



» Separate Non-Financial
Consolidated Report 2020

LPKF

Laser & Electronics

» Table of contents

» General Information.....	3
1 Strategy.....	4
1.1 Strategic Analysis and Action	4
1.2 Materiality	5
1.3 Objectives	5
1.4 Depth of Value Chain.....	8
2 Process Management	9
2.1 Responsibility	9
2.2 Rules and Processes	10
2.3 Control.....	10
2.4 Key Performance Indicator for Criterion 2.1 – 2.3	10
2.5 Incentive Systems	11
2.6 Key Performance Indicators for Criterion 2.5	12
2.7 Stakeholder Engagement	13
2.8 Key Performance Indicator for Criterion 2.7	14
2.9 Innovation and Product Management	15
3 Environment	16
3.1 Use of Natural Resources	16
3.2 Resource Management	16
3.3 Key Performance Indicators for Criterion 3.1 – 3.2.....	17
3.4 Climate-Relevant Emissions	19
3.5 Key Performance Indicators for Criterion 3.4	20
4 Society.....	21
4.1 Employee Rights.....	21
4.2 Equal Opportunities	23
4.3 Occupational Safety.....	23
4.4 Qualifications.....	24
4.5 Key Performance Indicators for Criteria 4.1 - 4.4.....	25
4.6 Human Rights	28
4.7 Key Performance Indicators for Criterion 4.5	29
4.8 Corporate Citizenship.....	29
4.9 Key Performance Indicator for Criterion 4.8	30
4.10 Political influence	30
4.11 Key Performance Indicator for Criterion 4.10	31
4.12 Conduct that Complies with the Law and Policy.....	31
4.13 Key Performance Indicators for Criterion 4.12	32

» General Information

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 and a large number of other 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 on the cutting edge of technological feasibility, both for industry and consumers.

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 and TecDAX of the German Stock Exchange.

Supplementary comments:

The information in this report refers, in part, to the 2020 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, 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 Strategic Analysis and Action

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.

Specific measures were formulated with a view to implementing our 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.

Key action areas in relation to sustainability are specified in our mission statement (Criterion 2.4), which forms part of the corporate strategy.

LPKF AG's management system, which complies with DIN EN ISO 9001, describes the interaction between company processes and the requirements placed on executives, products and services. Regular internal and external audits are conducted to review the standards set out in the Management Handbook. In addition, 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 at all sites. It incorporates key principles related to sustainable development, particularly in the areas of value creation, employees, the environment and society.

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. With our systems for the structuring of solar cells, we are helping to increase their effectiveness so that solar panels can be used to generate power even more economically without subsidies.

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 inherent responsibility to protect customers and employees from these risks. Our customers are comprehensively informed about and trained on the risks. Occupational safety is therefore also a top priority at LPKF. All employees with access to laser areas receive regular training from an in-house laser protection officer about all the possible dangers connected with laser sources.

As part of the 2020 risk assessment, no risks with a very high likelihood of occurrence and serious negative consequences for non-financial aspects were identified for the 2020 reporting year.

1.2 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 the key non-financial aspects in accordance with the HGB of October 2019 was reviewed again in February 2021 and the aspects identified assigned to the Sustainable Development Goals of the United Nations (for more information, see Criterion 1.3).

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 under Criterion 1.3. Our laser systems contribute to the environmental aspect in different ways. This is explained in more detail under Criterion 2.9.

Information about the opportunities and risks arising from our operating activities can be found under Criterion 1.1. We have set ourselves the strategic objectives stated under Criterion 1.3 for the five aforementioned doubly critical topics according to the HGB.

1.3 Objectives

In relation to the main sustainability factors, LPKF AG has set itself the following objectives:

Value creation:

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 2019 we invested 8.9% of our revenue in research and development. R&D investment in the 2020 financial year amounted to 11.4%. Our objective for the years ahead is still to maintain an R&D budget of approx. 10% of revenue.

We already succeeded in completely reducing our net debt in 2019. As a result, we now enjoy unrestricted entrepreneurial freedom and can make the necessary investments for further growth from our own resources. A low level of working capital allows the company to grow without additional capital requirements.

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.

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.

There are the following action areas:

- employee retention
- promoting young professionals
- occupational health and safety

Continued systematization of key HR processes is a working priority within the LPKF Group. Progress towards achieving the objective is monitored as part of an annual review of HR processes.

In the short term, LPKF is working to secure occupational safety management certification according to ISO45001.

