Dear shareholders and business partners,

In this CSR report we disclose for the fourth time the aspects of sustainability that are of particular significance within our company. For us, the term CSR, that is corporate social responsibility, encompasses more than environmental protection measures. It is much rather a question of acting in a sustainable manner and taking responsibility for our company’s impact on society. In view of this, our CSR activities are oriented toward a long-term contribution rather than short-term effects.

Last year we defined our first targets and measures in this context. You can read about our progress in this year’s report. At the same time, our work on the various issues also made clear to us that we must set priorities in a meaningful way: What are the areas in which a little effort already goes a long way? And which issues are of such minor significance in view of the overall picture that we can defer them so as to direct our efforts toward more essential aspects?

Further development of our materiality analysis endorsed an even more focused approach. In the 2017 reporting year we asked our internal and external stakeholders; that is employees, managers and Works Council, but also customers and suppliers, partners and the general public, what issues they considered important in relation to First Sensor. This year we took an additional question into consideration: What issue, having an effect on the company itself or caused by the company, would have the greatest impact? This enabled us to identify the really relevant issues even more clearly and thus to concentrate on them, both in this report and in other respects.

When preparing this report for the period from January 1 to December 31, 2018, we were once again guided by the format of the German Sustainability Code. However, as in the previous year, we also worked within the framework of the GRI standard; some references in the text therefore refer to this. The CSR report by First Sensor is published together with the Annual Report 2018. Nevertheless, it is conceived as a self-contained report, which makes no reference to passages 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.

In this report we provide an insight into our actions and into the responsibility we have assumed: responsibility based on perseverance, responsibility with a focus on the really important issues and responsibility for the things which can make a difference.

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 the information available, its biggest shareholder is DPE Deutsche Private Equity GmbH, which holds 40.1% of the shares of the company via FS Technology Holding S.à.r.l. (GRI 102-5).

In fiscal year 2018, First Sensor generated sales of €155.1 million with 972 employees (863 FTEs) (GRI 102-7). The DACH region accounted for 49.2% of sales, while sales generated from customers in the rest of Europe accounted for 25.9%. 12.4% of sales are attributable to North America and 12.5% of sales were generated in Asia (GRI 102-6). As at December 31, 2018, the Group’s total assets amount to €168.4 million, while the equity ratio stands at 52.7% (GRI 102-7).

In the growth market of sensor systems, First Sensor develops and manufactures standard products and customer-specific solutions for the ever-increasing number of applications in the Industrial, Medical, and Mobility target markets (GRI 102-6). The portfolio of these standard products is supplemented by products from partner companies.

First Sensor is characterized by two core competencies within these fields. Firstly, the company specializes in detecting physical parameters thanks to the design and manufacture of its silicon-based sensor chips. Secondly, it uses its expertise in microelectronic layout and connection technology to continue to process the sensor chips with the best “form factor” for the application. In this context, First Sensor is an expert in the areas of photonics, pressure and advanced electronics. In addition, First Sensor is generating growth in its target markets through new applications such as system solutions (so-called sensor systems), for example. They do not just measure; they react intelligently to the measurement results and communicate with other systems. (GRI 102-2).

We ensure compliance with sanctions and export control restrictions before delivering to customers based internationally. 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 some First Sensor products for military purposes cannot be ruled out, First Sensor checks whether export control restrictions could apply, both during the process of initiating new business as well as before delivery. For example, technical product parameters and evidence of intended use are used here, effectively preventing the inadmissible supply of products in the event of anomalies (GRI 102-2).

First Sensor plans to go beyond compliance with this regulatory requirement by establishing a commission to safeguard its own ethical business interests. The aim of this commission will be to review potentially critical customer requests and make decisions even before statutory export control measures take effect. In fiscal year 2018 we already agreed on key aspects in preparation for this. We intend to call in external support for developing a suitable concept prior to possible implementation in the 2019 fiscal year in order to define responsibilities and decision-making powers in advance and benefit from experiences in other companies.

