

# Be equipped for tomorrow's materials

NON-FINANCIAL GROUP REPORT 2021



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# 1. GENERAL INFORMATION

## Reporting company and business model

PVA TePla AG, Wetzlar (hereinafter "PVA TePla AG") is a stock corporation under German law. The Company is registered in the Commercial Register at the Local Court of Giessen under number HRB 6845 and has its registered office in 35435 Wetzlar, Germany. PVA TePla AG shares have been listed in the Prime Standard segment of the Frankfurt Stock Exchange since June 21, 1999 (ISIN: DE0007461006).

PVA TePla AG and the subsidiaries it controls (hereinafter referred to as the "PVA TePla Group") produce systems in which technology companies manufacture and refine materials, such as wafers, which are used in the semiconductor industry, among other applications. The focus of the operating business activities of the PVA TePla Group is on the development, manufacture and sale of processes, products, systems and services in materials technology, plasma and ion beam technology, measurement and inspection technology for fine-structured objects and vacuum technology. The PVA TePla Group maintains global business relationships through its locations in Germany, Italy, the USA, China, Taiwan and Singapore. For further explanations of the Group's business model, please refer to the explanations in the combined management report of PVA TePla AG in section "2. Fundamentals of the Group".

## Basis of presentation and review by the Supervisory Board

PVA TePla AG is required to prepare a non-financial consolidated statement in accordance with Section 315b of the German Commercial Code (HGB). PVA TePla AG has made use of the option to prepare a separate non-financial Group report. In contrast, PVA TePla AG, which acts as the financial holding company of the PVA TePla Group, is not required to prepare a non-financial statement pursuant to Section 289b HGB.

This non-financial Group report fulfills the requirements of §§315c in conjunction with 289c to 289e of the German Commercial Code (HGB) and German Accounting Standard (GAS) No. 20 and contains the reportable disclosures necessary for an understanding of the development of business, the business results, the position of the PVA TePla Group and the effects of its business activities on the aspects of employee and environmental concerns, respect for human rights and the fight against corruption and bribery. The aspect "social aspects" mentioned in §§315c in conjunction with §289c (2) of the German Commercial Code (HGB) was judged to be not material after a careful review, and the aspect "research and development" was voluntarily added due to its outstanding importance for the growth of the PVA TePla Group and customer satisfaction. As the existing international frameworks cannot be clearly aligned with the processes of the PVA TePla Group, the application of one continued to be waived. In fiscal year 2021, further non-financial key figures were collected and included in this report. In individual cases, data from the previous year is not available. In these cases, a corresponding marking is made.

The Supervisory Board of PVA TePla AG has reviewed this separate non-financial Group report for the fiscal year 2021, approved it at its balance sheet meeting on March 18, 2022 and released it for publication on the PVA TePla AG website. In addition, the non-financial disclosures and key figures on the sustainability activities of PVA TePla AG presented in this report were subjected to a voluntary critical appraisal (so-called "auditor's review") on behalf of the Supervisory Board by "Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft" in accordance with ISAE 3000 (Revised) in order to obtain limited assurance on the compliance of the report with the legally required reporting criteria.

#### Distinction between parent company and group

In order to clarify which disclosures relate to the parent company and which relate to the Group, "PVA TePla AG" is always used for the parent company. For disclosures relating to the Group, "PVA TePla Group" or "Group" is used. Where the above distinctions do not apply and no other separate references are made, the information relates equally to the Group and the parent company.

#### Gender

For reasons of simplification, only one gender form is used. Any other gender form is expressly included therein as well.

#### Business year

The fiscal year 2021 of PVA TePla AG began on January 1, 2021 and ended on December 31, 2021. Accordingly, the corresponding prior-year period (hereinafter also abbreviated to "PY") comprises the period from January 1, 2020 to December 31, 2020.

#### Rounding differences

Unless otherwise stated, all amounts are given in millions of Euros (EUR m). For computational reasons, rounding differences of +/- one unit (EUR thousand, %, etc.) may occur in the information presented in this report.



## 2. SUSTAINABLE CORPORATE GOVERNANCE

In addition to profitability, quality is a key factor in the products manufactured and services provided by the PVA TePla Group and forms an important criterion for sustainable corporate management. To ensure and further improve quality, the PVA TePla Group follows the requirements of the quality management standard ISO 9001 throughout the Group.

The topic of sustainability and sustainable management is becoming increasingly important within the PVA TePla Group. A comprehensive sustainability strategy, based on important frameworks such as the Social Development Goals of the United Nations, is constantly being developed. For its implementation and monitoring, corresponding responsibilities are provided within the PVA TePla Group.

