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NON-FINANCIAL GROUP REPORT 2020



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1. GENERAL INFORMATION

Reporting Company and Business Model

PVA TePla AG, Wettenberg, (hereinafter "PVA TePla AG") is a stock corporation in accordance with German law. The Company is entered in the commercial register of the Gies-sen Local Court under HRB 6845 and is domiciled in 35435 Wettenberg. PVA TePla AG's shares have been listed in the Prime Standard of the Frankfurt Stock Exchange since June 21, 1999 (ISIN: DE0007461006).

PVA TePla AG and its subsidiaries (hereinafter „PVA TePla Group“) produce systems enabling customers to manufacture and process materials for use in the semiconductor and other industries. The focus of the operating activities in the PVA TePla Group is the development, manufacture and sale of high-temperature and vacuum systems, crystal growing systems, and quality inspection systems for finely structured objects. With locations in Germany, Italy, the USA, the People's Republic of China, Taiwan, and Singapore, the PVA TePla Group maintains business relationships around the world. For further explanations of the Group's business model, please refer to the statements in the combined management report of PVA TePla AG in Section 2, "Basic principles of the Group".

Principles of Presentation and Review by the Supervisory Board

PVA TePla AG is required in accordance with Section 315b of the Handelsgesetzbuch (HGB – German Commercial Code) to draw up a non-financial Group report for the 2020 fiscal year for the first time. PVA TePla AG has made use here of the option to prepare a separate non-financial Group report. According to Section 289b HGB, on the other hand, PVA TePla AG acting as the financial holding of the PVA TePla Group is not required to prepare a non-financial declaration.

This non-financial Group report fulfills the requirements pursuant to Section 315c in conjunction with Sections 289c to 289e HGB and also pursuant to German Auditing Standard (GAS) no. 20 and contains the mandatory disclosures that are necessary for understanding the business development, the business performance, and the position of the PVA TePla Group, as well as the impacts of its operating activities on aspects such as employee and environmental issues, respect for human rights, and combating corruption and bribery. Following a thorough review, the aspect relating to "Social issues" specified in Section 315c in conjunction with Section 289c(2) HGB was assessed as not material, while "Research and development" was voluntarily added given its particular importance for the Group's growth and for customer satisfaction. As the existing international frameworks are not a perfect fit with the processes of the PVA TePla Group, their use has been dispensed with for the time being.

The Supervisory Board of PVA TePla AG reviewed this separate non-financial Group report for the 2020 fiscal year and adopted it at its meeting to discuss the financial statements on March 19, 2021, approving it for publication on the homepage of PVA TePla AG. Furthermore, this report was subjected to a voluntary critical analysis ("review") in accordance with *ISAE 3000 (Revised)* by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft on behalf of the Supervisory Board in order to obtain limited assurance that the report complies with the reporting criteria required by law.

Difference between Parent Company and Group

To make it clear which disclosures refer to the parent company and which refer to the Group, "PVA TePla AG" is always used to designate the parent company, while "PVA TePla Group" or "Group" is used to designate the Group. Where this distinction is not made and no other indication is given, the disclosures refer both to the Group and to the parent company.

Gender

For simplification, only one gender is used. This explicitly covers all other genders.

Fiscal Year

PVA TePla AG's fiscal year 2020 began on January 1, 2020 and ended on December 31, 2020. The corresponding prior-year period thus covers the period from January 1, 2019 to December 31, 2019.

Rounding Differences

The figures in this report may contain rounding differences of +/- one unit (KEUR, %, etc.) for reasons related to the calculations.



2. SUSTAINABLE CORPORATE GOVERNANCE

In addition to cost efficiency, quality is a key factor in the products manufactured by the PVA TePla Group and in the services it performs and constitutes an important criterion for sustainable corporate governance. In order to ensure and further improve quality, the PVA TePla Group follows the requirements of the ISO 9001 quality management standard throughout the group.

