliance with employee rights is a matter of course for us and an essential element of achieving our corporate goals. Therefore, compliance with employee rights forms part of the overarching management concept for compliance with legal requirements. We not only follow this principle internally, but also expect our suppliers to do so.

In the reporting period, LPKF operated sites in six countries: Germany, the USA, Slovenia, China, Japan and Korea.

Applicable national labor legislation governing, for example, working hours, vacation entitlements, maternity leave and protection against dismissal is observed at all sites. Representation of the interests and rights of our employees is guaranteed by works councils that are freely elected by the employees at the production sites and by the Group Works Council, which operates across all sites in Germany. The latter negotiates shop agreements as well as providing advice and support to employees on a range of queries and problems concerning their employment relationship. In addition, contacts for HR compliance issues have been appointed and communicated, a globally available legal counsel has been hired and communicated for reporting and examining possible violations, and special contacts for particular topic areas have been appointed and communicated, e.g. contacts for data protection and for cases of sexual harassment.

As a general rule, we hire our employees on a full-time basis and provided them with in-house training. Only in exceptional cases do we employ temporary staff to cover temporary performance peaks or short-term bottlenecks. When doing so, we ensure that temporary staff are fully integrated into the everyday work routine and receive the same hourly wage as LPKF employees who carry out equivalent activities. We resort to restructuring measures only if the company's economic situation makes them unavoidable. Such measures are implemented in a socially compatible manner and in close consultation with the works councils at the sites.

In addition to providing a transparent organization, the measures for achieving our specified goal particularly include the provision of training courses on specific topics for employees and executives. Examples during the reporting period include training courses on handling insider information or on the Compliance Code.

Beyond the statutory requirements, we set out our responsibility to employees and the responsibility borne by employees for one another in our LPKF Compliance Code. In addition to the requirement to act in accordance with the law, it enshrines values such as responsible, ethical conduct, mutual respect, honesty, and integrity. Occupational health and safety are also considerations which are put into practice beyond compliance with legal requirements.

It is difficult to implement a risk analysis on compliance with employee rights. By conducting audits, continuously reviewing our organization, and training and informing our workforce, we create the conditions for minimizing risk and thus complying with the goal we have set ourselves.

In addition, our employees also have the opportunity to play an active role in helping to shape our corporate policy and our approach to sustainability considerations, for example, by submitting proposals as part of idea management. The company's short-term and long-term goals and the measures envisaged to develop the business are therefore brought to the attention of the entire workforce at regular employee meetings. Those meetings actively provide an opportunity for issues and questions to be raised directly with the Management Board and to influence internal decision-making processes.

An established system of annual employee performance appraisals provides an opportunity for structured exchanges as well as regular dialog between employees and executives. Here, each employee's tasks and associated qualification requirements are coordinated, targets for the coming year agreed, and their performance evaluated.

Key performance indicators

Employees*

Number	2021	2020	2019	2018
LPKF AG	310	271	253	236
SolarQuipment	126	121	127	123
WeldingQuipment	128	121	122	114
LPKF Slovenia	85	85	87	88
LPKF USA	31	28	31	32
LPKF China	51	49	50	50
LPKF Japan	8	7	6	5
LPKF South Korea	7	7	6	7
Group	746	689	682	655

*These Key performance indicators were reported for the first time in this context in 2020. For this reason, the key performance indicators from 2018 and 2019 are not included in the scope of the audit. Excluded from the figures are trainees, marginal employees, students/interns and temporary workers.

Type of employment*

In %	2021	2020	2019	2018
Permanent contracts	94.5	92.89	91.64	92.37
Fixed-term contracts	5.5	7.11	8.36	7.63
Indirect employees	0.27	0.15	0.15	0.46
Marginal employees	0.67	0.73	0.73	1.07
Part-time contracts	10.72	10.02	9.09	9.62

*Key performance indicators were reported for the first time in this context in 2020. For this reason, the key performance indicators from 2018 and 2019 are not included in the scope of the test. Excluded from the figures are trainees, marginal employees, students/interns and temporary workers.

4.2 DIVERSITY AND EQUAL OPPORTUNITIES

As at 12/31/2021, LPKF employed 810 people from 16 to 76 years of age from 36 nations in six countries. The reason for the growth in 2021 is the creation of jobs in strategically important future-oriented fields, especially in the areas of LIDE and Arralyze. Thanks to these new appointments, our workforce is now even more colorful and diverse. We attracted people of different ages and genders with educational backgrounds and qualifications that are new to LPKF. We also inspired them with our technologies and our informal working atmosphere.