### **Identification of essential issues**

This non-financial Group report focuses on important non-financial aspects for the business activities of the PVA TePla Group. The identification of material non-financial aspects within the meaning of Sections 315c (2), 289c (3) of the German Commercial Code (HGB) and relevant sustainability topics for the PVA TePla Group was carried out in fiscal year 2021 as part of a materiality analysis in a multi-stage process involving management and specialist departments through queries and discussions. As a result, the following six topics were identified: Employee Aspects, Environmental Aspects, Respect for Human Rights, Combating Corruption and Bribery, Research and Development, and the Supply Chain. After careful review, the aspect of social issues mentioned in §§315c in conjunction with §289c (2) of the German Commercial Code (HGB) was judged to be not material. The aspects defined as relevant are reviewed regularly. For this purpose, a stakeholder survey permanently available on the PVA TePla AG homepage will be set up in fiscal year 2022.

The following reportable and voluntarily supplemented aspects for the PVA TePla Group are derived from the analyses carried out in fiscal year 2021:



| Aspects                          | Significant facts   | Non-financial performance indicators  |
|----------------------------------|---|---|
| Research and Development         | R&D activities within the scope of customer projects<br>Non-project-related R&D activities                            | R&D quota<br>Average number of Employees directly assigned to the R&D area  |
| Employee aspects                 | Occupational safety and health protection   | Accident rate<br>Sickness rate  |
|                                  | Education and training  | Expenses in education and training<br>Number of trainees  |
|                                  | Employee satisfaction   | Number of employees<br>Fluctuation rate<br>average length of service  |
|                                  | Diversity in the company ("Diversity")  | Average age<br>Women's quota<br>Women in management positions<br>Women on the Board<br>Diversity of nations                                     |
| Environmental aspects            | Increasing energy efficiency and reducing CO <sub>2</sub> emissions   | Energy consumption by energy source Gasoline<br>Power consumption (in KWh)<br>"-of which renewable energies"<br>CO <sub>2</sub> equivalents     |
|                                  | Waste   | Waste<br>Hazardous waste (in t)<br>Non-hazardous waste (in t)   |
| Respect for Human Rights         | conscientious selection of the players within the supply chain as well as the distribution regions<br>Code of Conduct | Number of suspected human rights violations reported to management within the established processes of the Compliance management system         |
| Combating corruption and Bribery | conscientious selection of the players within the supply chain as well as the distribution regions<br>Code of Conduct | Number of suspected cases of corruption and bribery reported to management within the established processes of the compliance management system |
| Supply chain                     | Supply Chain Management   | Number of suppliers<br>Procurement volume<br>Conflict minerals  |

The medium-sized PVA TePla Group develops and builds plants for high-tech materials. There is no political influence on a local or supra-regional level. As a matter of principle, no donations or sponsoring measures are made for political parties or party-like organizations in Germany or abroad. Donations and sponsoring measures for sports events, charity events or similar require the approval of the Executive Board and are carried out very sporadically and only on a small scale. The aspect of social concerns was therefore judged not to be material following a review.



The PVA TePla Group has developed its own specific concepts in order to effectively manage sustainable business in terms of research and development, employee and environmental aspects, respect for human rights and the fight against corruption and bribery. The Group focuses on a few issues that have been identified as particularly significant and effective for sustainable business. Due diligence processes have been established to manage and monitor the concepts, which are reported on in the following sections, together with the relevant non-financial performance indicators (control variables) and the material risks in each case.

## 2.1. Research and development

The further development of key technologies is the prerequisite for technical progress and sustainable growth in all markets served by the PVA TePla Group. Not only sustainable growth, but also overall sustainable value creation for the PVA TePla Group and its customers in terms of climate protection is at the forefront of the system technologies developed by the PVA TePla Group (see 2.3 Increasing energy efficiency and reducing CO<sub>2</sub> emissions). Research and development form a central cornerstone for the PVA TePla Group in order to continue to be a successful and innovative partner in the semiconductor industry, which is characterized by a high level of innovation.

In addition to a wide range of development activities and intensive cooperation with leading research institutes, universities and customers, all development processes are geared towards efficiency. Highly qualified employees with their knowledge, enthusiasm and commitment as well as the clear commitment on the part of the Management Board represent the most important pillars for the high innovative strength of the companies of the PVA TePla Group. Research and development activities ("R&D activities") are carried out in the PVA TePla Group both as part of specific customer projects and without project reference. The aim of these activities - project-related or non-project-related - is the customer-side reduction of costs-of-ownership and the continuous quality improvement of the systems and the processes taking place in them. In this context, the PVA TePla Group aims to significantly increase its R&D activities in the short and medium term. In order to measure the R&D activities, the annual average number of employees directly assigned to the R&D area as well as the R&D ratio are determined annually. In fiscal 2021, an average of 26 employees (equivalent to 4.6% of the total workforce) were employed in the R&D area. The R&D ratio was increased further in the 2021 financial year to 5.1%.

| PVA TePla Group  | 01.01. until 31.12.2021 | 01.01. until 31.12.2020 |
|--|-------------------------|-------------------------|
| (average) number of employees directly assigned to R&D (rounded) | 26                      | 21                      |
| R&D ratio*   | 5.1%                    | 4.1 %                   |

\* Project-related and non-project-related R&D expenses in relation to sales revenue