Employees (GRI-102-8)

First Sensor hired further new employees in 2018 as part of its growth strategy. The total number of permanent employees rose by 5.8% to 972. The proportion of women remained at the previous year’s level of 36.1%. To handle fluctuations in utilization and temporarily fill vacant positions, First Sensor works with temporary employment agencies that meet general quality standards. It is not uncommon for the temporary staff employed to subsequently enter into an employment relationship. The proportion taken on permanently in the last fiscal year amounted to 46.3%.
First Sensor offers staff a variety of working time 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 level of commitment and motivation. The proportion of part-time employees in the 2018 fiscal year was 14.4% (previous year: 15.1%).

<table>
<thead>
<tr>
<th>Employees (Heads)</th>
<th>Permanent employees (m/f)</th>
<th>Temporary employees (m/f)</th>
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<tbody>
<tr>
<td>Germany</td>
<td>577/331</td>
<td>46/20</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>26/13</td>
<td>1/0</td>
</tr>
<tr>
<td>North America</td>
<td>16/9</td>
<td>0/0</td>
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<tr>
<td>Total</td>
<td>619/353</td>
<td>47/20</td>
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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. Long-term business success is thus combined with environmental and social responsibility as sustainable business practices contribute to orientating the company for a successful future as well as making it an attractive employer and a good neighbor at its 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, and the Long Night of Industry, aimed at the interested public in general, as well as monetary donations and donations in kind to local charities or schools. For this reason, too, we decided to expand on this bottom-up approach (GRI 103-2), because materiality in particular still varies considerably from location to location. For instance, a production location focuses on different areas than a sales office. To satisfy these different approaches, a general strategy should only be formulated for the entire Group if it can appropriately unite the different points of view (GRI 102-14).

The effects of our business activities on people and the environment are analyzed continuously, not only for the purposes of this report. First Sensor also uses its products to make a contribution to sustainable development, for example, in medical technology or in looking for solutions for safe and environmentally friendly mobility. Sustainability is also important because it provides business opportunities. The corresponding risks are carefully minimized and monitored. For this reason, an indicator system that makes it possible to measure and manage the key parameters is essential. The foundations for the development of this system have been laid. We are aware that First Sensor still has a lot of development work to do here.

Transparency, as provided by this report for example, is important to the company. This is why it actively seeks dialog with its stakeholders – not only in relation to the materiality analysis but also based on the belief that understanding and trust can only grow through dialog (GRI 103-2).

Internal guidelines were adopted some time ago in order to give this trust a basis. These guidelines encompass not only the mission statement and values of the Group, presented in a way that is understandable for everyone, but also include a code of conduct that stipulates how it 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, the standards First Sensor applies orient it toward 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. However, the Supervisory Board reviews the lawfulness, correctness and expediency of the sustainability reporting in accordance with the legal provisions (GRI 102-32).
Opportunities and risks

As a listed company, First Sensor has established 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 ensuring it is effective, while the Supervisory Board advises on and monitors this. At First Sensor, risk and compliance management are linked together and mapped in a permanent Group-wide Enterprise Risk Management (ERM) process covering all locations and business divisions. The risk and compliance situation is continuously analyzed along different dimensions throughout this process. The identified risks are assessed, managed and monitored. The integrated risk and compliance management system therefore not only ensures that corporate risks are effectively managed but also guarantees that the ethical principles of corporate governance, as set out in the Code of Conduct that came into effect in 2018, and the statutory provisions are used as guidelines for acting. The goal for the 2019 fiscal year is to systemize opportunity management in a similar way to risk and compliance management in order to optimize Group-wide analysis, assessment and management further.

2. Materiality

Materiality analysis plays a key role in the development of a sustainability strategy. It is the basis for determining what issues are of particular importance for First Sensor and should be the focus of targets and measures. In 2017, therefore, the first materiality analysis was carried out by means of a structured survey of internal stakeholders (employees, managers, works council) and external stakeholders (representatives of customers and suppliers, partners, associations and politics, the general public and the capital market) (GRI 102-15). This resulted in an overview of the aspects these stakeholders considered particularly important for the development of First Sensor. The company addressed these issues in depth and reported on corresponding targets and measures for the first time in 2018.