All staffing decisions within the LPKF Group must be made regardless of gender, nationality, skin color, religion and sexual orientation. Diversity is a key factor for success, since every employee brings with him or her different qualifications, skills and experiences. This is part of our corporate culture and therefore firmly enshrined in our Compliance Code as well the Mission Statement. Given the strong technology focus of our company background, the proportion of male employees is comparatively high. As at 12/31/2021, 76% of employees were male and 24% female. The share of women in executive positions across all management levels was increased to 16.2% (2020: 14.8%).

To further promote equal opportunities for women in executive positions, we have set ourselves specific percentage targets (see Criterion 4.5 for further details).

Promoting a good work/life balance for our employees is the key to their professional success. This is why we enable flexible working hours and flexible working time accounts and part-time models. We also have shop agreements that allow mobile and home-office working that give our employees the flexibility of working from home or from other locations. The COVID-19 pandemic had added further impetus to digitalization with the result that the majority of our employees now work with considerable flexibility in terms of term and location. This also led to a further expansion of our international cooperation. Agreements on sabbaticals can also be reached if requested. Our employees are entitled to compassionate leave for important life events and family challenges. These include sick days for children over and above the statutory requirements or other family events.

4.3 OCCUPATIONAL SAFETY

Guaranteeing the health and safety of employees is one of the primary aims and activities of company social and occupational safety policy. We therefore operate an occupational safety management system that covers the health and safety of employees in the workplace and has been certified to DIN ISO 45001 since 2021. Protecting people, safety in the workplace, and health care are the focal points. We set ourselves annual goals for these topics at both location level and group level and examine the achievement of these goals after the end of the year. The goals derive from a range of factors that includes analyses of the annual accident statistics, AMB meetings and from discussions with department heads. To promote the health of our employees, we implement various measures at the individual locations, such as flu vaccinations. In 2021, vaccinations to protect against COVID-19 were offered to all employees. A large number of people from outside of the company also received vaccinations at our locations. Moreover, employees have the option to take part in medical check-ups conducted by company physicians, whose focus is also the provision of workplace health care to employees.

Working with laser sources involves special risks for our employees. Strict safety precautions to protect them from these risks are observed. In addition, all employees with access to laser areas receive regular training from an in-house laser protection officer about all the possible dangers associated with laser sources.

During the reporting year, the topic of occupational safety was examined as part of a project conducted across all sites to integrate ESG risks into the company's internal risk management system. Following a risk analysis, it was incorporated as a risk posing a "hazard to the health of employees" with a very

low probability of occurrence. Among other things, occupational safety goals were defined as measures to avoid hazards to health.

Occupational safety in dealing with hazardous substances

Although our work with hazardous substances is limited, it cannot be avoided entirely. To guarantee the protection of our employees at all times, we adhere to comprehensive safety standards in dealing with hazardous substances.

Technical protection measures

The chemicals laboratory at LPKF is equipped with fume cupboards and chemicals are stored in ventilated hazardous material cabinets. These are checked annually by an external specialist. Internal safety inspections are conducted every two weeks and the results are recorded in a database. Access to areas in which work is carried out using hazardous substances is controlled by electronic security authorization systems. Access is granted only to employees who have completed all necessary training each year.

Information and protection of employees

Hazardous substances are categorized with their known risks. Safety data sheets are also provided. Substances that are carcinogenic, mutagenic, or toxic for reproduction as well as Substances of Very High Concern (SVHC) are specially identified. This information is available to all employees and is regularly reviewed and updated. There are specific operating instructions for each hazardous substance. These contain information about the hazards, handling and storage of the substance as well as about first-aid measures. Employees receive instruction as standard once annually and in response to any changes. Nobody is permitted to work in the chemicals laboratory without suitable protective equipment for the hazardous substance in question.

Safe working procedures

The storage of hazardous substances is carefully planned to guarantee a high level of safety. This includes the separate storage of chemicals that would react in a potentially hazardous manner, as well as integrated measures for the containment of leaks. The safe handling and storage of hazardous substances are also described in the specific operating instructions and vary according to hazardous substance.

Training on how to behave in an emergency also takes place annually. This includes testing emergency protective equipment as well first aid sets for chemical agents. Additional training on how to handle extremely hazardous substances is provided. First responders receive separate training in how to deal with serious chemical emergencies.

Measurements and medical checks

In the event of an emergency or to verify the safety of an area following an emergency, we have equipment that we can use to measure relevant toxic gases. Measurements are also conducted if a relevant area receives an upgrade or change that must be checked. The appropriateness of the safety measures as well as the need for possible medical investigations are defined in the risk assessment.

Before work can be authorized, this type of risk assessment is carried out and reviewed on a regular basis to determine whether it needs to be adapted.

