

# Declaration of Conformity

euromicron AG

**Reporting year** 2017

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**Indicator set** GRI 4

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## General Information

*Describe your business model (including business purpose, products / services)*

euromicron AG is a technology group that operates in the strategic business areas of Digital Buildings, Smart Industry and Critical Infrastructures.

As a German specialist for the Internet of Things, euromicron plans, implements and operates digital infrastructures. euromicron enables its customers to network business and production processes efficiently and securely and so accompanies their digital transformation. Highly available, fault-tolerant network infrastructures and related smart services are a crucial success factor in achieving that.

euromicron's solutions are aimed at small and medium-sized enterprises, large companies and public-sector organizations. euromicron serves customers from all key industries. euromicron develops and implements tailor-made technology solutions for them and so creates the necessary forward-looking IT, network and security infrastructures.

euromicron AG has been listed on the stock market since 1998. The shares are listed in the Prime Standard at Frankfurt Stock Exchange. The company is headquartered in Frankfurt/Main and employs around 1,800 people worldwide at 16 subsidiaries at more than 30 locations.

*Additional remarks (e.g. indication of external audit):*

Because of the close coordination of the processes between everyone involved in creating the CSR Report, an external audit of its contents was dispensed with.

## Criteria 1–10: Sustainability Policy

### Criteria 1–4 concerning STRATEGY

#### 1. Strategic Analysis and Action

*The company declares whether or not it pursues a sustainability strategy. It explains what concrete measures it is undertaking to operate in compliance with key recognized sector-specific, national and international standards.*

euromicron's general sustainability strategy is derived from the company's core business.

The objective and strategy is to shape smart working and business models as part of the Internet of Things so that they make people's life more secure, simpler and more convenient, blend into their natural private and professional life, and save resources. euromicron puts this strategy into practice by means of innovation projects, such as in the field of smart building control and energy efficiency (e.g. predictive maintenance). To help achieve that, euromicron develops technology solutions and products, as well as the necessary IT, network and security infrastructures.

euromicron develops and implements digitized infrastructures and solutions for digital work, living and coexistence that preserve the environment and gear technical innovation to its benefit for the economy and society.

It does that by developing, installing and operating digitized network technology so as to transport information, translate it into smart services and network industrial processes.

#### 2. Materiality

*The company discloses the aspects of its business operations that have a significant impact on sustainability issues and what material impact sustainability issues have on its operations. It analyzes the positive and negative effects and provides information as to how these insights are integrated into the company's processes.*

In its own business operations, euromicron consumes resources sensibly and also exerts an influence on the supply chain by means of a Code of Conduct (compliance, resources, human rights, and health and safety policy) (see criterion 4). Safety policy is a key aspect of euromicron's own value creation and is also examined when subcontractors are engaged. The vehicle fleet is also regularly reviewed and enhanced (models, type of drive, manufacturer, efficient use) (see criterion 4).

euromicron operates in an environment where everyday life and work is being digitized and transformed by intelligent network technology and innovative technical applications. Secure infrastructures and fault-tolerant systems are crucial in all areas of life.

euromicron's business activity presents a raft of opportunities with regard to the aspects of social, economic and ecological sustainability.

In particular, safety and security are a key issue for euromicron and one that offers far-reaching possibilities to promote issues relating to social and economic sustainability. That includes data and process security and so the reliability of production steps or fault tolerance thanks to predictive maintenance. Both of them help avoid production errors and so waste of resources, as well as prevent occupational accidents as a result of malfunctions.

euromicron enables greater transparency on production logistics in the manufacturing process and so can help improve workflows, increase occupational safety in individual work steps, and make work per se easier. Consumption in business operations and material usage can be reduced by means of more effective and efficient controlling of plant and equipment.

Smart routing in supply logistics promotes intelligent driving and reduces distances to travel, with the result that fuel is saved with euromicron's solutions.

By implementing digital buildings that can be controlled intelligently, euromicron helps increase safety and security for people and property, as well as reduce the energy required for electricity and heating, and makes living and working in buildings more convenient. It does that through, for example, access control systems, means of regulating heating/air-conditioning to suit needs, conference technology, elevator controls and lighting systems.

euromicron thus paves the way for new business models and lets companies increase their ability to do business and future viability.

There are risks from cyberattacks, the misuse of data, and attacks on personality rights, as well as from failures in and disruptions to processes and workflows and the resultant risks for people and the environment.

### 3. Objectives

*The company discloses what qualitative and/or quantitative as well as temporally defined sustainability goals have been set and operationalized and how their level of achievement is monitored.*

euromicron's objectives are:

#### **Resources:**

- Energy-saving, low-maintenance solutions in the IoT (predictive maintenance, building control: smart office, smart lighting, smart energy). Powerful sensors, coupled with smart controllers, mean that lighting can be operated and controlled adaptively, autonomously and to suit requirements, for example. In conjunction with appropriate bulbs, energy savings of up to 80% are possible.
- More cost-effective means of production: Material efficiency thanks to more precise manufacturing processes and optimization of workflows throughout the value chain.

#### **Security:**

- To increase process and data security
- To ensure data protection in industrial networks
- To reduce downtimes and risks in the production process
- To enhance protection against misuse of data
- To strengthen public safety and safety at work by means of control systems

The high pace of innovation and increasing networking of plant and systems means that integrated, efficient IT security concepts are now vital, especially for operating critical infrastructures. In January 2017, euromicron acquired KORAMIS and so expanded its value chain in order to lastingly strengthen its activities in the security arena. KORAMIS, a cybersecurity expert whose core competences are industrial automation, industrial software and industrial security, implements, controls, monitors and provides training in industrial IT security processes.

