

**SUSTAINABILITY
REPORT
2020**





ABOUT THIS REPORT

This is the second Sustainability Report of the ifm group of companies – taking the form of a more compact sustainability update. The content has been prepared in accordance with GRI standards. Some information, for example in the field of ‘environment’, is subject to external audits. For environment-related statements on products or manufacturing, components of the environmental statement were also used, which was prepared in accordance with the EU regulation for environmental management (eco management and audit – EMAS). An independent environmental audit was carried out for the environmental statement. Unless otherwise indicated, the statements in this report apply to the entire ifm group of companies and refer to the financial year 2020 (1 January 2020 to 31 December 2020). The consolidated financial statement for 2020 of the ifm group of companies, which commercial law prescribes for publication, is expected to be published in the electronic Bundesanzeiger during the last quarter of 2021. The editorial deadline was 21 July 2021. The next Sustainability Update is scheduled for summer 2022. The next comprehensive report according to the GRI standards is scheduled for summer 2023.

EDITORIAL NOTE

This report is available in German and English.



ifm AT A GLANCE

More than **7,200** employees

Selling products and services in **185** countries

Total turnover of **1,000** million euros (HGB)

More than **183,000** customers

More than **1,060** patents



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INTRODUCTION

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DEAR READER,

Despite the challenges of 2020 and 2021, the year in which this Sustainability Report is published, we were able – and can continue – to support our customers reliably and flexibly thanks to our high level of in-house manufacturing and the extraordinary commitment of our employees. Due to our high level of diversification in a wide variety of markets around the world and a stable supply chain, we were even able to exceed our year-on-year earnings in 2020 despite a slight decline in sales. This impressive result shows just how well positioned ifm is with regard to sustainability, and we are particularly proud of this. We would like to take this opportunity to thank all our employees for their outstanding commitment.

In many areas, the crisis has accelerated developments, reinforced trends and paved the way for new solutions. ifm had been moving towards more digital and more flexible ways of working even before the pandemic began, but Covid-19 has now accelerated this transition. Amidst all these developments, people remain the focus of all our actions, something that is also reflected in our new HR strategy. Another major topic in 2020 was climate protection. With the European Green Deal and the 2030 Climate Protection Programme of the German government, a regulatory framework has been adopted that will point the way towards a climate-neutral future.

These developments are further confirmation that we are on the right track with our corporate philosophy, which we have lived by since 1990: ‘ifm demands and promotes ecologically conscious decisions and conduct.’ We intend to continue to uphold and enhance this guiding principle in the future. We consider sustainable value creation to be an essential prerequisite of our business success. After all, durable and high-quality products from ifm not only contribute towards the conservation of resources, but also increase customer satisfaction. For us, climate-friendly action begins on our own doorstep and is not limited to energy efficiency or the use of renewable energy sources. The construction of our first ‘green factory’ in Romania marks a milestone in eco-friendly and climate-neutral manufacturing, and serves as a blueprint for future construction projects, bringing us one step closer to our goal of becoming climate-neutral in our operations by 2030.



Martin Buck and Michael Marhofer, Chairmen of the Management Board of the ifm group of companies

Our second Sustainability Report, which in addition to our strategic approaches and measures also contains a comprehensive sustainability programme, is the result of a great team effort by many colleagues who contributed with their enthusiasm and commitment to its publication. We hope you find it an interesting read.

Essen, July 2021

Board of the ifm group of companies

Martin Buck Chairman of the Board

Michael Marhofer Chairman of the Board

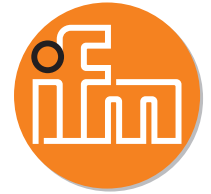


STRATEGY & MANAGEMENT

At ifm, we are aware that economic growth is directly linked to our corporate social responsibility – towards our employees, the environment and society. Through value-based management and respectful interaction at eye level, we support our customers in shaping the technological transformation and addressing global challenges.

- > [Company profile](#) > [Sustainable corporate governance](#)
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ACTING TOGETHER FOR THE ENVIRONMENT

'We demand and promote ecologically conscious decisions and behaviour' – this principle has been firmly anchored in our corporate philosophy since 1990, and was further professionalised by the introduction of ifm's own environmental management system in 2000 and an externally validated environmental management system to EMAS in 2020. We are pursuing this path together with our employees, whose ideas are actively solicited in an effort to continuously improve our climate and environmental protection measures.

INTERVIEW WITH ANDREAS THÜRER, CTO AND EXECUTIVE BOARD MEMBER

» ifm has set itself the goal of becoming climate-neutral in its operations by 2030 and significantly reducing its ecological footprint. How do you plan to achieve this?

Our primary approach as a company is to avoid and reduce CO₂ emissions. Only where this is not possible will we consider offsetting. An important lever to making production more climate-friendly is the purchase of renewable energy instead of fossil fuels. Since 2020, all our European production sites have been using 100 per cent green power. We base all our climate measures on solid data. We use the widely accepted Greenhouse Gas (GHG) Protocol to obtain a clear picture of our CO₂ emissions – and align our measures accordingly. An important tool for ifm's climate and environmental activities is the environmental management system under EMAS,





which will be introduced at all technical ifm locations in Germany by 2023. This corresponds to more than half of all technical sites worldwide.