## R&D activities within the framework of customer projects

R&D activities are often commissioned by the customer within the framework of specific projects. The commissioning is largely carried out by customers from the tool and semiconductor industry. Specific quality requirements of the materials or components produced or processed in the PVA TePla Group's plants often require further development of systems and their process control. In this context, customers regularly make use of the innovative and individual solutions offered by the developers of the PVA TePla Group. Cooperation in a spirit of partnership guarantees the success of the corresponding development projects. In addition to customer requirements, all legal and normative requirements are also incorporated into the product development specifications. The objective of the PVA TePla Group is to ensure the success of the project by making optimum use of its distinct R&D competencies in close cooperation and coordination with the customer. Development costs incurred in the course of customer projects are charged as cost of sales and are therefore not shown 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 sustainable business. High-purity work pieces with outstanding material properties are increasingly becoming a prerequisite in the semiconductor industry, for example, in order to meet the requirements of miniaturization. To this end, increased efforts will be made in the medium and long term to further strengthen know-how about the processes carried out in the plants. Customers are to be enabled to acquire the know-how for the production of high-quality materials at the same time as they acquire the systems from the PVA TePla Group. The focus here is on process development for the production of silicon carbide (SiC) ingots for the semiconductor industry. SiC material is an indispensable prerequisite for achieving climate policy targets in a wide range of industries, such as the automotive industry (e-mobility) and renewable energies. Research projects in a large number of companies have been launched to perfect the manufacturing process of SiC and ensure comprehensive supply to the market.

## Non-project-related R&D activities

At this point, PVA TePla will make significant efforts to develop a corresponding SiC crystallization process for this extraordinarily attractive market with the help of its already existing, outstanding plant technology - possibly together with other technology providers.

The non-project-related R&D activities of the PVA TePla Group in fiscal year 2021 included development work for new products as well as continuous improvement programs for existing product lines. In the PVA TePla Group, an interdisciplinary innovation team consisting of engineers, physicists as well as chemists is continuously engaged in collecting new technologies and innovative approaches from the business units as well as identifying and evaluating attractive external technologies, which are defined and released as part of a budget process. The synergy and innovation potential of the subsidiaries is bundled in order to be able to react more quickly to future economic and technological developments as well as market changes. As a globally active technology company, the PVA TePla Group relies on employees working in research and development to drive new product developments forward in a targeted manner in order to meet the needs of customers.

Research and development work is often also carried out as part of publicly funded projects and in the context of cooperative ventures, so that impetus can be generated in the medium to long term with new ideas and technologies.



## 2.2. Employee aspects

Employee satisfaction, health and safety in the workplace as well as continuing education are very important to the company's management.

As of the reporting date December 31, 2021, the PVA TePla Group employed 565 people (previous year 553). The majority of employees work in Europe. In North America, the headcount at the end of the fiscal year 2021 was 44 (previous year: 43) and in Asia 28 (previous year: 29).

### Occupational safety and health protection

The health and performance of employees are an important concern for the company management. Therefore, a healthy working environment with good and safe working conditions is created in the PVA TePla Group and employees are encouraged to lead a health-promoting lifestyle. Detailed statistics on occupational accidents and sickness rates are kept and evaluated to measure occupational health and safety. The PVA TePla Group always makes every effort to keep accident and sickness rates as low as possible and below the industry average. In fiscal year 2021, the accident rate of the PVA TePla Group was 1.1‰ (last publication of the industry average in 2020 with 3.14‰). The sickness rate of the PVA TePla Group was 4.1% in fiscal year 2021 (last publication of the industry average in 2020 with 5.6%).

| PVA TePla Group | 01.01. until 31.12.2021 | 01.01. until 31.12.2020 |
|-----------------|-------------------------|-------------------------|
| Accident rate*  | 1.1‰                    | 2.9 ‰                   |
| Illness rate**  | 4.1 %                   | 4.9 %                   |

\* Occupational accidents per year per thousand employees

\*\* Sick days in relation to total working days (excl. vacation entitlements)

In the PVA TePla Group, measures have been implemented that are geared to local conditions and help to ensure that employees are not exposed to any hazards during their work. These include, for example, the legally prescribed fire protection measures in the form of a central fire alarm system as well as fire protection walls, smoke ventilation systems and sprinkler systems and common equipment that make working life easier. In addition, the majority of employees are insured under a voluntary group accident insurance scheme. Regular safety briefings are held for all employees at all sites, most of which are conducted digitally. Employees are required to refresh their knowledge on a regular basis. Through the implemented measures and processes, the PVA TePla Group achieves a high level of safety for its workforce. In fiscal year 2021, as in the previous year, there were no work-related accidents resulting in fatalities.

In order to promote not only the occupational safety of employees but also their health-oriented behavior, the PVA TePla Group provides financial support to employees at its German sites through the "JobRad" scheme (bicycles and e-bikes are leased by the employer with tax incentives and made available to the employee for free use). The offices are air-conditioned and promote a healthy working environment through ergonomic workplaces with height-adjustable desks. As part of the company's health management program, a large number of employees have free access to a company doctor for general examinations, eye tests, vaccinations and the like. In addition, they have free use of a fitness room at the Wettenberg site, the so-called Fitness Point within the company building.

