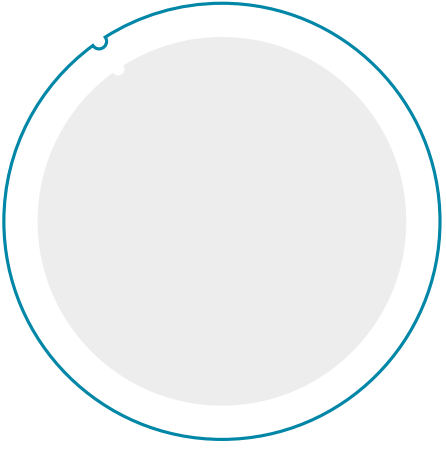


Siltronic



# Solutions

Extract from the Annual Report 2019



Non-financial report

# Non-financial report issued by Siltronic AG, Munich

(Implementation of the requirements contained in sections 315b, 315c in conjunction with sections 289b to 289e of the German Commercial Code)

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# Foreword

GRI 102-14

In order to achieve economic success, companies need to be trusted by society. We take our corporate responsibility seriously. We combine corporate success with responsible action – in our production processes, in our use of resources and in all our interactions with our employees.

We are one of the global market leaders of hyperpure silicon wafers and supply all leading consumers of these wafers throughout the semiconductor industry. Silicon wafers are key components in the vast majority of electronic parts that make our lives easier, safer, and ecologically friendlier. Our technologies form the basis for manufacturing more compact and energy-efficient components in the modern world of electronics. Consequently, we contribute towards preserving precious resources and reducing carbon dioxide emissions worldwide.

We continually and consistently improve our production processes with the aim of reducing energy consumption and increasing the percentage of supplies that can be reused. In order to make deliveries to our customers as environmentally friendly as possible, we combine deliveries and utilize multiple-use packaging solutions.

Our employees represent our greatest asset and the cornerstone of our success. We treat one another with respect, honesty, and openness and see the differences between people as a source of enrichment. Our goal is to achieve even greater diversity within our organization, focusing in particular on mentoring more women and employees with varying cultural experiences to take up positions in middle and upper management. We support a work life balance with a variety of measures. Occupational health and safety are deeply embedded in our business processes.

Siltronic implements the ten principles of the United Nations 'Global Compact' initiative for the protection of human rights, social and environmental standards, and the fight against corruption. We respect internationally proclaimed human rights and promote their observance within our sphere of influence. As a supplier in the electronics industry we observe the principles of the industry initiative Responsible Business Alliance (RBA), which we have been actively supporting as a member since May 2019.

Siltronic employees worldwide take on the daily challenge of making our processes better, safer, simpler, environmentally friendlier, and therefore more sustainable. Together, we want to live up to our responsibility to reconcile the impact of our business activities with the expectations and needs of society.



Dr. Christoph von Plotho  
CEO



# 1. The framework for this non-financial report 2019

We see sustainability as the positive impact of our current activities on future conditions in the ecological, economic, and social spheres. Consequently, the underlying reason for this non-financial report or sustainability report is the question of how Siltronic contributes towards the improvement or deterioration of ecological, economic, and social aspects at local, regional, and global levels.

We believe that sustainable activity is also beneficial for Siltronic as a company. For instance, we are safeguarding our profitability by deploying raw materials more efficiently and optimizing energy consumption. Profitability is an important factor in our ability to provide employees with above-average social benefits and offer them a wide range of advanced training measures. A dedicated, well-trained workforce is more capable of breaking new ground in the field of research and development, which, in turn, has a beneficial impact on our profitability in the medium and long term. In this manner, a cycle is created that is not only positive for stakeholders and the environment, but for Siltronic as a company, too.

With this non-financial report we supplement the economic aspects outlined in the consolidated financial statements and the combined management report by including ecological and social aspects and explaining how we propose to reconcile these with one another.

This report is the summarized, separate non-financial report for the financial year 2019 and applies to both the Siltronic Group and Siltronic AG. Information that applies only to Siltronic AG, is indicated in the text. The non-financial report has been issued and was made available to the public on <https://www.siltronic.com/en/our-company/sustainability.html>.

Information included in this report was prepared based on the Sustainability Reporting Standards of the Global Reporting Initiative (GRI), is aligned to the Sustainable Development Goals of the United Nations and refers to the Code of Conduct of Responsible Business Alliance (RBA). Moreover, this report provides information regarding sustainability to the degree relevant for reporting the 'Communication on Progress' of the United Nations Global Compact. The reported period corresponds to that of the consolidated financial statements and all Group entities were included. We intend to prepare the sustainability report on an annual basis, as in the past. **GRI 102-50, -52**

This non-financial report was subject to an audit by the Supervisory Board of Siltronic AG. Hence, the Supervisory Board has appointed an audit firm to conduct a corresponding audit. KPMG AG Wirtschaftsprüfungsgesellschaft has performed an audit using ISAE 3000 to obtain a limited assurance regarding the information required in accordance with Sections 315b, 315e in conjunction with 289b to 289e of the German Commercial Code. **GRI 102-56**

## 2. The Siltronic business model and our ethical principles

Section 289c para. 1 of the German Commercial Code

### The Siltronic business model

Siltronic is a globally operating market and technology leader specialized in manufacturing hyperpure silicon wafers. Since wafers form the basis for semiconductors all our customers are manufacturers of semiconductors. [GRI 102-2](#)

Wafers are produced by melting hyperpure silicon and extracting a crystal from the melt by means of a pulling process. The crystal is sawn into individual wafers, polished, and subject to a final inspection prior to packaging. We deploy many special-purpose machines in the course of manufacturing and a considerable part of the process takes place in cleanrooms. Production costs are attributable (in decreasing order) to personnel, auxiliaries and operating materials, depreciation, raw materials and energy. [GRI 102-9](#)

The production equipment largely consists of machines for pulling crystals, furnaces, measurement equipment, cleaning systems, and machines for the mechanical and chemical treatment of the wafer surfaces. Most of the wafer manufacturing process takes place in cleanrooms. From our four production sites in Germany, Singapore and USA we dispatch our wafers directly to our customers' chip factories, which are located (in alphabetical order) in Israel, Japan, Korea, Malaysia, Singapore, Taiwan and (mainland) China, the USA, and Western Europe. At each of our four largest sites we run a production, administration and sales department. In addition, we operate small sales or administration units in six countries in Asia (China, Japan, South Korea and Taiwan) and Europe (France and Italy). [GRI 102-4, -6, -9](#)

Additional information on our business model is available in the combined management report.

### Corporate ethics at Siltronic

In order to achieve economic success, companies need to be trusted by society. In our efforts to ensure that Siltronic's business is conducted responsibly and compliant to all statutory regulations, we have developed various guidelines, including: [GRI 102-16](#)

- Code of Conduct: We have drawn up a Code of Conduct for our Group that sets out binding rules for responsible and law-abiding conduct, which all Siltronic employees are required to observe. The Code of Conduct deals in particular with the topics of behavior towards one another, leadership as an example, dealings with business partners, handling information, separation of private and corporate interests, quality, safety, health and environment, and social responsibility. [GRI 102-17](#)

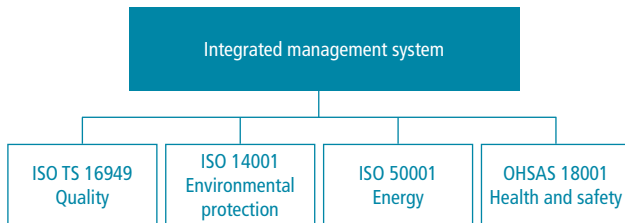
- Voluntary commitments: Siltronic implements the ten principles of the United Nations' Global Compact initiative for the protection of human rights, social and environmental standards, and the fight against corruption. Siltronic adheres to the principles of the chemical industry's Responsible Care® initiative. In 2017, Siltronic also became a signatory to the 'Diversity Charter' by which Siltronic is committed to actively implement and promote equal opportunity and diversity. As a supplier to the electronics industry, Siltronic observes the Code of Conduct set out by the Responsible Business Alliance RBA which leading companies in the electronics industry use to promote social and ecological responsibility as well as ethical business practices worldwide. Siltronic joined the Responsible Business Alliance (RBA) as a member in May 2019. [GRI 102-12, -13](#)

### The impact of ethical principles on the organization and processes of Siltronic

The above guidelines have an impact on the organizational structure of Siltronic, whereby the most important organizational measures for ensuring the ethical principles are (a) management systems, (b) the existence of a separate department for environmental protection, occupational health and safety, and plant process safety, and (c) reporting channels to the Executive Board and Supervisory Board.