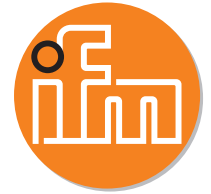
» Our products constitute another big lever for climate protection. How are you positioned here?

As a manufacturer of sensors and automation technology, we do not rely as heavily on energy as other industrial companies – we have a much greater impact through our products. The vast majority of the sensors developed by ifm help to stabilise production processes and thus contribute to fewer rejects, higher availability and savings of resources. In addition to materials and production, we also consider the use phase and aim to develop products with a long life. A high level of in-house production and in-depth knowledge of the materials used help us to develop products in the most eco-friendly way possible.

From ideas to implementation

Employee suggestions provide us with valuable insight as to how we can incorporate climate protection and resource conservation into our daily work and derive concrete goals and measures. Here are two examples:

Staff idea	Objective	Measure	Implementation
 <p>Avoid emissions through more climate-friendly vehicles</p>	<p>Replace 5% of company cars by more climate-friendly alternatives</p> 	<p>Registration of hybrid vehicles as company cars and expansion of the charging infrastructure</p>	<p>Charging infrastructure established at all German locations. Goal already achieved: 6% share of hybrid vehicles at EMAS sites</p>
 <p>Reduce the amount of packaging materials (particularly film packaging)</p>	<p>Reduce 'bag in bag' packaging</p> 	<p>Test alternative materials for product separation</p>	<p>Use of</p> <ul style="list-style-type: none"> • cardboard dividers in different sizes instead of 'bag in bag' • stretch film and bubble wrap made from bio-based plastic • plastic bags made from recycled plastic



COMPANY PROFILE

Since its foundation as ifm electronic gmbh & co. kg in 1969, the ifm group of companies has developed into one of the industry leaders for innovative sensors, controllers and systems for industrial automation and digitisation of production processes. The family business, now managed by the second generation, distributes its products and services in 185 countries and has more than 7,300 employees.

LOCATIONS

ifm's corporate and sales headquarters as well as the logistics centre are located in Essen. The main development location is Tettnang (Bechlingen). About 70 percent of all products are developed and manufactured at five locations in the Lake Constance region. In order to be able to respond quickly, flexibly and professionally to different market requirements, further production and development companies are located in India, Poland, Romania, Singapore and the USA. Sales abroad are made via subsidiaries of ifm electronic gmbh. All in all, customers in 185 countries are thus served either by independent sales companies or by commercial agents.



In
185
countries, we reach our customers through independent sales companies or trade partners.

At home in Germany – operating around the globe:
ifm – close to you!



PRODUCT PORTFOLIO AND MARKETS SUPPLIED

We develop, produce and distribute sensors, controllers, software solutions and systems for industrial automation. The large product portfolio covers not only all relevant standard solutions, but also special requirements of individual industries. In addition to position and process sensors, the product range includes sensors for motion control and safety technology. Moreover, we offer products for industrial imaging and communication as well as identification systems and systems for mobile machines. We develop innovative Industry 4.0 solutions and corresponding software and cloud products to make existing company processes digitally usable and to offer new, holistic control options for sustainable efficiency and cost optimisation.

The markets supplied correspond to the regions where we operate sites. The most important industries for us are:

- automotive industry
- renewable energies
- conveyor technology
- food industry
- metalworking
- mobile machinery
- steel industry and metal production
- packaging machines
- machine tools
- water management

For more information, see the [chapter on product responsibility](#).

ORGANISATION

The owners of the ifm group of companies are the ifm stiftung & co. kg with 94.9 percent and ifm beteiligungs stiftung & co. kg, which holds 5.1 percent of the shares. The purpose of the ifm holding foundation is to support the training and further education of employees and to expand and promote the internal qualification and training programme.