In addition to the training equipment, employees can also use the showers and locker rooms there free of charge. Moreover, a health day is usually held at least once a year, during which various health promotion activities are offered to the workforce.

Furthermore, the current COVID 19 pandemic also posed a particular challenge in fiscal year 2021. The PVA TePla Group has taken a variety of measures to protect its employees as best as possible and to contain the virus. The PVA TePla Group considers a vaccination campaign (including booster vaccinations) carried out in Germany in cooperation with the company medical department to be a great success, which was well received by the workforce. Almost half of all employees were vaccinated during the campaign. Other measures continue to include flexible working time models (such as mobile workplaces or multi-shift operation), which will remain in place until further notice. The IT infrastructure was further expanded to further optimize virtual meetings and conferences. This should avoid physical contact as far as possible and further reduce the risk of contagion. In addition, offices and production facilities were equipped with sufficient disinfectants and sufficient distance between workstations was ensured. All employees were provided with free masks for professional and private use. In cooperation with the staff representatives, successful hygiene concepts that are accepted by the employees have thus always been established (e.g. permanent obligation to wear masks at the workplace, etc.) in order to protect the workforce in the best possible way. In addition, thanks to the well-structured information management system, all employees were always sufficiently informed about the current situation.

#### Education and training

The sustainable economic success of the PVA TePla Group can only be achieved with a team of highly qualified and motivated employees. Consistent and forward-looking personnel development therefore forms a supporting pillar of its growth strategy. The PVA TePla Group attaches great importance to training. The number of trainees is used as a relevant control parameter to measure the promotion of junior staff. Furthermore, investment in the further training of the existing workforce is indispensable for achieving sustainable economic success. The PVA TePla Group aims to increase the number of trainees in line with its growth strategy. As a matter of principle, investments for training and further education are made on a needs-oriented basis. These will continue to increase in the medium term.

| <b>PVA TePla Group</b>                       | <b>01.01. until 31.12.2021</b> | <b>01.01. until 31.12.2020</b> |
|--|--------------------------------|--------------------------------|
| (average) number of trainees (rounded)       | 36                             | 28                             |
| Expenditure on training and further training | TEUR 917.7                     | TEUR 768.8                     |

In order to fill the apprenticeship positions for IT specialists, system integrators, industrial clerks, mechanics and mechatronics engineers, school and university sponsorships are entered into at the German sites, among other things, and orientation days and internships are offered to pupils and students. Furthermore, specific training programs have been developed for apprentices to meet the high demand for young people with practical training. In addition, the company cooperates with universities in the training of students (Bachelor of Science) and, among other things, supervises semester, bachelor's and master's theses.

These programs have been further intensified as part of the PVA TePla Group's training concept and supplemented by the offer of dual study places. In order to increase the attractiveness as a training company, (dual) graduates of the respective training programs are generally taken on in a permanent employment relationship after successful completion. In addition, employees are encouraged to remain flexible to changes. To enable employees to make the most of their potential, the PVA TePla Group offers extensive opportunities for further development. The measures for further training relate to personal, management, social and technical skills. In this way, the PVA TePla Group ensures the continuous further development of employees and qualification for new tasks.



## Employee satisfaction

Employee satisfaction has a very high influence on performance and length of service and thus also on the success of the company. Employee satisfaction is reflected above all in the fluctuation rate and the average length of service. The PVA TePla Group aims to ensure a high level of employee satisfaction in order to create the basis for long-term employee retention. The aim is to continue to keep fluctuation at as low a level as possible and average length of service at as constant a level as possible. For the fiscal year 2021, the fluctuation rate of the PVA TePla Group was 5% (average manufacturing industry 20.1%).

| <b>PVA TePla Group</b>    | <b>01.01. until 31.12.2021</b> | <b>01.01. until 31.12.2020</b> |
|---------------------------|--------------------------------|--------------------------------|
| Fluctuation rate*         | 5.0%                           | 3.9 %                          |
| average length of service | 9 years                        | 9 years                        |

\* Employee terminations and severance agreements in relation to average headcount (see PVA TePla Group consolidated financial statements).

The exciting fields of activity offered by the PVA TePla Group are appreciated by employees and applicants alike, as are flexible working hours through flexitime and hourly accounts, opportunities for part-time employment, permanent arrangements for mobile working and many other benefits (for further benefits, please refer to the section "Occupational health and safety" in this chapter). In addition, there is attractive compensation with salaries in excess of twelve for the most part, which is regularly adjusted to the cost of living. Employees at the German sites are also offered additional benefits such as employer contributions to company pension plans and capital-forming benefits. A canteen is operated at the Wettenberg site, offering employees subsidized and healthy meals. To strengthen the work culture and togetherness, company parties are organized on a regular basis. Overall, the extensive training and development measures also have a positive impact on employee satisfaction, which is confirmed by regular surveys.

