

# Non-Financial Reporting (CSR Report)

## Declaration of Compliance of First Sensor AG for Fiscal Year 2017

Dear shareholders and business partners,

With the entry into force of the CSR guidelines (CSR = Corporate Social Responsibility), capital market-orientated companies across Europe with more than 500 employees are obligated to prepare a sustainability report. The aim of this obligation goes far beyond documenting individual measures for waste prevention or energy conservation. Rather, CSR is defined as “the responsibility of enterprises for their impact on society.”

With this report, First Sensor is submitting its third account on topics that concern sustainability in a wider sense for the period between January 1 and December 31, 2017. As in previous years, the format of the German Sustainability Code is used. However, in preparation for this report, work was already carried out within the framework of the GRI standards, which will determine the reporting format used in the medium term. Therefore, on a case-by-case basis, references in the text also refer to GRI standards, which were primarily designed for the creation of a sustainability report. The creation of a report in accordance with the GRI standards generally provides a comprehensive picture of the key issues of an organization, the associated impact of these issues and the way in which they are managed. The standards are used, either in whole or in part, for the reporting of specific information from the company.

The report by First Sensor is published together with Annual Report 2017. Nevertheless, it is conceived as a self-contained report, which largely makes no reference to other parts of the annual report. On the one hand, this complies with the format of the German Sustainability Code and, on the other, it makes the report coherent for readers.

The question of materiality is crucial for the content of a sustainability report. When considering economic, environmental or social issues, the judgements that are considered “material” for different companies naturally vary greatly. However, a consideration of the “material” questions ensures that the focus is on aspects where analysis, monitoring and improvement offer the biggest potential.

For this purpose, First Sensor has identified and reported on the material issues for the Group as of December 31, 2017. This report is therefore a snapshot, which can perhaps best be compared with a marathon, in which the first time is taken after the first kilometer. We know that we still have some way to go to achieve a perfect CSR system. However, we have made a start and we are confident that we will improve every year. We would greatly value your support in this endeavor.

The First Sensor CSR Team

### 1. General information

The First Sensor Group consists of the parent company First Sensor AG, based in Berlin, and ten subsidiaries (GRI 102-1). The company has been listed since 1999. According to available voting rights notifications, its biggest shareholder is Deutsche Private Equity (DPE), which holds 36% of the shares of the company (GRI 102-5).

In fiscal year 2017, First Sensor generated sales of €147.5 million with 916 employees (787 FTEs) (GRI 102-7). Half of the sales were generated in German speaking countries, while sales generated from customers in the rest of Europe accounted for 27.4%, and 11.7% of sales are attributable to the North American continent. 10.1% of sales were generated in Asia (GRI 102-6). As at December 31, 2017, the Group's total assets amount to €159.6 million, while the equity ratio stands at 51.3%.

In the technological field of sensor systems, First Sensor develops and manufactures products and solutions for the ever-increasing number of applications in the industrial, medical and mobility target markets (GRI 102-6). Sensor systems at First Sensor are based on two core competencies. Firstly, the company specializes in detecting physical parameters such as pressure, flow, light and radiation, and acceleration thanks to the design and production of its silicon-based sensor chips. Secondly, it uses its knowledge of microelectronic layout and connection technology to further process the sensor chips with the best form factor to suit individual applications. (GRI 102-2).

Based on decades of expertise in sensor systems, the company offers its customers application-specific solutions for the technical challenges posed by their products. First Sensor also has a wide range of standard products. The extensive assortment of in-house sensors is complemented by sensors and supplementary products from partner companies.

As well as focusing on the aforementioned target markets, as part of its growth strategy, First Sensor also concentrates on standard products with the potential of large quantities (so called key products) and application-specific solutions for key customers. Customers include large international corporations as well as smaller technology companies. As standard, it is checked whether any export control restrictions apply before delivery. As an international legal instrument, export control aims to ensure that armaments are not circulated unchecked. It is also used as part of terrorism prevention. As the use of sensors from First Sensor for military purposes cannot be ruled out, this aspect is checked before delivery by requesting evidence of intended use, and the inadmissible supply of products is effectively prevented in the event of relevant information (GRI 102-2).

However, First Sensor plan to go one step further in complying with this regulatory requirement. In 2018, a commission will be established to safeguard our interests in terms of ethical business principles. The aim of this commission will be to review potentially critical customer requests and make decisions about them even before statutory measures export controls are initiated.

### Employees (GRI 102-8)

To handle fluctuations in utilization or temporarily fill vacant positions, First Sensor works with temporary employment agencies that meet general quality standards. It is not uncommon for suitable temporary staff to enter directly into an employment relationship.