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### **Employees:**

- To increase employee satisfaction and examine whether and where work aids can be improved. The regular employee survey is used to measure the extent to which the goals are achieved.
- To increase the trainee ratio and expand the range of further training
- To keep the turnover rate low (currently 6.75% at the group)
- To foster a spirit of togetherness and dialogue (cross-company work groups, discussion groups, job rotation, the intranet that was launched group-wide in 2017, social events)

### **Social aspects:**

Building of skills by means of further training and education projects (such as the Learning Factory 4.0, equipped by euromicron's subsidiary ELABO).

### **Compliance:**

Compliance is entrenched more deeply by observance of the Code of Conduct and through training courses. Every company has local Compliance Officers who report to the group's Chief Compliance Officer. There is also systematic compliance reporting.

### **Measurability and tracking of the goals:**

It is difficult to track the goals, especially in the field of security. Predictive maintenance of systems ensures a lower ratio of outages, but these successes can hardly be quantified for euromicron. That is also due to the fact that euromicron does not usually act as a carrier and does not have maintenance agreements with all customers. That means there is not any systematic feedback from customers.

Customers do not usually reveal any results from the field of data security and do not consent to disclosure of them.

An analysis is easier as regards energy efficiency. Installation of smart lighting and smart energy systems ensures savings and optimizes power consumption – by up to 80% for lighting, for example.

## 4. Depth of the Value Chain

*The company states what significance aspects of sustainability have for added value and how deep in the value chain the sustainability criteria are verified.*

euromicron helps optimize its customers' work processes throughout their value chain by means of smart products and services.

### **Own value added**

euromicron and its various subsidiaries deliver their own services and so operate at various points in the customer's value chain. With the exception of the subsidiaries that are production companies, euromicron's value chain essentially comprises supplying, installing and in some cases operating technical components at the customer and in further development of the customer's business infrastructure.

All subcontractors involved in providing services are sensitized by euromicron to all statutory requirements and further regulations on compliance with employment and employee rights. In future, every affected subsidiary will have a person who is solely responsible for engaging subcontractors.

euromicron's health and safety policy (see criterion 14) also applies to the engagement of subcontractors and is reviewed as part of management of external companies.

### **Suppliers**

The suppliers are largely German companies who are committed to meeting sustainability criteria and complying with relevant measures. The Code of Conduct can be viewed and obtained publicly and is explicitly made available to suppliers upon request. In this connection, sustainability aspects are only examined on this first level of the value chain.

In its role as a supplier, euromicron has successfully completed the EcoVadis supplier survey for a major customer.

## Resources

The use of resources depends greatly on the individual company in question. All in all, the share of production processes is very low. The lion's share of the group's business activity involves work services provided by personnel.

euromicron's fleet is relatively large and numbers around 850 vehicles. Savings in this area are therefore significant. New maximum CO<sub>2</sub> limits were defined as part of the new Car Policy which was introduced in 2017. euromicron's overall objective is to ensure effective and efficient use of employees' and the pool's vehicles. The fleet is also reviewed regularly as regards the rollout of new models, types of drive and manufacturers.

## Criteria 5–10 concerning PROCESS MANAGEMENT

### 5. Responsibility

*Accountability within the company's management with regard to sustainability is disclosed.*

Responsibility lies with the Executive Board of euromicron AG and the Managing Directors of the individual companies. Establishment of a separate board department to monitor sustainability at the group is planned in the medium term.

### 6. Rules and Processes

*The company discloses how the sustainability strategy is implemented in the operational business by way of rules and processes.*

euromicron has established an elaborated quality management system at the group. Individual companies are certified by the technical inspectorate TÜV in their fields of activity, for example – such as LWL-Sachsenkabel for the development, production and distribution of fiber-optic components, special cables and network technology.

In addition, contents of the sustainability strategy are communicated to all employees at the company via the management chain and the Code of Conduct and entrenched in the corporate culture.

euromicron AG regularly undergoes energy audits and successfully completed the EcoVadis supplier survey for a major customer. As part of that, it has enhanced its processes and systematized their implementation.



## 7. Control

*The company states how and what performance indicators related to sustainability are used in its regular internal planning and control processes. It discloses how suitable processes ensure reliability, comparability and consistency of the data used for internal management and external communication.*

At present, inspection and control processes for internal planning are mainly carried out as part of the general internal control system (ICS). There are sustainability criteria in the risk management system (RMS) and compliance management system (CMS). The group plans to integrate and systematize performance indicators related to sustainability in a management system in the coming years.

### Key Performance Indicators for criteria 5 to 7

*Key Performance Indicator G4-56*

*The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.*

euromicron acts in accordance with its own high standards and values and aims to live up to them in its dealings with customers, suppliers, competitors and – internally – toward its own employees. The Code of Conduct applies to everyone who works for the euromicron Group. It therefore applies not only to euromicron AG, but also to all its subsidiaries in Germany or abroad.

In it, euromicron undertakes to act ethically, above and beyond the requirements demanded by law, on the basis of mutual respect and legal security. The core points are a commitment to combat active and passive corruption and to foster fair competition, social responsibility, a spirit of cooperation with employees, and a management ethos that is characterized by respect and equal opportunity and explicitly rejects any form of discrimination. In addition, the Code of Conduct deals with the issues of data protection and data security, as well as how confidential information and property rights are to be handled.

## 8. Incentive Schemes

*The company discloses how target agreements and remuneration schemes for executives and employees are also geared towards the achievement of sustainability goals and how they are aligned with long-term value creation. It discloses the extent to which the achievement of these goals forms part of the evaluation of the top managerial level (board/managing directors) conducted by the monitoring body (supervisory board/advisory board).*

There is no group-wide incentive scheme that gears compensation towards the achievement of sustainability goals. However, it is possible in principle to integrate sustainability indicators in individual target agreements.

For Purchasing, reducing vehicle costs is defined as a goal in a target agreement. Given that euromicron has a fleet of around 850 vehicles, there is very great leverage to improve efficiency here. The fleet's large importance in terms of numbers is attributable to euromicron's business model, which is founded on a large level of work services provided by staff and intensive customer calls.