The focus of this non-financial Group report is the non-financial aspects that are of great importance for the operating activities of the PVA TePla Group. Key non-financial aspects within the meaning of Sections 315c(2) and 289c(3) HGB and relevant sustainability issues for the PVA TePla Group were identified in the 2020 fiscal year in the course of a materiality analysis in a multistage process involving management and specialist departments using surveys and discussions. Concepts and targets that define the sustainability strategy were derived from the areas that are essential for the PVA TePla Group. In fiscal 2021, building on the findings already obtained, the materiality analysis of the individual criteria will be consolidated and enhanced in more detail and the group of stakeholders included in the analysis expanded. This relates to the correspondingly increased detail on the objectives to the defined non-financial performance indicators and the relevant measures to achieve the targets.

The following aspects that are subject to reporting requirements or that have been voluntarily added are derived for the PVA TePla Group from the analyses carried out in the 2020 fiscal year.

Aspects	Material facts	Key non-financial performance indicators
Research and Development	R&D activities as part of customer projects	R&D ratio
	Non-project-related R&D activities	Average number of employees assigned directly to R&D
Employee issues	Occupational health and safety	Accident rate Absence rate
	Training and education	Training and education expenses Number of trainees
	Employee satisfaction	Staff turnover Average length of service
	Company diversity	Average age Proportion of women Proportion of employees with disabilities Diversity of nationalities
Environmental issues	Increase in energy efficiency and reduction of CO2 emissions	Electricity consumption CO2 equivalents
	Waste	Waste Waste generation rate
Respect for human rights	Conscientious selection of stakeholders within the supply chain and customer markets Code of conduct	Number of suspected cases of human rights violations reported to management within the established Compliance Management System processes
Combating corruption and bribery	Conscientious selection of stakeholders within the supply chain and the sales regions Code of conduct	Number of suspected cases of corruption and bribery reported to management within the established Compliance Management System processes

As a medium-sized enterprise with limited resources, PVA TePla AG focuses on its operating activities – the production of systems and the development of system solutions. No political influence is exerted at the municipal level. In principle, no donations are made and no sponsorship activities are conducted to political parties or similar organizations in Germany or abroad. Donations and sponsorship activities for sporting, fundraising or similar events require the approval of the Management Board and are conducted very occasionally and only on a small scale. Based on a review, social issues have therefore been classified as not material.

The PVA TePla Group has developed its own specific concepts for managing sustainable economic activity effectively from the perspectives of research and development, employee and environmental issues, respect for human rights and combating corruption and bribery. The Group concentrates on a few facts and issues that have been identified as especially important and effective for sustainable economic activity. In order to monitor and manage the concepts, due diligence processes have been set up, which are reported on in the following sections together with the relevant key non-financial performance indications and the material risks.

2.1. Research and Development

The further development of key technologies is a prerequisite for technical advances and sustainable growth in all the markets served by the PVA TePla Group. Not only sustainable growth, but also sustainable value added of the PVA TePla Group and our customers in line with climate protection are the focus of the system technologies developed by the PVA TePla Group (see also 2.3 Increase in energy efficiency and reduction of CO₂ emissions). Research and development form a central cornerstone for ensuring continued success and the ability to grow in the semiconductor industry, which is characterized by progress and innovation, and in its related markets which are of particular importance for the PVA TePla Group.

In addition to the great variety of development activities and intensive cooperation with leading research institutes and universities as well as with customers, all development processes are geared toward efficiency.

Through their knowledge, their enthusiasm and their commitment, highly qualified employees represent the most important pillar for the great innovative strength of the companies of the PVA TePla Group. Research and development (R&D) activities are carried out at the PVA TePla Group both as part of specific customer projects and also independently of specific projects. The objective of these activities – whether project-related or not – is to reduce the costs of ownership on the customer's side and to continually improve the quality of the PVA TePla Group's products and the related services performed by the Group. In this connection, the PVA TePla Group is endeavoring to significantly increase its R&D activities in the short and medium term. To measure the R&D activities, the average number of employees assigned directly to R&D over the year and the R&D ratio are calculated each year.