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. A specifically measurable objective has not been defined in relation to this commitment. 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

Environment:

We strive to protect nature and conserve resources in all our business activities. On the one hand, we are continuing to drive forward the replacement of chemical production processes with laser technology; on the other, we are promoting the economical use of renewable energy in the solar sector.

We try to design our processes to use resources as sparingly as possible.

However, we have defined the following action areas at production locations to continuously improve our environmental contribution:

- energy efficiency
- CO₂ reduction
- reduction of non-recyclable materials and hazardous waste

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 (except for the USA) 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 3.4).

LPKF is targeting environmental management certification according to ISO14001.

Quality:

Product quality is a key indicator as it plays a significant role in increasing customer satisfaction. We have defined the following action areas to achieve our goals in this area:

- improving product quality
- expanding idea management

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 (12 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:

2018: 70

2019: 48

2020: 34

The error rate has further improved and is significantly below the target of less than 50.

Furthermore, design changes have led to improved product quality. As a result, we managed to reduce warranty costs in the Development segment by an average of almost a half year on year. Warranty costs in the other business areas also were stable or improved.

Idea management

In 2019, we established works idea management at the Garbsen site. Employee participation during the intervening period has been very positive and 2020 once again saw a range of suggestions submitted. More than 50% of the ideas submitted related to occupational safety, environment, and employee satisfaction.

Sustainable Development Goals

LPKF supports the implementation of 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.

Our materiality analysis has identified the following SDGs as the key action areas for LPKF that have the greatest potential influence:

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

- Decent work and economic growth
- Industry, innovation and infrastructure

Employees - Impact on employee satisfaction and job security

- Decent work and economic growth
- Gender equality

Environment - Impact on nature and resources

- Affordable and clean energy
- Responsible consumption and production
- Climate action

Society - Impact on social development

- Quality education

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.

1.4 Depth of Value Chain

Value chain

The value chain at LPKF begins at procurement, continues through research and development, sales and marketing, production, order processing, logistics, and service and commissioning, and extends as far as 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 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 3.4. 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 a business relationship.

We cannot undertake comprehensive monitoring of, or exercise extensive control over, the upstream links in the supply chain and the associated process stages. Since there is no contractual relationship between LPKF and the sub-suppliers, intervention in this regard – including by legal means – is not possible. When signing the LPKF Code of Conduct requirements, direct suppliers are confirming that they will also respect and ensure adherence to the ten principles of the UN Global Compact throughout their supply chains.

Supplier evaluation

LPKF conducts an annual supplier evaluation for series production suppliers, which represent up to 80% of the 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 was rolled out accordingly within the last 3 years.

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.

2 Process Management

2.1 Responsibility

All sustainability considerations are firmly anchored at Management 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.

In addition, sustainability considerations 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.

2.2 Rules and Processes

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. The Corporate Communications department is responsible for reporting.

2.3 Control

The non-financial aspects are subject to regular controls and are reviewed as part of our management system. Management, planning and occupational safety form part of the Integrated Management System and are thus subject to regular review by officers appointed by the Management Board for that purpose – the Quality Management Officer, the Occupational Safety Management Officer and the Risk Management Officer – 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 is taken to deal with the risks identified and to prevent any loss or damage.

2.4 Key Performance Indicator for Criterion 2.1 – 2.3

LPKF AG's current Mission Statement, which sets out general values, principles and standards of conduct, was created for the LPKF Group in 2009 and has since been regularly reviewed and updated.

The "Success is Teamwork" Mission Statement consists of the following nine points:

1. We work for the success of our customers.

Benefiting our customers is the focus of our work. All our activities and decisions are aimed at improving the competitiveness of our customers through technological advancement and cost savings.

2. We utilize success to sustainably strengthen LPKF.

A successful enterprise is in the interest of customers, business partners, employees, and shareholders. Profitability and thus enterprise value largely depend on our ability to take advantage of new opportunities and respond to challenges. Our particular focus is therefore on strengthening the company's innovative resources and profitability to lay the foundations for sustained, long-term growth.

3. We focus on leading positions in technology.

LPKF is a technology group. We shape the technological progress and gain leading market positions through the strength of our superior solutions. We concentrate our efforts on products with the potential to become the number one or number two in market position.

4. We work internationally and partnership-based.

A sense of professional partnership characterizes our relationships: with customers, suppliers and distributors as well as with companies and individual employees within the LPKF Group. As part of an internationally active group, we strive for understanding and cooperation between various cultures and philosophies, and always place our common interests at the forefront of international relations.