	Permanently employed (m/f)	Temporarily employed
Germany	548 / 302	50
Rest of Europe	29 / 12	1
North America	16 / 9	1
<b>Total</b>	<b>593 / 323</b>	<b>52</b>

First Sensor offers its staff a variety of working hours models to take into account the wishes and needs of employees due to the demands of family life or dependents requiring temporary care, as far as possible. This approach stems from our conviction that the happiness of employees has a direct effect on their motivation.

	Full time (m / w)	Part time (m / w)
Germany	512 / 212	41 / 85
Rest of Europe	28 / 1	1 / 11
North America	16 / 9	-
<b>Total</b>	<b>556 / 222</b>	<b>42 / 96</b>

### Strategic analysis and measures

The various aspects of sustainability can be seen in a variety of activities performed by the companies of the First Sensor Group. We combine long-term business success with environmental and social responsibility as sustainable business practices contribute to orientating the company for a successful future as well as making us an attractive employer and a good neighbor at our locations. This impression has also been confirmed in the analysis of this report. In addition to the traditional areas, such as energy conservation measures and the reduction of water consumption or prevention of waste, many locations engage in lively dialog with their local areas. This includes "Girls Day," the idea of which is to get young women involved in STEM careers, as well as donations to local charities. We have decided to expand on this bottom-up approach because materiality in particular varies considerably from location to location, i.e. a production location focuses on different areas than a sales office, for example. To satisfy these different approaches, a general strategy (GRI 102-14) should be formulated for the entire Group if it can appropriately unite the different points of view. (GRI 102-14)

Not only for the purposes of this report, we continuously analyze the effects of our business activities on people and the environment. We also use our products to make a contribution to sustainable development, for example, in medical technology or in looking for solutions for safe and environmentally friendly mobility. In doing so, we concentrate on issues that are material for our future business success as well as for people and the environment.

Sustainability is also important because it provides business opportunities. We minimize and monitor the corresponding risks. For this reason, an indicator system that makes it possible to measure and manage the key parameters is essential. We have laid the foundations for the development of this system. Nevertheless, we are aware that there is still a lot of development work to do here.

Transparency, as can be found in this report, is important to us. This is why we actively seek dialog with our stakeholders – not only in relation to the materiality analysis but also based on our belief that understanding and trust can only grow through dialog.

To give this trust a basis, we have adopted internal guidelines for some time now. These guidelines encompass not only our mission statement and our values, presented in a way that is understandable for everyone, but also include a code of conduct that stipulates how we should deal with customers, suppliers, employees and other stakeholders. This means that every employee and every manager knows the expectations of the company in terms of the legal and ethical standards of their actions.

Furthermore, our standards are oriented towards internationally recognized principles and guidelines (GRI 102-12). These include:

- The German Corporate Governance Code
- The Universal Declaration of Human Rights
- ILO Core Labor Standards
- The UN Guiding Principles for Business and Human Rights

- The ten principles of the UN Global Compact

The sustainability report is not audited by third parties. But in accordance with the legal provisions, the Supervisory Board reviews the lawfulness, correctness, and expediency of the sustainability reporting.

### Risks and rewards

As a listed company, First Sensor uses a risk and compliance management system as an integral part of corporate governance (GRI 102-11). First Sensor AG's Executive Board is responsible for an effective risk and opportunities management system. The Supervisory Board is responsible for monitoring the effectiveness of the Group's risk management system. In 2017, risk and compliance management were linked together and transformed as a permanent process into a Group-wide Enterprise Risk Management system (ERM), which covers all locations and business divisions, continuously analyzes the risk and compliance situation and assesses, manages and controls identified risks. The integrated risk and compliance management system not only ensures that corporate risks are effectively managed but also that the ethical principles of corporate governance and the statutory provisions are used as guidelines for the business. In the past fiscal year, this was also converted into a Code of Conduct, which came into effect on January 1, 2018.

