

# Combined Non-financial Report

» In short «

In the past fiscal year Jenoptik rose  
the engagement score to

**72 %**

and thus by 4 percentage points.

The Combined Non-financial Report fulfils the requirements  
of the CSR Directive Implementation Act.

# Separate Combined Non-financial Report in accordance with the CSR Directive Implementation Act

## Position and Business Model

Jenoptik sees its entrepreneurial activity as more than purely the realization of commercial objectives; it is also something that brings with it an obligation to society and the environment. Together with our customers, we create forward-looking trends in the fields of energy efficiency, healthcare, the environment, mobility, and safety. As an international technology company, innovation is our driving force and the basis of our success in business. Our products allow us to make significant contributions to overcoming the societal challenges we face as well as to the conservation and efficient use of resources.

Since the beginning of 2019, Jenoptik has been operating in the new organizational structure with the Light & Optics, Light & Production, Light & Safety divisions, and VINCORION as an independent investment. Jenoptik mainly operates in the photonics market and is a supplier of high-quality capital goods. The Group is thus primarily a technology partner to industrial companies and public sector contractors.

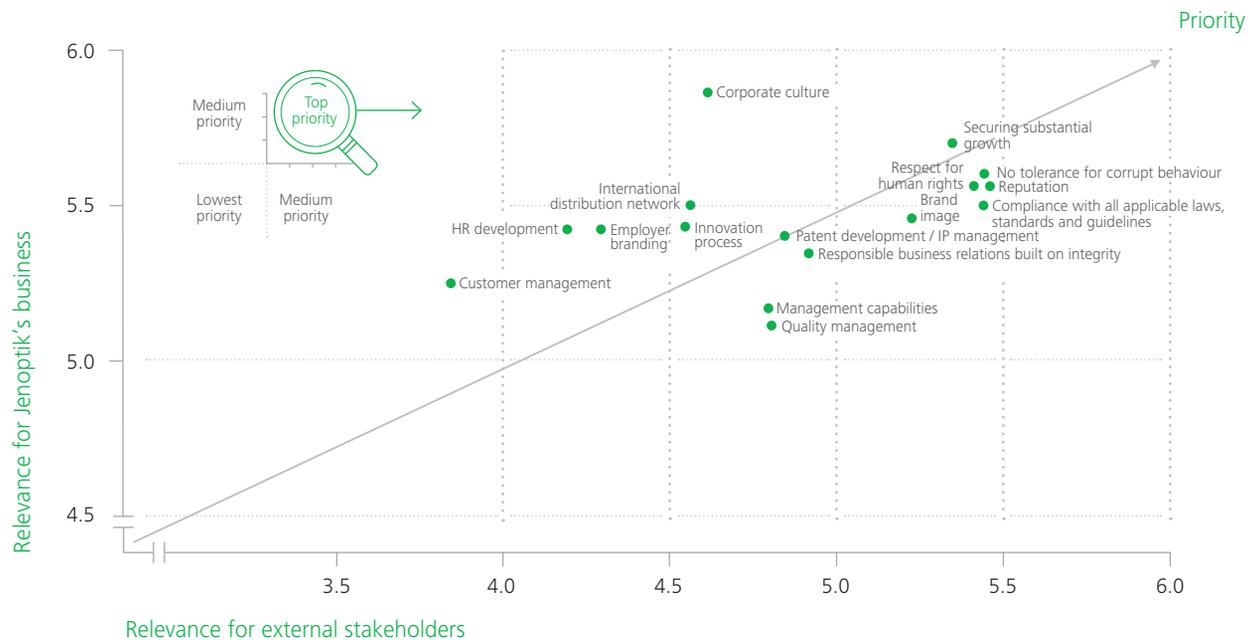
More information on the business model and markets can be found from page 74

## Our Take on Sustainability

Our understanding of sustainability is based on the conviction that the best way to achieve our economic goals and lastingly profitable growth is to adopt a position of responsibility to the environment and society. To meet this requirement the issue of sustainability at Jenoptik falls within the responsibility of the Chairman of the Executive Board. Since mid-2019, the Investor Relations & Sustainability department has been responsible for group-wide sustainability management at Jenoptik and reports regularly to the Executive Board and Supervisory Board. The Sustainability Working Group – comprising representatives of the Investor Relations & Sustainability, Communication & Marketing, Human Resources, Finance, Environmental Management and Compliance & Risk Management departments – regularly discusses relevant cross-cutting issues.

What follows is information on sustainability issues which are essential to a better understanding of our business performance and the company's development in the future.

## G08 Materiality matrix



The separate Combined Non-financial Report published here serves the purpose of fulfilling the requirements of the CSR Directive Implementation Act (CSR-RL-UG) in accordance with §§ 289b (3) and 315b (3) of the German Commercial Code (HGB). The report covers the key issues in the areas of employees, the environment, social commitment, human rights and anti-corruption for both our external target groups and the company in the 2019 fiscal year. The information in the non-financial report applies equally to the Group and JENOPTIK AG; any information that differs is indicated. The description of the approaches set out here is guided by Standard 103 of the Global Reporting Initiative (GRI). This means that Jenoptik describes components such as goals, existing guidelines, responsibilities, but also specific measures such as projects, programs and initiatives. The GRI standard served as an orientation aid for the selection of key figures, but was not used for further detailing. This includes information on the number of employees, employees on parental leave or the fluctuation rate. The materiality analysis and the risk assessment were prepared in accordance with the requirements of CSR-RL-UG. In accordance with § 315b (1) (3) of the German Commercial Code, reference is occasionally made to other information available in the Group Management Report. The list below shows all the relevant passages in the Management Report that are relevant to the separate Combined Non-financial Report.

- Business model page 74
- Strategy from page 77 on
- R+D/Innovation management from page 84 on
- Risk & opportunities from page 117 on
- Diversity policy see Corporate Governance Statement, [www.jenoptik.com/investors/corporate-governance](http://www.jenoptik.com/investors/corporate-governance)

## Materiality Analysis

Jenoptik maintains ongoing dialog with all stakeholders. On the basis of the analysis and independent assessment of all non-financial aspects which are essential for sustainable business development both from Jenoptik's perspective and from the perspective of the respective external target groups (customers, business partners, employees, shareholders, suppliers and the general public), further additional non-financial objectives (see table page 57) were prioritized in 2019. The results of the overall assessment are summarized in a materiality matrix and were also entirely valid for 2019. Topics in the upper right quadrant are of major significance to the Group's business development from the perspective of both Jenoptik and its stakeholders. G08 T10

The following overview reveals where Jenoptik sees its priorities in the value chain.