	Jan. 1 to Dec. 31, 2020	Jan. 1 to Dec. 31, 2019
PVA TePla Group		
(Average) number of employees assigned directly to R&D (rounded off)	21	18
R&D ratio*	4.1 %	5.1 %

* Project-related and non-project-related R&D expenses as a proportion of the sales revenues (see consolidated financial statements of the PVA TePla Group)

R&D activities are frequently commissioned by the customer as part of specific projects. The majority of these commissions come from customers in the tooling and semiconductor industry. Specific quality requirements for the materials or components that are manufactured or processed using the systems of the PVA TePla Group frequently require that systems and their process control are further developed. Customers regularly rely on the innovative and individual solutions produced by the developers of the PVA TePla Group. Working together with customers in a partnership guarantees the success of the relevant development projects. In addition to the customer's needs, all requirements stipulated in law and in standards are also incorporated in the performance specifications. The aim of the PVA TePla Group is to ensure the success of the individual project by optimally deploying its outstanding R&D skills and by working and consulting closely with the customer. The development costs incurred in the course of customer projects are offset as cost of sales and are therefore not reported separately as research and development costs in the income statement of the PVA TePla Group.

With its research and development, the PVA TePla Group lays the foundation for further future growth. High-purity components with excellent material properties are increasingly becoming a prerequisite for example in the semiconductor industry for meeting the requirements of miniaturization. To this end, intensified efforts will be made in the medium and long term to further strengthen the expertise in the processes carried out in the systems. The aim is to enable customers to acquire the expertise to manufacture high-quality materials at the same time as they acquire the systems from the PVA TePla Group. The focus here is placed on the process development for manufacturing silicon carbide (SiC) ingots for the semiconductor industry. SiC material is an indispensable requirement for achieving climate policy targets in a large number of industries, for example in the automotive industry (e-mobility) and in renewable energies. The complexity of this manufacturing process has so far proved an impediment to providing a comprehensive supply to the market. With the help of its existing outstanding system technology – and possibly in cooperation with other technology leaders – PVA TePla will invest considerable efforts at this point in developing an appropriate process for this exceptionally attractive market.

The PVA TePla Group's aim is thus to continue to expand non-project-related R&D activities and to constantly maintain them at a high level in order to be able to meet the requirements of a leading high-tech company and the expectations of its customers.

In addition to development work on new products, the PVA TePla Group's non-project-related R&D activities in fiscal 2020 also included ongoing improvement programs for existing product lines. An interdisciplinary innovation team comprising engineers, physicists and chemists is constantly engaged within the Group on gathering new technologies and innovative approaches from the business divisions as well as identifying and evaluating attractive external technologies, which are defined and approved in the course of a budget process. The potential that the subsidiaries have for synergy and innovation is pooled in order to enable a swifter response to future economic and technological developments as well as changes on the market. As an international technology enterprise, the PVA TePla Group depends on its employees who work in research and development systematically driving new product developments forward so that the Group can meet its customers' needs. Research and development work is also often carried out as part of publicly funded projects and within the context of cooperation projects so that fresh impetus can be inspired with new ideas and technologies in the medium and long term.

2.2. Employee issues

Satisfaction, health and safety at the workplace as well as further development of the employees are a major priority of the management.

Occupational health and safety

The health and the performance of the employees are important factors for success. That is why a healthy work environment with good working conditions is created in the Group and the employees are encouraged to lead a healthy lifestyle. Detailed statistics about work-related accidents and absence rates are recorded and evaluated to measure occupational health and safety. The PVA TePla Group is constantly investing major efforts in keeping the accident and absence rates as low as possible, but at least continually lower than the industry average.

PVA TePla Group	Jan. 1 to Dec. 31. 2020	Jan. 1 to Dec. 31. 2019
Accident rate*	2.9‰	2.1 ‰
Absence rate**	4.9%	5.3 %

* Work-related accidents in the year per thousand employees

** Sick days in proportion to total work days (excluding vacation entitlements)

Measures have been implemented at the PVA TePla Group that are based on local circumstances and that help to ensure that employees are not exposed to any hazards during their work. These include, for example, the fire safety measures stipulated by law, which are implemented in the form of a central fire alarm system, firewalls, smoke ventilation systems and sprinkler systems, as well as common equipment, which make working life easier. Moreover, the majority of the employees are insured under a voluntary group accident insurance policy. Safety training for all employees is conducted on a regular basis at all locations, predominantly with the help of a software program.

Employees are required to refresh their knowledge on a regular basis. Thanks to the measures and processes that are implemented, the PVA TePla Group achieves a high degree of safety for its employees. As in the previous year, there were no work-related accidents resulting in death in the 2020 fiscal year.

