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UNITED NATIONS GLOBAL COMPACT

**COMMUNICATION ON PROGRESS (CoP) 2020
of STEMMER IMAGING AG**

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ABOUT THIS REPORT

This United Nations Global Compact (UNGC) report and the data within it cover the period of 1 January to 31 December 2020 unless specified otherwise and show our commitment to the ten principles of the UNGC and Sustainable Development Goals (SDGs).

- This report has been prepared as per the requirements of CoP.
- This report provides the STEMMER IMAGING commitment to sustainability policies, initiatives taken, and progress made so far.
- This report showcases how STEMMER IMAGING is putting sustainability at the core of its business philosophy.

This exhibits our business values and how they are integrated with our processes.



CEO MESSAGE

Dear Stakeholders,

I am delighted to confirm that STEMMER IMAGING reaffirms its support to the ten principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment, and Anti-corruption.

We are committed to creating long-term value – for our customers and suppliers, our employees, our shareholders and the environment in which we operate. Corporate Social Responsibility is an integral part of our vision and mission:

We aim to make this world a better place through our business by creating long term value for all the stakeholders throughout our supply chains. We align our business model, operations, and all other activities with the United Nation Sustainable Development Goals. We are adopting synergic approaches to enhance our corporate impact in the sustainability domain. STEMMER IMAGING has taken for instance initiatives regarding green energy, and some sites are already powered with 100% renewable energy.

This is our annual Communication on Progress (CoP). In this CoP, covering from 1 January to 31 December 2020, we describe our actions, policies, and commitment to further integrate the Global Compact's principles into our business strategy, culture, and daily operations. We also commit to sharing this information with our stakeholders.



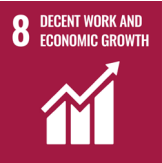


Sincerely,



Arne Dehn, CEO



RELATED SDGs

SDG	SDG Targets	STEMMER IMAGING Contribution
 <p>4 QUALITY EDUCATION</p>	4.3 and 4.4	<p>We believe that continuous learning is key to success. We continuously educate employees and our business partners, create training opportunities, and facilitate knowledge sharing between our employees, customers and suppliers. We also have cooperations with schools and universities and offer special discounts for educational and research institutions.</p>
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	7.2 and 7.3	<p>Affordable and clean energy is one of the key factors in achieving climate change or sustainability targets. Energy production and use involve a lot of carbon emissions. We aim to achieve 100% green energy for all our sites and gained 100% green energy for the Puchheim site. We have created guidelines and procedures to be proactive. We are aiming to shift all-electric and hybrid vehicles for the commute. We encourage the use of sustainable modes of transportations among employees.</p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	8.7 and 8.2	<p>Economic growth and the enhancement of people's lives depend on the corporate strategy to grow business and take care of their employees. The safety and wellbeing of our people is our utmost priority. We have firmly committed to uphold and implement labour standards and respect human rights. These enables human development in our company and our initiatives regarding e-learning on topics such as the Code of Conduct and Data Protection as well as the Code of Supply are evidence of this commitment. We incorporate our commitment to these topics in our policies and procedures that guide our employees, suppliers, service providers, and customers. We have several social welfare programs, including health benefits and flexibility in working time models to ensure the compatibility of work and family life.</p>
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	12.5 and 12.6	<p>We aim to offer solutions/products for customers with better sustainability performance, less waste, and pollution. We ensure responsible sourcing of materials through strict compliance with international laws.</p>
 <p>13 CLIMATE ACTION</p>	13.1, 13.2, 13.3	<p>STEMMER IMAGING is taking proactive measures on climate change mitigation. All the initiatives the company takes so far are synergic and complement other actions as well. We are aiming for reducing GHG emissions by 2030. Our climate change mitigation policies include proper waste management and the continuous conversion and introduction of sustainable packaging materials to enhance our impact at several levels. We promote the use of environmentally friendly transport like the Job bike that we established at our main location.</p>