4.4 QUALIFICATIONS

In a growing and learning organization, demands on employees also change continually. LPKF seeks to meet this challenge with Group-wide staff development programs to promote talent in a lasting way. Continuing professional development was continued in the reporting period with the help of a practice-oriented training catalog. Due to the restrictions imposed by COVID-19, virtually all on-site events were replaced by web-based offerings. There are also a range of training courses for our executives which are intended to support them in their managerial role. As part of our mentoring program, we offer young executives the opportunity to benefit from the knowledge of more experienced executives by attending regular round-table discussions.

The company has a balanced age structure. Long-serving employees bring a wealth of experience, which is enhanced by the fresh ideas of our young new recruits. The average age of the workforce is 41.1 years. However, we are also proud that many of our employees have been working for us for decades. The turnover rate is 5% (previous year: 6.41%).

Young professionals are a crucial investment for the future, particularly set against the backdrop of demographic change. LPKF therefore continuously trains young women and men across a range of jobs - electronics technicians for devices and systems, electronics technicians for automation technology, IT specialists for system integration, IT specialists for application development, industrial clerks, mechatronics technicians, microtechnologists and technical product designers. In this context, we go to great lengths to attract young women to technical jobs and encourage this, for example, via social media campaigns. The Group employed 34 trainees over the reporting period. We endeavor to offer our trainees a permanent position at the end of their training period and secure their services for LPKF over the long term. We have managed to do so in the past with great frequency. All trainees who have completed their training are offered their first job at LPKF. The goal is to employ highly qualified staff and technicians at the company for as long as possible.

To offer our trainees the best possible training, we support them with a range of measures. At the German sites, we set aside working time each week for lessons and offer a week-long external training course on how best to prepare for the final examinations. We host an annual trainee meeting that allows all trainees at the German sites to exchange information and experiences. Unfortunately, we were forced to cancel the meeting in 2021 due to the COVID-19 pandemic.

As part of our efforts to recruit and nurture young talent, we take part in the national "Future Day" initiative for pupils each year. Regrettably, this initiative was also canceled in 2021 due to the COVID-19 pandemic. Cooperation agreements with vocational schools were continued. Once again, we also created a pool of university finals projects in 2020 and 2021. We have already been able to offer permanent positions to some of the scholarship recipients and students who had previously written their bachelor's or master's thesis at LPKF.

Many measures are used to counteract the risks to operating activities, business relationships and the products and services arising from the loss of qualified personnel.

Key performance indicators

	2021	2020	2019	2018
Turnover rate	5.02%	6.41%	10.22%	14.37%
Average age of the workforce	41.1	40.9	40.7	40.6
Number of trainees	34	40	43	34
Trainee hiring rate*	100%	100%	100%	100%
Number of students/apprentices	23	10	10	7

* The hiring rate refers to all trainees who received an employment contract for a job on completion of their training

4.5 KEY PERFORMANCE INDICATORS FOR CRITERIA 4.1 - 4.4

Key Performance Indicator GRI SRS-403-9*

A risk assessment covering all job roles is conducted to determine the potential risks to which employees are exposed whilst carrying out their duties. Where necessary, we take steps to avoid or reduce risks in line with the STOP principle (STOP stands for Substitution, Technical measures, Organizational measures and Personal protective equipment).

As part of occupational safety management, we collect statistics about accidents in the workplace and on the commute. The majority of work-related injuries involve minor cuts. The accident statistics are assessed at the meetings of the Occupational Safety Committee, any necessary actions are taken, and the implementation of those actions is subsequently monitored.

	2021	2020	2019	2018
Accidents leading to work loss*	6	4	11	9
Days lost due to accidents*	39	14	92	116
Deaths due to work-related injuries	0	0	0	0
Work-related injuries with serious consequences	0	0	0	0
Lost Time Injury Frequency Rate (LTIFR)**	0.9	0.6	n/a	n/a

* The data for 2018 and 2019 relates only to the production locations. For 2020, data collection was expanded to include the entire Group. For this reason, the key performance indicators from 2018 and 2019 are not included in the scope of the test. Accidents leading to work loss occurred only at the production locations.

**The LTIFR was determined for the first time in 2020. It is determined based on the number of accidents involving downtime per 200,000 working hours.

Key performance indicator GRI SRS-403-10*

Work-related illnesses among our salaried employees and external staff are not evaluated. In the reporting period, there were no deaths due to work-related illnesses.

Key performance indicator GRI SRS-403-4*

An Occupational Safety Committee meeting attended by an interdisciplinary team is held at all German LPKF locations four times annually.

All relevant information and topics relating to the integrated management system, such as occupational health and safety, are communicated across all locations at the expert group meetings for occupational health and safety, quality and the environment. The expert group meetings generally take place three times annually and are attended in person. Due to the pandemic, only one in-person meeting was held, with the other two held as online meetings.