In order to promote healthy behavior on the part of the employees in addition to their occupational safety, the Group provides financial support for employees at the German locations through the company bike scheme (the employer leases bicycles and e-bikes, which enjoy tax incentives, and provides them for the free use of the employees). The office premises are air conditioned and support a healthy and productive work environment through ergonomic workstations with height-adjustable desks. As part of the company's health management system, employees are able to consult a company physician free of charge for general check-ups, eye tests and vaccinations, etc. In addition, the use of a fitness room at the Wettenberg location, known as the Fitness Point, in the company building is freely available to them. As well as the training equipment, they can also use the showers and changing rooms free of charge here. Moreover, at least one health day is generally held every year, on which various health promotion offers are introduced to the workforce.

A particular challenge in the 2020 fiscal year was presented by the ongoing corona pandemic, which had a negative impact on the absence rate primarily in the first half of the year. The PVA TePla Group has instituted a variety of measures to provide the best possible protection for its employees and to contain the virus. These include flexible work time models (such as mobile workplaces or multi-shift operations), which will also remain in place until further notice in the 2021 fiscal year. The IT infrastructure was additionally expanded in order to facilitate virtual meetings and conferences. The intention here is to avoid physical contact as far as possible and to further reduce the risk of infection. Moreover, offices and production facilities were furnished with sufficient disinfectants, while adequate distance was provided between the workstations. Masks for work and personal use have been provided free of charge to all employees.

In cooperation with the employee representatives, hygiene concepts have been successfully established and accepted by the employees in this way (e.g. permanent wearing of masks at the workplace, etc.) in order to provide our employees with the best possible protection. Thanks to the well-structured management of information, all employees were, moreover, always kept adequately up to date about the current situation.

Training and education

The ongoing economic success of the PVA TePla Group is only possible thanks to its team of highly qualified and motivated employees. Systematically developing human resources with an eye to the future is therefore a key pillar of its growth strategy. The PVA TePla Group attaches extreme importance to training. The number of trainees is used as a relevant performance indicator for measuring the development of talented new recruits.

Furthermore, investing in the ongoing education of existing employees is essential for achieving sustainable economic success. The aim of the PVA TePla Group is to increase the number of trainees in line with its growth strategy. In principle, investments in training and education are made when they are required. They are set to increase in the medium term.

PVA TePla Group	Jan. 1 to Dec. 31. 2020	Jan. 1 to Dec. 31. 2019
(Average) number of trainees (rounded off)	28	21
Training and education expenses	768.8 KEUR	586.8 KEUR



As one way of filling our training spots for IT specialists in system integration, industrial salespersons, mechanics and mechatronics engineers, sponsorships are entered into at the German locations with schools and universities and pupils and students are offered orientation days and internships. Specific apprenticeship programs have also been developed for trainees in order to meet the high demand for new employees with practical, hands-on training. Moreover, collaboration projects are under way with universities to train students (Bachelor of Science), while term papers, bachelor dissertations and master theses are also supervised. These programs will continue to be built up as part of our training concept. In order to increase the Group's attractiveness as a training organization, trainees are generally recruited on a permanent employment contract after they have successfully completed their training. Furthermore, employees are encouraged to continue lifelong learning and to stay flexible to cope with changes. So that employees can realize their full potential, the PVA TePla Group offers extensive opportunities for further development. The advanced training measures involve personal, management, social and specialist skills. The PVA TePla Group thus ensures the continuous professional development of the employees and their qualification for new tasks.

Employee satisfaction

The satisfaction of the employees exerts a very strong influence on performance and loyalty and thus also on the success of the company. Employee satisfaction is reflected primarily in staff turnover and the average length of service. The PVA TePla Group's aim is to ensure high levels of employee satisfaction in order to create a basis for long-term employee retention. To safeguard existing expertise, the company pursues the goal of continuing to keep turnover at the lowest level possible and the average length of service at the most constant level possible.