First Sensor did not conduct a new survey for this report as opinions on and attitudes to such fundamental issues do not change dramatically. Instead, the existing analyses were extended to include the “impact”, i.e. the effects on the company itself or the effects caused by the company. The combination of sales and earnings was used as an equivalent measure of performance (GRI 102-49).
Taking into account this additional impact assessment in 2018, the following issues are of particular importance for First Sensor (in descending order of importance):

- Compliance with laws
- Employee structure
- Performance record
- Employee rights
- Corruption and competitive conduct
- Data protection
- Occupational health and safety

These issues were allocated to the following blocks:

**Economic performance**

- First Sensor performance record (GRI 201)

**Society**

- Occupational health and safety (GRI 403)
- Employee rights (GRI 202-1, 401-3, 402-1, 404, 405, 406)
- Employee structure (GRI 401-1)

**Compliance**

- Compliance with laws (GRI 307, 419)
- Data protection (GRI 418)
- Corruption and competitive conduct (GRI 205, 206)

Some issues that were classified as less relevant in the materiality analysis will nevertheless be followed up. This includes, for example, social engagement at the various company locations. This stems from our conviction that this is worthwhile and makes a difference. We also believe that sustainable actions start as early as when selecting business partners. We will therefore maintain the focus on our suppliers’ responsibility for environmental and social matters (GRI 308, 414). For this reason, additional information on these issues can also be found below.

The plan for subsequent years is to review the materiality analysis regularly in terms of the selected criteria and their potential effect on the development of the company in order to adjust the strategy and measures initiated where necessary in the event of significant changes.

**3. Goals**

In accordance with the analysis of material aspects, First Sensor is developing specific goals for the short and medium-term focus of the associated activities (GRI 103-2). As we still have no integrated sustainability strategy and this is to be developed, 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 amounted to €761 million in 2018 (previous year: €693.3 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 was enshrined in a Supplier Code of Conduct. Suppliers also undergo inspections during supplier audits (GRI 102-10). In addition, First Sensor began examining the entire value chain in even more detail in 2018. Particular issues here are to be the ecological quality of upstream products and suppliers’ compliance with minimum social and environmental standards (GRI 413-2). Supplier self-disclosure was therefore updated in 2018. Before a business relationship is commenced, potential suppliers receive a comprehensive questionnaire which, in addition to general company information, also contains questions on aspects such as procurement, warehousing and packaging policies, environmental management and dealing with the RoHS and REACH directives, as well as a statement on the Dodd-Frank Act. The aim is to link this supplier self-disclosure even more closely with the Code of Conduct and the general purchasing terms.

Another positive aspect in terms of sustainability is the long service life of First Sensor products. “Distributors” as defined in regulations, customers receive information about responsible disposal at an early stage. The analysis 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 uses a management handbook to implement regulations and processes that are applicable across the Group. This instrument is also suitable for supporting their implementation after the development of a 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 of gradually defining 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 include 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 the company. The guiding principle for this is the German Corporate Governance Code presented by the Government Commission. First Sensor effectively fulfills the requirements of the code, providing reasons for any deviations in the annual declaration of compliance.

First Sensor has Group-wide guidelines that describe its values, principles and standards and are binding for all employees (GRI 102-16). This includes the mission statement, which sets out the joint defined Group-wide values of innovation, excellence and proximity for the company. In addition, the Code of Conduct describes First Sensor’s expectations of honest work, i.e. legally correct work characterized by ethical principles. It furthermore contains information on the various ways to provide information, including anonymously, to the responsible person at First Sensor in the event that violation of the code or compliance requirements is suspected. In 2018, a supplier code was developed based on the Code of Conduct which expresses the expectation that suppliers and business partners should also align their actions with the principles of the Code of Conduct.