## 2. Materiality

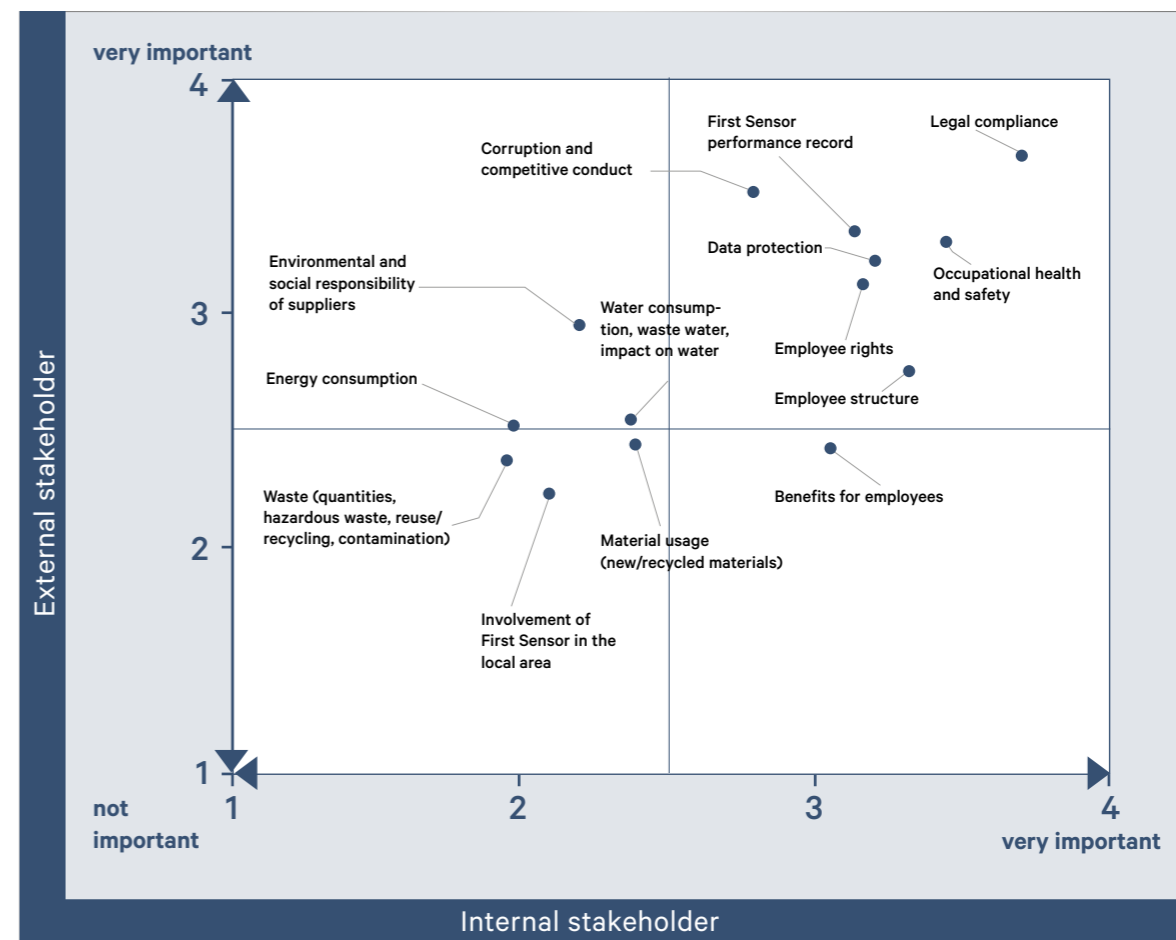
The materiality analysis is an instrument that aims to fulfill various purposes. To identify the issues that are relevant for an individual company, the internal view of the company gained by surveying employees, managers or the works council is compared with the perspective of external stakeholders. Surveys should provide information about how strongly a particular issue influences stakeholders in their assessment of the company and in their decisions related to the company. These

perspectives are extended according to the GRI standards by adding the "impact," i.e. the effects on the company itself or the effects caused by the company. Ultimately, the purpose of the CSR reporting obligation is to ensure that companies evaluate the social impact of their activities.

At First Sensor, we identify relevant topics related to sustainability using a materiality analysis (GRI 102-15). This involves assessing which issues are of high importance for our business success and in which areas in particular First

Sensor can contribute to sustainable development. Here, an important indicator is the requirements of our stakeholders, which were collected in a structured survey. The survey involved representatives of customers and suppliers, partners, associations, the political sphere, the general public and the capital market. The issues identified form the focal points of our future sustainability management.