We control operational processes via our Integrated Management System (IMS). The IMS outlines processes and responsibilities and defines group-wide standards, including those relating to quality, energy, occupational health and safety, environmental protection, and plant process safety. The standards are based on national and international standards, laws, customer requirements, and our own principles. Selected management systems are certified by a globally operating service provider. The certifications include ISO 14001 for environmental protection, OHSAS 18001 for occupational health and safety, ISO 50001 for energy management at our sites in Germany, and ISO 9001 and ISO TS 16949 for quality management systems.

### Group management system



In order to identify and manage the variety of possible risks entailed in conducting business, the Executive Board has implemented a risk management system, which is described in detail in the combined management report in the chapter 'Risk and opportunity report'.

Compliance system: we have installed a compliance system aimed at avoiding, identifying, and sanctioning company-related statutory violations, for which the Siltronic compliance organization is responsible. Siltronic has appointed compliance officers in all of its active entities. As a protected reporting channel, we have also appointed an external ombudsman to whom our employees and third parties can anonymously report any violations of statutory regulations. The Chief Compliance Officer reports directly to the CEO of Siltronic AG. [GRI 102-17](#)

As a company working with complex chemical and mechanical processes, we have a high degree of responsibility for the operation of our equipment as well as for the protection of people and the environment. For this reason, we have appointed employees at production sites, who are specially trained in the fields of environmental protection, occupational health and safety, and plant safety. These employees are grouped together in the Quality Management and Sustainability department. With the groupwide responsibility of the parent company in Germany for quality and sustainability topics, this department defines groupwide systems and guidelines. This department reports directly to the CEO. The allocation of responsibilities among the members of the Executive Board is presented in the combined management report. [GRI 102-11](#)

For information on the composition of the Supervisory Board and its cooperation with the Executive Board, please refer to the explanations in the Report on Corporate Governance and the Report of the Supervisory Board. Information on the remuneration of the Executive Board and the Supervisory Board is available in the compensation report.

## Non-financial performance indicators within our organization

The management of the Siltronic organization is based on financial performance indicators. The most important of these are recorded monthly on a local and Group basis and entered in reporting systems, where they are compared with previously determined targets.

Similar to the financial performance indicators, non-financial performance indicators also have a hierarchy according to their significance. From the wide range of non-financial performance indicators that can be assigned to sustainability, the Executive Board has selected six performance indicators through which it is informed in the course of routine reporting. Each of these indicators has a goal for the fiscal year. The six non-financial indicators and goals relating to the field of sustainability are as follows:

[Section 289c para. 3 number 5 of the German Commercial Code](#)

- Goal 1 | Management of raw materials  
The specific use of silicon shall remain above 2016 level.
- Goal 2 | Management of energy and climate  
The specific energy consumption shall decrease by 1.5 percent.
- Goal 3 | Management of waste  
The waste recycling rate shall increase by 1.5 percent.
- Goal 4 | Management of water  
The specific water withdrawal shall decrease by 1.5 percent.
- Goal 5 | Occupational safety  
The loss time injury frequency rate shall remain below 1.8 (Injuries with loss time per 1 million working hours).
- Goal 6 | Occupational safety  
No injuries with loss time with chemicals shall occur.

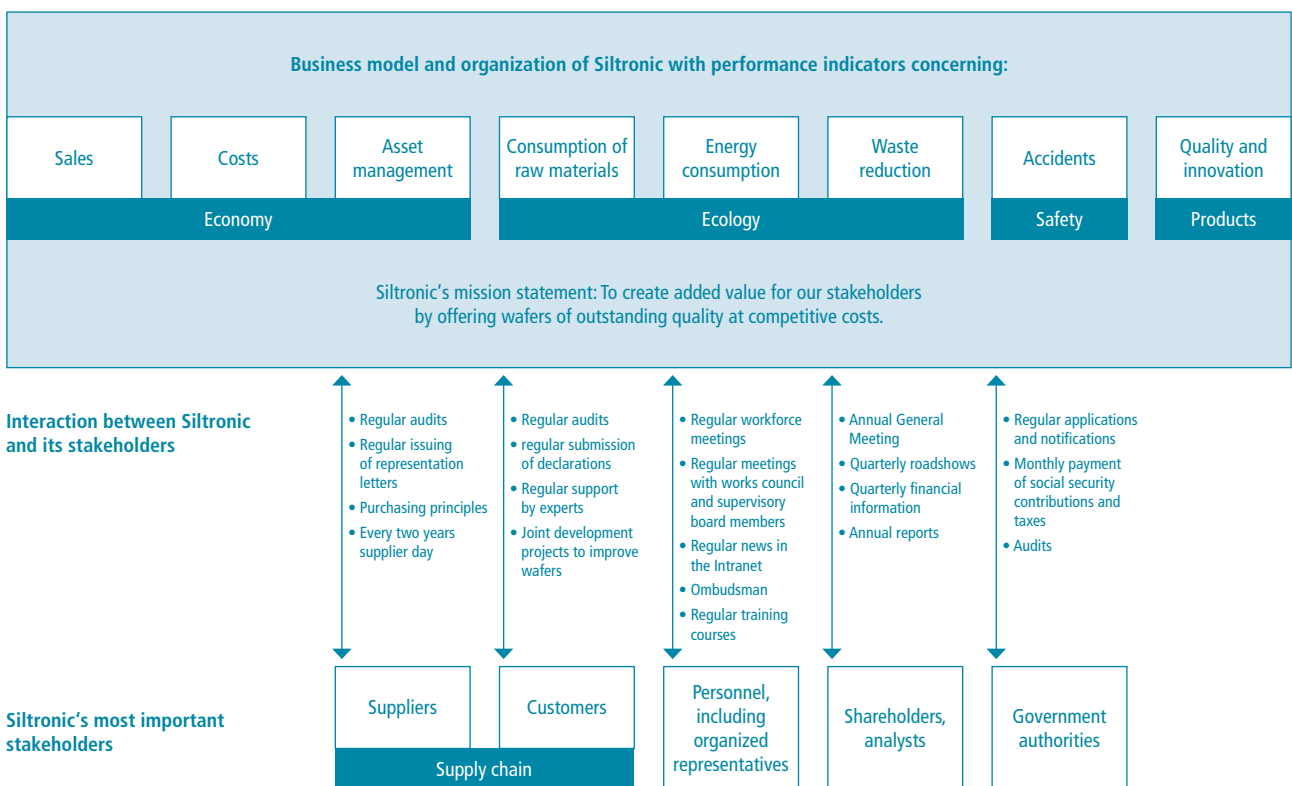
Non-financial performance indicators are reviewed during the year and in the case of negative variances the cause for the development is analyzed in order to introduce improvement measures.

### 3. Determining the content of this report

#### Siltronic’s most important stakeholders

Due to its extensive activities, Siltronic impacts outside individuals, organizations, companies, and public authorities in various ways. Defining stakeholder groups that have been assessed as the most important ones is mainly based on the number of interactions with a particular stakeholder group and the involvement of our managers. **GRI 102-42**

The following chart shows the most important interactions and their frequency of interaction. **GRI 102-40, -43**



## Determining the content of the report

In order to identify the topics important for this report – environmental topics, personnel aspects, supply chain (including human rights), social responsibility and social aspects (including fight against corruption and bribery) –, we determined various sustainability aspects as a first step.

The identification of sustainability topics is based on the following considerations:

- Ten principles of the United Nations Global Compact
- United Nations Sustainable Development Goals
- the requirements of the initiative Responsible Business Alliance (RBA)
- customer requirements and evaluations
- specifics of our company and industry

- requirements and evaluations by rating agencies
- exchange with network partners within German Global Compact Network and working groups within Responsible Business Alliance (RBA)

The second step entailed prioritizing the topics according to materiality, which also involved a risk assessment. Each topic was then allocated to a general aspect. The risk assessments conducted did not reveal any reportable risk in the reporting year 2019.