5. We deliver quality.

The high quality of our products is the key to customer satisfaction. All employees shoulder responsibility for the quality of the work we do for our customers. LPKF promotes the professional qualifications of its employees to sustain the high quality of LPKF products.

6. We do our share to protect the environment.

With laser-based technology we help to reduce waste. It is our policy to continue on the path of environmental awareness with our eco-friendly product design and sustainable business practices.

7. We are concerned about the health and well-being of all of our colleagues.

Health and well-being are the foundation for success. This is why staying healthy and ensuring workplace safety are high priorities for us.

8. We continually strive for improvement.

We are never satisfied with the status quo. Instead, we constantly aim to optimize our products and the processes required for their development and production. It goes without saying that our corporate culture is open and encourages learning and constructive criticism.

9. We take corporate social responsibility very seriously.

Our responsibility extends to our customers, employees, business partners, shareholders and the public. Being a good corporate citizen includes obeying applicable laws at all times and everywhere, respecting ethical principles and pursuing sustainability. The [LPKF Compliance Code](#) supports us in this endeavor.

The Mission Statement is displayed at all LPKF sites worldwide in German or English and is incorporated into executive training courses. 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.

2.5 Incentive Systems

The current system for the remuneration of the members of the Management Board was resolved by LPKF AG's Supervisory Board on March 20, 2018. 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. The system also focuses strongly on the return on capital, cash flow, and long-term increases in value. It combines the objectives of profitability, liquidity, and sustainable growth, and is geared towards the capital market.

A detailed report on the remuneration system for the Management Board can be found in the remuneration report in the 2020 Annual Report on pages 68-72. The current system of remuneration for members of the Management Board was revised at the start of 2021 and will be submitted for approval at the 2021 Annual General Meeting. Sustainability goals are also integrated into the new system.

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. During the reporting year, 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. In 2020, the participation rate in Germany reached 52.8% and 26% at the international sites, which means that a total of 47.9% of employees have taken equity in the company. LPKF employees hold a total of 23,041 shares through the employee stock program.

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 with fruit free of charge. LPKF also supports sustainable mobility with commuter ticket and cycle-to-work offers.

2.6 Key Performance Indicators for Criterion 2.5

*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 2020 is provided in the 2020 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 2020 is provided in the 2020 Annual Report.

The new remuneration system takes account of sustainable corporate management, as described in Criterion 2.5.

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	5.13
China	4.79
USA	4.94
Germany	10.25

2.7 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. There is no identification process that has been set up specifically for deriving stakeholder groups.

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 2020 reporting year, communication with stakeholders occurred through a wide variety of channels, for example via:

- Employee performance appraisals
- Virtual works and employee meetings
- Regular COVID-19 task force conference calls
- Monthly executive conference calls
- Intranet and social media
- Meetings of the Economic Committee
- 2019 Annual Report
- 2020 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
- Virtual Capital Markets Day
- Conference calls for investors
- Virtual trade fairs
- Customer surveys

2.8 Key Performance Indicator for Criterion 2.7

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	Secure job, attractive job description, fair pay, opportunities for personal development, appealing working environment	Examples: employee and executive development program, employee participation through 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	High-performance, reliable, precise, cost-effective, innovative and sustainable solutions. Speedy and punctual delivery, reliable servicing, sustainable and cooperative partnerships.	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), continual improvements in the supply chain to guarantee speedy and punctual deliveries
Suppliers	Long-term sales, growth	Process optimization, reliability of supply, market-based pricing
Shareholders, investors	Sustainable growth, profitability	Driving innovation, optimizing costs, increasing efficiency, risk management, open communications

Local councils, neighbors, politicians	No pollution (emissions, noise) by the company, jobs at the site	Observance of laws and requirements, increased revenue and profitability
Banks	Liquidity	Risk management monitoring in relation to cash flow, liquidity
Insurance companies	Prevention of loss/damage	Monitoring of occupational safety measures, comprehensive risk management

2.9 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 are also developing products with unique selling points and protecting them using 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. In this context, we are aligning ourselves with changing customer needs and updating our products and processes to ensure that we are always able to offer customers a good price-performance ratio and long-term solutions. Closely networking the company's development departments with sales and service, and providing an annual R&D budget of around 10% of revenue make a significant contribution to achieving that goal. In addition to customer requests, all necessary legal requirements and standards are incorporated into our product development. The development process aims to ensure that those requirements and standards are known and satisfied.