## T10 Jenoptik's key topics

Employee Matters <u>Corporate culture</u> <u>HR development</u>	Environmental Matters <u>Environmental management</u> <u>Waste management</u> <u>Processes to ensure compliance with regulations</u> <u>Resource management</u>	Social Commitment <u>Commitment to science &amp; education, art &amp; culture as well as in social projects</u>	Human Rights <u>Respect for human rights</u>	Anti-Corruption <u>No tolerance for corrupt behaviour</u> <u>Responsible business relations built on integrity</u> <u>Compliance with all applicable laws, standards and guidelines</u>	Other Topics <u>Brand &amp; reputation</u> <u>Quality management</u> <u>Innovation &amp; patent development</u> <u>Corporate strategy</u>
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● Jenoptik's key topics    ● Topics reported on a voluntary basis

## Non-financial targets

Our Strategy 2022 also goes hand in hand with a change in corporate culture towards a more open, agile and less complex company whose employees contribute to its success with commitment and motivation. The JENOPTIK AG Executive Board and Supervisory Board are actively committed to more sustainability and have determined additional non-financial objectives for the Group in 2019. After “Employee Matters” had already been a top priority in human resources work since 2018 and measures aimed at increasing employee satisfaction and the attractiveness of Jenoptik as an employer had been implemented, management focused on the topic of “More Innovation” as well as the reduction of CO<sub>2</sub> emissions and a more transparent supply chain in 2019. The promotion of good framework conditions for more innovations and greater investment in research and development ensure substantial growth and play a decisive role in our future performance. In addition to our already defined strategic goal of increasing our R+D output, including customer-specific developments, to 10 percent of revenue by 2022, we therefore want to continuously increase the share of revenue generated by products and platforms that have been developed in the last three years (so-called Vitality Index). 

However, a need for action was also identified in other areas: The requirements in connection with the goal of international climate policy to limit global warming are constantly increasing, and companies are being increasingly called upon to contribute actively to the reduction of CO<sub>2</sub> emissions. Therefore, we at Jenoptik want to increase the proportion of green electricity used at our main production sites to 70 to 80 percent of our total electricity requirements by 2022, expand our vehicle fleet to include vehicles with alternative drive systems and create an appropriate infrastructure at our sites for charging all battery-powered vehicles. In addition, we also wish to implement the increasing transparency requirements regarding human rights. With regard to our supply chain, our goal is to meet the higher standards of due diligence, thereby increasing transparency.

The non-financial objectives are described in detail in the respective chapters on the following pages, and are stated in table T10.

In addition, we report on environmental issues as well as our social engagement on a voluntary basis, since our obligation to the environment is particularly close to our heart and environmental issues are of key concern in all our business decisions.

However, our future success also needs a deep understanding of customer and market requirements as well as a functioning sales network.

Quality management and compliance are also of great significance to Jenoptik. We are equally committed to law-abiding and compliant conduct with respect for human rights as we are to ensuring the above-average quality of our products and services. As a responsible and socially committed company, Jenoptik considers it its duty to play an active role in shaping its environment. Dedication to our region is therefore another high priority.

All key topics are reflected in our new corporate strategy and are value drivers in our various areas of business. 

Our materiality matrix sets out the basis of all our long-term activities. These key topics are explained in detail in the sections below.

## Risks in Connection with Non-Financial Aspects

Acting in conformity with rules and considering business risks and rewards—for Jenoptik, these are the principles of responsible corporate governance. The Group has a risk manual and a system of guidelines, thus providing a reliable reference framework for all employees worldwide. The group guidelines were revised in 2019 in a structured process involving the central corporate departments, divisions and regions. The new version reduces the scope of the content regulated at group level, and for the first time provides a globally uniform framework that can be underpinned by more detailed regulations. The guidelines are reviewed annually, and extended or updated as necessary. The new group policy structure has been in force since January 1, 2020. 

Twice a year, Compliance & Risk Management identifies all risks within the Group and discusses the top issues—set in net terms—with the Executive Board. Our risk identification, risk management and risk control processes incorporate non-financial risks in the areas of environment, social issues and corporate governance, including climate-related risks in the form of physical risks and transition risks.

The net analysis did not identify any risks that are very likely to have a serious negative impact on the specified key non-financial aspects now or in the future. 



Further information on this can be found in the chapter Targets and Strategies



For more on the topic of innovation and IP management see R+D chapter from page 84



See Corporate Governance Report from page 36 on



Detailed information on our risk management system and major risks, including in connection with non-financial aspects, can be found in the Risk and Opportunity Report from page 117

## Employee Matters

Our employees, with their experience and abilities, are our greatest asset and absolutely essential to the Jenoptik Group's business success. Structured HR work and the responsible and contemporary approach to working conditions are therefore among our most important tasks, because excellent business performance is only possible with dedicated employees.

HR work at Jenoptik covers all employee-related operating and strategic measures for the implementation of the Group's objectives and is thus an essential component of the overall leadership and management process. HR is an internal, internationally active business partner which supports both the operating business and participates in the implementation of strategic decisions in all Jenoptik divisions. In doing this, HR fulfills three different requirements. It delivers local service for

### T11 Non-financial objectives and performance indicators

Aspect	Objectives	Performance indicators	Status 2019	Target
Corporate culture	<ul style="list-style-type: none"> <li>We want to increase the satisfaction and commitment of the employees</li> </ul>	<ul style="list-style-type: none"> <li>Fluctuation</li> <li>Sick leave</li> <li>Engagement Score</li> <li>Net Promoter Score</li> </ul>	4.1 % 5.6 % 72 % 69 %	< 5 % < 5 % > 68 % > 67 %
Recruiting	<ul style="list-style-type: none"> <li>We want to fill more internal vacancies with specialists who have been trained by Jenoptik</li> </ul>	<ul style="list-style-type: none"> <li>Training ratio in Germany</li> <li>Number of trainees taken on</li> </ul>	3.8 % 93 %	> 4 % 100 %
Brand & Reputation	<ul style="list-style-type: none"> <li>We want to increase the attractiveness of Jenoptik as an employer</li> </ul>	<ul style="list-style-type: none"> <li>Fluctuation</li> <li>Engagement Score</li> </ul>	4.1 % 72 %	< 5 % > 68 %
Innovation and R+D	Securing and boosting competitiveness, revenue and earnings through successful innovations: <ul style="list-style-type: none"> <li>We want to increase our R+D output including customer-specific developments</li> <li>We want to increase the share of revenue generated with products and platforms which have been developed in the last three years</li> </ul>	<ul style="list-style-type: none"> <li>R+D output</li> <li>Vitality Index *</li> </ul>	8 % –	10% by 2022 Increase
Environmental management	Reduction in CO <sub>2</sub> emissions: <ul style="list-style-type: none"> <li>We want to increase the proportion of green electricity used at our main production sites and take this issue into account in the purchasing process</li> <li>We want to expand our fleet of vehicles with alternative drive technologies and create an appropriate infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Proportion of green electricity</li> <li>Number of vehicles with alternative drive technologies in the fleet</li> <li>Number of charging stations</li> </ul>	45.3 % 4 1	70 to 80% by 2022 Increase Increase
Supply chain management	<ul style="list-style-type: none"> <li>We want to increase transparency in our supply chain in order to guarantee the protection of human rights and the environment</li> </ul>	<ul style="list-style-type: none"> <li>CRSA Coverage Rate of the purchase volume</li> </ul>	25 %	> 40 %