In a final step, the result was subject to a validation process, which was carried out in consultation with internal experts and by comparing it with the corporate strategy.

This resulted in the following list: [GRI 102-46, -47](#)

Topics and aspects	Environmental aspects	Personnel aspects	Supply chain	Society
Compliance	x	x	x	x
Reduction of specific silicon consumption	x			
Reduction of specific consumption of auxiliary materials	x		x	
Reduction of specific energy consumption	x			
Environmental impact of transportation	x		x	
Waste recycling	x		x	
Water withdrawal	x			
Environmental protection measures	x			
Greenhouse gas emissions	x		x	
Diversity		x		x
Advanced training, demographics		x		x
Occupational health and safety		x		



## 4. Environmental aspects

Section 289c para. 1 of the German Commercial Code  
Sustainable Development Goals 6, 7, 8, 12, 13

Global Compact Principles 7, 8, 9; Responsible Business Alliance Code of Conduct Topic C



### Management of raw materials and supplies

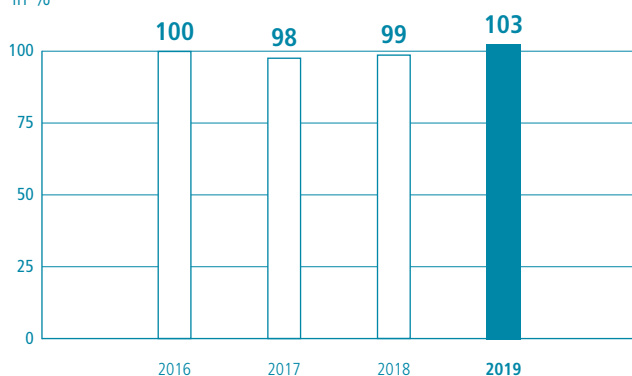
As wafers consist almost entirely of hyperpure silicon, silicon is by far the most important raw material for Siltronic. After oxygen, silicon is the second-most frequently element found in the Earth's crust and is non-toxic. For this reason, we regard silicon wafers as an unrivaled raw material for manufacturing semiconductors and the raw material of choice for our products in the long term.

We endeavor to use silicon as efficiently as possible, thereby contributing towards reducing environmental pollution and helping us remain competitive. The 'efficient use of silicon' performance indicator triggers in particular that silicon residues are recycled in our production cycle, that manufacturing processes are further developed with the aim of increasing yield, and that investments are made in new machinery. We set a target value for this performance indicator on an annual basis. The will to achieve the goals leads to the emergence of new ideas that are tested. If their use in production scenarios looks promising, investments are made to implement them.

The following table illustrates how the efficient use of silicon has developed, whereby the year 2016 was selected as the basis for comparison:

#### Development of the efficient use of silicon

in %



With the higher sophisticated physical and chemical product specifications by our customers, the less electricity is needed for smartphones, tablets, computers, monitors and all other devices with chips during usage. The main reason is that our customers can produce chips with reduced electrical resistance based on our wafers with higher sophisticated technical specifications. Due to the effect of electrical resistance, chips with a reduced demand for electricity will be more powerful. The reduced electricity demand with increased power applies for the full lifecycle of chips.

Increased requirements on technical specifications have a negative effect on the efficiency of silicon use. We therefore need to use more silicon to produce wafers to fulfill the stricter specifications. However, not all types of wafers are effected by increasing specification requirements. In addition, the product mix of customer orders influences the efficiency of silicon use. The higher sophisticated specifications and the product mix resulted in not achieving the target for raw material efficiency in 2017 and 2018. Against this backdrop, the target for raw material efficiency for 2019 was to maintain at least the level of 2016. This target was achieved and, compared with the base year 2016, the efficient use of raw materials has increased by 3 percent. Despite this target achievement, our activities are aimed at further reducing the use of silicon.

Apart from the raw material silicon, chemicals, gases, and polishing agents used as supply materials also play a role in our production process. As the various supplies are less important to us than silicon, no performance indicators were reported to the Executive Board. Of course we continuously work on changing our production processes with the aim of reducing the specific amounts of auxiliary materials required. Specific reductions are usually achieved by recycling (e.g. by reducing the use of polishing agents and cleaning baths). Progress is usually measured using quantitative factors and compared with targets after one or two years.

### Management of energy

A substantial part of the process of transforming the purchased silicon into wafers is performed at high temperatures and in air-conditioned cleanrooms. The large amount of energy required to drive this process makes wafer production an energy-intensive industry.

In 2019, energy consumption totaled 686 GWh. Consumption includes production, research and development, and administration. Sales offices are not included in the total as their overall energy consumption is insignificant. Electricity is by far the most important source of energy.

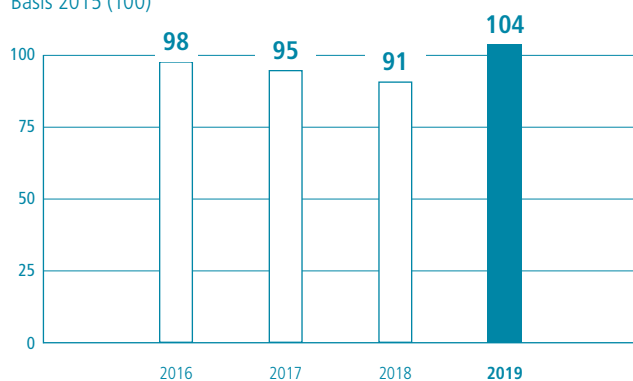
### Energy consumption

in GWh	2016	2017	2018	2019
Electricity consumption	586	601	608	571
Steam, heat	75	75	71	69
Natural gas	42	39	35	43
Fuel oil	7	6	5	4
<b>Total</b>	<b>710</b>	<b>721</b>	<b>719</b>	<b>686</b>

Siltronic purchases electricity from the public grid. About 54 percent of the electricity is consumed in Germany. According to the Federal Association of the Energy and Water Industry (BDEW), 43 percent (previous year: 38 percent) of the electricity consumed in Germany from public grids has its origin in renewable sources, which mainly includes wind, biomass and solar.

### Energy consumption per wafer area

Basis 2015 (100)



In order to reduce energy intensity, projects are being initiated and implemented to lower the specific electricity consumption. Sustainable changes were achieved in recent years especially through improvement projects in the areas of lighting, adjusting of cooling water demand and further process optimizations.

The 'efficient use of energy' performance indicator is reported to the Executive Board on a regular basis and targets are determined annually.

Siltronic pursues the strategic target of reducing its specific energy consumption by an average of 1.5 percent per year. On this basis and using a planned production volume, we calculate absolute savings targets in MWh for the sites and absolute targets for the production areas.

The annual target of 1.5 percent on average was not met in 2019. Numerous activities have contributed to increase our energy efficiency and reduce our energy consumption by 4.5 GWh. The targeted improvement against the previous year was not met due to reduced production volumes compared with 2018. The energy supply of our production is in single plants relatively independent of produced wafer amounts, especially in clean rooms.

The companywide energy management system is certified in accordance with ISO 50.001:2011 at our sites in Burghausen, Freiberg and Munich.

## Management of waste

### Reuse of product packaging

In order to reduce packaging waste we use already since 2006 a system of reusable packaging to transport our wafers to our customers. This system applies mainly to 300 mm wafers. The reusable packaging system consists of an inner packaging with a box to carry the wafers ((FOSB Front Opening Shipping Box) and a transport box (Hybox), which can contain up to 12 FOSB. As both elements of this reusable packaging system affects customer processes, customers need to accept the application of this system.

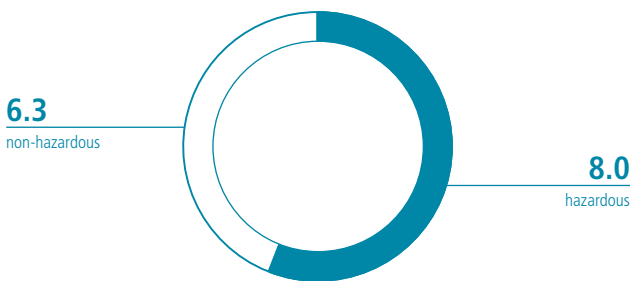
Transportbox (Hybox) – Meanwhile nearly 95 percent of our 300 mm wafers are dispatched to our customers with reusable transport systems. With this reuse concept we were able to reduce transport volume by 17,039 m<sup>3</sup> and avoid 1,608 tons of waste from single packaging in 2019.