## Diversity in the company ("Diversity")

The employees in the PVA TePla Group reflect the diversity of society. Mutual respect represents the basis for our cooperation. Diversity includes gender, nationality, age and disability. As relevant control variables, the average age, the quota of women and the number of employees of different nations are determined annually. The objective of the PVA TePla Group is to promote diversity throughout the Group in order to create a working culture in which the performance, motivation and satisfaction of employees and managers are stimulated and in which there is a balanced structure between young and old. In 2021, the average age of employees was 44.6 years (previous year 44.8).

Furthermore, the PVA TePla Group comments in detail on the topic of the diversity concept and on the quotas set in the Group at the individual management levels in the Group Declaration on Corporate Governance. With the expansion of the Management Board in June 2020, the quota of women at this level was increased to 25%. The target of 20% defined for the Executive Board was thus achieved. In fiscal year 2021, 18.3% of all management positions were held by women.

Under the premise of equal opportunity, all people are treated without prejudice. At the end of fiscal year 2021, the PVA TePla Group had 565 employees within the meaning of Section 267 of the German Commercial Code (HGB), of which 19.6% were women and 80.4% men.

| PVA TePla Group                      | 01.01. until 31.12.2021 | 01.01. until 31.12.2020 |
|--------------------------------------|-------------------------|-------------------------|
| Average age                          | 44.6                    | 44.8                    |
| Women's quota                        | 19.6%                   | 19.1%                   |
| Women's quota on the Executive Board | 25%                     | 25%                     |
| Diversity of nations                 | 30                      | 24                      |

The PVA TePla Group continues to strive to increase its share of women and sees it as an important component to inspire women for the technically demanding fields through internships, Girls' Day or similar measures. In fiscal 2021, two women started training in production, further strengthening the proportion of women in technical professions. Our efforts are aimed at accommodating family commitments for both men and women in the professional environment as far as possible through flexible working models, thus making it easier to reconcile family and career.

The PVA TePla Group operates in Europe, North America and Asia, and thus in an environment of different cultures. Employees are spread across the globe in development, production, administration, sales and service, forming an important network for cross-site knowledge exchange and intercultural cooperation. As of December 31, 2021, the PVA TePla Group employed people from 30 different nations (December 31, 2020: 24 nations).

## 2.3. Environmental aspects

The PVA TePla Group is committed to its responsibility towards the environment and climate protection.

For the first time, the PVA TePla Group has determined its water consumption at the production sites in Wettenberg, Jena, Corona (USA) and Manassas (USA) for the fiscal year 2021. In the reporting year 2021, the PVA TePla Group drew 12,250.53 m<sup>3</sup> of water, of which 22.74% was in areas with water scarcity. In particular, water is used in the manufacturing operations to cool equipment. As part of the investigation, particular risks of water shortage were identified at the Corona site in California. These are being tracked as part of the PVA TePla Group's risk management, and water management will be revised as necessary. It cannot be ruled out that other sites will be affected by a water shortage in the future. Depending on the necessity, appropriate measures will be taken in this context.

### Increasing energy efficiency and reducing CO<sub>2</sub> emissions

The operation of production facilities and administrative buildings requires energy. This is not only a cost factor, but also causes climate-damaging emissions in the form of CO<sub>2</sub> and other climate gases. The main energy source of the PVA TePla Group is electricity. As a relevant control variable, electricity consumption is therefore continuously determined and the resulting CO<sub>2</sub> emissions are derived. The company's fundamental objective is to avoid any significant increase in emissions, even in the context of the targeted growth of the organization.

The PVA TePla Group uses electricity as its main energy source. The total energy consumption is 6.4 million kWh and has thus increased by 0.6 million kWh compared to the previous year, albeit at a disproportionately low rate compared to the increased production volume. The share of renewable energies was 27% in fiscal year 2021. The consumption of gas was determined on a group-wide basis for the first time for the 2021 financial year and amounted to 0.3 million kWh.

| PVA TePla Group              | 01.01. until 31.12.2021 | 01.01. until 31.12.2020 |
|------------------------------|-------------------------|-------------------------|
| Total power consumption      | 6.4 million kWh         | 5.8 million kWh         |
| CO <sub>2</sub> equivalents* | 2,798 tons              | 2,572 tons**            |

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

\*\* Renewable energies, financed from the EEG levy, were no longer deducted (therefore the CO<sub>2</sub> equivalents of fiscal year 2021 are no longer 1,365 metric tons but 2,572 metric tons)

At its German sites, the PVA TePla Group is investing in the installation of electric charging stations in the company's own parking lots and in the conversion to electric vehicles, and is working on a concept that will make the electric charging stations available for private use. This is intended to promote electromobility and sustainably reduce CO<sub>2</sub> emissions caused by the vehicle fleet. In order to reduce electricity consumption from the use of non-regenerative energies such as coal, solar systems have been installed on the roofs and facades of the company buildings at the Wettenberg and Jena sites. In the long term, the aim is to replace non-renewable energies completely with renewable energies. In the past fiscal year, the lighting systems at the Wettenberg site were converted to more energy-efficient variants. Electricity costs, consumption and CO<sub>2</sub> equivalents are regularly reviewed and, if necessary, electricity suppliers are adjusted. Energy consumption is managed by the energy officers at the respective sites. Further standardization of the standards and measures already established and the introduction of regular energy audits are planned in the medium term.