\* Will be recorded in the 2020 fiscal year

all employees and managers, supports division-specific projects and offers expert knowledge in the areas of recruiting, employer branding, HR development, labor law and remuneration. HR reports directly to the Chairman of the Executive Board, who is also HR Director, via the function Head of Global HR.

The first point of contact for all HR-related issues in day-to-day business concerning the Group's employees and managers are the HR Service Partners. Each division has an HR Business Partner who is part of the management team. Working with the Division Management, the HR Business Partners develop and implement strategic HR topics.

Alongside an appealing corporate culture, we see our employees' efforts, expertise, experience, and commitment to the company as key value contributions. This was also confirmed by the results of the materiality analysis, which in Human Resources in particular point to topics such as corporate culture, HR development and employee satisfaction.

In 2019, the topic of "Employee Matters" was the focus of our activities. For monitoring purposes, during the past fiscal year, an internal reporting system has been developed for special non-financial performance indicators (KPIs); it provides the Executive Board with regular information. In order to achieve the defined goals, our HR team developed specific measures which are described in the following sections.

Detailed information on gender equality and targets for the proportion of women on the Supervisory Board, Executive Board and the management level below the Executive Board can be found in the Corporate Governance Report and in the Corporate Governance Statement. 



More detailed information on the targets for the proportion of women can be found at [www.jenoptik.com](http://www.jenoptik.com) under Investors/Corporate Governance in the Corporate Governance Statement

A pleasant **corporate culture** provides guidance not only for employees, but also for customers, suppliers, and potential applicants. With the implementation of the group strategy the focus is also on establishing a dialog-based corporate culture characterized by initiative, respect for diversity and equal opportunities. An intensive exchange with employees, customers and management representatives in the form of surveys, workshops and interviews formed the basis for the three newly defined Jenoptik values – **open, driving, confident**. We believe that committed and curious people always perform outstandingly. We value new ideas and develop them further in an open dialog. In order to achieve our targets, we encourage employees who drive things forward and who have the will to succeed. We have the courage, the conviction and the expertise to seize opportunities that present themselves and to be a leader in

the field of photonics. At the beginning of 2019, we introduced the Jenoptik values company-wide with an information and workshop program.

Jenoptik is modern and flexible in terms of leadership culture. Key to this will be the respectful behavior in the workplace, balancing of career and family, flexible working hours, and a healthy work environment. Examples of measures for 2019 include the introduction of remote working and the creation of a health management position.

We measure the satisfaction and commitment of our employees through an annual employee survey. This was conducted globally for the second time in 2019 in order to obtain a holistic picture. In the survey, employees evaluate the various facets of their work as well as the corporate and leadership culture. The commitment of our employees (so-called Engagement Score) and the recommendation rate (so-called Net Promoter Score) are also measured. We have already achieved our non-financial objective of increasing both of these KPIs in 2019.

68 percent of our employees, took part in the 2019 survey (prior year 67 percent). The engagement of our employees, the so-called "Engagement Score" improved by 4 percentage points to 72 percent, i.e. 72 percent of our employees identify positively with their duties at Jenoptik and are actively involved. With a "Net Promoter Score" of 69 percent (prior year 67 percent) more than two thirds of our employees would recommend Jenoptik as a good employer. This puts Jenoptik four percentage points above the benchmark of 65 percent determined by our service provider Qualtrics, the targets set by management to increase the engagement and net promoter scores were achieved.

Our managers communicated the results of the employee survey to their teams, who developed team-specific measures in a joint workshop. All measures are regularly presented to the EMC (Executive Management Committee). The next employee survey is scheduled for May 2020 and will measure the effectiveness of the measures implemented. In the most recent employee survey, the top 3 topics were:

- Career advancement and development opportunities,
- Support from their supervisors in identifying areas of development, and
- Transparent communication between Jenoptik and its employees.

In 2019 we also conducted a survey of our new employees (entries January to September 2019) on the onboarding process at Jenoptik for the first time, with the objective of further improving this process. Among our new colleagues, the Engagement Score and the Net Promotor Score were both 90 percent. The satisfaction with our recruiting process is 93 percent, while satisfaction with our onboarding process is 86 percent. From 2020, structured exit interviews will also be conducted in addition to the two surveys.

Jenoptik is family-friendly and responds to the needs of its employees with flexible working hour models. Flextime, part-time work, and flexible parental leave all make it easier for our employees to strike their own balance between family and working life. In 2019, 154 employees made use of parental leave in Germany (prior year: 157 employees). The number of part-time contracts in Germany rose to 7.1 percent in 2019 (prior year: 6.7 percent). One of the most important pre-conditions for balancing career and family is the availability of childcare. For several years, Jenoptik has been investing in daycare centers at the Jena, Wedel, and Monheim locations, as well as in flexible childcare models. Therefore, our employees are assured a place at the daycare centers.

The global staff fluctuation rate of 4.1 percent in 2019 itself reflects a high level of employee satisfaction within Jenoptik as an attractive employer. (prior year: 4.5 percent). Across Germany, the fluctuation in the past fiscal year was 3.1 percent (prior year: 3.7 percent).

**HR development** is a key factor that determines the future viability of the company and the commitment of our employees. To help promote them in line with their potential and interests, the development needs are assessed in regular staff appraisals and appropriate training is sought. Regular staff appraisals were held at all sites in 2019, which we verified in the employee survey. In 2019, Jenoptik invested around 2.6 million euros (prior year 2.5 million euros) in the professional development of its employees. This includes both the costs for trainees and students at the Cooperative State Universities and the costs for further training for our employees. Learning at Jenoptik is structured according to the 70:20:10 principle: as employees and their supervisors are the experts for their own further development, 70 percent of learning takes place in the workplace and 20 percent through learning from others. Classroom or online training makes up only 10 percent. The topic of e-learning will be the focus of HR development in 2020.