PVA TePla Group	Jan. 1 to Dec. 31. 2020	Jan. 1 to Dec. 31. 2019
Staff turnover*	3.9%	5.6 %
Average length of service	9.4 years	9.2 years

* Terminations of contracts by employees and severance agreements as a proportion of the average headcount (see consolidated financial statements of the PVA TePla Group)

Employees and applicants value the exciting job opportunities offered by the PVA TePla Group as well as flexible working hours provided by flexitime and working time accounts, part-time working opportunities, permanent arrangements for mobile work, and many other benefits (for other benefits, please see the section "Occupational health and safety" in this chapter). These are complemented with attractive remuneration generally featuring more than twelve months' salary, which is adjusted to take account of the cost of living on a regular basis. Moreover, additional benefits are offered to the employees at the German locations, including employer contributions to company pension plans as well as capital-forming benefits. Free parking spaces are also provided to the employees, while the Wettenberg site has a staff restaurant where the employees can benefit from the subsidizing of meals at affordable prices. Company parties are organized on a regular basis to reinforce the work culture and the sense of togetherness. Overall, the extensive training and education programs have a positive effect on employee satisfaction, a fact that is confirmed by regular surveys.

Company diversity

Diversity in terms of the people who work at the PVA TePla Group forms the basis of the company's performance and success. Diversity encompasses gender, nationality, age, and disability. The age structure, the proportion of women and the proportion of employees with disabilities, and the number of employees from different nations who continually work together and exchange information with each other are determined every year as the relevant performance indicators. The objective of the PVA TePla Group is to encourage diversity throughout the Group, so that the right people can be brought together and a work culture can be created that promotes performance, motivation and satisfaction among the employees as well as the managers and where there is a balanced structure between young and old. Furthermore, the company provides an extensive statement on the subject of the diversity concept and on the quotas at the individual management levels defined in the company in the Group corporate governance declaration.

PVA TePla Group	Jan. 1 to Dec. 31. 2020	Jan. 1 to Dec. 31. 2019
Average age	44.8 years	43.1 years
Proportion of women*	19.1 %	19.6 %
Proportion of employees with disabilities*	2.4 %	2.7 %
Diversity of nationalities	24	26

* Proportion of the entire workforce (see consolidated annual financial statements of the PVA TePla Group)

The PVA TePla Group operates in Europe, North America, and Asia and thus in an environment comprising different cultures. Spread across the globe, employees work in development, production, administration, sales, and service, forming an important network for the cross-location exchange of knowledge and cross-cultural cooperation. As of December 31, 2020, the PVA TePla Group employed a workforce drawn from 24 different nations (December 31, 2019: 26 nations). On the premise of equal opportunity, all people are treated without prejudice. Encouraging women in the technologically sophisticated area in which we operate through internships, the Girls' Day and similar measures are something we continue to regard as an important building block. Our efforts aim to give as much consideration as possible to family obligations in the work environment by providing flexible work models and thus to make it easier to balance family life and career.

2.3. Environmental issues

The PVA TePla Group recognizes its responsibility for the environment and climate protection.

Increase in energy efficiency and reduction of CO₂ emissions
The operation of the production facilities and administration buildings requires energy. This is not only a cost factor, but also causes emissions in the form of CO₂ and other greenhouse gases that are harmful to the environment. The main source of energy used by the PVA TePla Group is electricity. The relevant performance indicators here are therefore electricity consumption, which is continually calculated, and the CO₂ emissions it produces, which is derived from the calculation. The company's key objective is not to cause a significant increase in emissions while pursuing the organization's planned growth.

PVA TePla Group	Jan. 1 to Dec. 31. 2020	Jan. 1 to Dec. 31. 2019
Electricity consumption	5.8 million kWh	5.5 million kWh
CO2 equivalents*	1,365 tonnes	1,433 tonnes

* Supplier-specific emission factors of the energy sources used (estimated)

The PVA TePla Group is investing at the German locations in the installation of electricity charging stations at the company's own parking spaces and in the switch to electric vehicles and is working on a concept that will make the charging stations available for private use. The aim here is to encourage e-mobility and to permanently reduce the CO2 emissions caused by the company's fleet. In order to reduce the electricity consumption from the use of non-renewable energy sources, solar panels have been installed on the roofs of the company buildings in the Wettenberg and Jena locations. The past fiscal year additionally work continued on converting the lighting systems at the Wettenberg location to energy-saving options. Electricity costs, consumption, and CO2 emissions are reviewed on a regular basis and the electricity suppliers are switched if appropriate. Energy consumption is currently managed by the energy officers at the individual locations. Further harmonization of the standards and measures that have already been established and the introduction of regular energy audits are being pursued in the medium term.