As part of the crisis management, a task force to combat the COVID-19 pandemic was established. This task force held regular conference calls to advise about protection measures for company employees and then implemented these. Employees were informed on a regular basis by means of postings on the Intranet, notices, newsletters and employee meetings about the current status of measures and the work of the task force.

Key Performance Indicator GRI SRS-404-1*

The need for training and continuing professional development is determined by the relevant line managers and forms part of the annual training plan created as part of the employee performance appraisal. The effectiveness of all training and continuing professional development is assessed. During the reporting period, the average number of training days per employee for training and continuing professional development purposes was recorded for the LPKF Group. Further classification of personnel development measures by diversity indicators or by employee category was conducted only for LPKF AG.

LPKF Group

Per employee	2021		2020	
	Days	Hours	Days	Hours
Average training duration	0.73	5.5	0.55	4.2

LPKF throughout Germany

Per employee	2021		2020	
	Days	Hours	Days	Hours
Average training duration	0.73	5.5	0.49	3.7
Average training duration for employees without management responsibility	0.66	5.0	0.44	3.3
Average training duration for managers	1.05	8.0	0.70	5.3
Average training duration for male employees	0.70	5.3	0.51	3.9
Average training duration for female employees	0.81	6.2	0.42	3.2

LPKF is endeavoring to increase the number of training days per employee and has set itself the target of 0.85 training days per employee across the Group by 2023.

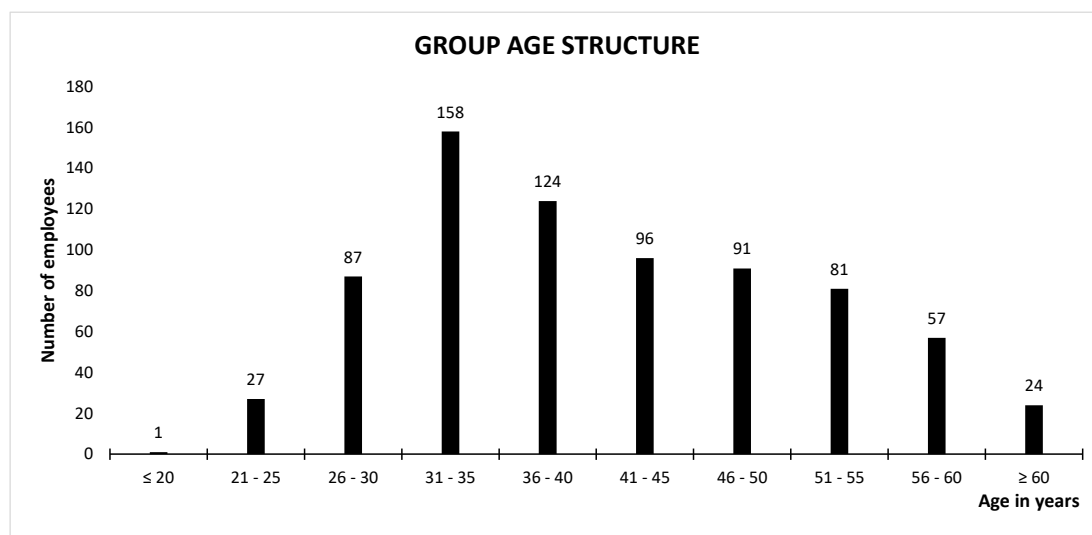
Key Performance Indicator GRI SRS-405-1*

During the reporting period, the vacant position on the Management Board was temporarily filled by the head of the Development business unit. As a result, the proportion of women on the Management Board for much of the year was 50%. Following the appointment of a new CEO on January 1, 2022, the proportion of women on the Management Board is currently 0% again. The proportion of women on the Supervisory Board is currently 25%. Following new appointments to the Supervisory Board in December 2020, the targets for the composition of the Supervisory Board stipulated at the start of 2019 were revisited and a female candidate was proposed for election to the Supervisory Board at the 2021 Annual General Meeting. Following resolutions passed on February 27, 2019, the Supervisory Board set the following target figures and deadlines for the composition of the Management Board: with regard to the proportion of women on the Management Board, the Supervisory Board set a target figure of 0%. Since the current Management Board consists of just two members and taking into account the current appointment terms of both male members and the fact that there are no plans to expand Management Board, the Supervisory Board did not deem it appropriate to set a higher target value for the Management Board. The deadline for achieving the target value was set at February 26, 2024.

In line with legislation covering the equal participation of women and men in private and public sector management positions, the Management Board has set a target for the proportion of women in the two management levels below the Management Board. The figure is 17% for the first management level below the Management Board and 23% for the second management level below the Management Board. A deadline of June 30, 2022, has been set for achieving these target values. At the end of 2021, the proportion of women was 18% in the first management level below the Management Board and 14% in the second management level below the Management Board. It is planned to set new target values in the second quarter of 2022.