### Key Performance Indicators for criteria 8

*Key Performance Indicator G4-51a*

*Remuneration policies for the highest governance body and senior executives.*

The total compensation of the Executive Board is based on Section 87 AktG (German Stock Corporation Law) and takes into account the Group's earnings targets. It is currently made up of performance-unrelated components (salary, other remuneration) and performance-related components (earnings-related bonus and a variable component with a long-term incentive effect - "LTI"). The performance-unrelated component accounts for around 60% and the performance-related component for around 30% and 10% performance-related component with a long-term incentive effect.

The total compensation for all members of the Executive Board in fiscal 2017 was TEUR 604.1. The performance-unrelated, fixed basic compensation accounted for TEUR 559.1 (including other non-cash compensation of TEUR 9) and the variable, performance-related compensation for TEUR 45.0.

The compensation of members of the Supervisory Board is governed by the Articles of Association of euromicron AG. Apart from being reimbursed for their outlays, the members of the Supervisory Board receive a fixed annual remuneration of €30,000. The Chairwoman of the Supervisory Board receives double and her deputy one-and-a-half times the fixed remuneration. The overall compensation for the Supervisory Board for fiscal 2017 in accordance with the Articles of Association was thus €135,000.

You can find further information in the Compensation Report in the 2017 Annual Report at [www.euromicron.de/en/financial-reports](http://www.euromicron.de/en/financial-reports)

#### *Key Performance Indicator G4-54*

*Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.*

euromicron AG believes that fair compensation of employees that reflects their performance is necessary and self-evident. That is expressed in suitable remuneration and individual target agreements. In the view of the company, however, the disclosures in G4-54 are not suitable for representing and assessing the fairness of the compensation structure.

## **9. Stakeholder Engagement**

*The company discloses how the socially and economically relevant stakeholders are identified and integrated into the sustainability process. It states whether and how an ongoing dialogue takes place with them and how the results are integrated into the sustainability process.*

The most important stakeholders for euromicron AG are its employees, shareholders and customers.

### **Employees**

The company fosters regular dialogue with its employees. Employment involvement is institutionalized by regular communication with the Group Works Council and at all-hands meetings. In addition, euromicron conducts employee surveys, the results of which are included in enhancing the organization.

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## Shareholders

The majority of the registered shares in euromicron AG (69.30% at December 31, 2017) are held by private investors, predominantly from Germany. euromicron's Executive Board nurtures ongoing dialogue with them and satisfies the capital market's need for information. By being listed in the Prime Standard at Frankfurt Stock Exchange, euromicron AG fulfills the very highest requirements for transparency. Its goal and mission is thus to provide extensive information on developments at the company and to seek dialogue. Above and beyond its statutory obligations, the company therefore conducts further activities by taking part in investor conferences and one-on-one meetings in order to constantly share information.

## Customers

We are in regular and close dialogue with our customers as part of specific customer-oriented product innovations, as well as through day-to-day business relationships. We also conduct customer satisfaction surveys in order to identify potential for improvement and examine customers and the market in more detail. Given the background of the various individual companies, the results are heterogeneous. They are included in developing the company further and in controlling performance.

## Other stakeholders

The German Federal Office of Economics and Export Control (BAFA) is involved in relation to technologies that do not pursue, or not only pursue, civil purposes. The internationalization of individual group companies and the group as a whole means that foreign trade is growing in importance. In view of that, euromicron has issued internal guidelines and implemented processes that clarify how embargoes, dual-use items, financial sanctions, customs regulations and other reporting obligations are to be handled and regulate them in accordance with compliance requirements.

euromicron is member of the IP500 Alliance, an international organization made up of manufacturers and system integrators of building automation products and solutions (such as Bosch, Honeywell, euromicron and MICROSENS), as well as operators of buildings and industrial plants. There are growing requirements for technical building automation and higher building safety/security as a result of statutory regulations and standards. The industry is tackling this challenge with innovative products and is likewise defining new standards as part of that. The objective of the IP500 alliance is to define a wireless, non-proprietary and secure data transmission norm for industrial and commercial buildings with the IP500 standard.

The stakeholders are defined by the business activity and business area of euromicron and its subsidiaries. The company is a stock corporation and so shareholders are an intrinsic group of stakeholders. Investor Relations nurtures contact and is in constant dialogue with them, as best befits a listed company.

There was not any analysis to identify stakeholders above and beyond that.

## Key Performance Indicators for criteria 9

### *Key Performance Indicator G4-27*

*Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.*

The key topics arise from euromicron's core business activity: Security in digital processes, their working order and protection of them against outages, cybersecurity (in particular in the industrial arena), data security and data protection. Secure infrastructures and fault-tolerant systems are crucial in all areas of life.

Many of the topics and concerns of the stakeholders relate to the area of digitized, connected and highly flexibilized manufacturing processes in the Smart Industry, in which customers and business partners are directly integrated in value added processes. The focus is on smart processes, automated small-scale production, lasting quality assurance and innovative workplace concepts.

We are also in constant dialogue with our stakeholders about the topic of digitized smart buildings. By implementing smart controlling of buildings, euromicron helps increase safety and security for people and property and save resources in a wide range of ways.

These problems faced by customers are an essential part of euromicron's business activity and impact the further development of our portfolio of products and services. Solutions are usually developed (further) in close consultation with customers. It is even often the case that they address a specific problem of an individual customer.