There is a basic risk that environmental damage will be caused because environmental standards are not applied in the course of the manufacturing and other processes of the PVA TePla Group's suppliers. The PVA TePla Group therefore invests efforts in reducing these risks by systematically selecting suppliers also on the basis of environmental aspects. A standardized group-wide approach to environmental standards in the PVA TePla Group supply chain was not in place in the year under review. A concept for managing the supply chain and the responsibility for the accompanying processes within the PVA TePla Group will be developed in the 2021 fiscal year. Global networked management and the standardization of supplier policy is planned in the coming years.

As one of the leading system suppliers of crystal growing systems, the Group provides support for its customers in the production of ultra clean silicon and silicon carbide crystals. The materials manufactured using the systems and the components produced in the further process play a part in increasing the energy efficiency of electronic end devices. Both, the semiconductor industry and the photovoltaic and (high-performance) electronics sectors, as well as the related R&D areas, build on the efficient systems provided by the PVA TePla Group. Electromobility is supported by semiconductor components and wafers, which also enable electricity from solar and wind farms to be integrated. Moreover, many intelligent ways to reduce electricity consumption can be put into practice as a result.

Waste

Waste is created in the Group in the course of its operating activities especially in the production processes; this waste includes electronic scrap, adhesive residues, and solvents. The amount of waste generated in the PVA TePla Group is calculated each year as a relevant performance indicator. In addition to the statutory requirements, the biggest factors influencing the amount of waste that is generated and the waste disposal systems that are used are fluctuations in production. The aim of the PVA TePla Group is to prevent, to recycle, or at least to dispose appropriately of waste that is generated in production to the greatest extent possible depending on the organization's size in order to minimize negative impacts on the environment. Furthermore, the waste that is created in the administration buildings, such as paper waste, is also to be reduced by raising the awareness of the employees.

PVA TePla Group	Jan. 1 to Dec. 31. 2020	Jan. 1 to Dec. 31. 2019
Waste (estimated)	5.638 m ³	8.109 m ³
Waste generation rate*	10.9 m ³ per employee	17.0 m ³ per employee

* Waste in relation to the average workforce (see consolidated financial statements of the PVA TePla Group)

Processes and structures are continually optimized in order to handle resources efficiently and to minimize environmental impacts. When selecting and using raw materials, technologies, and production processes, the PVA TePla Group takes their environmental compatibility into consideration and complies with applicable regulations, such as the requirements of the European chemicals regulation REACH (*Registration, Evaluation, Authorization and Restriction of Chemicals*) and the European RoHS directive (*Restriction of Hazardous Substances*). Materials that have the potential to cause harm are replaced where possible by less problematic substances. Whether they can be recycled is also an important criterion when selecting materials. Any scrap that is generated is carefully sorted at the PVA TePla Group and sold for recycling. Waste that cannot be avoided or recycled is disposed of appropriately. In this case, the PVA TePla Group chooses the most environmentally compatible method that can be justified from economic perspectives. The employees of the PVA TePla Group are required to separate their waste properly and also to pay careful attention to their consumption of printer paper, disposable cups, and plastic packaging.

2.4. Human rights and corruption and bribery

Respect for human rights

The issue of human rights violations is a high priority at the PVA TePla Group, as any breaches of human rights could pose the risk to the company of a loss of reputation, which could be accompanied by a possible loss of market shares and even by employees leaving the company.

The PVA TePla Group respects human rights, which are recognized internationally, supports compliance with them, does not accept any child or forced labor within its companies and supply chains, stands for equal opportunities, and does not tolerate any form of discrimination. We explicitly reject any form of unequal treatment or diminishment on the basis of gender, ethnic origin, religion or ideology, disability, sexual orientation or age. These principles apply throughout the whole Group and are embedded in writing as part of its corporate culture.

The aim of the PVA TePla Group is to completely prevent human rights violations within the Group and also along the supply chain and in customer markets.

The indicator considered as relevant is the number of suspected cases of human rights violations reported to management within the established Compliance Management System processes.