The data below refers to the reporting date 12/31/2021

In %	Female	Male	Diverse	Aged below 30	Aged 30-50	Aged above 50
Supervisory Board	25	75	0	0	25	75
Management Board	50	50	0	0	100	0
First management level below Management Board of LPKF AG	18	82	0	0	73	27
Second management level below Management Board of LPKF AG	14	86	0	0	67	33
Managers in the LPKF Group	16	84	0	1	74	25
Employees in the LPKF Group (excluding managers)	26	74	0	16	63	21
Employees in the LPKF Group (including managers)	24	76	0	13	65	22



No further classification of employees by diversity indicators was conducted during the reporting period.

Key Performance Indicator GRI SRS-406-1*

One incident of suspected discrimination was reported during the reporting period. The accusation was investigated internally and by external legal professionals. The accusation ultimately proved to be

without foundation and was not pursued by the reporting employee. The incident was brought to a conclusion during the reporting period and is not the subject of legal action.

4.6 INCENTIVE SYSTEMS

The current system for the remuneration of the Members of the Management Board was approved by the 2021 Annual General Meeting on May 20. The purpose of the remuneration system is to balance the interests of the Management Board and the shareholders. To this end, Management Board remuneration will be closely connected with growth in enterprise value. In addition, the system is enterprise value-driven and strongly focused on revenue growth, profitability, return on investment, ESG and broader strategic goals.

A detailed report on the remuneration system for the Management Board and the sustainability targets contained therein can be found in the Remuneration Report in the [2021 Annual Report](#) on pages 84-106.

The remuneration system for senior executives also contains short-term and long-term variable components. Both corporate and personal targets are agreed for the short-term variable remuneration component. The long-term variable component particularly recognizes LPKF's contribution to and the sustainable increase in enterprise value.

For the first time in 2019, LPKF set up an employee stock program to promote employee participation and to increase identification with the Company. In 2020, the employee stock program was also expanded to include the other LPKF locations outside Germany. LPKF grants all employees an allowance under this program, which achieved a participation rate of 47.7% at the German locations in its first year, 52.8% the following year, and 48.2% this year. In 2021, the participation rate at the international sites was 26.3%, which means that a total of 43.3% of employees have participated in the program. Over the past three years, the participation rate among all employees has increased to a total of 59.6%.

An idea management system has been established to give employees the opportunity to contribute their own ideas within the company and to benefit from those ideas. Employees can submit their proposals together with details of the expected improvement. Following the assessment and, where appropriate, implementation of the proposal, the employee receives a bonus.

To promote health and well-being, we provide our employees at the various locations with a range of offers, such as fruit and fruit juices free of charge. LPKF also supports sustainable mobility with commuter ticket and cycle-to-work offers.

4.7 KEY PERFORMANCE INDICATORS FOR CRITERION 4.6

Key Performance Indicator GRI SRS-102-35*

The remuneration of the Supervisory Board, the company's highest monitoring body, is determined by a resolution of the Annual General Meeting. A report on the remuneration of the Supervisory Board in 2021 is provided in the [2021 Annual Report](#).

The Supervisory Board of LPKF AG sets and regularly reviews the Management Board remuneration system. A report on the remuneration of the Management Board in 2021 is provided in the [2021 Annual Report](#).

The current remuneration system takes account of sustainable corporate management, as described in Criterion 4.6 (“Incentive System”).

In addition to a fixed component, the Management Board sets the corporate and personal targets for senior executives' variable remuneration components, which are subject to a target agreement.

The special year-end payment for non-executive employees for the German divisions of the company is governed by a Group agreement in which the company's success is a key factor in determining the amount of the payment.

Key Performance Indicator GRI SRS-102-38*

LPKF is an export-oriented company. We therefore have a large number of branches and offices worldwide which have very different, country-specific salary levels. For the individual countries with business locations with more than ten employees, the ratio of the annual remuneration of the highest-paid person in the organization in each individual country to the median total annual remuneration for all salaried employees including executive bodies (except for the highest-paid person) in that country is as follows:

Country	Ratio (peak value as a multiple of the median)
Slovenia	7.79
China	3.16
USA	2.95
Germany	7.93

5 SOCIETY

5.1 HUMAN RIGHTS

We have set up a compliance organization and established it at all locations. This compliance organization also deals with human rights issues. Given the minimal impact of our business activity in this field, we believe that developing an additional written concept is not relevant for our company.