MATERIALITY ANALYSIS

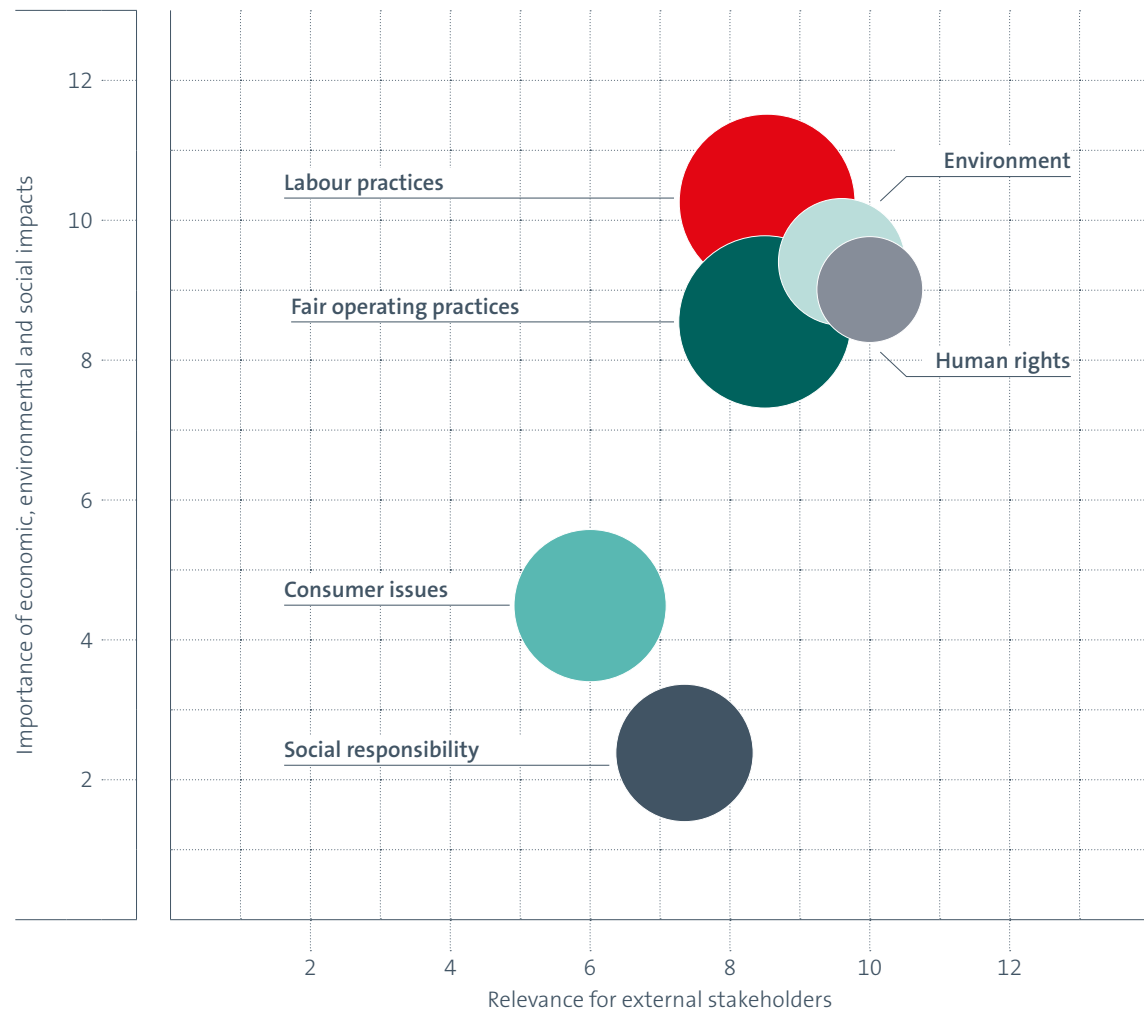
We conducted a materiality analysis together with key stakeholders and by evaluating sustainability reports from our customers and suppliers and information in sustainability databases (SASB).