Inner packaging (FOSB) – In addition we aim to increase the rate of reusable wafer boxes (FOSB). The target of 20 percent in the reporting year was exceeded at 26 percent. As these boxes are also used in cleanrooms, the technological obstacle to use reusable wafer packaging is very high. It will be therefore a continuing challenge to achieve this goal.

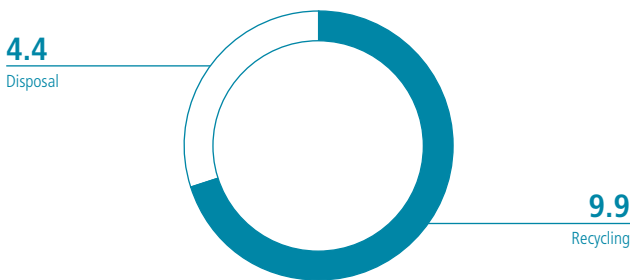
### Waste recycling and waste disposal

We distinguish between waste treatment methods and waste hazardousness. Disposal of hazardous waste is particularly relevant. The composition of waste and disposal methods in the reporting year are shown in the charts below:

**Composition of the waste** GRI 306-2  
in 1,000 t



**Disposal routes of waste** GRI 306-2  
in 1,000 t



Disposal methods as well as the classification of waste into the categories 'hazardous' and 'non-hazardous' are based on local legal or quasi-legal regulations.

The strategic goal to increase the recycling ratio by 1.5 percent in 2019 was not achieved; mainly due to increased amounts of disposal waste as part of the production enhancement project in Singapore.

In 2019, a total of 14,346 tons of waste was treated or disposed of at the production sites. Some 38 percent of the total waste was caused by Siltronic AG. The waste recycling ratio was 69.2 percent.

### Waste recycling ratio

in % of waste volume	2016	2017	2018	2019
<b>Recycling ratio</b>	<b>66.2</b>	<b>69.0</b>	<b>70.0</b>	<b>69.2</b>

At our Singapore site we introduced a campaign entitled "BYO Let plastics go" to raise awareness among our staff.

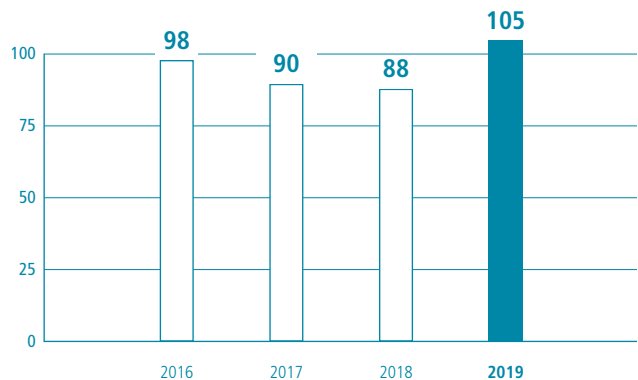
### Management of water

Water is primarily used in our manufacturing process for cleaning and cooling purposes. We endeavor to protect natural water resources and use them as sparingly as possible. The definition of the World Business Council for Sustainable Development and our risk assessment using the Global Water Tool® defines Singapore as a water shortage area. We are therefore obliged to use water especially carefully at our Singapore location. In 2019, essential improvements were implemented as part of our enhancement project with water restraints. We were also able to improve the rinsing water processing there. At our Burghausen site, we minimized the usage of ground water by optimizing internal processes.

### Usage of water

The following chart shows a multi-year development of the indicator "Water usage in production" (base year 2015, normalized):

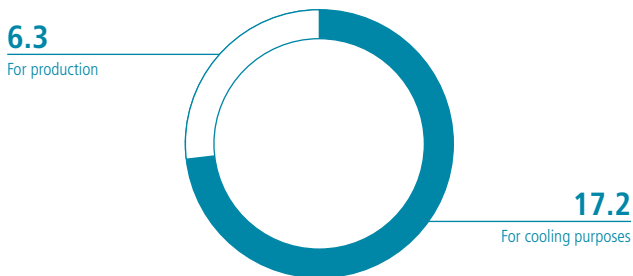
**Development of water usage**



The strategic goal to reduce the amount of water used in production processes in relation to amounts of wafers produced is 1.5 percent per year.

The specific usage of water increased sharply in 2019 with a slight reduction in the amount of water used and a substantial reduction in the amounts produced. A considerable amount of water is required irrespective of the wafer amounts produced in our production processes. Despite this and several measures to conserve and reuse water, we were not able to achieve this goal.

**Use of water**  
in million m<sup>3</sup>



**Recycling of water**

In order to use water more than once, we add water used in a production process to other processes wherever possible. In 2019, the volume of water recycled in this way amounted to 2.3 million m<sup>3</sup>, compared to 2.4 million m<sup>3</sup> in the previous year.

The water recycling ratio was calculated as 36.1 percent (compared to 38.2 percent in 2018).

**Discharge of wastewater**

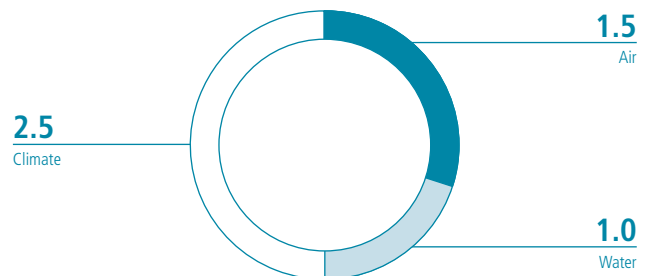
In 2019, we discharged a total of 6.6 million m<sup>3</sup> process waste water (without cooling water) in external waste water treatment plants. The German production sites accounted for about 57 percent of the process waste water.

**Environmental aspects and environmental protection measures**

On an annual basis, we evaluate our environmental aspects using an ABC analysis and implement this on a site level with due regard to relevant aspects of improvement goals and programs. In 2019, we determined the following relevant environmental aspects: air: NOx-emissions; water: water withdrawal; soil: waste amount and contamination; energy: electricity consumption.

Environmentally related investments totaled approximately EUR 5.0 million in 2019 (previous year: EUR 4.6 million). We allocated these investments according to typical environmental aspects, of which EUR 1.0 million accounted for water (previous year: EUR 1.9 million), EUR 1.5 million for air (previous year: EUR 1.5 million) and EUR 2.5 million for climate protection (previous year: EUR 1.2 million).

**Distribution of environmental investments in 2019**  
(in EUR million)



Our site in Portland is located in an area that has been used by industry for around 100 years. Due to detected contamination in the soil and the adjacent river, authorities have imposed requirements for monitoring and eliminating environmental pollution. As the owner of a property that has been contaminated and borders the river, Siltronic has been subject to specific environmental regulations in Portland for many years. In order to fully meet these requirements, we employ an employee who is solely responsible for implementing the environmental regulations. This measure ensures that the necessary coordination with the authorities takes place, formalities are fulfilled, qualified service providers are assigned and the remediation is coordinated.

## Emission of greenhouse gases

The groupwide carbon footprint is an essential instrument for improving climate protection. In addition to direct greenhouse gas emissions in accordance with Scope 1, we also determine indirect emissions from the purchase of energy in accordance with Scope 2 and report these emissions as part of the assessment by CDP.

In 2018 (for the year 2017), we evaluated additional indirect emissions along the value chain for the first time and measured them for individual categories. Scope 3 emissions for relevant categories were determined in 2019 (for the year 2018). We analyzed the data and intend to enhance our greenhouse gas reporting.

### Greenhouse gas emissions (in t CO<sub>2</sub> equivalents)

Description according GHG protocol, causes and main sources (in t CO <sub>2</sub> equivalents)			2016	2017	2018	2019
Scope 1	Direct emission	Natural gas, fuel, climate-impacting gases	17,352	12,512	11,952	12,579
Scope 2 (location based)	Indirect emissions	Electricity, heat	280,345	268,528	268,208	242,408

The collection methodology complies with the guidelines of the GHG Protocol for scope 1 and 2, as well as scope 3. To calculate greenhouse gas emissions, we use current emission factors from IEA, DEFRA UK, EPA, UBA and the IPCC 5th assessment report.