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 2018, there were no suspected cases or findings reported to the Supervisory Board (GRI 102-34).
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 and 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).

In addition to a fixed salary, the company’s managers, as well as some employees, also receive variable remuneration based on the achievement of company goals as well as operating and personal objectives. Members of the Supervisory Board are remunerated as established in the Articles of Association. There continues to be no provision for a component oriented toward sustainability.

Performance-oriented remuneration in line with the market is important to First Sensor (GRI 102-38). Otherwise, it would not be possible to ensure the company’s need for motivated staff in the competition for talented employees. However, the company still does 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 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. This dialog is a concrete element of the management agenda, as open and transparent communication is the basis for growing understanding and trust.

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. The company participated in 11 job fairs and 21 national and international trade fairs in fiscal 2018.

Thanks to its close cooperation with research institutions and membership of professional bodies, First Sensor is able to identify technological changes at an early stage and respond appropriately.

First Sensor is integrated into the immediate environment at its different locations and has contact with the authorities and the respective local neighborhoods. Various formats exist to keep these different stakeholder groups adequately informed and promote dialog. These include Girls Day, general apprentice days and contact with local universities. Furthermore, First Sensor is also particularly engaged on a social level, supporting, for example, schools and charities with which it has a specific connection via its employees.

Last but not least, the capital markets and financing banks are informed about First Sensor’s sustainability policy comprehensively and in good time. In accordance with the disclosure requirements relevant to listed companies all relevant information is also available on the company’s website. Shareholders can also exercise their rights of information and consultation directly at the Annual General Meeting. The company presents itself and, there, also discusses 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, dialog with these groups was increased further as planned. In total, First Sensor participated in four capital market conferences and one roadshow in 2018 and also held 20 individual meetings at Executive Board level alone.

10. Product and innovation management

First Sensor develops sensors and sensor solutions, from the chip to the entire sensor system. In fiscal year 2018, €10.2 million was invested in research and development (previous year: €8.6 million). With its products, the company also supports its 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 ultimately used is often 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 its own activities, the company focuses 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. The employees make a significant contribution when it comes to potential improvements. Thanks to an extensive knowledge of the processes, their ideas can provide vital information. Work is therefore underway on a company suggestions scheme that provides a structure for examining employees’ suggestions for improvements and implementing them in processes where appropriate. 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.

Product specifications are very closely aligned with customers and market requirements during development in order to rule out use of the products having a negative impact on customers and the environment. Safeguarding the quality of processes, materials and products throughout the entire value chain plays a crucial role in regards to longevity in use.
11. Use of natural resources

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. Beyond this, however, the potential for First Sensor to have an influence along the value chain is limited. It is therefore not possible to use raw materials obtained from a recycling process, for instance (GRI 301-2). The company does not collect information about the resource consumption of its products in customer applications, such as energy consumption (GRI 301-2).

The question about what environmental impacts the company’s activity has cannot currently be answered in detail as of yet either (GRI 103-2). As the materiality analysis has not given any indication of the increased relevance of issues such as input and output of water, land, waste, energy, surfaces, biodiversity and emissions for the lifecycle of products and services these issues are being deferred for the time being.

However, last year we began addressing the responsibility of our suppliers for environmental issues in greater depth (GRI 308-1). Therefore, we have recently started querying aspects of environmental management via supplier self-disclosure. This way, we can identify where our suppliers are having actual or potential adverse effects on the environment. On this basis we can decide which steps must be taken to prevent, reduce or eliminate these impacts. We will also examine whether further criteria are useful for evaluating existing and new suppliers.

12. Resource management

First Sensor identifies the qualitative and quantitative objectives the company 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. As the materiality analysis does not identify a high level of relevance in this area either, the priority is to follow up on other issues for the time being. However, it is known from current surveys that no surface water, water from wetlands, rivers, lakes or oceans, groundwater, rainwater or waste water from other companies is used at the Group’s locations – only water from the municipal suppliers (GRI 303-1).