The PVA TePla Group determines its CO<sub>2</sub> emissions by means of the control variable electricity consumption. For the fiscal year 2021, 6.4 million kWh (PY: 5.8 million kWh) of electricity were consumed. The CO<sub>2</sub> emissions of the PVA TePla Group for the respective fiscal year are derived in tons from this value using supplier-specific emission factors for the energy sources used. Renewable energies, financed from the EEG levy, are no longer deducted. Due to the increased electricity consumption in fiscal year 2021, the CO<sub>2</sub> equivalents also increased and now stand at 2,798 tons.

The goal of the PVA TePla Group is to gradually achieve climate neutrality. If it is not possible to avoid all CO<sub>2</sub> emissions, climate protection projects will be supported and the CO<sub>2</sub> emissions caused will be compensated. Necessary measures as well as the timeframe for implementation are derived from the sustainability strategy of the PVA TePla Group. There is a fundamental risk that environmental damage could be caused by inadequate environmental standards in the context of manufacturing and other processes on the part of suppliers to the PVA TePla Group. The PVA TePla Group therefore endeavors to reduce these risks through the targeted selection of suppliers also according to environmental aspects. The concept for managing the supply chain and responsibility of the associated processes within the PVA TePla Group is constantly being further developed. This includes, among other things, the further promotion of a globally networked management as well as the further standardization of the supplier policy.



As one of the leading system suppliers of crystal growing systems, the PVA TePla Group supports its clientele in the production of ultra-pure silicon and silicon carbide crystals. The materials and subsequently manufactured components produced with the systems contribute to increasing the energy efficiency of electronic end devices. Both the semiconductor industry and the photovoltaic, (high-performance) electronics and related R&D sectors rely on the PVA TePla Group's high-performance systems. Semiconductor components and wafers promote electromobility and enable the integration of electricity from solar and wind farms. In addition, many intelligent forms of reducing electricity consumption can be realized as a result.

## Waste

In the course of its business activities, the PVA TePla Group generates waste primarily in its production processes, such as electronic scrap, adhesive residues or solvents. The waste generated in the PVA TePla Group is determined annually as a relevant control variable. In contrast to the previous year, the amount of waste generated is recorded in tons instead of m<sup>3</sup>. In fiscal year 2021, the PVA TePla Group had a waste volume of approximately 221 tons. The amount of waste generated is divided into "hazardous" and "non-hazardous" waste in accordance with local legal regulations. In fiscal year 2021, the share of waste to be classified as hazardous was 2%. In addition to legal requirements, the biggest influencing factors for waste volumes and disposal systems used are primarily production fluctuations. The objective of the PVA TePla Group is to continue to avoid, recycle or at least properly dispose of the waste generated in production largely depending on the size of the organization, in order to minimize negative effects on the environment. In addition, the waste generated in the administrative buildings, for example by paper waste, is to be reduced by raising employee awareness.

In order to achieve efficient use of resources and minimize environmental impact, processes and structures are continuously optimized. When selecting and using raw materials, technologies and production processes, the PVA TePla Group takes into account their environmental compatibility and complies with applicable regulations, for example the requirements of the European chemicals regulation REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) and the European RoHS Directive (Restriction of certain Hazardous Substances). Materials with hazardous potential are replaced by less problematic substances wherever possible. Recyclability is also an important criterion in the selection of materials. Accumulated scrap is carefully sorted at the PVA TePla Group and sold for recycling. Waste that can neither be avoided nor recycled is disposed of properly. In doing so, the PVA TePla Group chooses the most environmentally friendly way that is justifiable from an economic point of view. The employees of the PVA TePla Group are encouraged to separate their waste properly and to be mindful of the consumption of printer paper, packaging, consumables etc.

## 2.4. Human rights and corruption and bribery

### Respect for human rights

The issue of human rights violations is a high priority for the PVA TePla Group, because in the event of human rights violations, the company could face a loss of reputation, accompanied by a possible loss of market share and possibly of employees.

The PVA TePla Group respects the internationally recognized standards for human rights and supports their observance.

Within the PVA TePla Group, no child labor, forced labor or discrimination is accepted, while equal opportunities are always promoted. Unequal treatment or disparagement on the basis of gender, ethnic origin, religion or ideology, disability, sexual orientation or age are clearly rejected.

| PVA TePla Group   | 01.01. until 31.12.2021 | 01.01. until 31.12.2020 |
|---|-------------------------|-------------------------|
| Number of suspected human rights reported suspected human rights violations within the established processes of the compliance management system. | 0                       | 0                       |

To improve transparency and further intensify inquiries within the supply chain, the Group-wide concept for further risk minimization is constantly being further standardized and optimized. Through targeted training and employee education, employees are sensitized within a Group-wide training concept to use the internal control mechanisms in the event of (potential) violations.