In addition to cost-efficiency, quality is also a central value of LPKF products and a significant factor in terms of sustainability. To be able to offer our customers stable machines suitable for volume production quickly given the often short development cycles, we want to continually hone our ability to avoid, detect and rectify errors and to learn from them. The reliability of our systems is designed to reduce downtimes, and thus to improve the use of resources by our customers.

The majority of LPKF products and technologies is based on the efficient use of laser technology. Compared with conventional chemical or mechanical processes, laser technology helps reduce hazardous substances, scrap and waste with our customers and thereby makes a positive contribution to efficient use of resources.

Our CleanCut technology for processing printed circuit boards is one example of this. As a result of a minimal heat-affected zone and minimal mechanical stress, a higher yield can be achieved in printed circuit board production than with conventional technologies.

The LIDE (laser-induced deep etching) technology newly developed by LPKF facilitates resource-efficient use of glass in microsystems technology, which allows the conventionally used material silicon to be replaced by glass. The switch to glass can save a great deal of energy during raw material processing.

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.

We make a major contribution to the environmental protection with our laser systems for the production of thin-film solar modules. Using our systems, large modules can be produced within a short time, which helps make production more efficient. In addition, the use of LPKF technology

makes the individual solar modules more efficient. Our systems thereby make a positive contribution to improving the carbon footprint of the manufacture of thin-film modules in the solar industry.

Under the ARRALYZE brand, LPKF is developing new technologies for the field of life sciences. In doing so, LPKF is addressing the major demand for miniaturization and automation to enable the parallelization of biological experiments on a massive scale and to drastically reduce the quantities of expansive reagents used for these types of experiments. This development builds on the benefits of the LIDE process and the expertise in high-precision processes that we have accumulated in our traditional business fields. The long-term goal is to establish machines and processes that can be used in the context of personalized medicine. The first steps on this road are R&D machines for applications in immunobiology and other areas of cell research.

3 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.

3.1 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 (except for the USA site) 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 3.3 (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.

3.2 Resource Management

LPKF strives to continuously optimize energy and resource consumption and to this end has set itself the goals listed below and under Criterion 3.4.

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.

We make every effort to minimize the proportion of hazardous substances used. An annual substitution survey is conducted for all hazardous substances to determine whether hazardous substances can be replaced by less hazardous alternatives. We adhere to strict guidelines regarding the use and storage of chemical substances (see Criterion 4.3). All actions are monitored and evaluated by a Hazardous Substance Officer.

A high proportion of our waste is recycled. 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 a partner with a professional sustainability management system in place.

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.

Our objectives

Since the recycling of materials is a key parameter of sustainable management, we have set ourselves the following objective:

	Target status 2025	Actually status 2020
Proportion of recyclable materials	> 80%	54%

3.3 Key Performance Indicators for Criterion 3.1 – 3.2

Key Performance Indicator GRI SRS-302-1*

Energy consumption at the production locations

kWh	2020	2019	2018
Electricity	2,829,417	2,855,632	2,928,960
Gas	1,641,225	1,753,252	1,603,487

The energy consumption of the service companies in China, Japan and South Korea were also recorded for the first time in 2020. The figure for these companies amounted to 139,432 kWh, equating to 4.7% of total consumption. Therefore, total electricity consumption is 2,968,849 kWh. Gas consumption did not arise for the service companies.

Despite the generally lower requirement due to the COVID-19 pandemic, electricity consumption remains at a high level. This can be primarily attributed to the new LIDE glass foundry that opened at the end of 2020 at the Garbsen site. Production at the foundry operates under clean room conditions, which explains its comparatively high level of consumption.

Energy sources of the production locations

Source	2020	2019	2018
Green electricity	86.21%	85.32%	15.29%
Green gas	59.24%	62.85%	0%

The share of green electricity at the production locations has continued to increase. Including the Sales Companies in China, Japan and South Korea, the proportion is 82.16%. We anticipate this rate to improve in 2021 because the production location in Naklo is switching from conventional to renewable energies. Furthermore, an energy audit conducted at Naklo in 2020 resulted in several measures for saving electricity and gas

Heating energy consumption

	2020	2019	2018	2017
Pellet consumption at the Suhl site	54.88 t	60.98 t	72.86 t	75.3 t
Energy consumption for heating (gas)	1,641,225 kWh	1,753,252 kWh	1,603,487 kWh	1,379,902 kWh

Consumption of heating energy fell slightly year on year. This is attributable to high numbers of employees working from home due to the pandemic.

Key Performance Indicator GRI SRS-303-3*

Water consumption at the production locations

	2020	2019	2018
Total water consumption (m³)	3,758	4,801	3,730
Contaminated water (l)	0.278	0.128	0.221

*Key performance indicators for contaminated water are 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.