## 10. Innovation and Product Management

*The company discloses how innovations in products and services are enhanced through suitable processes which improve sustainability with respect to the company's utilization of resources and with regard to users. Likewise, a further statement is made with regard to if and how the current and future impact of the key products and services in the value chain and in the product life cycle are assessed.*

euromicron's mission is to develop and drive innovations. That is part of the vision of a company that has set itself the task of actively shaping the Internet of Things. This business area is strongly defined and changed by technological advances. Accordingly, research and development are of key importance in the group. They are the foundation for innovative solutions based on new technological possibilities. We have already reported on the social and ecological impacts of the products and services offered by euromicron (see German Sustainability Code criterion 2). The company's business activity means that just about all innovations have social and ecological impacts: They help develop the work organization further and increase resource efficiency.

In particular our subsidiaries that are production companies set store by in-house developments. They are the reason why and a vital condition for ensuring that euromicron is so far advanced, especially in the Smart Industry arena. Innovations are often launched as pilot projects and developed further on the market. The model factory set up by euromicron's subsidiary ELABO plays a key role in the innovation process. It gives small and medium-sized enterprises the chance to gain first-hand knowledge of the commercial potential of Smart Industry along a digitized assembly line in the model. The advantages of a smart industry concept in developing and manufacturing workplace systems, as well as measurement and testing stands, in particular for the electrical industry, can be tangibly displayed in the model factory.

euromicron has established an innovation process in order to encourage new ideas. The goal is for innovations to no longer be created just in the development departments, but at all corporate functions and levels of hierarchy. A central Innovation Manager at the group pools the ideas and coordinates the Innovation Circle – a think tank in which employees from all subsidiaries meet every quarter to address future issues and technological developments. Projects adopted by it are then examined at the next stage in the "Innovation Projects" work group. The departments at the companies involved in the innovation project prepare a decision paper for the Executive Board and Managing Directors, who decide on whether to pursue and implement the project. At the half-yearly Entrepreneur Conference, the Managing Directors from the companies discuss the further procedure for these innovation projects.

Many starting points for new solutions also arise in talking with customers. In particular, successive improvements to existing processes and procedures are customer-driven, since they address

specific problems and environments. The upshot is often new solutions created by linking multiple technologies and services.

In order to further strengthen its expertise in industrial and data security, euromicron has made a targeted acquisition in this field. KORAMIS, an international cybersecurity expert that focuses on security relating to critical infrastructures, Smart Industry and the IoT, has complemented the euromicron Group since the beginning of the year.

## Key Performance Indicators for criteria 10

*Key Performance Indicator G4-FS11*

*(report also in accordance with GRI SRS): Percentage of assets subject to positive and negative environmental or social screening.*

euromicron AG did not conduct any lending or securities transactions in fiscal year 2017.

## CRITERIA 11–20: Sustainability Aspects

### Criteria 11–13 concerning ENVIRONMENTAL MATTERS

#### 11. Usage of Natural Resources

*The company discloses the extent to which natural resources are used for the company's business activities. Possible options here are materials, the input and output of water, soil, waste, energy, land and biodiversity as well as emissions for the life cycles of products and services.*

euromicron and its subsidiaries predominantly operate in the service sector. Consequently, the details on resource consumption mainly relate to operation of its own buildings (energy, water, waste) and indirectly to processes at customers that are impacted by euromicron's products and services. In operating its headquarters and own buildings, euromicron ensures the use of smart technologies and control systems to minimize consumption. It has less possibility of exerting an influence on that in premises it merely leases. Not all the consumption data for all individual companies is recorded centrally at present. In future, data management in this area is to be expanded further.

Electricity and gas consumption is recorded centrally. Renewable energies account for around 60% of the entire company's electricity mix.

The production companies contribute a small share of the total sales generated by euromicron AG. The companies have low vertical integration, since they predominantly rely on components from upstream suppliers in their manufacturing operations (see criterion 4). Where euromicron itself processes raw materials as part of its business activity, this mainly involves silver and metals for making ferrules required for fiber-optic connections. However, the volumes processed are low (4,200 kg of ARCAP/nickel and 20 kg of silver).

The technologies and smart services that euromicron makes, develops, networks and operates help reduce customers' consumption of resources significantly. That goes for buildings, as well as for industrial and production processes. Since the energy consumed by these solutions themselves is relatively low, there is considerable leverage to improve the environmental footprint.

euromicron operates a large vehicle fleet, so pollutant emissions are a considerable ecological factor in that (see criterion 13).

We exert an influence on direct partners, suppliers and subcontractors throughout the value chain (see criterion 4). Due to the large share of services as part of our business operations and the resultant low use of natural resources, we also believe that an additional concept and risk assessment on the use of natural resources are not necessary. The company's management sets the strategic direction, is informed of key processes and is involved in implementation.



## 12. Resource Management

*The company discloses what qualitative and quantitative goals it has set itself with regard to its resource efficiency, in particular its use of renewables, the increase in raw material productivity and the reduction in the usage of ecosystem services, which measures and strategies it is pursuing to this end, how these are or will be achieved, and where it sees there to be risks.*

Recording of all data is the basis for improving processes and resource management. The group's decentralized structure impedes systematic management. The requirements to enable it are to be developed in the coming years.

euromicron aims to further reduce the environmental burden from its own resource consumption. In particular, cutting CO<sub>2</sub> emissions is on the agenda, since there is especially great potential from measures that address this issue.

In refreshing its fleet, whether by leasing vehicles or other changes, the companies in the euromicron Group consciously attach importance to economical vehicles with low CO<sub>2</sub> emissions. The company regularly reviews the extent to which the fleet can be converted to vehicles with alternative drives.

euromicron ensures that vehicles that become free are passed on internally so that their lifecycle is utilized to the full.

The products and services provided by euromicron have a direct impact on high resource efficiency at many points (see criteria 1-4 and 11). Looking at euromicron's activity in this respect, the opportunities clearly predominate. Goals and milestones have not been quantified to date and are also difficult to define, because euromicron usually does not have any insight into how customers operate the products and services. The qualitative goal is to further improve resource efficiency at all levels by means of innovative technology.