Our [LPKF Compliance Code](#) requires our employees to comply with regulations for the protection of human rights. As part of a supplier self-declaration, the upstream suppliers in our value chain also undertake to respect fundamental human rights. Our suppliers commit to complying with a social responsibility code, such as the principles of the United Nations Global Compact. During the qualification process, they must confirm that they themselves and their supply chain adhere to the ten principles of the UN Global Compact. Those principles primarily concern the protection of internationally recognized human rights, the right to collective bargaining, the abolition of forced and child labor, the elimination of discrimination in respect of employment and occupation, environmental

responsibility, and measures to combat corruption. Alternatively, the Company's own comparable Code of Conduct documents from suppliers are recognized. Our conditions of purchase also require suppliers to observe all relevant legislation governing employee relations, environmental protection and occupational health and safety.

During the reporting year, the topic of human rights was examined as part of a project conducted across all sites to integrate ESG risks into the company's internal risk management system. Following a risk analysis, it was incorporated as a risk of "breaches of human rights in the supply chain" with a very low probability of occurrence. Among other actions initiated, the evaluation of suppliers with regard to human rights violations was intensified and random inspections were conducted using supplier audits as preventive measures.

Additional information on the topic of human rights can be found in Criterion 1.7 "Depth of Value Chain" and in the key performance indicators GRI SRS-414-1 and GRI SRS-414-2.

5.2 KEY PERFORMANCE INDICATORS FOR CRITERION 5.1

Key Performance Indicator GRI SRS-414-1*

In accordance with our process instructions, new suppliers are asked in a supplier self-declaration whether they operate in accordance with a social responsibility code, preferably the principles of the UN Global Compact Initiative. If, exceptionally, a supplier has to be set up at short notice, the self-declaration is obtained at a later date. As part of the qualification process, the suppliers are then assessed according to social criteria and are required to confirm in writing their compliance with the Code of Conduct.

The direct suppliers newly set up during the reporting period were assessed to 100% at the Garbsen, Fürth and Suhl sites.

Key Performance Indicator GRI SRS-414-2*

The social impact of series production suppliers that cumulatively account for 80% of the procurement volume as well as selected suppliers with growth potential was reviewed in the reporting period.

No negative effects on human rights at the direct suppliers of LPKF Laser & Electronics AG were identified in the reporting period.

5.3 CORPORATE CITIZENSHIP

LPKF can only succeed in a functioning social environment. We are actively involved in a range of projects at our locations. In that regard, most initiatives are planned and implemented by employees in coordination with management at the site.

Promoting young people in the areas of science and education are important priorities for us. We offer a variety of internships for pupils, students and retrainees. We help students to carry out practical bachelor and master theses on a broad range of subjects by providing the necessary resources and corresponding experts. In 2021, we also funded four scholarship students at Leibniz University Hanover

and Georg-August University of Göttingen in the fields of physics, nanotechnology, electrical engineering, and computer science.

The national “Future Day” initiative for pupils was called off due to the measures to contain the spread of COVID-19, which forced LPKF to suspend its activities in this area in 2021. Likewise, none of the career guidance information events for schoolchildren could be held.

Social commitment

Social issues	LPKF donates	<ul style="list-style-type: none"> • Running challenge – fundraising through sports activities by the employees • A fundraising campaign by employees in aid of the victims of the flooding catastrophe in Germany + amount raised matched by LPKF • Aktion Deutschland Hilft • Kids in Action e.V. – support for a troll walk • “Animal-Help-Human” Foundation • Participation in the Children’s Future Foundation’s Christmas parcel campaign • Förderverein Kindergarten Hinternah e.V. – support for candy cone festival • Support for the children’s hospice in Central Germany • Support for the Slovenian Association of Friends of Youth • Support for the recreational club “RAPIDO” in Slovenia
Science and education	LPKF supports	<ul style="list-style-type: none"> • Supporting scholarship students • Forum MedTech Pharma e.V. • Förder- und Freundeskreis Friedrich-Alexander-Universität Erlangen-Nürnberg e.V.
Art, sport and culture	LPKF donates	<ul style="list-style-type: none"> • Kunst- und Kulturverein Zella- Mehlis e.V. • KULtRAUM Suhl e.V. – supporting a street theater festival in Suhl

Donation activities

	2021	2020	2019	2018
Garbsen	€10,639.82	€12,700	€11,435	€4,100
Suhl	€5,220.71	€9,400	€13,500	€14,264
Fürth	€2,039.47	€1,000	€2,000	€1,105
Naklo	€10,500	€11,000	€10,800	€5,900

**Key performance indicators were reported for the first time in this context in 2020. For this reason, the key performance indicators from 2018 and 2019 are not included in the scope of the test.*

5.4 KEY PERFORMANCE INDICATOR FOR CRITERION 5.3

Key Performance Indicator GRI SRS-201-1*

An overview of the business indicators for this key performance indicator can be found in the [2021 Annual Report](#) on pages 84-106 (Management Board and Supervisory Board Remuneration), pages 109/110 (Consolidated Statement of Financial Position), page 108 (Consolidated Statement of Comprehensive Income), pages 111/112 (Consolidated Statement of Cash Flows) and pages 126-133 (Notes on the Consolidated Income Statement).