### Combating corruption and bribery

The PVA TePla Group's relationships with business partners, employees, competitors, shareholders and the public are decisively shaped by its good reputation. In this respect, great importance is attached to the unrestricted commitment to values such as credibility, reliability, discretion and integrity combined with compliance with laws, regulations, provisions and the company's own standards. In the PVA TePla Group, these values and principles form the basis for sustainable business development and are an integral part of its corporate culture. Legality, fair competition and fair dealings with business partners/business associates and employees are indispensable elements of successful business activity for the PVA TePla Group. In case of observed violations, employees are required to inform the respective compliance officer. This is of particular importance for the PVA TePla Group, as such matters may result in a considerable loss of reputation, fines or, in extreme cases, imprisonment for employees who have violated legal regulations. The PVA TePla Group aims to completely avoid corruption and bribery (including conflicts of interest, money laundering, etc.) in order to strengthen a compliant and ethical working environment in which risks can be identified and prevented in advance.

The PVA TePla Group has implemented an anonymous reporting system for compliance violations on its website. This reporting system can be accessed via the PVA TePla AG website or directly via the following link: [PVA TePla AG | Responsibility](#). The information on possible compliance violations is recorded and evaluated by qualified specialists from Grant Thornton AG Wirtschaftsprüfungsgesellschaft with the help of an online-based whistleblowing system and then discussed by a team of specialists. To the extent permitted by the processing of the whistleblower, each whistleblower is regularly informed about the progress made in clarifying the facts he or she has reported. Grant Thornton is committed to an objective and fair investigation of allegations of compliance violations.

The number of suspected cases of corruption and bribery reported to management within the established processes of the compliance management system is considered relevant as a measure.

| PVA TePla Group  | 01.01. until 31.12.2021 | 01.01. until 31.12.2020 |
|--|-------------------------|-------------------------|
| Number of suspected cases of corruption and bribery reported to management | 0                       | 0                       |

The open corporate culture at the PVA TePla Group as well as its established and effective compliance management system are elementary factors in the observance of applicable laws and regulations from standards and instructions on rule-compliant behavior by employees towards each other and towards third parties. The basis for compliance management is the currently published Code of Conduct. This describes risks in business activities and provides specific recommendations for conduct. The Code of Conduct is binding for all employees and managers of the PVA TePla Group worldwide. It contains regulations on data protection, product safety, environmental protection, as well as regulations against the restriction of competition and the fight against corruption and bribery. Further company guidelines exist for all topics addressed in the Code of Conduct. These include, for example, guidelines on granting and accepting benefits such as gifts and invitations.

In order to further sensitize all employees of the PVA TePla Group and to strengthen the compliance culture, the previously established sensitization measures will be further intensified by extended regular training measures with a focus on anti-corruption and antitrust law. Furthermore, the PVA TePla Group has implemented various training portals with regard to occupational safety, IT security, compliance training, data security, behavior towards colleagues. In addition, the communication of these principles to customers and suppliers will be further standardized.

## 2.5. Supply chain

### Our supplier relationship

The supply chain and supply chain management are important key factors in the PVA TePla Group's value chain. Production requires numerous raw materials, packaging materials, technical products, components and services, which are procured worldwide.

The PVA TePla Group currently works with 1,138 suppliers with a procurement volume of EUR 208.38 million. Despite its global presence, the focus is on regional procurement at the production sites with 96%. By avoiding long transport routes, a significant contribution can be made to climate and environmental protection.

Suppliers to the PVA TePla Group are expected to comply with ethical, social, environmental and human rights standards.

Different raw materials including possible risky minerals are required in the production process. Therefore, disclosure of the origin of conflict minerals (tin, tantalum, tungsten, gold) from mines in relevant conflict regions (EU Conflict Minerals Regulation (EU) 2017/821 in conjunction with §1502 Dodd-Frank Act) is supported. Suppliers are required to provide accurate information on the country of origin of the minerals and the smelters and refineries they use. In fiscal year 2021, PVA TePla Group did not source any conflict minerals from mines in relevant conflict regions.

## 2.6. EU taxonomy

### Reporting requirements

Non-financial companies that are required to report in Germany under the CSR RUG must include in their non-financial group statement or separate non-financial group report information on how and to what extent the company's activities are linked to economic activities that are to be classified as environmentally sustainable economic activities pursuant to Article 3 Regulation (EU) 2020/852 and therefore make a significant contribution to achieving one or more of the environmental objectives of Article 9 of Regulation (EU) 2020/852.

The following six environmental objectives are defined in Article 9 of Regulation (EU) 2020/852 (EU Taxonomy Regulation):

- a) Climate change mitigation;
- b) Climate change adaptation;
- c) the sustainable use and protection of water and marine resources;
- d) the transition to a circular economy;
- e) Pollution prevention and control;
- f) the protection and restoration of biodiversity and ecosystems.

For fiscal year 2021, there is initially a reduced reporting requirement on the first two environmental goals "climate change mitigation" and "adaptation to climate change." These reporting requirements are expected to be expanded for the 2022 reporting year with the publication of a further regulation.