The aim was to identify the most critical issues relating to sustainability and social responsibility. On this basis, we planned our sustainability targets and measures. The result of this materiality analysis is shown in the following table and graphic:

Topics	Relevance for external stakeholders	Importance of economic, environmental and social impacts
Human rights	10,0	9,0
Labour practices	8,6	10,2
Environment	9,6	9,3
Fair operating practices	8,5	8,6
Consumer issues	6,0	4,5
Social responsibility	7,3	2,3

MATERIALITY ANALYSIS

0 = unimportant, 12 = very important, size of circles = impact of own measures



HUMAN RIGHTS

UNGC Principles	Principle 1 – Protection of Human Rights
	Principle 2 – Complicity in Human Rights Abuses
Focus Areas	Fundamental principles and rights at work
	Due diligence
	Discrimination and vulnerable groups
	Civil and political rights
	Economic, social, and cultural rights

Policies and approach

STEMMER IMAGING is determined to ensure employee's rights. We promote the safety, wellbeing, and security of our employees. We ensure that all our operations and stakeholders involved in our supply chain uphold and observe fundamental human rights. All employees are treated with dignity and respect. We are ensuring inclusivity, and according to SDG goal 10 (reduce Inequalities), we are taking several measures to reduce inequalities. We welcome and accommodate differences as we think they are our best shot

to improve. Our career development and e-learning programs provide opportunities to grow professionally.

To harness the girls' potential, we are working in collaboration with other institutes to empower women through technical education. Our business philosophy of inclusion and diversity is based on the philosophy to retain the top talent. It has a significant impact on our business growth.

LABOUR

UNGC Principles	Principle 3 – Freedom of Association and Collective Bargaining
	Principle 4 – Forced and Compulsory Labor
	Principle 5 – Child Labor
	Principle 6 – Discrimination
Focus Areas	Human Development
	Health and safety at work Due diligence
	Conditions of work and social protection
	Social Dialogue and Participation
	Employer and Employee relationship

Policies and approach

STEMMER IMAGING is unequivocally against the use of all forms of force, military, and bonded labor. Our opposition extends to prisons, human trafficking, indentured, and any other forms of slavery. We also conduct e-learning sessions on ethics, discrimination, harassment, and associated topics. Health care coverage of employees is in place. Our employees get health benefits (free fresh fruit, free salad); free massages as well as sports activities for employees (suspended since March 2020 due to Corona). We regularly review

and update our Code of conduct. We are emphatically against any discrimination at the workplace and across all our supply chains. We are committed to the highest international work safety standards. We respect the right to have an opinion, and that's why our management teams, employees, and all other stakeholders have a precise mechanism in place to share feedback. In our regular meetings, all the employees have freedom of speech and participate in decision-making.

ENVIRONMENT

UNGC Principles	Principle 7 – Precautionary Approach
	Principle 8 – Environmental Responsibility
	Principle 9 – Environmentally Friendly Technologies
Focus Areas	Prevention of pollution
	Sustainable use of resources
	Climate change mitigation and adaptation
	Protection of the environment, biodiversity, and restoration of natural habitats

Policies and approach

STEMMER IMAGING understands the environmental impacts associated with its business. We are determined to reduce our products' carbon footprint in their lifecycle, which aims higher than just using energy savings and use of green energy. Our commitment to reducing GHG emissions and pollution is evident by the green energy program that we have in place. Our policies are focused on protecting biodiversity, restoration of natural habitats, and protection of the environment. Our operational energy savings are getting better and

better. We aim to be entirely on green energy in the future, and for now, our Puchheim site is already using 100% green energy. Our transportation fleet is incorporating electric vehicles or hybrid ones contributing to the sustainability scores to our portfolio. We are also offering different financial benefits to use e-bikes, public transport, carpooling or bicycles for their commute.

We make sure that all of our operations follow the circular economy's principles and consume the

resources sustainably. Furthermore, STEMMER IMAGING supports the German Engineering Industry Association (VDMA)'s sustainability initiative and is developing synergies to enhance the impact of sustainability initiatives. Following the directions of the circular economy, we are reducing waste up and downstream of our production. In 2020, we eliminated the use of bubble wrap and introduced environmentally friendly parcel tape. We ensure transport and waste disposal to protect the environment.