We are also following the 70:20:10 learning principle in the development of our managers: since 2019, there have been three target-group specific programs aimed at high potentials, new managers and experienced managers. Our managers continue to be key drivers of a uniform leadership culture at Jenoptik and thus of our corporate success. They are responsible for motivating the employees and have a direct influence on their satisfaction.

**HR Recruitment.** Jenoptik's HR requirements are guided by the Group's international growth strategy, resulting in a greater need for recruitment in Asia, Canada and the USA. However, experts and managers are also being sought in Germany. The audiences addressed by recruitment and thus also HR marketing are primarily specialists and skilled workers in the natural and engineering sciences as well as experts with business management and legal backgrounds.

In order to fill more vacant positions with internal specialists trained at Jenoptik, the training ratio was increased, taking into account the retirement of employees in the context of succession planning. This meant that significantly more trainees could be hired in 2019. 65 young people began their training at Jenoptik in 2019 (prior year 38). Thus, at the end of 2019, a total of 142 trainees were employed by the Group throughout Germany. For 2020, the number of trainees is to be increased to a total of 172. This will create 30 additional apprenticeships. The trainee retention rate in 2019 was 93 percent (prior year 90 percent). The trainees were taken on for an unlimited period by the company.

Specific support for school students, university students and graduates forms part of the Group's expertise strategy, ensuring early loyalty to the company and thus simplifying the recruitment process. A selection of targeted initiatives and cooperation arrangements is shown below in table T12.

Increasing **attractiveness as an employer** is the focus of employer branding at Jenoptik. Clear and distinctive positioning as an attractive employer should support recruitment and develop a positive and unmistakable employer image as a future-oriented, innovative high-tech company in the photonics industry. The definition of the employer brand and the development of the associated values (Employer Value Proposition) were carried out on the basis of the Jenoptik Strategy 2022 under the motto "More Light". Last year, the focus was on target-group oriented communication using social media channels. This makes it possible to flexibly adapt communication with the target groups to the current market situation and to measure the success on the basis of different key figures as well as to derive further measures.

Since 2019, Jenoptik has been using a uniform international applicant management system which replaced the previous country-specific systems.

**Occupational health and safety** are also key topics affecting the basic needs of our employees and their satisfaction in the workplace. They are firmly anchored in the Group's operating processes and aim to minimize risks arising in the work environment that may endanger employees. The Jenoptik companies are each responsible for applying the law on all aspects of occupational health and safety. The central Environment, Health and Safety (EHS) department reports directly to the Chairman of the Executive Board and is available to advise all companies. It coordinates the relevant tasks and assists the Executive Board on enforcing necessary measures. There are health and safety committee meetings in all divisions each quarter. In addition, all employees are briefed on issues relating to health and safety at work at least once a year. At all of the German locations, around ten percent of the workforce are trained as first-aiders. The number of reportable workplace and commuting accidents in Germany fell to 10.72 per 1,000 employees in 2019 (prior year 12.42 per 1,000 employees). This figure includes workplace accidents (WA) at 43.75 percent and commuting accidents (CA) at 56.25 percent. Compared to the members of the ETEM trade association, Jenoptik is thus clearly below the average figure of 22.71 in 2018. In the interests of our employees' health and performance, the Group offers regular medical examinations by a company physician. In 2019, we once again held health days for employees at German sites. Since 2019, company health management at Jenoptik in Germany has been centrally managed by the Corporate Center. In the current fiscal year the associated structures in the company will be further developed and various initiatives launched.

## T12 Initiatives and cooperations (selection)

### Jenoptik supports

- career guidance projects at schools, also offering their students the opportunity to complete an internship
- young researchers in Thuringia as a longstanding state-level corporate sponsor of the "Jugend forscht" initiative
- various industry organizations to promote professional development activities
- students in the form of degree theses, internships, and scholarships

### Jenoptik works with

- selected universities around the world with regards to HR marketing and recruitment, for research purposes, and to foster the professional development of its employees
- selected universities around the world via projects and is active through a range of committees and networks in an advisory capacity

## Environmental Matters

Long-term protection of our environment is of top priority for us. We see the efficient use of resources and energy at all our global locations as our corporate responsibility and here report voluntarily on key environmental matters in the Jenoptik Group. As many of our products contribute to the efficient and responsible use of resources, Jenoptik primarily makes an indirect contribution to conserving resources and therefore also to protecting the environment. In order to make an active contribution to reducing CO<sub>2</sub> emissions, we want to increase the share of green electricity used at our main production sites to 70 to 80 percent of total electricity requirements by 2022, expand our vehicle fleet to include vehicles with alternative drive systems, and create an appropriate infrastructure at our sites for charging all battery-powered vehicles.

**Environmental management** is a key part of our business practices. We comply with national and international laws and set standards in resource conservation and energy efficiency with respect to the manufacture of our products. However we also require our suppliers and contractual partners to comply with relevant regulations to minimize environmental risks. As a manufacturing company, we set our focus on efficient resource management so as to reduce energy consumption and greenhouse gas emissions to the best of our ability, use commodities and materials in a safe and resource-saving manner and to largely avoid producing hazardous waste. We espouse good environmentally friendly design and the economical use of resources as early as the development stage while minimizing the impact on people, the environment and nature through regulated recycling and disposal. In line with their environmental relevance, selected Jenoptik companies are certified in accordance with the ISO 14001 environmental management standard which globally sets out requirements for an environmental management system. In 2019, all Jenoptik companies and sites were again audited for the required energy audit in accordance with DIN EN 16247. 

Environmental management lies within the remit of Safety, Occupational Health and Environmental Protection. The Jenoptik companies are each responsible for applying the law on all aspects of environmental protection. The central environmental protection officer is available to provide assistance where required and, as just one example, reviews all group investment projects with regard to their environmental relevance. The managers responsible for environmental issues at the German locations meet twice a year to share their experiences and ensure a standard approach to implementing environmental law requirements and processes. Waste officers take care of all matters relating to the prevention, accrual, recycling, and disposal of hazardous and non-hazardous waste.

Jenoptik continues to implement and in part exceed statutory requirements relating to nature conservation and environmental protection for new buildings, extensions and the modernization of production facilities. State-of-the-art technologies for saving resources and protecting the environment are applied when fitting out production facilities. The company building for the Light & Production division at the Villingen-Schwenningen site, construction of which has already begun, fully complies with the environmental protection standards introduced at Jenoptik. For example, the new building is equipped with modern insulation, sensor-controlled LED lighting and energy-saving heating and air conditioning technology. In addition, several charging stations for electric mobility will be installed.

At the Jena site, an infrastructure project for a large building complex was successfully completed in 2019 with the renewal of a central ventilation system, the installation of an exhaust air purification system and a system for heat recovery from exhaust air. The roof of another large production complex was refurbished to improve energy efficiency, including renewed and more efficient building heating as well as sustainable water heating and ventilation technology.