13. Climate relevant emissions

Reducing greenhouse gas emissions as a result of energy consumption is a key aspect as combating climate change is a task for the global community, and one that First Sensor has set for itself too. However, internal and external assessments of this issue have not given any indication that First Sensor has a particular responsibility for making a material contribution here. Considerations as to how to save energy are nevertheless included at many points in the processes as this is necessary from an ecological and economic standpoint alone. However, relevant values relating to emissions are not systematically recorded at present (GRI 305-1).
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). In light of this, the Diversity Charter was signed in the 2018 fiscal year. Furthermore, the Code of Conduct expressly states that discrimination is not tolerated. No incidents of discrimination were reported in the reporting period. The Group companies are not bound by collective wage agreements. In 2018 initial negotiations were commenced with a union to investigate a possible affiliation. One Berlin location is subject to a time-limited company collective agreement. In addition, agreements are negotiated with the respective employee representation bodies 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 employees and safety at work play a significant role within our HR work, too. All employees are made aware of and sensitized to the individual hazards at their place of work, which is supported by intensive training and seminars. In the 2018 fiscal year work commenced on providing an online tool for this training. The plan for 2019 is to involve the Berlin locations following a successful test phase at the Munich location. 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. Noise is avoided as far as possible or appropriate protective measures taken. Of course, every employee is entitled to refuse to perform any work that he/she considers to be dangerous. At the same time, information of this kind is valuable because it highlights opportunities to identify weak areas and remedy them as soon as possible.

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). At the end of 2018 the company began preparing monthly analyses in order to monitor occupational health and safety even more closely. The data currently available is too rudimentary for analysis at present. Nevertheless, the plan for 2019 is to record these data for all production locations on a continuous basis to enable us to derive analyses and determine measures. Accordingly, statistics about health and safety, including information about the different types of accidents at work and the resulting absences due to illness are to be published together with the CSR report for fiscal year 2019.

Additional measures aimed at better protection of health have been introduced, particularly at the production locations. These include free fruit baskets, flu vaccinations, additional clothing for industrial employees, hand sanitizers, organization and promotion of sports events and implementation of health days with different health checks at the First Sensor AG headquarters. The possibility of also holding health days at other locations in the future is under consideration.

15. Equal opportunities

First Sensor supports all initiatives that contribute to preserving and promoting equal opportunities and diversity within the company. Equal opportunities do not only apply in relation to men and women, but also in relation to younger and older employees and colleagues of different religions, cultural groups, and skin colors, for example. The impartial integration of people with disabilities in the work process naturally contributes to this as well.
Owing to the aging structure, it is also important 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). Further information on pay transparency at First Sensor is to be provided in an annual report as of 2019. 36.1% of employees are women, which is an excellent ratio for a high-tech company. 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). Due to the significant workload of the HR team last year in connection with hiring new employees as a basis for future growth, relevant indicator systems on which observations of these specific issues can be based have not yet been established. A review of what indicators have priority and how these can be recorded and monitored is to be carried out in 2019. However, 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. In fiscal year 2018 €380 thousand (previous year: €315 thousand) was spent on relevant measures (GRI 404-1). However, 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 (20), industrial clerks (6), specialists in warehouse logistics (3), mechatronics engineers (2) and specialized technicians (1). Therefore, 32 apprentices were employed at the company at the end of 2018 (previous year: 33). First Sensor focuses primarily on Berlin when fostering new talent; the apprentice ratio there is now 5.0%, which is considerably higher than the average of 3.2% calculated for Berlin at the end of 2017. In Dresden the ratio is 6.4%, with 10 apprentices at First Sensor Microelectronic Packaging GmbH. Across all its German locations First Sensor is now achieving a ratio of 3.7%.

At 35.9%, First Sensor has a comparatively high proportion of academics for a production company due to the high technological demands. As a growth company, therefore, the challenge continues to lie in recruiting qualified specialist staff in a competitive market.