As already reported under criterion 12, the group's decentralized structure impedes systematic resource management. In the reporting year, data for all group companies was not therefore able to be recorded. The focus of reporting in this first year is therefore on consumption data for the group's headquarters.

Due to the billing cycle of the utilities for the areas of heating and waste disposal, euromicron AG does not obtain the consumption data for the reporting year under the end of the next year. Consequently, only the previous year's figures can be reported for these criteria. In order to present a trend, the annual figures will be shown in a comparison in the subsequent reports.

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## Key Performance Indicators for criteria 11 to 12

### *Key Performance Indicator G4-EN1*

*Materials used by weight or volume.*

The materials used are not recorded throughout the group.

### *Key Performance Indicator G4-EN3*

*Energy consumption within the organization.*

The group's headquarters in Frankfurt and twelve other locations – mainly office buildings and warehouses – were last audited for energy consumption and potential increases in efficiency in 2015.

Energy consumption by the entire office complex at headquarters is divided into the categories of electricity and gas as a source of heat. Electricity consumption is recorded by two separate meters for each floor, whereas the gas used is charged through the ancillary costs.

The heating required for the offices and training rooms is provided by means of a central gas heating system of the landlord and charged through the ancillary costs. The building dates from 2008 and the heating technology is state-of-the-art.

The lighting at headquarters is mainly provided by T5 fluorescent lamps or, in a compact design, by bulbs in floor lamps. In the corridors, compact fluorescent lamps are used as downlights and halogen lamps for column lighting.

Energy consumption for headquarters in the past year was 42,405 kWh, of which 57% was covered by green electricity.

euromicron AG operates a server landscape that is used throughout the group. The energy required to run the servers comes fully from green electricity. Annual consumption is around 150,000 kWh.

### *Key Performance Indicator G4-EN6*

*Reduction of energy consumption.*

euromicron AG works permanently to reduce energy consumption throughout the group. The buildings are regularly examined to determine whether and where energy consumption can be optimized and the potential for increasing efficiency (see also Key Performance Indicator G4-EN3).

*Key Performance Indicator G4-EN8*

*Total water withdrawal by source.*

euromicron AG obtains its water for headquarters from local utilities. Water consumption in 2017 was 567.83 m<sup>3</sup>.

*Key Performance Indicator G4-EN23*

*Total weight of waste by type and disposal method.*

Waste is not recorded throughout the group.

### **13. Climate-Relevant Emissions**

*The company discloses the GHG emissions in accordance with the Greenhouse Gas (GHG) Protocol or standards based on it and states the goals it has set itself to reduce emissions, as well as its results thus far.*

With its service and production companies, euromicron has emissions at various points in the value chain. These emissions are not recorded systematically at present; recording of them is to be continuously expanded in the coming years. euromicron plans to record emissions by its business establishments centrally within the next three years.

The existing Car Policy was revised and updated in December 2017 with a focus on reducing CO<sub>2</sub> and has been in force since January 1, 2018. For the first time, a limit to the maximum CO<sub>2</sub> emission figures for vehicles that can be chosen has been defined: They are between 150-170g CO<sub>2</sub>/km depending on the user group.

Under the new “Green Car Policy”, employees must comply with maximum figures defined by the company (CO<sub>2</sub> and lease payment). However, they can reduce their figures on their own or exceed them within a defined scope under a bonus/penalty limit. Under this system, bonus points earned by choosing a vehicle that has lower emissions can be exchanged for special accessories. However, if employees exceed the CO<sub>2</sub> value of their bonus/penalty limit with their choice of vehicle, the lease payment they can obtain is reduced. In order to comply with the obligatory minimum accessories or so that additional special accessories can be covered by the lease payment, employees could choose an engine class with lower emissions, for example. The average CO<sub>2</sub> emissions for fiscal year 2017 were 117 g/km. The goal is to reduce that figure further.

Renewable energies account for around 60% of the entire company’s electricity mix (see criterion 11).

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## Key Performance Indicators for criteria 13

### *Key Performance Indicator G4-EN15*

#### *Direct greenhouse gas (GHG) emissions (Scope 1).*

The company's fleet comprises around 850 vehicles. That figure is due to the company's business and service activities. All the vehicles used consumed a total of 1.82 million liters of diesel or gasoline in fiscal year 2017. That means the CO<sub>2</sub> emissions were 4,818 tons.

### *Key Performance Indicator G4-EN16*

#### *Indirect greenhouse gas (GHG) emissions (Scope 2).*

The measured CO<sub>2</sub> emissions (Scope 2) for the euromicron Group in 2017 were 909 tons. That figure is made up of electricity (668 t) and gas (241 t).

The complete consumption figures for the reporting year 2017 will not be available until the third quarter of 2018. There is no data on oil consumption.

#### *Other indirect greenhouse gas (GHG) emissions (Scope 3).*

Other indirect GHG emissions (Scope 3) are not recorded.

### *Key Performance Indicator G4-EN19*

#### *Reduction of greenhouse gas (GHG) emissions.*

Apart from technologies and services with which euromicron operates on the market and that help optimize logistics, the flow of goods, production processes and smart controlling of buildings, the biggest lever for reducing GHG emissions is to improve the vehicle fleet's efficiency. euromicron aims to address that with its new Car Policy.

Criteria 14–20 concerning SOCIETY

Criteria 14–16 concerning EMPLOYEE-RELATED MATTERS

## 14. Employment Rights

*The company reports on how it complies with nationally and internationally recognized standards relating to employee rights as well as on how it fosters staff involvement in the company and in sustainability management, what goals it has set itself in this regard, what results it has achieved thus far and where it sees risks.*

euromicron generates more than 80 percent of its sales in Germany; in particular, system integration is a key part of its business there. Employee rights are established comprehensively and firmly entrenched in German and European law. It goes without saying that euromicron complies with national and Europe employee rights. In addition, many employee-related matters are discussed and implemented as part of the social partnership between management and employee representatives. euromicron does not therefore believe that an additional sustainability concept and risk assessment are necessary. The company's management is informed of all key processes and is involved in implementation.