PVA TePla Group	Jan. 1 to Dec. 31. 2020	Jan. 1 to Dec. 31. 2019
Number of suspected cases of human rights violations reported to management within the established Compliance Management System processes	0	0

Employees can report possible cases of discrimination to their supervisor. Cases of suspected human rights violations of any kind are investigated with the help of the Group's compliance management system.

So that there are no human rights violations in the supply chain (also with regard to the materials used), the external business partners are selected deliberately using various, individually defined quality criteria. These include individual surveys and confirmations as well as declarations of commitment from suppliers if appropriate. In order to improve the transparency and augment the surveys within the supply chain, the introduction of a group-wide standardized concept to further minimize risk is being pursued. Using targeted training programs and raising the awareness of employees, elements that will be expanded within a group-wide training concept, we want to educate our employees to use the internal control mechanisms when they encounter (potential) violations.

Combating corruption and bribery

The key characteristic of the PVA TePla Group's relationships with business partners, employees, competitors, shareholders, and the general public is its good reputation. In this respect, great importance is ascribed to the unconditional commitment to values such as credibility, reliability, discretion, and integrity accompanied by compliance with laws, directives, regulations, and internal standards. These values and principles form the basis at the PVA TePla Group for sustainable business development and are an integral part of its corporate culture. Legality, fair competition, and the fair treatment of business partners and employees are essential elements of successful operating activities for the Group. Employees are required to inform the relevant compliance officer if they observe any violations. This is of particular importance for the PVA TePla Group, as a significant loss of reputation, fines, and, in extreme cases, prison sentences for employees who have breached statutory regulations, can result from circumstances of this kind. The PVA TePla Group's aim is to completely prevent corruption and bribery (including conflicts of interest, money laundering, etc.) in order to strengthen in this way a legally compliant and ethical work environment in which risks can be identified and prevented before they materialize.

The indicator considered as relevant is the number of suspected cases of human rights violations reported to management within the established Compliance Management System processes.

PVA TePla Group	Jan. 1 to Dec. 31. 2020	Jan. 1 to Dec. 31. 2019
Number of suspected cases of corruption and bribery reported to management within the established Compliance Management System processes	0	0

The open corporate culture at the PVA TePla Group as well as its established and effective compliance management system are fundamental factors in ensuring compliance with applicable laws and regulations arising from standards and instructions relating to the legally compliant conduct of the employees between themselves and toward third parties. The basis of compliance management is provided by the code of conduct as currently published. This code describes the risks associated with business activities and provides specific recommendations for conduct. The code of conduct is binding worldwide for all employees and executives of the PVA TePla Group. It contains regulations on data privacy, product safety, and environmental protection as well as on restraints of competition and on combating corruption and bribery. More detailed corporate policies have been drawn up for all the topics addressed in the code of conduct. These include, for example, the guidelines on giving and receiving benefits such as gifts and invitations.

To further raise the awareness of all employees of the PVA TePla Group and to reinforce the culture of compliance, the measures to increase awareness that have previously been established will be augmented in the future by regular, advance training measures focusing on anti-corruption and antitrust law. The training programs will be mandatory for all of the Group's employees. In addition, the communication of our principles to customers and suppliers will be further standardized.

3. RISK ASSESSMENT

Pursuant to Sections 315c(2) and 289c(3) HGB, reports have to be prepared on the material risks that are associated with the company's operating activities, its business relationships, and its products and services and that in all probability have or will have serious negative impacts on the aspects involving research and development, environmental issues, employee issues, respect for human rights, and combating corruption and bribery that are subject to reporting requirements. The task of risk management in the context of the non-financial Group report is to identify and assess the resulting risks. For further information on how the risk management system of the PVA TePla Group works, please refer to the statements in the section "Report on opportunities and risks" of the combined management report of PVA TePla AG.

No risks that meet the criteria described can be identified at the moment. For this reason, the PVA TePla Group classifies the risk situation arising from non-financial risks as low overall.

Report of the independent auditor on a review to obtain limited assurance

To the **Supervisory Board of PVA TePla AG, Wettenberg:**

We have conducted a review to obtain limited assurance with regard to the separate non-financial Group report pursuant to Sections 315b and 315c in conjunction with Sections 289b to 289e of the German Commercial Code (HGB) (hereinafter referred to as the “non-financial report”) of the PVA TePla Group together with its parent company PVA TePla AG, Wettenberg, for the period from January 1 to December 31, 2020.