The conversion of existing lighting to LED lighting is being examined and successively implemented at several sites worldwide in ongoing rebuilding measures taking into account cost and environmental aspects. In addition, the energy efficiency of the plant technology at the Jena-Göschwitz site was analyzed in 2019. In the future, obsolete and resource-intensive technology will be replaced by low-emission and more resource-efficient systems if necessary.



For further information see section Quality management from page 67

**Greenhouse gases.** As a technology company, Jenoptik generates only small volumes of emissions within its plants. The majority of its pollutant emissions are attributable to procured and externally purchased energy (district heating or electricity). Due to the availability of data, we report our environmental data with a time lag to the reporting year. In addition to absolute energy consumption, we are also reporting for the first time energy consumption in relation to revenue, thus making the development of energy efficiency in our production transparent. Total energy consumption came to 90.59 MWh per group revenue of 1 million euros and thus remained in 2018 at the prior-year level (prior year: 90.15 MWh/revenue of 1 million euros).

Through the targeted purchase of renewable energies, Jenoptik will source green electricity from European hydro power throughout Germany from 2020. International sites will follow gradually. This will take us a major step closer to our goal of increasing the proportion of green electricity used at our main production sites worldwide to 70 to 80 percent of total electricity requirements by 2022. In 2018, this already amounted to 45.3 percent.

The consumption of the various media (electricity, district heating, gas, heating oil, wood pellets) at all major Jenoptik production sites was used to calculate the CO<sub>2</sub> emissions. The goal remains to record energy consumption throughout the Group, and to this end additional sites were included in the past fiscal year. Rochester Hills, Jupiter and Huntsville (USA), Shanghai (China), France and the UK, Barrie (Canada) and Switzerland have been included for the first time. Therefore, CO<sub>2</sub> emissions rose by 10.8 percent to 12,843 tons in 2018 (prior year: 11,596 tons). T13

**Water.** Jenoptik does not require large volumes of water for its manufacturing processes. Water is only used as a coolant, as a process medium and for sanitary purposes and comes primarily from the public drinking water supply and from groundwater. Nevertheless, as part of our water management, we take care to keep water consumption as low as possible at all our sites. In 2018, 70,790 m<sup>3</sup> of water were consumed at our main production sites (previous year 71,296). T14

## T13 Energy consumption and CO<sub>2</sub> emission by the major Jenoptik sites (in MWh and t)

	Energy consumption		CO <sub>2</sub> emissions	
	2018	2017	2018	2017
Germany	58,447	58,348 *	8,038	8,188 *
Europe	1,332 **	983	158 **	148
Americas	15,543 **	7,814	4,455 **	3,068 *
Asia/Pacific	283	283	192	192
<b>Total</b>	<b>75,605</b>	<b>67,428 *</b>	<b>12,843</b>	<b>11,596 *</b>

\* Corrected value due to harmonization of methodology

\*\* Figures cannot be compared with prior year as the number of the included production sites of Jenoptik increased in 2018

Due to low volumes of water required for production processes, we do not see ourselves encountering any key risks in this area. Conservation regulations also play a very minor role for the Group due to its business purpose and the location of its sites outside conservation areas.

**Waste.** Within the scope of our business activities, hazardous waste is also generated in the production processes, for example, electronic scrap, adhesive residues or solvents. Our goal is to avoid producing such waste generated during production as far as possible or to recycle it or, at the very least, dispose of it properly in order to minimize negative effects on the environment. In the production of semiconductor lasers in Berlin-Adlershof, for example, a new process helped to use less solvents. The volumes sent for disposal or recycling are recorded locally and we distinguish between hazardous and non-hazardous waste within these categories.

In Germany, waste types are systematically recorded in all divisions categorized and their quantities calculated. The volume of hazardous waste disposed of in waste treatment/disposal plants in the 2019 reporting year increased to 179 tons (prior year: 162 tons). In contrast, the quantity of non-hazardous waste rose to 1,100 tons (prior year: 1,022 tons), caused primarily by

so-called "clean days" at the German sites. In general, Jenoptik aims to recycle waste through certified waste management facilities. Through continuous waste separation and training of the employees on waste prevention, the amount of residual waste was again further reduced. At the Triptis site, for example, more plastic materials are being channeled back into the recycling process, thereby conserving resources, avoiding expenditure on waste disposal and generating income.

As a high-tech company, Jenoptik is dependent on a wide range of raw materials. In the face of an increasing scarcity of resources, Jenoptik is committed to making sparing use of the materials it uses. We comply with applicable regulations, for example the requirements of the European chemicals regulation REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) and the European RoHS directive (Restriction of certain Hazardous Substances), and are involved on associated committees. The Product Compliance project was launched in 2019 as a means of implementing efficient processes for the collection of relevant data. In the future, declarations from suppliers, raw material and chemical data can be systematically and automatically evaluated and the respective declarations issued. The objective of our purchasing processes is to meet all regulations relating to conflict minerals in compliance with the Dodd-Frank Act.

## T14 Water consumption (in m<sup>3</sup>)

Water consumption	2018	2017 *
Communal water supply	43,767	47,008
Groundwater from internal production	27,023	24,288
<b>Total</b>	<b>70,790</b>	<b>71,296</b>

\* Values are partly based on estimates

**Resource Management.** Many of Jenoptik's innovative products and services make a contribution to the efficient and responsible use of resources. As a technology company, we are involved primarily in the areas where our customers' production processes and products can be made more efficient. The table below provides an overview of the contribution of selected Jenoptik products to resource conservation. T15

- A commitment to the younger generation with projects in science, education, and in the social arena.
- Art and cultural projects to lend an attractive design to our company locations and create good conditions for our employees' work/life balance.
- A commitment to integration and internationality to strengthen the foundations of business and society in the future.

## Social Commitment/Corporate Citizenship

Supporting young people in their education and scientific activities, as well as in social projects – this is at the heart of Jenoptik's social engagement. The Group supports a whole range of non-profit projects, organizations and initiatives and is actively involved in the following three areas, primarily in Germany but increasingly also abroad:

As a responsible and socially committed company, Jenoptik considers it its duty to play an active role in shaping its business environment. As part of this process, our main concern is to achieve close, long-term partnerships, with the aim of providing not just financial but also non-material assistance. With our commitment to society, we want to strengthen the confidence placed in Jenoptik and boost our employees' sense of identification with the company. We also expect this to have a positive effect on our brand image, reputation and our attractiveness as an employer.