### Materiality analysis



In fiscal year 2017, the following issues were identified as material, presented here in descending order of relevance (GRI 102-47):

- Legal compliance
- Occupational health and safety
- First Sensor performance record
- Data protection
- Employee rights
- Corruption and competitive conduct
- Employee structure
- Benefits for employees
- Environmental and social responsibility of suppliers
- Water consumption, waste water, impact on water
- Material usage (new/recycled materials)
- Energy consumption
- Involvement of First Sensor in the local area
- Waste (quantities, hazardous waste, reuse/recycling, contamination)

Due to the large number of topics, we decided to arrange them in the following groups and shed more light on each of the points mentioned:

**Economic performance**

First Sensor performance record (GRI 201)

**Environment**

Environmental and social responsibility of suppliers (GRI 308, 414)

Water consumption, waste water, effects on aquatic environments (GRI 303, 306-1, 306-5)

**Society**

Employee rights (GRI 202-1, 401-3, 402-1, 404, 405, 406)

Employee rights (GRI 202-1, 401-3, 402-1, 404, 405, 406)

**Compliance**

Compliance with laws (GRI 307, 419)

The survey was carried out for the first time in fiscal year 2017 (GRI 102-49).

**3. Goals**

In accordance with the analysis of material aspects from an internal and external perspective, we intend to develop specific goals for the short- and medium-term focus of the associated activities (GRI 103-2). As we still have no sustainability strategy and will develop this, as described, as the result of a bottom-up approach, it is currently not possible to answer some questions. Processes need to be implemented, requirements formulated, objectives and provisions determined, and existing projects and initiatives transferred to a “master plan.”

**4. Depth of the value chain**

As a manufacturer of chips, sensors and sensor systems, First Sensor purchases raw materials and components from suppliers (GRI 102-9). The total volume in 2017 amounted to €69.3 million. First Sensor’s customers include the company in the implementation of their sustainability strategies, and First Sensor in turn includes its suppliers (GRI 103-2). This ensures that aspects pertaining to sustainability are actively anchored throughout the entire value chain. As a result, this is a concrete element of procurement management to oblige suppliers to comply with certain minimum

standards. In 2018, this will be enshrined in a separate Supplier Code of Conduct. Suppliers also undergo inspections during supplier audits (GRI 102-10). In 2018, the company will focus on examining the entire value chain in more detail, particularly in terms of scrutinizing the social and ecological quality of upstream products and questioning key suppliers on compliance with minimum social and environmental standards (GRI 413-2).

Another aspect to be seen as having a positive effect on sustainability is the long service life of First Sensor products. As “distributors” as defined in regulations, customers still receive information about responsible disposal at an early stage. In our analysis, we did not identify any business activities of First Sensor with a significant actual or potential negative impact on the local community (GRI 413-2).

**5. Responsibility**

The subject of corporate social responsibility (CSR) and the responsibility for the development of a sustainability strategy rests with the Executive Board. The large number of Group-wide activities is managed by various departments, which report to the CEO as well as to the CFO. Environmental aspects are primarily monitored and managed by the Quality department, social issues are assigned to HR and Corporate Communications, compliance topics are managed by the Business Process, Risk Management & Compliance central unit

(GRI 102-20). The entire team develops the CSR strategy in accordance with the triad of economic, environmental and social responsibility and is in charge of its implementation (GRI 102-26). It is responsible for communicating the objectives agreed upon with the Executive Board and attracting the necessary level of attention at all levels of the company.

The team also launches new projects, reports on their status, initiates measures and coordinates their implementation within the company. CSR should form part of the integrated management system, which has been documented in the form of a Group management handbook.

In accordance with the legal provisions, the Supervisory Board reviews the lawfulness, correctness and expediency of the sustainability reporting (GRI 102-32). This also includes the annual review of the effectiveness of the risk management processes with regard to economic, environmental and social issues (GRI 102-30, -31).

**6. Rules and processes**

First Sensor has created a management handbook to implement processes that are applicable across the company. This instrument is also suitable for supporting their implementation after the development of the sustainability strategy (GRI 103-2). Based on the principle “as centralized as necessary, as decentralized

as possible,” rules, processes and structures that clearly regulate the responsibilities across the Group in the form of guidelines and clear instructions are provided for various areas. In this way, a requirement has been laid down to integrate changes in daily workflows and the mindset of all employees at all levels of the company. Local quality management systems, which are increasingly geared towards standardized, Group-wide requirements complement these guidelines in terms of sustainability.

**7. Control**

First Sensor AG is currently engaged in a process that will define performance indicators for the material action areas identified (GRI 102-31). As well as economic performance, the issues that were identified as part of the materiality analysis (see section 2) include environmental aspects, society and compliance. Based on internationally recognized standards, the parameters that will be used to monitor and manage the issues are determined after the process has been completed to ensure that the data analyzed is always comparable. This will form part of future reports. An essential requirement for business success is the responsible management and monitoring of our company. We act in accordance with the German Corporate Governance Code presented by the Government Commission. We effectively fulfill the requirements of the code, providing reasons for any deviations in the annual declaration of compliance.