Although water consumption at the production sites has further reduced, it remains slightly higher than in 2018. For 2020, the recording of key performance indicators was expanded to include the service companies in China, Japan and South Korea. These accounted for 12.7% of total consumption of 4,305 m³. Consumption of 547 m³ by the sales companies could only be estimated since some of the offices are on shared supplies.

We have introduced several measures to minimize the proportion of contaminated water. A water processing plant was installed in the new LIDE glass 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.

LPKF is not active at locations that place an elevated burden on water supplies.

Key Performance Indicator GRI SRS-306-2*

Waste volume at production locations

In t	2020	2019	2018
Total waste volume	79.2	127.4	101.2
Proportion of hazardous waste/hazardous substances	4.2	2.7	4.4
Proportion of recycled materials	43.4	n/a	n/a

**Key performance indicators for hazardous waste are 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.*

The total waste volume has reduced dramatically year on year. This is primarily as a result of the COVID-19 pandemic since a most of the workforce has worked from home. Despite this, we have set ourselves the challenge of continuing to reduce our waste. For this reason, we now also record the proportion of recycled materials and have set ourselves a target for the reduction of waste (see Criterion 3.2).

For 2020, the recording of key performance indicators was expanded to include the sales companies in China, Japan and South Korea. Consequently, the total volume of waste is 84.6 tons, to which the sales companies contributed 5.3 tons or 6.3%.

The proportion of hazardous wastes at the production locations has increased once again. Here too, the recording of key performance indicators also included the locations in China, Japan and South Korea, which accounted for a proportion 3.0% or 0.1 tons.

The proportion of recycled materials was recorded for the first time. The production locations have a recycling proportion of 54.8% (43.4 tons), while the sales companies in China, Japan and South Korea reported 2.3 tons, equating to a share of 42.4%

3.4 Climate-Relevant Emissions

In 2020, LPKF AG generated CO₂ emissions of 456.5 tons for electricity and gas (previous year: 709 tons). This corresponds to a 37% reduction over the past 3 years.

The reduction is primarily attributable to green electricity, which we now use at all locations in Germany. We also use green gas at the Garbsen and Fürth sites. At the Suhl site, we are reducing our gas-related CO₂ emissions with the addition of a pellet heating system. To further reduce our CO₂ emissions, the Naklo site also switched to green electricity at the start of 2021.

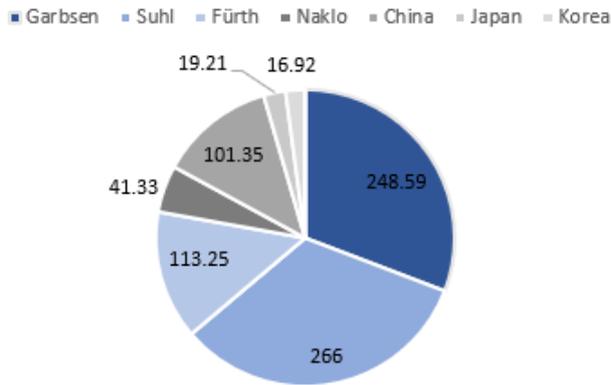
Furthermore, since 2019 we have also been tracking business trips by company car and flights. Due to the COVID-19 pandemic, travel activities during the reporting period fell sharply, which had a positive impact on CO₂ emissions. Business travel emissions amount to 569 t CO₂ in total (previous year: 3,162 t). This generally very high figure is due to our international business. For example, travel by the sales and service team is part of our core business. As the carbon footprint for flights is very high and has a significant influence on LPKF's climate impact, we want to introduce various measures to improve our climate impact significantly. During the COVID-19 pandemic, we learned to conduct service visits remotely and to make greater use of video conferences. We want to use measures such as these to keep travel activities at a low level even after the pandemic. The goals are to reduce the number of flights, to combine individual trips and to continue making greater use of video conferences. Domestic flights will primarily be replaced by rail travel.

Our targets for reducing CO₂ emissions

Target	Time of target achievement	Proportional reduction
Carbon-neutral production	2030	100%
Reducing CO₂ emissions caused by travel	2030	70% compared with 2019
Green electricity throughout the Group	2024	90%

3.5 Key Performance Indicators for Criterion 3.4

CO₂-Emission im Vergleich (t)



The figures shows Group-wide CO₂ total emissions by location. 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*

Production locations

In t	2020	2019	2018
Direct CO₂ emissions due to gas and pellets	160	406	371

CO₂ emissions at the production locations have reduced significantly. For 2020, the recording of key performance indicators was expanded to include the service companies in China, Japan and South Korea. However, CO₂ emissions due to gas did not apply here.