Responsibilities of the legal representatives

The legal representatives of PVA TePla AG are responsible for the preparation of the non-financial report pursuant to Sections 315b and 315c in conjunction with Sections 289c to 289e HGB.

The responsibilities of the legal representatives include selecting and applying suitable methods for the preparation of the non-financial report and making assumptions and estimates regarding individual disclosures that are appropriate given the circumstances. Furthermore, the legal representatives are responsible for the internal controls that they deemed necessary to enable the preparation of a non-financial report that is free from material misstatements, whether due to fraud or error.

Statements by the auditor with regard to independence and quality assurance

We are independent of the company in compliance with the provisions of German commercial law and professional law and we have fulfilled our other professional obligations in compliance with these requirements.

Our auditing firm applies the national statutory regulations and professional pronouncements on quality assurance, particularly the rules of professional conduct for auditors and certified accountants and the IDW quality management standard “Requirements for quality management at auditing firms” (IDW QS 1).

Responsibilities of the auditor

Our task is to provide a limited-assurance audit opinion on the Group’s non-financial declaration on the basis of the review we have conducted. We conducted our review in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information,” issued by the IAASB. In accordance with this standard, we must plan and conduct the review such that we can state with limited assurance that we have not become aware of any matters that would lead us to the conclusion that the non-financial report from January 1 to December 31, 2020 was not prepared in accordance with Sections 315b and 315c in conjunction with Sections 289b to 289e HGB in all material respects. This does not mean that a separate audit opinion is provided for each disclosure. In a review to obtain limited assurance, the audit activities performed are less extensive than in a review to obtain reasonable assurance, meaning that a considerably lower degree of audit assurance is obtained. The selection of audit activities is subject to the professional judgment of the auditor.

As part of our engagement, we performed the following audit activities and other activities:

- Obtaining an understanding of the structure of the sustainability organization and the involvement of relevant stakeholders
- Inquiring about the materiality analysis in order to gain an understanding of the procedure for identifying material sustainability issues and corresponding reporting units
- Obtaining an understanding of and assessing the design and implementation of systems and processes for determining, processing, and monitoring the disclosures and results
- Obtaining an understanding of and assessing the documentation on determining the disclosures on concepts, due diligence processes, results, and risks, as well as performing internal controls and compiling the disclosures included in the non-financial report
- Inspecting selected internal and external documents
- Assessing the overall presentation of the disclosures
- Inspecting minutes of meetings of the Management Board and Supervisory Board regarding measures that could affect the subject matter of the sustainability report
- Comparing with the findings of the audit of the consolidated financial statements and the audits of the annual financial statements of PVA TePla AG and its German subsidiaries, for which we are appointed as the auditor for fiscal 2020.

Audit opinion

Based on the audit activities performed and the audit evidence obtained, we have not become aware of any matters that would lead us to the conclusion that the non-financial report of the PVA TePla Group for the period from January 1 to December 31, 2020 was not prepared in accordance with Sections 315b and 315c in conjunction with Sections 289b to 289e HGB in all material respects.

Intended purpose of the report

We are issuing this report on the basis of the engagement agreed with the Supervisory Board of PVA TePla AG. The review to obtain limited assurance was conducted for the purposes of the Supervisory Board of PVA TePla AG and the report is intended only to inform the Supervisory Board of PVA TePla AG of the findings of this review. The report is not intended to help third parties make (investment) decisions.

Terms of engagement and liability

The General Terms of Engagement for Auditors and Auditing Firms dated January 1, 2017, which are attached to this report, apply to this engagement, including in relation to third parties. We also refer to the liability regulations included in Section 9 of those terms and to the exclusion of liability to third parties. However, we do not assume any responsibility, liability, or other obligations to third parties.

Frankfurt, March 19, 2021

Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Marcus Grzanna
Auditor

Carl-Markus Groß
Auditor

Shared Values / one Group

Established in 1991, the PVA TePla Group has been making corporate and industry history since 30 years. Our success is based on values that characterize, influence, and unite all our subsidiaries:

A challenging **VISION** **INNOVATION** in product development

A reliable **IMPLEMENTATION** **SAFETY** in all process steps