The company has already been using guidelines for some time that describe our values, principles and standards and are binding for all employees (GRI 102-16). This includes the mission statement, with which the values of innovation, excellence and proximity are anchored in the company. The Code of Conduct was prepared in 2017 and implemented on January 1, 2018, to substantiate the expectations for honest work, i.e. legally correct work characterized by ethical principles. It is valid across the Group. It also expresses the expectation that business partners and suppliers should also align their actions with the principles of this Code of Conduct. In addition, the option has also been created to provide information in the event of violation of the code, which can be anonymous if desired.

## 8. Incentive systems

The remuneration system for the Executive Board of First Sensor AG is intended to promote value-oriented business management geared toward sustainably increasing the company's success. This includes remuneration in line with the market and an incentive system that is geared toward the achievement of ambitious but not only short-term targets. The Supervisory Board determines the remuneration, taking account of the duties of the respective member of the Executive Board, their personal performance, and the financial situation and success of the company. It reviews the achievement of targets on an annual basis that were agreed upon. The elements of the remuneration system also include a long-term component in the form of share option plans or comparable instruments.

Further details can be found in the consolidated management report and the remuneration report (GRI 102-35).

The company's managers are remunerated based on the achievement of operating and personal objectives in addition to a fixed salary. The company's employees receive remuneration based on the achievement of operating objectives in addition to their fixed salary (GRI 102-28). Members of the Supervisory Board are remunerated as established in the Articles of Association. A component oriented towards sustainability is not provided for.

At First Sensor, performance-oriented remuneration in line with the market is important (GRI 102-36). Otherwise, it would not be possible to ensure the company's need for motivated staff could be met in the competition for talented employees. However, we do not consider a vertical comparative analysis between the highest remuneration within the company and that of other employees (GRI 102-38) to be an appropriate way to assess the fairness of First Sensor's remuneration system.

## 9. Stakeholder participation

The First Sensor Group seeks out and maintains dialog with its stakeholders on many levels – both at Group level and at the locations of its subsidiaries. Generally, this includes employees, customers, suppliers, partners, investors, neighbors, politicians, authorities, the science community and non-governmental organizations (GRI 102-42). The knowledge gained from this contact with stakeholders is used, for example, in the development of new

products, the key areas of our sustainability management and reporting. A selection from these groups was made for the materiality analysis. The survey involved representatives of customers and suppliers, partners, associations and politics, the general public and the capital market (GRI 102-40, -43).

Dialog with stakeholders with regard to economic, environmental and social issues is the responsibility of the Executive Board (GRI 102-21). If required, the Supervisory Board is also available to answer any questions, e.g. for investors, as stipulated in the Corporate Governance Code. In important cases, such as suspected compliance violations by members of the Executive Board, the Supervisory Board is informed directly. This also applies for any concerns that employees may have regarding the implementation of the sustainability system (GRI 102-33). In fiscal year 2017, there were no suspected cases or findings reported to the Supervisory Board (GRI 102-34). Likewise, no issues or concerns to which the company would have been required to respond to were raised by stakeholders (GRI 102-44).

As a commercial enterprise, First Sensor is closely integrated into the value chain of its suppliers and customers. Supplier and customer audits help to create a tightly knit relationship that leads to the interactive exchange of information on sustainability topics. As an employer, the Group has a social commitment and seeks to employ the best employees in a market where there is a shortage of specialists. Participation in job and trade fairs allows the company to position itself as an attractive employer.

Thanks to its close cooperation with research institutions and membership of professional bodies, First Sensor is able to identify future technological changes at an early stage and respond appropriately. Last but not least, the capital markets and the banking sector are an important source of financing and must be informed about First Sensor's sustainability policy comprehensively and in good time.

First Sensor's locations are also integrated into their immediate environment and have contact with the authorities and their respective local neighborhoods. To ensure that these stakeholder groups are kept adequately informed, all relevant information is also published on the company's website to the extent required of listed companies. Shareholders can also exercise their rights of information and consultation directly at the Annual General Meeting. The company presents itself and discusses there also aspects of sustainability at events for investors and media representatives, such as the annual press conference, analyst events and roadshows. In order to align the sustainability strategy closer to the expectations of civic stakeholder groups such as investors and employees, dialog with these groups is to be increased further.