For the calculation all group companies are included.

Scope 1: Direct emissions arise on our sites mainly thru combustion of fuel oil and natural gas. Further greenhouse gases account only for a marginal portion of scope 1 emissions. Nevertheless, we are continuously working on more effective use and substitution with gases, which have a lower greenhouse effect.

Scope 2: Indirect emissions arise with the generation and provision of energy (electricity and heat) at our energy suppliers. Our internal activities to reduce these emissions mainly focus on the improvement of our efficiency of energy use. With these activities we were able to reduce CO<sub>2</sub> emissions (scope 1 and 2) per produced wafer area by 2.1 percent annually (compared with 2015). The total amount of CO<sub>2</sub> emissions could be reduced by 3.4 percent annually.

Scope 3: These indirect emissions for all 15 categories of the GHG protocol were calculated for first time for 2018. For the individual categories we applied hybrid methods, average data methods and spend based methods. As a result the following relevant categories were determined: 3.1 Purchased goods and services, 3.10 Processing of sold products and 3.11 Use of sold products. For emission categories, which are directly influenceable by us we will improve the data quality and determine reduction potentials afterwards.

In addition, we motivate our employees to commute environmentally friendly to our workplaces. The company supports employees with a bike leasing offer and offers commuter buses for workers on our site in Burghausen. At our site in Portland, Oregon, USA, we grant our employees subsidies for public transport tickets, and in Singapore Siltronic offers shuttle buses from the plant to various city districts.

## Other air emissions

In 2019, NO<sub>x</sub> emissions amounted to 85 tons (previous year: 104 tons), NMVOC to 41 tons (previous year: 57 tons) and dust to 1,7 tons (previous year: 2,1 tons). Further air emissions were not relevant.

In order to minimize NO<sub>x</sub>-emissions we use dust extraction and washer systems. In our production site in Burghausen we installed a new NO<sub>x</sub>-washer and a new NO<sub>x</sub>-measuring device.

Air emissions in t	2016	2017	2018	2019
NO <sub>x</sub>	79	90	104	85
NMVOC	44	53	57	41
Dust	2.2	2.2	2.1	1.7

## Influence of climate change

The demand for wafers is mainly driven by demand in the areas of mobile communication, computers and servers, data storage on local devices and in the cloud, automotive electronic components, and industry in general. We do not view our business model as being negatively impacted by climate change. On the contrary: without semiconductor components and therefore wafers, electric mobility would not be possible, the feeding in of electricity generated by solar installations and wind farms unthinkable, and a great many smart ways of reducing power consumption unfeasible. Moreover, storing data on semiconductor components consumes less electricity than other forms of electronic data storage. [GRI 201-2](#)

## 5. Personnel aspects

Section 289c para. 2 number 2 of the German Commercial Code

Sustainable Development Goals 3, 4, 5, 8, 10

UN Global Compact principles 1, 2, 3, 4, 5, 6, 10; Responsible Business Alliance Code of Conduct Topic A, B



### Headcount and personnel planning strategy

On December 31, 2019, Siltronic Group employed 3,669 people (previous year: 3,914), with 62.7 percent of whom were employed by Siltronic AG in Germany, 28.7 percent in Asia, and 8.6 percent in the USA.

#### Headcount as at December 31, 2019 [GRI 102-8](#)

	Men	Women	Total	Share of total
<b>Germany</b>	<b>1,827</b>	<b>472</b>	<b>2,299</b>	<b>62.7 %</b>
Of which on permanent contracts	1,826	468	2,294	
Of which on temporary contracts	1	4	5	
<b>Singapore and other Asian countries</b>	<b>749</b>	<b>305</b>	<b>1,054</b>	<b>28.7 %</b>
Of which on permanent contracts	748	300	1,048	
Of which on temporary contracts	1	5	6	
<b>USA</b>	<b>230</b>	<b>86</b>	<b>316</b>	<b>8.6 %</b>
Of which on permanent contracts	230	86	316	
Of which on temporary contracts	0	–	–	
<b>Employees in the Group</b>	<b>2,806</b>	<b>863</b>	<b>3,669</b>	<b>100 %</b>

A total of 3,190 employees worked full-time (previous year: 3,502) and 479 employees worked part-time (previous year: 412). Of the part-time workers, 48 percent were women (previous year: 54 percent), and 99 percent of the part-time workers were in permanent employment (previous year: 100 percent). [GRI 102-8](#)

#### Breakdown of employees by region (excluding temporary workers)

in %

**8.6**

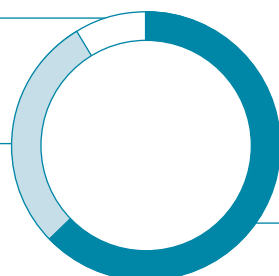
USA

**28.7**

Asia

**62.7**

Germany



As demand in the semiconductor industry has historically shown considerable ups and downs and as we are required to cope with these changes, we pursue a flexible strategy in our personnel planning. The strategy includes covering a certain percentage of our personnel requirements in production with temporary staff, which also protects the core workforce. If a pronounced upturn in demand leads to production peaks, we employ temporary staff. Conversely, if personnel cost cuts become necessary due to a market downturn, we initially reduce the number of temporary workers. If that measure proves insufficient we stop renewing fixed-term contracts, as a second stage. In a third step, we consider introducing reduced working hours for staff in areas particularly impacted by a downturn.

In order to respond promptly to any significant changes in demand, the personnel requirements resulting from incoming orders are continuously compared with current and future staff levels. Any measures planned to substantially increase or reduce the number of employees are discussed by employer and employee representatives in a structured process.

On December 31, 2019, Siltronic employed a total of 283 temporary workers (previous year 715), thereof 209 men and 74 women (previous year 534 men and 181 women). The last time Siltronic needed to reduce working hours was in 2012. [GRI 102-8](#)

## Relationship with employee representatives and employees' rights

Siltronic Group cooperates with employee representatives in a spirit of goodwill, while regular meetings between employer and employee representatives are convened.

Our workforce has always been highly unionized, particularly in Germany. Since employees are not required to report union membership, and as it is inadmissible for employers to ask, we do not know how many of our employees are union members. 63 percent of employees work in units covered by collective agreements. This relates to the employees in Germany. **GRI 102-41**

If an employer's collective bargaining agreement is in place, Siltronic is obliged by the employment contract to treat employees as if the respective collective bargaining agreement were applicable – regardless of their membership in a trade union. At sites that do not have an established employee representation, there are employees who act as contacts for employee issues.

In addition to remuneration and working time, essential employee rights in Germany include the right to parental leave or maternity leave. Naturally, German Siltronic employees make use of this right: As of December 31, 2019, 12 women and one man were either on maternity or parental leave.

As of December 31, 2019 we employed in total 537 workers from Malaysia, (mainland) China and India at our production site in Singapore. In accordance with the industry initiative Responsible Business Alliance (RBA) we apply rules on working hours and fees, that go far beyond legal requirements. We committed ourselves to cover relevant expenses incurred by foreign workers, especially travel expenses, expenses for medical examinations or visa fees.

Siltronic regularly informs the workforce about current developments that could have an impact on the business performance. Employees are comprehensively informed of any significant operational changes in a timely manner. Siltronic hereby complies with the respective national and international information requirements.

## Diversity and equal opportunity

Siltronic operates in Europe, North America, and Asia and therefore in a culturally diverse environment. In 2019, Siltronic AG, the largest of the Group's companies, employed people of 30 different nationalities.

One focus of our efforts is to leverage the existing diversity of modern society and, with this in mind, Siltronic AG has appointed a woman as Diversity Officer. The diversity of the workforce and its wide range of skills and talents also provides an opportunity for innovative and creative solutions. Among other factors, diversity includes gender, nationality, ethnic origins, religion and disability. The combined management report comprises information to employees with disabilities.