17. Human rights

The company’s own code of conduct ensures that human rights, fundamental principles and employment rights are fully recognized, supported and promoted by First Sensor wherever possible. Among other things, this means 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 and the statutory provisions applicable there, it can 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 to the business locations and, if applicable, to 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 be reviewed in terms of human rights aspects as the appropriate standards can be expected (GRI 412-1, -3).

Suppliers from regions considered to be at risk in respect of human rights violations will be considered based on the usual supplier surveys (GRI 407-1). With the future in mind, relevant reviews were carried out as part of the reorganization of supplier management (GRI 441-2). Anchoring the principles of the Code of Conduct in the First Sensor supplier code supports this expectation. The 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 in the supplier code as expected behavior among partners in the supply chain.

18. Community

For the shareholders of First Sensor, a listed stock corporation, 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 €7.2 million (previous year: €6.4 million) was 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 internal and external stakeholders. The economic value generated and its distribution are shown below in the value added statement for fiscal year 2018 (economic value generated and distributed, GRI 201-1):

<table>
<thead>
<tr>
<th>in € million</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenues</td>
<td>155.1</td>
</tr>
<tr>
<td>Financial results</td>
<td>0.7</td>
</tr>
<tr>
<td>Other operating income</td>
<td>2.6</td>
</tr>
<tr>
<td>Achieved economic value</td>
<td>158.4</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>-93.6</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-9.0</td>
</tr>
<tr>
<td>Net economic value generated</td>
<td>55.8</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>-49.0</td>
</tr>
<tr>
<td>Financial expenditure</td>
<td>-2.5</td>
</tr>
<tr>
<td>Distribution to shareholders</td>
<td>-1.6</td>
</tr>
<tr>
<td>Payments to public authorities</td>
<td>-1.5</td>
</tr>
<tr>
<td>Donations</td>
<td>0*</td>
</tr>
<tr>
<td>Distributed economic value</td>
<td>54.6</td>
</tr>
<tr>
<td>Balance retained by the company</td>
<td>1.2</td>
</tr>
</tbody>
</table>

* The amount of donations was €4,272,86. Due to the presentation in million euros, this results in a rounding to 0€.

This economic contribution safeguards jobs with First Sensor and its suppliers and enables shareholders to share in its economic success. Moreover, the company is supporting local charitable initiatives. A conceptual basis was developed for these types of activities to link this social commitment even more closely with the company's mission statement and values in the future. In future, social activities will be implemented in three main areas under the banner of “First Sensor helps”. This includes (1) showing appreciation of voluntary work by employees via a donation to the organization they are supporting as well as (2) supporting activities at the locations, such as donating PCs to a local school, and (3) supporting an overarching social issue or a charitable organization. The company began supporting activities at the locations (2) as planned in 2018 and has already supported four initiatives altogether. The aim in 2019 is now also to roll out financial support for voluntary work by employees (1) and identify approaches for Group-wide social engagement (3).

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 political 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 featured as a prominent stakeholder interest.

In addition to the statutory framework, the specific expectations of the company with regard to compliance are enshrined in the Code of Conduct. The code thus combines the obligation to comply with the law with the particular requirements of ethical conduct as the basis for business activities. 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 “Corporate responsibility” in the “Company” section and can also request a copy of the Code of Conduct. It serves as a binding framework for the activities of members of the Supervisory Board and the Executive Board as well as all employees and managers (GRI 102-17).

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 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 (whistle-blowing). Every employee can make complaints to their manager, the responsible compliance coordinator, an 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 2018, one suspected case was reported, which was confirmed upon closer examination. The manager responsible successfully took appropriate measures (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 can 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 the granting and acceptance of benefits which do not leave any room for interpretation and describe the clear expectation that corruption should be avoided. This expectation is communicated not only to all members of the Supervisory Board and the Executive Board as well as all employees and managers but also to suppliers via supplier management and the supplier code (GRI 205-2).

In 2018, First Sensor was once again not fined or sanctioned in connection with legal violations or violations of economic or social provisions (GRI 419-1).