## 10. Product and innovation management

First Sensor develops sensors and sensor solutions, from the chip to the entire sensor system. In fiscal year 2017, €8.6 million was invested in research and development. With our products, we also support our customers

in making their processes more efficient and environmentally friendly, by providing greater energy efficiency and ensuring reduced emissions, for example.

In several decentralized applications, energy consumption is a key criterion to fulfill customer requirements and secure competitive advantages for both product buyers and the company itself. This is why great emphasis has been placed on the energy consumption of sensors and sensor systems in the development process. However, despite First Sensor's contribution it must be noted that the energy consumption of applications in which sensors and sensor systems are used is several times higher. Overall, the contribution towards energy savings at First Sensor itself only fluctuates in the per-mil range compared with the energy requirements of the end products (GRI 302-4). The social and environmental impacts of the key products have not yet been determined (GRI 416-1).

With regard to our own activities, we focus on reducing environmental impacts by using energy, resources and materials as efficiently as possible, especially in production. As well as the use of energy, this includes the use of raw materials and supplies in addition to the supplied materials and components. In fiscal year 2017 measures were taken to record resource consumption, such as energy and water. The database is still incomplete. When it comes to potential improvements, our employees make a significant contribution. Thanks to an extensive knowledge of the processes, their ideas can provide vital information. This is not only done

in the interest of reducing the environmental impact of the company's own activities but is, of course, also in the company's economic interest.

Environment

11. Use of natural resources

Across the company, First Sensor verifies to what extent natural resources can be used in business activities. Materials and the input and output of water, land, waste, energy, surfaces, biodiversity and the emissions of the lifecycle of products and services are considered here. In some cases, these data are already gathered by the locations and are currently defined according to uniform standards. Therefore, the question about what environmental impacts the activity of our company has cannot currently be answered (GRI 103-2). However, two production locations (First Sensor AG, Berlin-Weissensee location, First Sensor Microelectronic Packaging GmbH) have already implemented an environmental management system in accordance with ISO 14001. The potential for First Sensor to have an influence along the value change is limited. It is therefore not possible to use raw materials obtained from a recycling process, for instance (GRI 301-2). We do not collect information about the resource consumption of our products in customer applications, such as energy

consumption, because this information is not material (GRI 301-2).

In accordance with the materiality analysis, in the future we will concentrate more on the responsibility of our suppliers for environmental issues (GRI 308-1). For this purpose, we will put together criteria for the evaluation of existing and new suppliers. In this way, we can identify where our suppliers are having actual or potential adverse effects on the environment and, on this basis, decide which steps must be taken to prevent, reduce or eliminate these impacts.

12. Resource management

First Sensor identifies the qualitative and quantitative objectives it would like to use to achieve resource efficiency, for the use of renewable energy, the increase in raw material productivity and decrease in the use of ecosystem services and how these objectives must be attained. At the moment, no reliable data has been identified yet. As a result, no efficiency or savings targets can be set for the

main resources at this point.

In accordance with the materiality analysis, we will concentrate on water consumption, waste water and the effects on aquatic environments. Based on current information from our locations, we know that no surface water, water from wetlands, rivers, lakes or oceans, groundwater, rainwater or waste water from other companies is used – only water from the municipal suppliers (GRI 303-1).

13. Climate-relevant emissions

At the moment, greenhouse gas emissions as a result of energy consumption are not systematically recorded at First Sensor. The materiality analysis has not given any indication that this issue needs to be considered as a priority. Where applicable, these values are calculated at a later date, relevant objectives are formulated, measures for reduction are implemented and a report is then prepared in this regard (GRI 305-1).

Society

14. Employee rights

As a company whose highly qualified and motivated employees are a decisive factor for future success, First Sensor does not limit itself to compliance with only the minimum standards of national and international standards. The health of and professional training opportunities for employees are key issues, which are of significant importance in the area of strategic HR management in order to bind the best talents to the company in the long run. Of course, this includes anti-discriminatory recruitment and a work environment in which diversity is perceived as an asset every day (GRI

103-2, 406-1). The Code of Conduct expressly states that discrimination is not tolerated, and no incidents of discrimination were reported in the reporting period. First Sensor is not bound by collective wage agreements. Corresponding agreements are negotiated with the respective works council committees and recorded in works agreements (GRI 102-41).

The materiality analysis assigned the aspect of occupational health and safety (GRI 403-1, -2, -3) a high priority. The physical well-being of our employees and safety at work play a big role within our HR work, too.