### T15 Contribution of our products to resource conservation

Product	Contribution to resource conservation
<b>Jenoptik diode lasers and laser machines</b> for a wide range of applications, e.g. in medical technology or the automotive industry	<ul style="list-style-type: none"> <li>• The most efficient light sources available with an efficiency of up to 70 percent</li> <li>• Resource-friendly alternative to conventional machining processes, especially when processing high-strength steel with a lower weight</li> </ul>
<b>Optical systems and components</b> for information and data transmission as well as medical diagnostic procedures	<ul style="list-style-type: none"> <li>• Continuous further development towards even smaller crystalline structures in semiconductor production opens up ever newer application options,</li> <li>• Time-saving processes and cost-effective production, thereby conserving resources</li> </ul>
<b>Metrology</b> – systems and equipment to check shape and roughness, particularly in the automotive industry	<ul style="list-style-type: none"> <li>• The results are more precise surfaces and tighter tolerances in engine components (downsizing) and thus entire vehicles that require less fuel and produce fewer emissions</li> <li>• More complex transmissions for hybrid cars demand the increased use of metrology</li> </ul>
<b>Hybrid power generation systems</b> to enable an efficient power supply to the Patriot missile defense system	<ul style="list-style-type: none"> <li>• Use of battery technology to reduce fuel consumption</li> <li>• Longer life cycles for customers, lower service expenditure and this product sustainability</li> </ul>
<b>Traffic monitoring systems</b> check compliance with current road traffic regulations and improve traffic flow	<ul style="list-style-type: none"> <li>• Contribution to increasing road safety and reducing accidents</li> <li>• Reduction in emission of pollutants and noise</li> <li>• Installation at the side of the road limits interference in the environment (no installation of monitoring gantries)</li> </ul>
<b>Toll monitoring systems</b> on federal highways	

The duties of Corporate Citizenship are the responsibility of Marketing & Communication. Group-wide guidelines govern the principles of a structured and standardized approach to defining "Jenoptik as a Corporate Citizen" and ensure a uniform method of handling donations and sponsorship queries, as well as carrying out sponsorship projects.

Our dedication to our region is of particular relevance. Since 1996, the Group has acted as the patron of the "Adult Initiative for Children with Cancer Jena". Donations both made by Jenoptik and collected from partners, and the organization of various events, have helped to support children with cancer and their parents. Particularly worthy of note is the Easter Charity Concert given by the International Youth Orchestra Academy, the proceeds of which are donated to the initiative. T16

In 2019, the group-wide program "Mitarbeiter im Ehrenamt" (Employees and Volunteering) was launched as a further pillar of social engagement. Volunteering is an important link in society. Many Jenoptik employees make an important contribution to associations and organizations through their volunteering work. The new program encourages and honors this engagement.

Together with numerous partners, the Group is also active as a member of "Familienfreundliches Jena e.V." (Family-Friendly Jena) support group for projects conducted by the "Jenaer Bündnis für Familie" (Jena Family Alliance) to improve general underlying conditions, the work/life balance and equal opportunities in education. Jenoptik supports various models of family-friendly childcare, the "Saaleknirpse" in Jena, the "Wasserstrolche" in Wedel, and the "Talentschuppen" in Monheim. For schoolchildren, once again there was the summer camp jointly organized for children of Jenoptik employees and children of recognized refugee families.

## T16 Social commitment - exemplary projects

Social	Jenoptik supports	<ul style="list-style-type: none"> <li>Easter charity concert by the International Young Orchestra Academy on behalf of the Elterninitiative für krebskranke Kinder Jena e.V.</li> <li>"Friends of Foster Children", Jupiter (USA)</li> <li>Fundraising campaign on the occasion of the New Year's Eve reception on behalf of ARCHE Berlin</li> <li>Summer camps for children of Jenoptik employees and children of recognized refugee families</li> <li>Promotion of "Mitarbeiter im Ehrenamt"</li> <li>Project "Mitten im Leben" in the Bürgel parish</li> <li>Christmas campaigns on behalf of sick and needy children at the Jenoptik locations Jena, Jupiter and Huntsville</li> </ul>
Science & Education	Jenoptik is a partner for ...	<ul style="list-style-type: none"> <li>Global competition "SPIE Startup Challenge"</li> <li>The Thuringian young researchers competition "Jugend forscht" (since 1991)</li> <li>Competition "Schüler experimentieren" (since 2012)</li> <li>Applied Photonics Award of Jena-based Fraunhofer IOF</li> <li>Student project "Hinterm Horizont macht Schule"</li> <li>Lothar Späth Award for Outstanding Innovations in Science and Economy</li> <li>70 years of the German Basic Law: New version as magazine in modern layout – for schools and educational institutions</li> </ul>
Art & Culture	Jenoptik promotes artists through its own series of "tangente" art exhibitions (since 1994):	<ul style="list-style-type: none"> <li>tangente: Thomas H. Saunders "Art of Microscopy"</li> <li>Art exhibition OSTER+KOEZLE "raum+stoerung" at the Friedrich Schiller University and tangente "rooms + architectures" as part of the 100th anniversary of the Bauhaus in 2019</li> </ul>
	Jenoptik supports cultural projects with partners:	<ul style="list-style-type: none"> <li>Open-air Cultural Festival "Kulturarena" organized by the city of Jena</li> <li>Summer theater spectacular by Theaterhaus Jena</li> <li>Summer concert series at the Thalbürgel monastery church</li> </ul>

2019 was marked by a number of important anniversaries, which were also reflected in our social engagement. For example, Jenoptik sponsored a project in which schoolchildren addressed the 30th anniversary of the fall of the Berlin Wall and, under the patronage of the Udo Lindenberg Foundation, brought the musical "Hintern Horizont geht's weiter" (Behind the Horizon Life Goes On) to the stage of the German National Theater in Weimar. In the USA, Jenoptik employees at the Jupiter site worked with "Friends of Foster Children" from Palm Beach County to bring holiday joy to children. Also in Jupiter, staff members provided family-style Thanksgiving meals to the needy in the region and participated in food collections. Employees in Huntsville supported the "Kids to love" foundation and collected toys and donations for children for Christmas. At the Jenoptik site in Barrie, Canada, employees support the "Great Cycle Challenge", a charity campaign for the fight against childhood cancer. The employees fulfilled gift requests in the form of toys and cash donations to bring a smile to the children's faces during this time.

Since the company's earliest days, Jenoptik has been enriching life in Jena with art and cultural projects. The in-house "tangente" series of art exhibitions is a key part of this endeavor. Jenoptik also sponsors art projects by partners, such as an art exhibition organized by the Friedrich Schiller University in Jena to mark the 100th anniversary of the Bauhaus in 2019.