Key Performance Indicator GRI SRS-305-2*

Production locations

In t	2020	2019	2018
Indirect energy-related CO₂ emissions due to electricity	218	303	312

As expected, electricity consumption fell sharply due to the pandemic. For 2020, the recording of key performance indicators was also expanded to include the service companies in China, Japan and South Korea. Electricity consumption at these locations was comparatively high at 78 tons. This is due to the fact electricity is used to regulate room temperatures there.

Since the start of 2021, the location in Naklo has been using green electricity, which means that production locations are now supplied with green electricity.

Key Performance Indicator GRI SRS-305-3*

Production locations

In t	2020	2019
CO ₂ emissions due to company cars	157	204
CO ₂ emissions due to flights	352	2958

As expected, the sharpest fall recorded was in CO₂ emissions from business travel due to the pandemic. For 2020, the recording of key performance indicators was also expanded to include the service companies in China, Japan and South Korea. Here, CO₂ emissions were 15.7 tons for journeys undertaken in company cars and 43.8 tons for flights.

Even though business travel is part of our core business, we have set ourselves a long-term target of reducing CO₂ emissions in order to actively contribute to protecting the environment.

4 Society

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 established at the production sites and the Group Works Council, which operates across all sites. 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. 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 goal particularly include offering 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. 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. The same applies with regard to employee surveys, which are conducted every two to three years. During the reporting year, we conducted a survey on a specific topic: mobile working and working from home.

An established system of annual employee performance appraisals provides an opportunity for structured exchanges as well as regular dialog between employees and executives.

Key performance indicators

Number of employees

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

**Key performance indicators are 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.*

Type of employment

In %	2020	2019	2018
Permanent contracts	92.89	91.64	92.37
Fixed-term contracts	7.11	8.36	7.63
Indirect employees	0.15	0.15	0.46
Marginal employees	0.73	0.73	1.07

Part-time contracts	10.02	9.09	9.62
----------------------------	-------	------	------

**Key performance indicators are 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.*

4.2 Equal Opportunities

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.

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

We allow flexible working hours and flexible working time accounts and part-time models in order to promote the work/life balance of our employees. There is also a shop agreement on home office working arrangements that enables our employees to work from home. 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 which covers the health and safety of employees in the workplace and already adheres to ISO 45001, a globally recognized standard. Certification according to ISO45001 is expected in the near future. 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 targets partly result from analyses of the annual accident statistics. To promote the health of our employees, we implement various measures at the individual locations, such as flu vaccinations. 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.

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 a 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

All hazardous substances are categorized in a list with their known risks. Safety data sheets for each hazardous substance are also provided. Employees have access to both of these, and the information contained 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. An annual substitution survey is conducted for all hazardous substances to determine whether hazardous substances can be replaced by less hazardous alternatives. 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 chemical sets. 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. This includes supporting and promoting international employee exchanges within the Group. Continuing professional development was continued in the reporting period with the help of a practice-oriented training catalog. However, the restrictions imposed by COVID-19 limited the number of on-site events held. This was compensated for by web-based offerings although not to the usual extent. 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, young executives are able to benefit from the knowledge of more experienced executives by attending regularly organized 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 40.9 years. We are, however, proud to have offered many employees employment for several decades or more. The turnover rate is 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 equipment and systems, electronics technicians for automation technology, IT specialists for system integration, IT specialists for application development, industrial

clerks, office management 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 40 trainees over the reporting period. We endeavor to offer our trainees a permanent position at the end of their training period. In the past, we have always managed to do so, provided the trainees showed the necessary commitment and achieved the required performance during their training. The goal is to employ well-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 2020 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 2020 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. 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

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

* The hiring rate refers to all trainees who received an employment contract at their request

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.

	2020	2019	2018
Accidents leading to work loss*	4	11	9
Days lost due to accidents*	14	92	116
Deaths due to work-related injuries	0	0	0
Work-related injuries with serious consequences	0	0	0
Lost Time Injury Frequency Rate (LTIFR)**	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 recorded 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 issues relating to the SGA management system ("Sicherheit und Gesundheit bei der Arbeit"/Occupational health and safety) are communicated across all locations at the expert group meetings for occupational health and safety and for quality. These expert group meetings are held on a regular basis.