All employees are made aware of the individual hazards at their place of work, which is supported by intensive training and seminars. The aim is to prevent accidents at work and reduce the possible consequences. Where required, employees are provided with appropriate personal protective equipment. Hazardous substances, such as those used in production, are labeled appropriately and according to regulations. This is to prevent chronic and acute illnesses. We try to avoid noise and take appropriate protective measures where this is not possible. We also attach particular importance to the protection of staff, including maternity and youth protection. Of course, every employee

is entitled to refuse to perform any work that he/she considers to be dangerous. If anything, we are grateful for this information because it gives us the opportunity to identify weak areas and remedy them as soon as possible.

We will publish statistics about health and safety, including information about the different types of accidents at work and the resulting absences due to illness, in the report for fiscal year 2018 for the first time.

First Sensor is obligated to report accidents at work. However, the reporting obligation applies only to accidents that lead to an incapacity to work of more than three days (GRI 403-2).

In addition to the responsibility of our suppliers for environmental issues, in the future we will also concentrate more on the responsibility of our suppliers regarding social factors (GRI 414-1, -2). For this purpose, we will put together criteria for the evaluation of existing and new suppliers. In this way, we can identify where our suppliers are having an actual or potential negative impact with regards to social factors and, on this basis, decide which steps must be taken to prevent, reduce or eliminate these impacts.

15. Equal opportunities

First Sensor supports all initiatives that contribute to preserving and promoting equal opportunities and diversity within the company. In addition to the issues mentioned in section 14, the impartial integration of people with disabilities in the work process naturally contributes to this as well. In light of current developments, options will also be assessed for offering job prospects at First Sensor to qualified refugees who have fled to Germany.

Owing to the aging structure, it is also highly relevant to create the conditions required to help employees find a healthy work-life balance. This includes efforts to make individual working hours more flexible. Furthermore, it

goes without saying that women and men receive the same wages for the same work. This is based on a grading system that has been used to evaluate all of the positions at the company – regardless of the employee's gender (GRI 405-2). As for the participation of female employees, please refer to the information found in the Corporate Governance report. Since First Sensor currently has locations only in countries that have similarly high standards, these declarations affect all company locations (GRI 102-4).

The materiality analysis indicated that issues surrounding employee rights are highly relevant. These include the application of the German Minimum Wage Act, experiences of parental leave, the involvement of the works council in key organizational decisions, training and education, diversity within the corporate bodies and among employees, remuneration of male and female employees, and discrimination in general (GRI 202-1, 401-3, 402-1, 404, 405, 406). We will develop appropriate systems that we can use to report on these specific issues. However, we can affirm that First Sensor is already fully aware of its responsibility and takes into account all the relevant regulations, including in its own interest.

16. Qualifications

Training and education is a high priority at First Sensor as it ensures that employees can always meet the increasing challenges of their professional environment. This fiscal year 2017, €315,000 was spent on these measures (GRI 404-1). Due to the switch to new ERP software and corresponding trainings, interest in additional training was lower than usual in many areas. First Sensor is also a qualified training organization. Based on long-term personnel planning, the aim is to cover the requirements for talented young staff members by also providing high-quality, needs-based training in the company's own ranks. First Sensor provides professional training for microtechnologists (19), industrial clerks (6), specialists

in warehouse logistics (4) and mechatronics engineers (2). At the end of 2017, a total of 31 apprentices were employed at the company (previous year: 33).

Only 30% of employees at First Sensor AG are over 50 years old. Nevertheless, the Executive Board is aware that this is no reason to ignore the challenges of demographic trends in the long run.

Under 30	15%
31-40 years	32%
41-50 years	22%
Above 51	31%

As a growth company, the challenge rather lies in the recruitment of additional employees to secure the planned implementation of the strategy than in concerns related to the loss of expertise as a result of employees leaving due to their age. Should these individuals be interested in employment over a longer period of time, plans to regulate this will be in place on the basis of individual agreements (GRI 405-1).

17. Human rights

Human rights, fundamental principles and employment rights are fully recognized, supported and promoted by First Sensor wherever possible. This includes the company's support for the protection of international human rights and its efforts to ensure to the best of its knowledge and beliefs that it is not complicit in human rights violations (GRI 412-2). Due to the regional distribution of the locations of First Sensor, it can almost certainly be ruled out that the employee rights to freedom of association or collective bargaining could have been potentially violated or seriously threatened. The same applies for the business locations and, if applicable, the investment agreements and contracts that do not contain any human rights clauses due to the regional focus of the business and/or that have not been reviewed in terms of human rights aspects as the appro-

appropriate standards can be expected (GRI 412-1, -3). Suppliers from regions considered to be at risk will be given special consideration within our criteria for social issues (GRI 407-1), and we will perform relevant checks in the future (GRI 414-2).