5.5 POLITICAL INFLUENCE

Legislative processes relevant to LPKF relate primarily to general provisions of commercial, civil and capital market law, company and tax legislation, occupational safety, labor and social legislation and product category-specific requirements. LPKF did not make any submissions on legislative processes during the reporting period.

LPKF is not active on a party political basis and does not support any parties. We are involved in expert panels and industry associations.

The company is a member of the following associations:

- BME – Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (Federal Association of Materials Management, Purchasing and Logistics)
- DGFP – Deutsche Gesellschaft für Personalführung e.V. (German Association for Human Resources Management)
- DIN – Deutsches Institut für Normung e.V. (German Institute for Standardization)
- Leibniz Universitätsgesellschaft Hannover e.V. (Leibniz University of Hanover Society)
- Stifterverband für die Deutsche Wissenschaft (German Association for the Promotion of Science)
- VDMA – Verband Deutscher Maschinen- und Anlagenbau e.V. (German Engineering Association)
- DIRK – Deutscher Investor Relations Verband e.V. (German Investor Relations Association)

5.6 KEY PERFORMANCE INDICATOR FOR CRITERION 5.5

Key Performance Indicator GRI SRS-415-1*

LPKF Laser & Electronics AG does not donate or provide non-cash benefits to political parties, politicians or for political purposes.

5.7 CONDUCT THAT COMPLIES WITH THE LAW AND POLICY

As a company with global operations, LPKF has responsibilities to its customers, employees, shareholders and to the general public. Part of being a good corporate citizen means that LPKF requires

all its employees to obey applicable laws everywhere and at all times, to respect ethical principles and to adopt sustainable practices.

Compliance

In 2015, LPKF introduced a [Compliance Code](#) as a guiding framework for all employees in the LPKF Group. Available in German and in English, it identifies possible areas of risk and conflict including those in relation to corruption, export control/money laundering and data protection and sets out best-practice guidelines. Group-wide mandatory online compliance training for all employees has been held annually since 2019. This aims to achieve the goal of raising employee awareness as effectively as possible for the topic of compliance. The training is offered in German, English, Slovenian and Chinese. New employees are given a copy of the Compliance Code directly with their employment documents and complete the compliance training course shortly after joining the company. The main features of the [Compliance Management System](#) are published on the company's homepage.

As part of an annual partial legal area analysis, the Management Board and the Compliance Manager examine which legal areas are relevant to compliance at the company. A compliance risk analysis is performed once every two years, most recently in 2020.

Training on "Market abuse law – Prohibition of insider trading" has been conducted for executives and relevant employees throughout the Group since 2019.

The Chief Financial Officer (CFO) is the member of the Management Board with responsibility for establishing the structural and organizational framework for compliance management. The Compliance Manager is charged with setting up, developing and administering the compliance structure and is also the point of contact for all compliance-related matters. He reports in this capacity directly to the Management Board.

The management is informed by the Compliance Officer when incidents occur and is involved in following up possible incidents and the resulting measures. Sanctioning measures can include employment law measures as well as general legal steps.

Fraud and money laundering prevention

Since 2020, the company has intensified its focus on the risks of fraud and money laundering.

Following organizational changes, a new money laundering officer and deputy were appointed. Both persons received further training and certification during the reporting year as part of an external training course on the prevention of money laundering and fraud. They are responsible for ensuring compliance with the legal requirements under the money laundering legislation and for establishing the necessary organizational measures and processes. They also help minimize risks associated with fraud or the financing of terrorists. During the year, selected groups of employees receive regular instruction regarding the risks of money laundering, financing terrorism and are trained using individual measures.

In January 2022, annually recurring online training courses devoted to the topics of money laundering, know your-customer, financing terrorism and fraud were conducted for the first time within the LPKF Group. To guarantee a suitable degree of awareness, the training courses will be revised at regular intervals.

Whistleblowing management

We introduced a whistleblowing management system in 2017. Every employee can submit a complaint which points to the breach of a law or the Code of Conduct. The employee can make that complaint to his or her line manager, the relevant managing director, the works council or the Compliance Manager. In addition, an independent lawyer has been appointed as confidential legal counsel to the company, who acts as an external reporting channel and to whom anonymous reports can be submitted. The protection of whistleblowers is safeguarded by our whistleblowing management policy. This procedure is also in line with the planned implementation of the EU Whistleblowing Directive.