COMPLIANCE (ANTI-CORRUPTION AND PARTNERSHIP FOR DEVELOPMENT)

UNGC Principles	Principle 10 – Corruption (Businesses should work against corruption in all its forms, including extortion and bribery.)
Focus Areas	Fair competition
	Conditions of work and social protection
	Anti-corruption
	Respect for property rights
	Fair marketing, factual and unbiased information, and fair contractual practices
	Community involvement
	Employment and employment relationships

Policies and approach






STEMMER IMAGING is committed to conducting business with all stakeholders who respect the business's environmental, social, and ethical standards. Our code of supply, human resource policies and human trafficking, and slavery policies guide our stakeholders about our requirements. We adhere to our responsible procurement policy. We make sure through signed agreements that all of our suppliers stick to the following guidelines,

- Execute business processes ethically, and in compliance with the relevant laws.
- Ensure responsible sourcing through audits, surveys, and third-party certification.
- Respect human rights, provide health and safety to workers, eliminate child labour, treat employees with all fairness in the true spirit of all relevant laws.

Performance improved over the years among the employees of STEMMER IMAGING. Performance improvement is due to the existence of a comprehensive set of strategies to educate our staff in different ways. Our employees have access to a variety of educational resources facilitated by STEMMER IMAGING. Knowledge exchange between employees further bolsters the learning experience among them. Employees receive a fair performance review regularly, which also extends to training and rewards. We believe in an integrated and open approach among employees. We have a quarterly meeting of all the management staff across the globe and weekly team meetings to participate in decision making directly. This networking develops synergies and a sense of ownership among the employees. We are firm believers that we will be refining our policies and striving for actions that can increase our company's sustainability impact in the coming years. We are setting challenging goals for ourselves, defining the right policies and performance matrices to grow.

KEY PERFORMANCE INDICATORS

In the following table our Key Performance Indicators regarding Corporate Social Responsibility are shown:

SDG	CSR Goals	Issues	Criteria	KPI	Status quo 2020
4 QUALITY EDUCATION 	Motivating working environment	Employee development	Personnel appraisals and target agreement meetings for each employee	At least two staff appraisals per year	One staff appraisal per year
		Internal suggestion scheme	Number of proposals received and their implementation	Innovative proposals process-related product-related application-related	31 proposals received in 2020
7 AFFORDABLE AND CLEAN ENERGY 	Climate protection and energy efficiency	Electricity is purchased from local suppliers as green electricity	Continuous increase in the share of green electricity at all locations worldwide	Purchase of 90 per cent green electricity at all locations by 2022	Green electricity implemented at the main company site
8 DECENT WORK AND ECONOMIC GROWTH 	Sustainable locations	Compliance with the Code of Conduct	Number of breaches of the Code of Conduct	0 breaches	0 breaches in 2020
		Code of Supply	Proportion of suppliers with signed Code of Supply	100 per cent of suppliers with signed Code of Supply by the end of 2021	Code of Supply updated to current requirements and an integral part of every purchase order
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	Sustainable locations	Reduce packaging material or adapt material use to environmentally friendly products	Continuous reduction of the use of packaging materials	Material and resource consumption will be continuously measured and reduced from 2021 onwards	Do without bubble wrap; use of environmentally friendly parcel tapes already implemented
		Resource conservation and efficiency (e.g. reduction of printer paper and toner)	A process for recording and evaluating performance in terms of resource economy and efficiency has been established throughout the Group	Continuously identify savings potential to reduce material and resource consumption from 2021 onwards	Printing on thermal paper was discontinued, introduction of digital document management system with potential for avoiding 70,000 pages of paper/year decided (implementation Q1 2021)
13 CLIMATE ACTION 	Climate protection and energy efficiency	Promoting the use of environmentally friendly transport	Continuous increase in the use of environmentally friendly means of transport	Evaluation of possible mobility concepts	Job bike offer established at main company location; use in 2020 56 per cent above previous year



Legal Notice

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