Our intention to abolish all forms of forced labor and child labor and to eliminate discrimination in recruitment and employment are also a matter of course. These principles are also conveyed as expected behavior among all partners in the supply chain.

## 18. Community

For the shareholders of First Sensor AG, the monetary benefits of their investments are paramount. They expect their commitment to be profitable, primarily through an increase in the stock market price of their shares. However, many other groups also benefit from sustainable business development including customers, employees, suppliers and, not least, society in general. Last year, a total of €6.4 million were paid in taxes in Germany alone. This amount comprises all types of taxes that First Sensor was required to pay. The materiality analysis concluded that the economic performance of First Sensor is extremely relevant for our stakeholders.

The economic value generated and its distribution are shown below in the value added

statement for fiscal year 2017 (economic value generated and distributed, GRI 201-1):

In € million	
Sales revenues	147.5
Financial result	0.5
Other operating income	3.3
<b>Generated economic value</b>	<b>151.3</b>
Operating expenses	85.4
Depreciation and amortization	9.1
<b>Net economic value generated</b>	<b>56.8</b>
Personnel expenses	46.5
Financial expenditure	3.9
Distribution to shareholders	1.6
Payments to public authorities	2.1
Donations	0.0
<b>Distributed economic value</b>	<b>52.6</b>
<b>Balance retained by the company</b>	<b>2.6</b>

In addition, the company gets involved by means of support for local non-profit initiatives. A conceptual basis was created for these types of activities to link social commitment even more closely with our mission statement and values in the future. In the future, we will report on the implementation of the concept.

## 19. Political influence

First Sensor does not exert political influence based on basic considerations and does not give donations to political parties (GRI 415-1). First Sensor is a member of various initiatives and associations. This network primarily serves for professional exchange, and there is no influence connected with the membership (GRI 102-13).

## Compliance

### 20. Compliance with the law and regulations

Compliance with the law is a top priority at First Sensor. This is in line with the materiality analysis, in which the issue was ranked by far the number one stakeholder interest.

The compliance guidelines at First Sensor are defined in the Code of Conduct. They are a binding point of reference for members of the Supervisory Board as well as all employees and managers (GRI 102-17). It combines the obligation to comply with the law with the particular requirements of ethical conduct. The content of the Code of Conduct covers all the key aspects: the general principles of conduct including non-discrimination, how to deal with business partners and third parties including information on competition law and anti-corruption, the prevention of conflicts of interest, how to handle (confidential) information, data protection, employee rights, and the environment, health and safety. Interested parties can find more information on the website under "Compliance," where you can also obtain a copy of the Code of Conduct.

Compliance with the principles of the Code of Conduct is integrated in the structures and processes of the Group-wide risk management system (GRI 205-1). With its four pillars, the newly introduced so-called First Sensor Risk House based on the COSO ERM

framework maps significant risk categories for the company and also includes compliance issues. There is also a reporting procedure for violations of the code (whistleblowing). Every employee can make a complaint to their manager, the responsible compliance coordinator, the external ombudsman (legal council), the HR manager or an employee representative or notify them of a violation of this Code of Conduct or other breaches of rules or regulations, on a confidential or anonymous basis. Where required, appropriate measures will immediately be taken to eliminate a detected violation or to prevent it from happening again. In fiscal year 2017, two suspected cases were reported, one of which was confirmed upon closer examination. The employee involved has left the company in the meantime (GRI 205-3).

The guidelines of the Code of Conduct are dynamic, meaning that they are adapted to new standards of conduct if necessary. The Code of Conduct is the responsibility of the compliance coordinator, who is also responsible for its implementation and the relevant training. The compliance coordinator reports to the Chief Financial Officer.

The prevention of corruption is a particularly important part of compliance. Corruption is not just a trivial offense to give the company a supposed advantage in the short term. In reality, it represents a major risk because it is likely to permanently damage the company's

market position (GRI 205-1). Fairness towards all business partners, customers, suppliers and employees is a condition for long-term corporate success. This is why a detailed section of the Code of Conduct has been dedicated to dealing with business partners and third parties. In particular, clear boundaries are formulated for granting and accepting benefits, which do not leave any room for interpretation and describe the clear expectation that corruption should be avoided. This expectation is communicated to not only all members of the Supervisory Board and the Executive Board as well as all employees and managers but also our suppliers via supplier management (GRI 205-2).

In 2017, First Sensor was not fined or sanctioned in connection with legal violations or violations of economic or social provisions (GRI 419-1).