Among other things, the 2016 employee survey was intended to supply new findings on where the group's employees would like to see improvements and where they would like to make a greater personal contribution. Apart from the high quality of the products and services and high professional qualifications, they stated that in particular close cooperation between managers and employees was a crucial success factor. With the further training it offers (see criterion 16), euromicron strives to selectively address these requirements for professional and technical skills, as well as management skills.

All in all, the group enjoys a good reputation among employees, both as an employer and a commercial enterprise. Employees identify strongly with euromicron and they also rate the working climate as being good. Employees were especially satisfied as regards work-life balance and the flexibility in defining their working times.

The new "emtranet", euromicron's group-wide platform, promotes dialogue and offers useful information on the group and various topics, thus enhancing employee involvement in such matters even further.

Innovations are key to improving the company's sustainability. We actively involve employees in this process of finding ideas and implementing innovations. Innovations result from concrete inquiries by customers, as well as from systematic and spontaneous in-house development processes. Both are welcomed by euromicron and fostered structurally (see criterion 10).

## 15. Equal Opportunities

*The company discloses in what way it has implemented national and international processes and what goals it has for the promotion of equal opportunities and diversity, occupational health and safety, participation rights, the integration of migrants and people with disabilities, fair pay as well as a work-life balance and how it will achieve these.*

euromicron respects its employees at all levels as a valuable bedrock and key component of its commercial success. The employee survey conducted in 2016 documents that employee satisfaction is basically high and reveals further potential for improvement.

The company supports flexible working time models and freedom in organizing parental leave and leave to care for family members. Home office regulations are the responsibility of the individual companies. euromicron provides an allowance for the cost of employees' children attending daycare centers and has established a raft of further programs that offer employees benefits. Examples that can be named are the employee recommendation system, incentive programs, or offering of Job Tickets.

The euromicron Group nurtures an open corporate and communication culture and also demands that employees practice that.

Moreover, euromicron is opposed to any form of discrimination and also documents this clear stance, its values and its open culture in its Code of Conduct. Internal compliance management also has a preventive influence here. Various training courses (in-person courses and e-learning modules) ensure that managers and employees also live up to the high standards euromicron demands of them.

euromicron explicitly welcomes all forms of diversity. The company attaches great importance to equal opportunity and development opportunities for all employees.

Women are explicitly wanted in management posts, a precept that is also practiced: Ms. Bettina Meyer is Spokeswoman of the Executive Board and Ms. Evelyne Freitag is Chairwoman of the Supervisory Board.

euromicron pays its employees attractive compensation. Their compensation package also includes additional payments, bonus agreements and arrangements on expenses.

Risk assessments for individual work areas and activities are conducted as part of a detailed health and safety risk analysis in order to derive suitable measures to protect employees. There is also regular training and instruction on work safety and health, as well as inspections of the locations and building sites. An Occupational Health and Safety Committee convenes four times a year.

A check-up for employees by the physician at the individual companies is offered as a means of prevention and on a specific case-by-case basis, depending on the activity. The “Work Safety” policy defines the regulations, practices, required conduct and recommendations in writing. All employees must be informed of the policy’s contents. Important documents, instructions and checklists are available in the intranet and are available to all employees.

euromicron supports sports groups and initiatives and regularly stages events relating to the subject of health. euromicron Deutschland organized its first Health Day in 2017. In cooperation with the health insurer BARMER Krankenkasse, employees were able to obtain information on fitness offerings, nutrition and back-related topics specific to office work.

In addition, euromicron works to raise employees’ awareness of the need for sufficient recuperation and breaks in their everyday work in order to avoid chronic stress and how to consciously look after their own health at the office. Age-appropriate, ergonomic workplaces are likewise supported as part of health and safety at work.

All employees are offered professional advice and help in their personal and professional life situations from an external partner. This round-the-clock offering can be used by employees and their family members free of charge – over the phone, online or personally.

## 16. Qualifications

*The company discloses what goals it has set and what measures it has taken to promote the employability of all employees, i.e. the ability of all employees to participate in the working and professional world, and in view of adapting to demographic change, and where risks are seen.*

Further training management at the group is controlled actively and centrally. It is closely tied to the development of the organization and company so as to reflect changes to vocational learning and digitization. Personnel development at euromicron is seen as the interaction of coordinated measures that challenge and encourage employees so that they gain the qualifications they personally need.

Professional further training supports individual employees and, thanks to their enhanced qualifications, strengthens our market position. It ensures that our employees have the skills to handle new requirements and competences. euromicron thus invests in promoting the professional skills and employability of employees, who thus feel respected and at home in the group.

euromicron is proud of the long length of service of its employees and believes this confirms the appropriateness of the support and development opportunities it offers. The intranet and employee magazine “euromicron inside” provide information on what further training is available. The courses

offered in the 2nd half of 2017 dealt with subjects such as leadership, project management, sales, and communication and presentation.

euromicron attaches great importance to providing its own training. Various measures help trainees get to know the company and their colleagues. This process of familiarization is facilitated by events on business etiquette, visits to the Smart Factory, and job rotation, for example.

Every new employee is accompanied intensively, especially in their initial period with the company. That is mainly ensured by an established mentoring program that helps newcomers gain their bearings in their work and settle in. A Welcome Pack contains all important information on work processes, as well as the company's values and principles.

## Key Performance Indicators for criteria 14 to 16

### *Key Performance Indicator G4-LA6*

*Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender.*

euromicron attaches great importance to protecting employees and preventing accidents. The company examines work areas and activities to determine any risk potential and derives suitable safety measures (see criterion 15). In its Work and Health Safety guidelines, euromicron has committed itself to achieving the maximum goal of "zero accidents".