Internal Revision

Internal auditing, which is performed by an international audit firm operating as a third-party service provider, plays a key role in the compliance organization. The relevant audits are also used to update the internal control system.

The systems, processes and measures reported on here are collectively sufficient to prevent unlawful conduct. During the reporting year, the topic of corruption was examined as part of a project conducted across all sites to integrate ESG risks into the company's internal risk management system. Following a risk analysis, it was incorporated as a risk of "bribery and corruptibility by or of employees" with a very low probability of occurrence. The provision of training courses to raise of staff awareness was defined as a measure to prevent corruption.

5.8 KEY PERFORMANCE INDICATORS FOR CRITERION 5.7

Key Performance Indicator GRI SRS-205-1*

Measures aimed at preventing corruption have been defined in particular to the company's strong international focus. As part of the annual partial legal area analysis, the Management Board once again highlighted the topic of corruption as a priority throughout the Group. Corruption awareness was explicitly included in compliance training at all locations.

Key Performance Indicator GRI SRS-205-3*

There were no incidents of corruption in the reporting period.

Key Performance Indicator GRI SRS-419-1*

LPKF AG was not subject to any significant fines or non-monetary sanctions for failing to comply with laws or regulations in the reporting period.

Limited Assurance Report of the Independent Auditor regarding the combined separate non-financial group report¹

To the Supervisory Board of LPKF Laser & Electronics Aktiengesellschaft, Garbsen

We have performed an independent limited assurance engagement on the non-financial statement of LPKF Laser & Electronics Aktiengesellschaft (further “Company” or “LPKF”) according to § 315b of the German Commercial Code (HGB) and on the non-financial statement of the parent company in accordance with § 289b HGB that is combined with it, which are published in the form of a separate report outside of the Management Report, (further “combined separate non-financial report”) for the period from January 1 to December 31, 2021.

Management’s Responsibility

The legal representatives of the Company are responsible for the preparation of the combined separate non-financial report in accordance with §§ 315b, 315c in conjunction with 289b to 289e HGB and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further „EU Taxonomy Regulation“) and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in Section “EU Taxonomie” of the separate non-financial report.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the combined separate non-financial report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the combined separate non-financial report that is free of – intended or unintended – material misstatements.

¹ Our engagement applied to the German version of the combined separate non-financial report 2021. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Section “EU Taxonomie” of the combined separate non-financial report. They are responsible for its tenability. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations is subject to uncertainty.

Practitioner’s Responsibility

It is our responsibility to express a conclusion on the combined separate non-financial report based on our work performed within a limited assurance engagement.

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information”, published by IAASB.

Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the combined separate non-financial report of the Company for the period from January 1 to December 31, 2021 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Section “EU Taxonomie” of the combined separate non-financial report. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor’s own judgement.

Within the scope of our engagement we performed, amongst others, the following procedures:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for LPKF
- A risk analysis, including media research, to identify relevant information on LPKF’s sustainability performance in the reporting period
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and combating corruption and bribery
- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures
- Inspection of selected internal and external documents

- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on interviews and evaluation of documentation
- Assessment of the overall presentation of the disclosures
- Evaluation of the process for the identification of taxonomy-eligible economic activities and the corresponding disclosures in the combined separate non-financial report

The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures according to Article 8 of the EU Taxonomy Regulation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainty.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined separate non-financial report of LPKF for the period from January 1 to December 31, 2021 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Section “EU Taxonomie” of the combined separate non-financial report.

Restriction of Use/General Engagement Terms

This assurance report is issued for purposes of the Supervisory Board of LPKF Laser & Electronics Aktiengesellschaft, Garbsen only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of LPKF Laser & Electronics Aktiengesellschaft, Garbsen and professional liability as described above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Frankfurt am Main, April 27, 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Krause

Herold

Appendices

Combined separate non-financial report for the period
from January 1 to December 31, 2021

Appendix 1

General Engagement Terms

Appendix 2

Contact and publishing information

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You can find additional information about LPKF Laser & Electronics AG as well as the addresses of our subsidiaries on the Internet at www.lpkf.com. This report is also available for downloading on our homepage.

Disclaimer

This non-financial consolidated report contains forward-looking statements that are based on the Management Board's current estimates and forecasts and on information currently available. These forward-looking statements should not be interpreted as guarantees of anticipated future developments and results. On the contrary, the future developments and results depend on a large number of risks and uncertainties and are based on assumptions that might not prove accurate. We are under no obligation to update these forward-looking statements. For mathematical reasons, rounding differences may occur in percentage figures and numbers in the tables, illustrations and texts contained in this report.

This non-financial report is published in German and English. The German version shall prevail in case of any discrepancies.

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