We reject discrimination or degradation on the basis of gender, race or ethnic origin, religion or belief, disability, sexual orientation or age. These principles apply throughout the Group and are set out in writing as part of our corporate culture. Employees can report potential discrimination to their managers, to the compliance officers, the works council, the personnel department, or to an external ombudsman. The complaint will be reviewed and the complainant informed of the outcome.

All employees at the German locations are required to familiarize themselves with the General Equal Treatment Act (AGG) through e-learning training. The training course is applicable to all hierarchy levels.

Our long-term goal is to raise the level of diversity in Siltronic's workforce, also by increasing the percentage of women in management positions. At the end of 2019, 2 of 15 positions (previous year 2 of 17) one level below the Executive Board and 3 of 35 positions (previous year 2 of 36) in the second management level were represented by women. The Report on Corporate Governance provides more information on the proportion of women.



The following table shows the percentage of men and women at management level at Siltronic AG:

#### Gender distribution (as of December 31, 2019)

	Men	Women	Total
Employees in the Group at management level	45	5	50
<i>In percent</i>	<i>90</i>	<i>10</i>	<i>100</i>
Of which first level below Executive Board	13	2	15
<i>In percent</i>	<i>87</i>	<i>13</i>	<i>100</i>
Of which second level below Executive Board	32	3	35
<i>In percent</i>	<i>91</i>	<i>9</i>	<i>100</i>

We have defined mid-term goals for the percentage of women for the first and second level below the Executive Board. Until the end of June 2020, the percentage of women should be at least 18 percent in the first level of management and at least 8 percent in the second level.

After joining the Charta of Diversity in 2018, Siltronic AG signed in 2019 also the charta of equality by the labor union (IGBCE). By signing of this charta Siltronic commits itself to actively implement and promote equal opportunity. A corporate culture is maintained, which is shaped by mutual respect and trust.

## Advanced training and demographic trends in Germany

Competent employees keep the company both innovative and competitive. We encourage our employees to learn throughout their lives and retain a flexible attitude towards change, as we believe that we all need to be prepared for longer working lives in order to cope with the demographic change. To enable employees to make the most of their potential, Siltronic offers a wide range of opportunities for further development. The training measures relate to personality, management, and social competence as well as technical expertise.

On our sites in Burghausen and Freiberg 10 young person started their apprenticeship within Siltronic with focus on mechatronics, automation engineering or logistics. For new employees we offer onboarding trainings to get familiar with the company and its culture.

Employees and their managers discuss development measures at least once a year in a performance review, regardless of hierarchy level, gender or location.

In 2019, employees attended approximately 2,000 seminars, further education or similar events and participated in just under 14,500 e-learning courses.

At the end of 2019, the average age of the typical employee was 44 years. The following table shows the age structure of Siltronic employees worldwide.

#### Age structure (as of December 31, 2019)

	Male	Female	Total
Upto 30 years of age	15 %	16 %	15 %
31 to 50 years of age	47 %	54 %	49 %
Over 50 years of age	38 %	30 %	36 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

## Remuneration and equal pay

In order to attract new employees and retain existing ones, both of which we require in order to ensure a successful future, we need to offer competitive levels of remuneration. In addition to their basic salary with vacation and Christmas bonuses, employees in Germany receive variable remuneration if the company achieves certain defined financial targets. This voluntary benefit is available to employees covered by collective agreements and non-pay-scale agreements. There are also variable remuneration components for those employed by foreign subsidiaries.

In addition to the fixed salary and the variable pay, remuneration includes various other benefits that extend beyond the statutory minimum requirements, regardless of whether an employee works full-time or part-time. In Germany, the most important company benefits include in particular the company pension scheme, partial retirement programs, bus subsidies, anniversary bonuses, canteen subsidies, and preventive health care programs. Company pension plans and health insurance are provided in the USA.

The notes to the group financial statements comprise information on personnel cost and retirement benefits.

Fluctuation can be seen as a sign of how well we succeed in retaining employees and being attractive to new employees.

In 2019, 271 employees (previous year: 601) were hired, of whom 89 (previous year: 231) were in Germany and 182 (previous year: 370) abroad. These hires accounted for 7 percent of the workforce as of the balance sheet date. Some 391 (previous year: 291) employees left the company. This corresponds to 11 percent of the workforce as of the balance sheet date. Germany was affected in 38 (previous year 40) cases and other countries in 353 (previous year: 251) cases. Fluctuation was low in Germany, regionally typical higher in Asia and higher due to reduced production volume in USA.

In 2019, several employees received awards for their up to 40 years of service to the company. On our site in Singapore 25 employees received awards for their 20 year anniversary. In total already 258 employees in Singapore are with Siltronic for more than 10 years.

We regard it as important to treat temporary workers fairly. We pay at a minimum the wage defined under the collective agreement on industry surcharges for temporary employment in the

chemical industry (TV BZ Chemie). In addition, there are workplace, shift, and other voluntary allowances, which can vary according to business and location. In addition, Siltronic meets the requirements for an equivalent wage in accordance with the German Temporary Employment Act (AÜG). Temporary workers have received a variable pay equal to the employees of Siltronic AG in Germany in 2019 for the year 2018. The payment was based on the financial performance of the company.

## Occupational health and safety

Responsibility towards the entire workforce in the area of occupational health and safety plays a major role at Siltronic and is primarily reflected in extensive preventive measures. In addition, the Executive Board receives regular reports on the development of accident figures, which are a non-financial indicator, as well as on any relevant occupational accidents and related corrective measures. Special attention is given to injuries involving chemicals. The target figure for injuries involving chemicals is 0.

With our safety program, we work continuously to improve safety standards within the working environment. Key measures include the appointment of safety officers, safety inspection tours, training courses, talks with operating staff, and emergency drills, all aimed at identifying and avoiding unsafe activities – whether when operating equipment, handling chemicals, in the workplace, in the office, or on the way to work. The occupational health and safety standard OHSAS 18001 has been defined as a group-wide standard. Despite these measures, however, accidents still occur.

The following table shows the development of accident figures, which the Executive Board has defined as an indicator, and on which it receives regular reports.

### Working accidents

	2016	2017	2018	2019
Injury frequency rate (LTIF) <sup>1)</sup>	3.3	1.9	1.9	2.5
Injuries involving chemicals <sup>2)</sup>				
-Number of employees affected	0	1	0	5

<sup>1)</sup> Injury frequency: number of injuries (employees and temporary workers) with lost time per 1 million working hours

<sup>2)</sup> Number of injuries (employees and temporary workers) with lost time involving chemicals

The targets for 2019 were 1.8 for the injury frequency rate (LTIF) and 0 for injuries involving chemicals.

For both indicators we did not reach our goals in 2019. 18 accidents with loss days occurred. Four employees were affected without health damages by a substance release event. No fatal incidents occurred in the last years.

The number of accidents has increased first time again in a multiyear comparison. Our internal cause analysis show that most accidents are behavior based.

Therefore we introduced initiatives, which specifically address these causes. These initiatives include awareness-raising campaigns around the topic Slip, Trip, Fall and program for reporting safety-critical situations. Furtheron we enhanced training measures of new employees, as our internal reportings for this group indicate a higher risk in the first few months.

In 2019, we implemented a safety expert workshop on our German sites. In several workshops the safety experts exchanged their knowledge and experiences and were provided information on current topics. In two specific workshops the safety experts developed safety guidelines for Siltronic AG.

To reduce the injury frequency we developed a global system to report near miss. With the systematic analysis of these events we aim to reduce real working accidents.

The company supports programs for health prevention of our employees. On our Freiberg site we organized the annual "Health days" under the topic "relax instead of high pressure". On all German sites the company offers the prevention program "Fit in job" or the participation in offsite "Health weeks".

## Employee satisfaction

Under the motto "Your Opinion Counts" an employee survey was conducted at the German sites in 2018. In 2019 the results were evaluated and actions derived with a special focus on the areas of idea management and feedback culture. On our site in Singapore an employee survey was conducted and the results are currently evaluated.

Siltronic AG was awarded as "Leading Employer 2020 in Germany" and ranked on position 6 (out of 450 companies) within the semiconductor industry. The company achieved 4 of 5 stars in a German rating of companies in the area of family friendliness.