The illness rate in the reporting year was 4.08 percent (previous year: 5.18 percent). There were 28 occupational accidents that were required to be reported, of which 7 were commuting accidents that had to be reported. There were no fatalities.

### *Key Performance Indicator G4-LA8*

*Health and safety topics covered in formal agreements with trade unions.*

euromicron maintains comprehensive health and safety policies that are based on formal agreements and can be accessed in the intranet by all employees.

### *Key Performance Indicator G4-LA9*

*Average hours of training per year per employee, by gender and by employee category.*

euromicron attaches great importance to employees being able to train further and gain qualifications and creates offerings for them to achieve that. The further training measures per employee are not currently analyzed by gender and by employee category. Training courses as part of euromicron's seminar program are recorded throughout the group, but not external training. The company provides regular information on all further training offerings organized by headquarters group-wide.



52 further training courses were held in 2017 (previous year: 36); 360 employees took part in them (previous year: 213). That is a total of 6,638 participant hours in the reporting year (previous year: 4,134).

*Key Performance Indicator G4-LA12*

*Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.*

The Executive Board of euromicron AG is made up of Ms. Bettina Meyer (Finance, Legal Affairs, Human Resources, Accounting / Controlling and Investor Relations) and Mr. Jürgen Hansjosten (Operations, Strategy, IT and Purchasing). Ms. Meyer was appointed Spokeswoman of the Executive Board. As a result, her responsibilities include coordinating the work of the Executive Board, in particular as regards chairing its meetings, and representing the company. She is also the prime contact person for the Supervisory Board.

The members of the Supervisory Board were newly elected at the 2016 Ordinary General Meeting. Ms. Evelyne Freitag is Chairwoman of the Supervisory Board, her deputy is Mr. Rolf Unterberger, and the further member is Dr. Alexander Kirsch. The regular term of office of the newly elected Supervisory Board expires at the end of the Ordinary General Meeting in 2021.

In 2017 (as at December 31, 2017) there were 1,868 employees at euromicron AG, of whom 480 were women (26 percent) and 1,388 were men (74 percent). There are 157 people who work in management posts at the group.

These figures deviate in some cases from the headcount figures given in the Annual Report, since they are reported here at the figure on December 31, 2017, and not as an average for the year.

26 employees are aged below 20 years of age (1.4 percent), 249 between 20 and 30 (13.3 percent), 415 between 30 and 40 (22.2 percent), 509 between 40 and 50 (27.3 percent), 542 between 50 and 60 (29 percent) and 127 above 60 (6.8 percent).

There were 75 trainees at euromicron AG in the reporting year (4.01 percent).

72 people with a handicap that has been reported to the company work at the individual companies of the euromicron Group (3.8 percent).

The turnover rate throughout the group was 6.75 percent.

*Key Performance Indicator G4-HR3*

*Total number of incidents of discrimination and corrective actions taken.*

There are no known incidents of discrimination.

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## Criterion 17 concerning RESPECT FOR HUMAN RIGHTS

### **17. Human Rights**

*The company discloses what measures it takes, strategies it pursues and targets it sets for itself and for the supply chain for ensuring that human rights are respected globally and that forced and child labor as well as all forms of exploitation are prevented. Information should also be provided on the results of the measures and on any relevant risks.*

euromicron respects all national and international laws and acts accordingly.

It creates the lion's share of its value added in Germany and so these activities are subject to all German laws and regulations. It goes without saying that euromicron complies with them.

The suppliers are also largely German companies who are committed to meeting sustainability criteria and complying with relevant measures.

Apart from that, an elaborated sustainability concept and risk assessment on human rights do not currently exist and are also not planned. The company's management sets the strategic direction, is informed of key processes and is involved in implementation. Observance of the law and voluntary obligations is also ensured by euromicron's compliance organization (see criterion 20).

euromicron's Code of Conduct can be viewed and obtained publicly and is explicitly made available to suppliers upon request (see criterion 4).

euromicron's operations abroad mainly relate to administrative and distribution activities.

euromicron ensures the customary contractual terms and conditions at its foreign business establishments and indirect subsidiaries.

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## Key Performance Indicators for criteria 17

### *Key Performance Indicator G4-HR1*

*Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.*

There are no investment agreements that have undergone screening for human rights aspects.

### *Key Performance Indicator G4-HR9*

*Total number and percentage of operations that have been subject to human rights reviews or impact assessments.*

euromicron predominantly operates in Germany. The group's Compliance department examines compliance with regulations and laws and investigates any violations. It primarily exerts a preventive influence and ensures through codes that the policies are also observed at other locations.

The company is not aware of any violations of human rights in the value chain.

### *Key Performance Indicator G4-HR10*

*Percentage of new suppliers that were screened using human rights criteria.*

The suppliers are not explicitly obligated to observe human rights. However, the contents of contracts and of our Code of Conduct are based on human rights clauses.

### *Key Performance Indicator G4-HR11*

*Significant actual and potential negative human rights impacts in the supply chain and actions taken.*

The company is not aware of any negative human rights impacts in the supply chain and so has not taken any actions. In the event of violations of human rights, euromicron reserves the right to sever the relationship with the supplier.

## Criterion 18 concerning SOCIAL MATTERS

### 18. Corporate Citizenship

*The company discloses how it contributes to corporate citizenship in the regions in which it conducts its core business activities.*

euromicron attaches great importance to being a good neighbor and living up to its social commitment.

In Smart Industry learning projects, the company strives to convey knowledge and expertise in the field of digitized production processes. The goal is to support education and sharing of knowledge with society in this so important cutting-edge topic. In that way, euromicron can use its expertise profitably and pass it on to society.