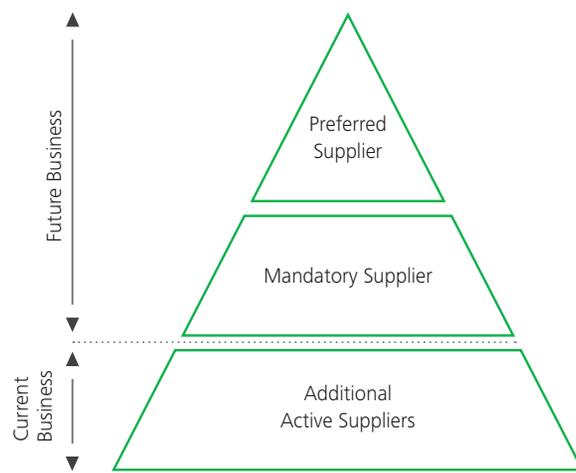
## Responsible Corporate Governance

In a globalized market environment, Jenoptik is fully committed to responsible corporate governance and law-abiding, compliant conduct. We make our business decisions with this in mind and always work to ensure that our actions are in accordance with regulations, laws and our values. Compliance & Risk Management therefore lies within the remit of the Chairman of the Executive Board, and the department reports directly and regularly to him. The Director of Compliance & Risk Management is in close contact with all employees throughout the organization, controls the Group's opportunity and risk management system in close cooperation with the central divisions and the divisions' risk officers. Over the past fiscal year, our compliance organization has been expanded and internationalized. A data protection officer is the group-wide contact for all data protection matters. In the North America and Asia/Pacific regions, the team was strengthened with regional compliance officers. Since the beginning of 2020, Compliance & Risk Management has also taken on group-wide responsibility for export and customs controls.

Respect for human rights is a high priority for Jenoptik, especially in the supply chain. Jenoptik is committed to internationally recognized standards of human rights and does not tolerate any form of slavery, forced labor, child labor, human trafficking or exploitation in its own business operations or those of its supply chain. We also expect our suppliers to comply with and respect internationally recognized human rights standards, e.g. the Slavery and Human Trafficking Statement. The compliance-relevant processes are continuously revised in order to identify violations and high-risk business partners in good time. In a two-step process, a supplier compliance declaration and an additional code of conduct for distributors first oblige all our business partners to adhere to the law. In the second step, a centralized high-risk business partner screening process is used to ensure that Jenoptik cooperates only with those business partners that meet all of its compliance requirements.

**Anti-corruption.** Jenoptik fights all forms of active and passive corruption and expects all its business partners to do the same. We also see it as our responsibility to ensure that our customers and suppliers act in compliance with the law. For detailed information on Jenoptik's compliance management system, the company guidelines and codes of conduct for employees, suppliers and sales partners, our online training, and our whistleblower system, we refer you to the Corporate Governance Report from page 36 as well as the Risk and Opportunity Report from page 117.

### G09 Classification of suppliers



**Supply chain management.** As one of our most important resources, our supplier base has a significant influence on the value contribution of our products, but also sustainability and environmental protection. We partner with our suppliers all along the value chain on a long-term basis. When selecting our business partners and when working together, we take into account their performance in terms of safety, health, the environment, social standards and fair business practices in order to further develop an integrated supplier management system.

Our business partners are classified and assigned to different phases of a supplier life cycle within the scope of strategic supplier management. Our Preferred Suppliers are distinguished by their strategic importance for the future business with Jenoptik. They are qualified according to uniform criteria applying group-wide. We hold a strategic meeting with our Preferred Suppliers at least once a year at which we discuss supplier assessment and their development. We use a scorecard to help set targets and measures relating to quality, logistics, technology, costs and sustainability. G09

Our Code of Conduct for Suppliers to the Jenoptik Group is binding on all suppliers worldwide, irrespective of procurement volume, and serves as the basis for contractual relationships. Among other things, it includes topics such as compliance with laws and regulations, respect for human rights, the prohibition of forced and child labor, the responsible handling of conflict materials and the obligation to protect the environment. As part of a qualification process, the Code of Conduct of new suppliers is requested. The qualification process also includes the request for a "Corporate Social Responsibility Supplier Self-Assessment (CRSA)" – a questionnaire for suppliers on sustainability topics in the social, compliance, governance and environmental areas. An evaluation of the questionnaire is carried out inter-divisionally with the Compliance & Risk Management, and Safety, Occupational Health and Environmental Protection departments. As a last resort, a phase-out process is initiated.

Purchasing in the Jenoptik Group is globally positioned and responsible for all procurement activities and the implementation of responsible supply chain management. The various purchasing categories and product groups are controlled and managed by category/commodity managers worldwide. The Vice President for Corporate Supply Chain Management & Procurement reports directly to the CFO of JENOPTIK AG.

## Quality Management and Brand Image

**Quality management.** The key to Jenoptik's success as a technology company primarily lies in the quality of its products and solutions. Longstanding collaborations with key customers, sometimes in the form of development partnerships, and the confidence placed in us by our partners are proof that our products and solutions are of superior quality. As a quality leader in many of our product areas, we are committed to ensuring that the quality of our products and services is above average. Quality management at Jenoptik is managed locally in the business units and falls within the responsibility of the head of the divisions. Each division applies individual quality indicators. The following overview summarizes key KPIs for quality management in the Jenoptik Group. T17

### T17 KPIs for quality management

Criterion	Examples for KPIs of the divisions
Quality from a customer perspective	<ul style="list-style-type: none"> <li>• Customer satisfaction</li> <li>• Complaint cost ratio</li> <li>• Warranty and guarantee costs</li> </ul>
Quality as an internal business partner	<ul style="list-style-type: none"> <li>• Internal audits</li> <li>• Measures in the process of continual improvement</li> <li>• Process and product quality                             <ul style="list-style-type: none"> <li>- Production yield/quality grade</li> <li>- Reworking costs</li> <li>- Reject costs</li> </ul> </li> </ul>
Quality from the supplier's perspective	<ul style="list-style-type: none"> <li>• External supplier audits</li> <li>• Suitable suppliers</li> <li>• Supplier quality and delivery of defective parts</li> </ul>

One measure to ensure and further improve our quality is our quality initiative, the impact of which can be seen in all areas of the business – from the development of new products to quality planning and assurance and all the way to the quality of the finished product. In 2019, topics such as international quality and occupational health and safety as well as environmental protection programs were developed on the basis of the Jenoptik and divisional strategies. Within the Automotive area, for example, the Jenoptik subsidiary Five Lakes Automation was integrated into the division’s international QM system and a new quality reporting and rollout plan was developed for upcoming certifications. The initiative will continue to run

in 2020, now with an increased focus on internal customer and supplier relationships.