## 6. Supply chain

Sustainable Development Goals 7, 8, 9

UN Global Compact principles 1-10

Responsible Business Alliance Code of Conduct Topic E.12



### Supplier relationship

In 2019, our purchasing volume totaled almost EUR 845 million (previous year: EUR 728 Mio.). We cooperate with more than 3,500 suppliers worldwide, nearly 300 of whom constitute some 90 percent of our purchasing volume. The volume purchased in Europe accounts for around 59 percent, around 34 percent are sourced from Asia, and North America accounts for 7 percent. The most important supplier is Wacker Chemie AG, which not only supplies us with the raw material polysilicon, but also provides a variety of on-site services at our plant in Burghausen under the terms of a service agreement. Furthermore, suppliers of electricity and equipment are particularly important. **GRI 102-9**

We strive to ensure that our suppliers act responsibly with regard to working conditions, ethical standards, safety standards, and the management of local resources. In 2019, we joined as a member of Responsible Business Alliance (RBA), a global industry coalition with the goal of implementing social responsibility in global supply chains.

One of the key measures we have enacted is to ensure that our suppliers commit, within the framework of our general procurement conditions, to comply with the principles of the UN Global Compact and the Responsible Care® initiative. However, should we detect any violations of these regulations within the framework of our cooperation, we discuss these observations with the relevant suppliers and demand improvements.

Our expectations of suppliers' careful and sensible treatment of their employees and the environment are also documented in our Code of Conduct.

In 2019, Siltronic conducted a "Supplier's day" with the topic of "Global supply chain excellence", where targets and measures in the field of Corporate Social Responsibility were also tackled.

### Conflict minerals

The Siltronic AG does not purchase 3TG conflict minerals (gold, tantal, tungsten, tin) from any mines in relevant conflict regions. (§1502 Dodd-Frank-Act).

### Siltronic limbers up to be "Fit for the NAP"

The company was participating in the qualification program of the German network of Global Compact in the context of the Business and Human Rights National Action Plan (NAP) and has prepared itself on the implementation of the NAP. Up until now Siltronic has not been selected in the spotchecks for self assessments.

### Sustainability with regard to customers

Technical progress and innovation in the interaction between Siltronic and many of its customers is of great significance, due to the fact that technical progress in the semiconductor industry is advancing quicker than in many other industries. The technical advancement that semiconductor manufacturers are achieving is above all evident in the fact that electronic circuits are becoming more compact. Smaller circuits make semiconductors more efficient and they consume less electricity at the same time. This development can only be maintained if wafers meet more sophisticated physical and chemical specifications. Our customers set the pace of development. In order to satisfy their expectations, we have spent between 5 and 6 percent of our sales on research and development in recent years.

## 7. Social responsibility and social aspects

Section 289c para. 2 numbers 3/4/5 of the German Commercial Code  
Sustainable Development Goals 16, 17; UN Global Compact principles 1-5, 10  
Responsible Business Alliance Code of Conduct Topic D



For Siltronic, sustainability also means transparency and openness in the sense of corporate citizenship. This begins with a good relationship with our neighbors and speaking openly about what happens within the plant, as well as addressing questions posed by the public worldwide. This is the only way to create the spirit of social trust that companies need in order to be economically successful. With these points in mind, Siltronic assumes social responsibility, particularly in the regions near its various locations. Our concepts in this respect extend beyond the above-mentioned global initiatives RBA and the United Nations Global Compact:

### Combating legal violations, particularly corruption and bribery

According to the Corruption Perception Index of Transparency International (CPI), Siltronic operates predominantly in countries with a medium to low risk of corruption.

We resolutely oppose any form of transgression or violation of the law. Irrespective of the national probabilities of occurrence, our compliance system described above is designed to avoid, prevent, identify and sanction compliance violations in the form of corruption, fraud, infringements of competition rules, and other manifestations of white-collar crime, in every market in which we operate.

Employees are required to report any violations they observe to their managers, compliance officers, the works council, or the responsible members of staff in the personnel department. Moreover, both employees and third parties can anonymously report violations of legal regulations to an external ombudsman, who has been appointed by Siltronic. The Company investigates every reasonable suspicion, examines the case and defines measures to remedy any weaknesses identified. It also takes any disciplinary measures deemed necessary. The Chief Compliance Officer reports to the Executive Board of Siltronic AG on a monthly and ad-hoc basis. [GRI 102-17](#)

Employees who have contact with business partners are required to complete an e-learning course on compliance. Furthermore, all employees in sales and marketing are required to undergo online training courses on antitrust law. [GRI 102-17](#)

### Human rights

Our four production sites are located in highly developed industrialized countries, where there is a low risk of human rights violations compared to less developed nations. A certain degree of risk, however, does remain. Since we want to actively fight human rights violations within our company as well as in the upstream and downstream supply chain, we have taken measures to identify possible contraventions.

Via our Code of Conduct, we explicitly endorse the ten principles of the United Nations Global Compact initiative. The first two principles of the Global Compact deal with upholding human rights and the exclusion of human rights abuses. Based on the first principle of the Global Compact "support for human rights" and the second principle "exclusion of human rights abuses", Siltronic implements the following measures in particular:

- Siltronic does not purchase materials, goods, or services from suppliers or service providers who do not undertake to uphold human rights. We implement this aim by requiring suppliers and service providers to accept our relevant purchasing principles.
- We train our employees at specific seminars to ensure compliance with internationally proclaimed human rights.
- If we become aware of potentially critical aspects with regard to human rights, we analyze them. Should a situation turn out to be critical in the face of analysis, we take action.
- We commit ourselves in our Code of Conduct and in dealings with customers to uphold human rights and to exclude any abuses thereof.

### Non-profit purposes and "corporate volunteering"

In 2019, Siltronic supported overall 29 activities in Germany, Singapore and in the USA.

Employees within Germany participate in the cent donation program organized by the Wacker Relief Fund in which employees consent to having their monthly salary rounded downwards to the next lower amount in euros. These remaining cent amounts are then donated.

Every year, Siltronic employees at the Freiberg site take part in the Nepal run in the autumn. The charity run that is organized from a school close to Freiberg collects money to fund the construction of schools in the Gati region of Nepal. In addition, Siltronic AG has made a donation.

At our Portland/USA location, our employees have been supporting needy families in the region for more than 20 years. In 2019, Siltronic Portland also supported local schools and education centers and funded selected students.

At our Singapore site, the company supported 4 students within the "Singapore Scholar Sponsorship". Since 2017 Siltronic has been partnering within this program and has supported ten students.

## Relationships with associations and with politics

We are committed to responsible behavior towards political parties and non-governmental organizations. We represent our political interests in accordance with the standpoints we have publicly expressed. Our approach to politics is based on factual considerations, and we are open to dialog with all democratic parties. Any donations made to political parties require the approval of the Executive Board of Siltronic AG.

We do not hold special positions in any association or organization of which we are a member. Siltronic has not participated in legislative procedures. [GRI 415-1](#)

## Taxes

In 2019, Siltronic's effective income tax expense amounted to EUR 21.9 million (previous year: EUR 105.1 million).

In each tax jurisdiction where a subsidiary or a permanent establishment gave rise to a tax obligation, significant expenses were incurred for effective income tax (in relation to earnings before taxes) or tax payments.

## Dialog at regional levels

At all locations, we maintain regular exchanges with the authorities in the field of environmental protection.

In acknowledgement of this commitment our manufacturing company in the United States has been awarded the "Gold Award for No Pretreatment Violations" and the "Silver level for Sustainability at Work" by the Certification Bureau of Sustainability from the city of Portland, Oregon.

At the site Freiberg (Germany) employees are committed to "Weltoffenheit" and joined the initiative "Wirtschaft für ein weltoffenes Sachsen" in March 2019. This network initiative aims to actively assist the integration process of migrants in order to enhance the economic power of Saxonia.

## Partnerships and membership in associations and initiatives

We have taken part in the following initiatives:

### CDP Climate change, Water Security (Investor, Supply chain)

In 2019, we participated for the second time as an individual company in the rating initiatives of CDP on Climate Change and Water Security.

Program	2018	2019
CDP climate change	C	B
CDP water security	C	B-

### UN Global Compact

Since 2017 Siltronic has participated in the UN Global Compact and published a "Communication on progress" report for the first time in 2019.