By doing so, euromicron aims to empower more people to share in digital development. That requires the ability to assess, deal with and use technologies.

The engagement of euromicron and its individual companies extends to regional sports and cultural events. LWL-Sachsenkabel regularly stages the company and leisure-time soccer tournament “Cable Cup”. In addition, euromicron’s Summer Party offers a broad leisure program for employees and their families.

euromicron also engages in many educational and development initiatives, such as the annual Girls’ Day, as part of which three girls visited ELABO in 2017 and so had the chance to learn and experience everything involved in the vocation of an electronics technician for industrial engineering. ELABO also supports the very special initiative “Inno Truck – Technology and ideas for tomorrow” organized by the German Federal Ministry of Education and Research. A truck with a mobile exhibition area enables visitors to touch and feel digitization with its high-tech exhibits and applications, calling at 80 stations in Germany a year.

Since 2015, euromicron AG has participated in the “Christmas campaign” organized by the business development agency Wirtschaftsförderung Frankfurt, in which more than 4,000 children write a list of their wishes. These lists are then hung up in various businesses and bank branches in Frankfurt for several weeks and await a helping hand for make the wishes come true. Instead of giving each other Christmas presents, employees of euromicron AG have fulfilled the wishes of children in difficult situations.

euromicron Deutschland GmbH decided in 2016 not to send Xmas gifts and cards to its customers and sales partners, but instead has since donated the money to a good cause and helped support the SOS Children’s Villages.

As part of our social responsibility, we are guided by the principle: “all charity is local”. After all: Our subsidiaries themselves best know their neighborhood and how they can support the community. We therefore very deliberately refrain from establishing a central sustainability concept on social commitment and community. The individual companies manage their budgets freely and management is informed of key processes.

## Key Performance Indicators for criteria 18

*Key Performance Indicator G4-EC1*

*Direct economic value generated and distributed.*

The operational EBITDA in 2017 was EUR 13.5 million and so EUR 0.3 million higher compared with the previous year.

The personnel costs were EUR 111.7 million, the operating costs EUR 10.2 million and income taxes EUR 0.0 Mio.

You can find further information in the 2017 Annual Report a

[www.euromicron.de/en/financial-reports](http://www.euromicron.de/en/financial-reports)

In the reporting year, euromicron AG made direct monetary donations totaling €48,387.

## Criteria 19–20 concerning ANTI-CORRUPTION AND BRIBERY MATTERS

### 19. Political Influence

*All significant input relating to legislative procedures, all entries in lobby lists, all significant payments of membership fees, all contributions to governments as well as all donations to political parties and politicians should be disclosed by country in a differentiated way.*

As part of its business model, all legislative procedures relating to security, especially data security, personality rights and protection of privacy are of particular relevance to euromicron. The German IT Security Act on the political agenda is of particular importance in this context.

The issue of electromobility, and so all legislation and regulations in this sphere, are of relevance to euromicron AG’s subsidiary telent. telent is the ideal partner for designing and creating the infrastructure required for electromobility.

Neither euromicron nor any of its subsidiaries conducts lobbying on the issue of security or electromobility. euromicron is not entered in any lobby list and does not make any donations to

This declaration is available in German and English. In cases of doubt, the German version is authoritative. Page **29** of **31**

political parties and politicians. Consequently, an elaborated sustainability concept and risk assessment relating to lobbying and compliance do not exist at present and are also not planned. The company's management sets the strategic direction, is informed of key processes and is involved in implementation. The structure, standards and processes of euromicron's compliance organization are reported under criterion 20 (see criterion 20).

euromicron is a member of the German associations Alliance for Cyber Security, BHE Federal Association of Security Technology, the Association for Information Technology, Telecommunications and New Media (BITKOM), the Federal Association of Broadband Communication (BREKO), IP500 Alliance, LoRa Alliance™, the German Engineering Federation (VDMA), the Association for Security Technology (VfS), the CDU's Council of Economic Advisers and the Central Association of the Electrical Engineering and Electronics Industry (ZVEI).

## Key Performance Indicators for criteria 19

*Key Performance Indicator G4-SO6*

*Total value of political contributions by country and recipient/beneficiary.*

euromicron does not make any donations to political parties and politicians in principle.

## 20. Conduct that Complies with the Law and Policy

*The company discloses which measures, standards, systems and processes are in place to prevent unlawful conduct and, in particular, corruption, how they are verified, which results have been achieved to date and where it sees there to be risks. The company depicts how corruption and other contraventions in the company are prevented and exposed and what sanctions are imposed.*

euromicron AG's compliance organization is firmly established in all units of the company and entrenched throughout the group structurally and in terms of personnel.

At all the group's companies, local Compliance Officers manage the processes and are the contact persons at their companies and for management on all matters relating to compliance. They raise awareness and inform managers and employees about the issue.

The Chief Compliance Officer is in overall charge at the group level, coordinates the guidelines and reports to the Executive Board. The Supervisory Board is also informed regularly by the Chief Compliance Officer.

The stipulations and policies of group management are efficiently communicated to and applied at the individual companies. Company-specific aspects are formulated and entrenched under the leadership of the respective Compliance Officer.

The Chief Compliance Officer is responsible for handling potential violations and works closely with the group's Compliance Officers to ensure that all guidelines on conduct are carried through.

## Key Performance Indicators for criteria 20

### *Key Performance Indicator G4-SO3*

*Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.*

Every individual company has a Compliance Officer who reports to a central Chief Compliance Officer. The system covers the entire group and is established at all locations. That means issues are pooled and analyzed in the group.

### *Key Performance Indicator G4-SO5*

*Confirmed incidents of corruption and actions taken.*

There are no known incidents of corruption.

### *Key Performance Indicator G4-SO8*

*Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.*

No fines or non-monetary sanctions were imposed in fiscal 2017 due to a failure to comply with laws and regulations as part of euromicron's business activity.