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	Days	Hours
Average training duration	0.55	4.2

LPKF AG

Per employee	Days	Hours
Average training duration	0.49	3.7
Average training duration for employees without management responsibility	0.44	3.3
Average training duration for managers	0.70	5.3
Average training duration for male employees	0.51	3.9
Average training duration for female employees	0.42	3.2

Key Performance Indicator GRI SRS-405-1*

The proportion of women on the Management Board and Supervisory Board is currently 0% in each case. The Supervisory Board last examined the existing target values at the start of 2019, when it passed resolutions on February 27, 2019 specifying target values and deadlines for their achievement. With regard to proportion of women on the Supervisory Board, the Supervisory Board set a target figure of 1/3 (= 33.33%). The Supervisory Board set a target proportion of women on the Management Board 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 setting of a higher target value for the Management Board was not deemed appropriate. The deadline for achieving both new target values was set at February 26, 2024. Following new appointments to the Supervisory Board in December 2020, the targets for the composition of the Supervisory Board were revisited. The Supervisory Board wants to see a female candidate proposed for election to the Supervisory Board by the 2022 Annual General Meeting at the latest.

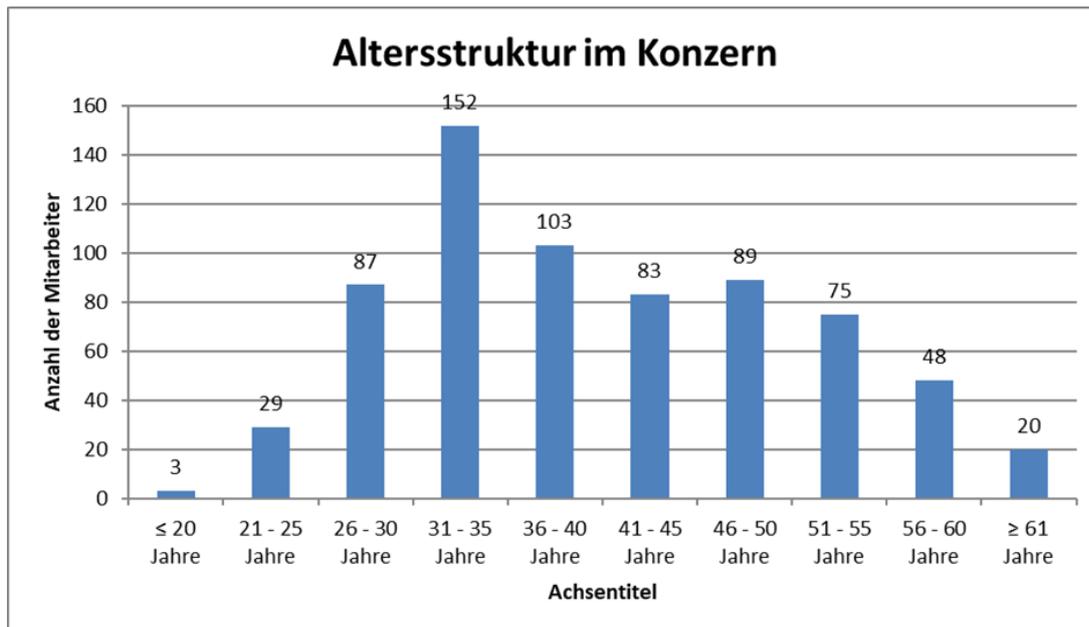
In line with legislation covering the equal participation of women and men in private and public sector management positions, the Management Board has set a target for the proportion of women in the two management levels below the Management Board. The figure is 17% for the first management level below 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 2020, 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.

The data below refers to the reporting date 12/31/2020

Indication in %	Female	Male	Diverse	Aged below 30	Aged 30-50	Aged above 50
Supervisory Board	0	100	0	0	0	100
Management Board	0	100	0	0	100	0
1. Management level below Management Board of LPKF AG	18	82	0	n/a	n/a	n/a

2. Management level below Management Board of LPKF AG	14	86	0	n/a	n/a	n/a
Managers in the LPKF Group	15	85	0	n/a	n/a	n/a
Employees in the LPKF Group (excluding managers)	26	74	0	n/a	n/a	n/a
Employees in the LPKF Group (including managers)	24	76	0	17	62	21

Data marked with "n/a" was not recorded during the reporting period.



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

*Key Performance Indicator GRI SRS-406-1**

One incident of discrimination was reported during the reporting period. In internal investigation into the incident was conducted. In order to investigate and resolve the issue, a large number of discussions were held with the persons affected and their line managers. During the course of these discussions, an internal ruling was reached. Legal measures were not required. The incident was brought to a conclusion during the reporting period and is not the subject of legal action.