In accordance with the reporting requirements applicable for fiscal year 2021, the share of taxonomy-eligible and non-taxonomy-eligible economic activities in relation to the three KPIs revenue, CapEx and OpEx, with regard to the environmental objectives "climate change mitigation" and "adaptation to climate change" of the EU Taxonomy Regulation, must be disclosed.

In a first step, all economic activities of the PVA TePla Group were identified and those economic activities were determined for which technical assessment criteria are available in accordance with the Delegated Regulation 2021/2139 on the environmental objectives of climate change mitigation or adaptation to climate change. Economic activities that do not have any technical assessment criteria were assigned to the so-called non-taxonomic economic activities.

#### Disclosure of taxonomy-compliant and non-taxonomy-compliant economic activities

The economic activities of the PVA TePla Group are to a large extent not directly subject to taxonomy. This is due to the fact that the PVA TePla Group does not directly manufacture products that are affected by the taxonomy, but acts as a supplier for other industrial companies. With its systems and services, the PVA TePla Group supports essential manufacturing processes and technological developments of other industrial companies. The systems and services of the PVA TePla Group are used in particular in the semiconductor, hard metal, electrical/electronic and optical industries as well as in the fields of energy, photovoltaic and environmental technology. The industrial companies supplied in this way can then use the systems or plants manufactured by the PVA TePla Group to produce products that are directly affected by the EU taxonomy. The PVA TePla Group therefore sees itself as being able to contribute to the environmental goals of climate protection and adaptation to climate change.

In this context, the systems or types of systems manufactured by the PVA TePla Group may, in principle, be relevant to companies engaged in the following taxonomy-eligible economic activities:

- 3.1 Manufacture of renewable energy technologies
- 3.3 Manufacture of low carbon technologies for transport
- 3.4 Manufacture of batteries
- 3.5 Manufacture of energy efficiency equipment for buildings
- 3.6. Manufacture of other low carbon technologies

The calculation of the relevant economic activities is based on the International Financial Reporting Standards (IFRS) applicable to the consolidated financial statements. All fully consolidated Group companies are taken into account. The results are shown in the following table:

| <b>Economic activities PVA TePla Group, 2021<sup>1</sup></b> | <b>Sales revenue in %</b> | <b>CapEx in %</b> | <b>OpEx in %</b> |
|--|---------------------------|-------------------|------------------|
| Taxonomy-eligible economic activity                          | 0%*                       | 0%**              | 0%***            |
| Taxonomy-non-eligible economic activity                      | 100%                      | 100%              | 100%             |

<sup>1</sup>First-time data collection Fiscal year 2021

\* Share of net sales from taxonomy-eligible economic activities in relation to total net sales.

\*\* CapEx from taxonomy-eligible economic activities in relation to total CapEx including leases in accordance with IFRS 16.

\*\*\* OpEx includes all direct, non-capitalized taxonomy-eligible costs.

In view of, among other things, partly ambiguous regulations of the EU, an ambiguous assignability of the end use of our systems to the above-mentioned end markets, and since a corresponding categorization of services and metrology systems for quality measurement in the relevant areas is currently not planned, the management of the PVA TePla Group currently does not see any revenue-relevant economic activities in fiscal year 2021.

However, as the regulations become more specific, the relevant categorization of the PVA TePla Group could change in the future. Furthermore, the PVA TePla Group strives to generate a higher assignability of the products in the category "3.6. Manufacture of other low carbon technologies" through further developments of the processes and technologies.

The investment activities of the PVA TePla Group in the fiscal year 2021 were particularly in the development of further production capacities as well as the further digitalization and automation of our business processes. These activities could not be allocated to the economic activities affected by the Taxonomy Regulation, resulting in a CapEx ratio of 0%. Within operating expenses, only insignificant parts could be identified as taxonomy-eligible activities, resulting in a part of <1% in this area as well.

The PVA TePla Group reviews the taxonomy of its business activities at regular intervals and categorizes them accordingly.

### 3. RISK ASSESSMENT

Pursuant to §§315c (2), 289c (3) of the German Commercial Code (HGB), a report must be submitted on those significant risks associated with the company's own business activities, business relationships, and products and services that are very likely to have or will have a serious negative impact on the reportable aspects of research and development, environmental concerns, employee concerns, respect for human rights, the supply chain, and combating corruption and bribery. The task of risk management in the context of the non-financial consolidated report is to identify and assess the risks arising from this. For further information on the functioning of the risk management system of the PVA TePla Group, please refer to the comments in the combined management report of PVA TePla AG in the section "Opportunity and risk report".

Currently, no risks can be identified that meet the criteria described. The PVA TePla Group therefore classifies the risk situation from non-financial risks as low overall.



# Common values / one group

Founded in 1991, the PVA TePla Group has been writing corporate and industry history for over 30 years.

Our success is based on values that shape, mold and unite all our subsidiaries:

A demanding **VISION** **INNOVATION** in product development  
A reliable **IMPLEMENTATION** **SECURITY** at all stages of the process