In addition to certifications, further issues in quality management at Jenoptik include standardization, process controls, tests as well as continuous dialog with customers, e.g. analyses of customer satisfaction. Almost all the group companies comply with the requirements of quality management standard ISO 9001; many of them also meet the requirements of the ISO 14001 environmental management system.

## T18 Certification within the Group (selection)

Certification	Description	2019 actions
ISO 9001	Certification of quality management processes	<ul style="list-style-type: none"> <li>Matrix certification of all German sites of the Light &amp; Optics division</li> <li>Certification in the Light &amp; Production division</li> <li>Certification in the Light &amp; Safety division</li> <li>Certification of JENOPTIK Shanghai PIE Co. Ltd.</li> </ul>
ISO 50001	Certification of the energy management system	<ul style="list-style-type: none"> <li>Certification of Photonic Sence GmbH due to energy-intensive machining processes</li> </ul>
EN 9100	Certification of quality management processes specific to the aerospace and defense industries	<ul style="list-style-type: none"> <li>Re-certification at VINCORION</li> </ul>
ISO 13485	Certification of comprehensive quality management systems for the design and manufacture of medical products	<ul style="list-style-type: none"> <li>Recertification in the Light &amp; Optics division</li> </ul>
ISO 14001	Certification of the environmental management system	<ul style="list-style-type: none"> <li>Matrix certification of all German sites of the Light &amp; Optics division, integration of Laser GmbH in the environmental management system of Jenoptik Optical Systems Germany</li> <li>Re-certification in the Light &amp; Production division</li> <li>Re-certification at VINCORION</li> </ul>
ISO/TS 16949	Certification for the automotive industry	<ul style="list-style-type: none"> <li>Follow-up audit and special audit at the Triptis location (among others due to merger of the German companies Jenoptik Optical Systems and Jenoptik Polymer Systems)</li> </ul>
IRIS	International Railway Industry Standard	<ul style="list-style-type: none"> <li>Certification at VINCORION</li> </ul>
ILO - OSH - 2001 / OHSAS 18001 or DIN ISO 45001	Certification of occupational safety and health management	<ul style="list-style-type: none"> <li>Re-certification in the Light &amp; Production division</li> <li>Re-certification at VINCORION</li> </ul>
AQAO 2110/2210	NATO quality assurance system	<ul style="list-style-type: none"> <li>Renewal of certification at VINCORION</li> </ul>

The table on page 68 shows a selection of group certifications and actions undertaken in 2019. The Light & Optics division has successfully passed the matrix certification in accordance with the ISO 9001 and ISO 14001 international standards for quality and environmental management for several sites. The German sites of VINCORION also received the re-certification audits for the implementation of their quality and environmental management systems. Successfully audited were the implementation of the environmental management standard ISO 14001:2015 (in Wedel and Essen) and compliance with the industry-specific standard EN 9100:2018 (in Wedel and Essen). In 2019, the Light & Production division also received the certifications for the ISO 9001:2015 quality management system and the ISO 14001:2015 environmental management system. The auditors certified a good system of integrated process analysis, a good risk/opportunity analysis and saw strengths in innovation management. In addition, they certified that the employees receive a very high level of training. In June, the Automotive division's production area at the Shanghai site successfully passed an audit by the Deutschen Gesellschaft zur Zertifizierung von Managementsystemen (DQS). For the first time, the plant was audited comprehensively with respect to the requirements of ISO 9001. The shop floor management in assembly received an especially good report. T18

Our **brand image and reputation** are of key importance—the trust placed in us by our stakeholders, our position in the competitive environment, our attractiveness as an employer, and the identification of the employees. As an international photonics group, we work in many different markets and compete with numerous companies. Our brand image makes us visible, assessable and attractive to customers, as a supplier of high-quality capital goods, and to future employees. We strengthen trust and therefore lasting and stable relationships with our customers and suppliers, shareholders and other stakeholders through transparent communication. Internal and external communications are the task of the central Communication and Marketing department at Jenoptik, which reports directly to the Chairman of the Executive Board and ensures a consistent image for the overall Group and the Jenoptik brand. The aim is to ensure that the company's communications and public image are modern, distinct, ongoing and memorable, as well as oriented towards the Executive Board's strategic targets. Operational topics relating to markets, technologies and products are managed locally by the division marketing managers in the operating areas. Group-wide guidelines govern cooperation between the Corporate Center, divisions and regions. Communications to the capital market are the responsibility of Investor Relations & Sustainability, which also reports to the Chairman of the Executive Board and remains in close contact with Communications and Marketing.



Further information on the subject of innovations can be found in the chapter R+D from page 84

Within the highly specialized photonics market, which is characterized by a multitude of smaller companies, the Jenoptik brand is perceived as synonymous with a major supplier – with an integrated brand image covering all products. We have been shaping the Jenoptik umbrella brand throughout the Group for over ten years. With “Strategy 2022,” the Group is concentrating on the core photonics competencies in light and optics under the Jenoptik brand. Our mechatronic business is managed under the independent VINCORION brand, which better meets the specific market requirements. A uniform corporate culture which supports the strategy on the basis of a common understanding and shared values is essential for a clearly positioned brand. Using surveys, workshops and interviews, employees, representatives of Jenoptik’s management as well as customers and partners were intensively involved in the development of the three Jenoptik values “open, driving and confident” and the positioning of the Jenoptik brand. Jenoptik has been positioning itself in the market and against the competition as a top photonics provider since the beginning of 2019. The new Jenoptik brand house with a clear customer promise, defined distinguishing features and a new corporate design has been in place since February 2019. In order to reinforce the new values more strongly, various marketing processes were revised in 2019 and aligned with the value “open”. Employees are being involved more than before in marketing topics:

- A voting tool enables employees to participate in the choice of advertising materials
- “Corporate Volunteering” encourages our employees to carry out volunteering activities
- Photo competition for employees on the subject of “more light”



More information can be found in the Corporate Citizenship section of this chapter, on page 64

In addition, new social media channels were opened (e.g. Instagram). Further projects will follow in 2020. Our departments are also focusing on the new values. For example, our entire innovation process has become more open and is oriented towards the value “open” with the motto “Speed up innovation”.

A new and globally developed communications concept was derived from the brand house in 2019 in order to strengthen the value “confident” in group-wide communications. A modular concept allows for uniform communication for various marketing instruments such as advertisements, trade fairs or video statements, which can yet be tailored to the needs of the divisions.

Jenoptik benefits from the reputation of our main location Jena, which is highly renowned by scientists and customers as an “Optical Valley”. Jenoptik is conscious of this reputation and is involved in various activities aimed at sustainably improving the location.

The audit report for the separate Combined Non-financial Report can be found on page 220.