4.6 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 impacts of our business activity in this field, we believe that developing an additional written concept including a risk analysis 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 safety.

The managing directors of our global sites are responsible for ensuring compliance with laws, thus including fundamental human rights.

4.7 Key Performance Indicators for Criterion 4.6

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 in the reporting period were assessed to 100% at the Garbsen site.

Key Performance Indicator GRI SRS-414-2*

The social impact of series production suppliers cumulatively accounting for 80% of the purchasing volume 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.

4.8 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. In the Hanover area, LPKF supports the "Tier hilft Mensch" ("Animals Help People") foundation by holding an annual family day at the foundation's premises and by making a donation. At the end of the year, LPKF employees once again took part in the Children's Future Foundation's Christmas parcel campaign, to which LPKF also made a financial donation. The Suhl site makes annual donations to various sports and cultural clubs. It has also supported the children's hospice in Central Germany for many years. The Fürth site traditionally supports the Forum MedTech Pharma e.V. with an annual financial donation. At the start of the COVID-19 pandemic, the Fürth site also produced disinfectants, which were donated to the Diakonie, a charitable organization of Protestant churches, and the social services provider AWO Fürth.

Our Slovenian site in Naklo is also involved on the ground with a range of clubs and the charitable organization "Slovenian Association of Friends of Youth".

We support young people in science and education. 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 2020, we also funded six scholarship students at Hanover University, Leibniz University Hanover and Georg-August University of Göttingen in the fields of mechanical engineering, electrical engineering and

computer science. In 2021, we plan to fund four scholarship students in total from Leibniz University Hanover and Georg-August University of Göttingen. The national “Future Day” initiative for pupils was called off due to the measures to contain the coronavirus, which forced LPKF to suspend its activities in this area in 2020. Likewise, none of the career guidance information events for schoolchildren could be held.

Donation activities

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

**Key performance indicators are 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.*

4.9 Key Performance Indicator for Criterion 4.8

Key Performance Indicator GRI SRS-201-1*

An overview of the business indicators for this key performance indicator can be found in the [2020 Annual Report](#) on pages 68-72 (Management Board and Supervisory Board Remuneration), pages 76/77 (Consolidated Statement of Financial Position), page 75 (Consolidated Statement of Comprehensive Income), pages 78/79 (Consolidated Statement of Cash Flows) and pages 91-97 (Notes on the Consolidated Income Statement).

4.10 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)
- Industrie-Club Hannover e.V. (Hanover Industry Club)
- 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)

4.11 Key Performance Indicator for Criterion 4.10

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. The total value of political donations and non-cash benefits is therefore € 0.00.

4.12 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.

In 2015, LPKF introduced a Compliance Code as a guidance framework for all employees in the LPKF Group. Available in German and in English, it identifies possible areas of risk and conflict in relation to corruption, export control/money laundering and data protection and sets out best-practice guidelines. Group-wide mandatory online compliance training was held for all employees for the first time in 2019. This aims to achieve the goal of raising employee awareness as effectively as possible for the topic of compliance. Since then, compliance training has been held once annually throughout the Group. 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" was held for executives and relevant employees throughout the Group for the first time in 2019. Since then, this training has been held annually.

In 2020, the company intensified its focus on the risks of fraud and money laundering. A training program on these topics as well was prepared at the end of the year. Starting in 2021, relevant employees will be systematically trained and made aware of this issue.

We also 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. The protection of whistleblowers is safeguarded by our whistleblowing management policy.

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 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.

The systems, processes and measures reported on here are collectively sufficient to prevent unlawful conduct. In the context of our business activities, we are not aware of any significant risks that could negatively impact efforts to combat corruption and bribery despite the above systems, processes and measures.

4.13 Key Performance Indicators for Criterion 4.12

*Key Performance Indicator GRI SRS-205-1**

Preventing corruption is particularly relevant given the company's major international operations. As part of the annual partial legal area analysis to identify compliance risks, corruption risks were once again classified by the Management Board as a priority on a Group-wide basis (with a focus on the company's sites in Asia). 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.

This Separate Non-Financial Consolidated Report is published in German and English. In case of any discrepancies, the German version shall prevail.

LPKF Laser & Electronics AG

Osteriede 7

30827 Garbsen

Germany

Tel.: +49 (0)5131 7095-0

Fax: +49 (0)5131 7095-90

www.lpkf.com