In addition, the company has participated in local programs of the German Global Compact Network (peer-learning group on climate strategy; program "Fit for NAP – National Action Plan on Business and Human rights")

### Responsible Business Alliance (RBA)

Siltronic AG has been a member of the initiative Responsible Business Alliance (RBA) since April 2019.



## United Nations Global Compact – Communication on Progress 2019

Siltronic is a participant of the UN Global Compact since 2017 and hereby reports on its progress. This overview gives a reference between the ten principles of the UN Global Compact and the progress in the individual topics of this report in the year 2019. [GRI 102-12](#)

Ten principles of the UN Global Compact	Relevant headings in this report	Selected measures and progress in the reporting year 2019
<p><b>Human rights</b></p> <p><b>Principle 1:</b> Support of human rights</p> <p><b>Principle 2:</b> Exclusion of human rights abuses</p>	<ul style="list-style-type: none"> <li>• Corporate ethics at Siltronic</li> <li>• The impact of ethical principles on the organization of Siltronic</li> <li>• Human rights</li> </ul>	<p>The Siltronic Code of Conduct was updated, where we commit to the ten principles of the UN Global Compact, the requirements of the initiative Responsible Business Alliance (RBA) as well as the UN Guiding Principles on Business and Human Rights.</p> <p>Siltronic joined the industry initiative Responsible Business Alliance as member. Within Responsible Business Alliance we conducted selfassessments and audits on our production sites.</p> <p>We have trained our employees in generell and according their job tasks to observe global human rights.</p> <p>Siltronic has purchased only materials and services from suppliers and contractors, who commit themselves to comply with the human rights. This is part of our purchasing guidelines. As part of our suppliers day we presented our principles of social responsibility.</p> <p>Siltronic committed itself in our dealings with customers to uphold human rights and exclude any abuses thereof.</p> <p>We participated in the qualification program "Fit for NAP" of the German Global Compact Network.</p>
<p><b>Labor standards</b></p> <p><b>Principle 3:</b> Uphold freedom of association</p> <p><b>Principle 4:</b> Eliminate all forms of forced and compulsory</p> <p><b>Principle 5:</b> Abolition of child labor</p> <p><b>Principle 6:</b> Elimination of discrimination</p>	<ul style="list-style-type: none"> <li>• Corporate ethics at Siltronic</li> <li>• Relationship with employee representatives and employees' rights</li> <li>• Diversity and equal opportunity</li> <li>• Sustainability with regard to customers</li> </ul>	<p>The Siltronic Code of Conduct was updated, where we commit to the ten principles of the UN Global Compact, the requirements of the initiative Responsible Business Alliance (RBA) as well as the UN Guiding Principles on Business and Human Rights.</p> <p>As a supplier to the electronics industry, Siltronic observed the code of conduct set out by the Responsible Business Alliance RBA. Siltronic became a member of Responsible Business Alliance.</p> <p>Together with Responsible Business Alliance we conducted selfassessments and audits on our production sites.</p> <p>A majority of employees are working on production sites with independent employee representations. Siltronic participated in the "Charta of Diversity" and the "Charta of Equality".</p> <p>Siltronic implemented processes, where employees or affected business partners are able to report any case of violations against labor standards to internal or external functions. In addition to the supervisor these cases can be reported to the HR department, works council or compliance officers per site and to an external ombudsman.</p> <p>Siltronic committed itself against customers to ensure freedom of association, abolition of all types of forced labor and child labor and elimination of discrimination.</p>
<p><b>Environmental protection</b></p> <p><b>Principle 7:</b> Precautionary environmental protection</p> <p><b>Principle 8:</b> Initiatives for improved environmental responsibility</p> <p><b>Principle 9:</b> Development and diffusion of environmentally friendly technologies</p>	<ul style="list-style-type: none"> <li>• Environmental protection measures</li> <li>• The impact of ethical principles on the organization of Siltronic</li> <li>• Dialog at regional levels</li> <li>• Influence of climate change</li> </ul>	<p>Relevant investments to improve environmental protection were implemented in the aspects of air, water and climate protection.</p> <p>The Siltronic managementsystem is certified globally against the standards ISO 9001 and ISO TS 16949 for Quality, ISO 14001 for Environment, OHSAS 18001 for Safety; and ISO 50001 for Energy at the German sites.</p> <p>Non-financial goals were implemented with the ambition to reduce the specific use of raw materials, the specific energy consumption, and to increase the waste recycling rate.</p> <p>The annual sustainability report was prepared and verified by external auditors (non-financial report).</p> <p>Siltronic offered commuting buses for employees and supported the use of public transport.</p> <p>Siltronic created with the research and development of technologies the base for manufacturing smaller and more energy-efficient components, which can contribute to preserve resources and to protect the climate.</p>
<p><b>Anticorruption</b></p> <p><b>Principle 10:</b> Measures to fight corruption</p>	<ul style="list-style-type: none"> <li>• Corporate ethics at Siltronic</li> <li>• Combating legal violations, particularly corruption and bribery</li> </ul>	<p>The Siltronic Code of Conduct was updated, where we commit to the ten principles of the UN Global Compact, the requirements of the initiative Responsible Business Alliance (RBA) as well as the UN Guiding Principles on Business and Human Rights.</p> <p>We have trained our employees in generell and according their job tasks to observe anticorruption rules.</p> <p>Siltronic implemented processes, where employees or affected business partners are able to report any case of violations against labor standards related to corruption to internal or external functions. In addition to the supervisor these cases can be reported to compliance officers per site, works council, human resources department or an external ombudsman.</p>



## Limited Assurance Report of the Independent Auditor regarding the Combined Separate Non-Financial Report<sup>1</sup>

### To the Supervisory Board of Siltronic AG, Munich

We have performed an independent limited assurance engagement on the combined non-financial report (further: „Report“) of Siltronic AG, Munich, (further: “Siltronic“) and the group according to §§ 315b and 315c in conjunction with 289b to 289e HGB (German Commercial Code) for the business year from January 1 to December 31, 2019.

#### Management’s Responsibility

The legal representatives of Siltronic are responsible for the preparation of the Report in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

#### Independence and quality assurance on the part of the auditing firm

We are independent from the entity in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the national statutory provisions and professional pronouncements for quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (“Institut der Wirtschaftsprüfer“, “IDW“) regarding quality assurance requirements in audit practice (IDW QS 1).

#### Practitioner’s Responsibility

Our responsibility is to express a conclusion on the Report based on our work performed within our limited assurance engagement.

We conducted our audit work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information“ published by IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Report of the entity for the business year January 1 to December 31, 2019 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB. We do not, however, provide a separate conclusion for each disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor’s own judgement.

Within the scope of our engagement, we performed amongst others the following assurance procedures:

- Inquiries of personnel on corporate level, who are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of Siltronic
- A risk analysis, including a media search, to identify relevant information on Siltronic sustainability performance in the reporting period
- Reviewing the suitability of internally developed Reporting Criteria
- Evaluation of the design and implementation of the systems and processes for determining, processing and monitoring disclosures relating to environmental, employee and social matters, respect for human rights, and combating corruption and bribery, including the consolidation of the data
- Inquiries of personnel on corporate level who are responsible for determining disclosures on concepts, due diligence processes, results and risks, for conducting internal controls and consolidation of the disclosures
- Evaluation of selected internal and external documentation
- Analytical evaluation of data and trends of quantitative information which are reported by all sites for consolidation on corporate level
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample of the site in Freiberg (Germany)
- Assessment of the overall presentation of the disclosures

<sup>1</sup> Our engagement applied to the German version of the Report 2019. This text is a translation of the Independent Assurance Report issued in the German, whereas the German text is authoritative.



### **Conclusion**

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Report of Siltronic for the business year from January 1 to December 31, 2019 is not prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

### **Restriction of Use/Clause on General Engagement Terms**

This report is issued for purposes of the Supervisory Board of Siltronic AG, Munich, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Siltronic AG, Munich, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 ([https://www.kpmg.de/bescheinigungen/liblaab\\_english.pdf](https://www.kpmg.de/bescheinigungen/liblaab_english.pdf)). By reading and using the information contained in this report, each recipient confirms notice of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us.

Munich, March 4, 2020

KPMG AG Wirtschaftsprüfungsgesellschaft

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