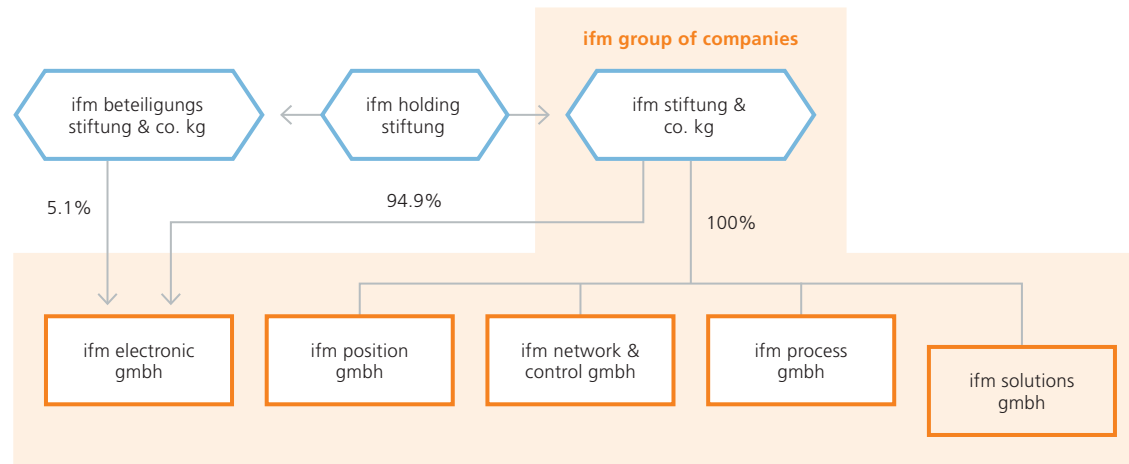
Operationally, ifm electronic gmbh acts as the parent company of the ifm group of companies. Since 2014, it has been bundling the sales and service activities of all subsidiaries and assuming all essential service functions for the group of companies.

This includes financial management for necessary operating resources and services in the areas of IT, personnel and accounting.

ifm electronic gmbh acts as the parent company of the following four divisions:

- **ifm position gmbh** (position sensors and object recognition)
- **ifm network & control gmbh** (connection technology, evaluation systems, power supplies)
- **ifm process gmbh** (fluid sensors and diagnostic/ inclination sensors)
- **ifm solutions gmbh** (software solutions for Industry 4.0)

ORGANISATION CHART OF THE ifm GROUP OF COMPANIES





MEMBERSHIPS AND INITIATIVES

We live our corporate philosophy in various co-operations, participate in the exchange of knowledge and are always looking for partnership-based and sustainable solutions. As a matter of principle, we support various international initiatives that are in line with our values. This includes, among other things, the Core Labour Standards of the International Labour Organization (ILO) and the Universal Declaration of Human Rights (UN Charter).

SOCIAL COMMITMENT

As a family-owned company from the region, the ifm group would like to offer the local community a share in its success. This is why we support selected projects. The focus is on the early development of key competences, helping people in need and encouraging the personal commitment of our workforce. Without taking commercial sponsoring into account, ifm donated €274,331 in the year under review (2019: 291,673). The focus of the monetary donations was on education, science and innovation.

SUSTAINABLE CORPORATE GOVERNANCE

As a globally operating company, ifm stands for high-quality products 'Made in Germany'. Our claim, however, goes beyond the development and production of technically flawless products. ifm wants to establish a real, functioning basis of trust between management, executives and employees by providing comprehensive information and by constructive dialogue.

OUR CORPORATE PHILOSOPHY

The company founders defined the basic ideas behind what we do as early as 1990 in our ifm philosophy. This defines clear values and guiding principles that have been embedded in a developmental and global context. It also describes various assumptions and the corresponding tasks for the company and its employees. ifm also pursues this long-term development approach when it comes to the further development of the company. The ifm philosophy is available in sixteen languages and is handed out to every employee when joining the company, along with the request to take a critical look at its content. In addition to this, all new employees at the Essen location and all members of the sales force in Germany are trained with regard to the corporate philosophy by the Management Board as part of the employee introduction process.

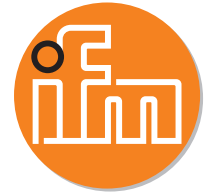
We practise open and appreciative communication with each other within the ifm group of compa-

nies. Accordingly, the ifm philosophy also includes the principle that employees should not be restricted by rules. Rather, they should be encouraged to understand their freedom of action and use it in the interests of the company.

STRATEGIC CORPORATE MANAGEMENT AND COOPERATIVE GOAL-SETTING

Within the scope of strategic corporate management, all management tasks are continuously geared to the environmental performance and social responsibility of the company. Goals and measures to achieve them are derived from this active corporate strategy. Moreover, we define our future direction and development in an outlook for the next twenty years. This comprehensive forecast indicates sales and cash flow targets and can be consulted by all employees.

The ifm management process includes budget planning and the creation of product and technology road maps that are embedded in corresponding overarching strategies. Our management process guarantees that the central divisions and functions, such as research and development, can adapt to future needs of the product divisions. Road maps contain quarterly and annual targets and are used as a communication medium as part of the strategy process. Whenever necessary, but at least once a year, the achievement of objectives is reviewed and relevant strategy documents are revised. The



SUSTAINABILITY MANAGEMENT

respective division head is responsible for the implementation and relevant reporting within the scope of the functional strategies. The Management is responsible for the business strategies.

All employees are involved to varying degrees in the strategy work. This shared process ensures a common understanding and successful implementation of our corporate strategy. Involving our employees allows us to focus our work on realistic, but ambitious goals. With regard to the implementation of the strategies, the Heads of the individual functional strategy groups and the Managing Directors report to the Board of Directors. Success is monitored on the basis of the underlying scenarios and budgets.

Significant changes that are, for example, a result of strategy adjustments are accompanied by a change process that is, among others, supported by the personnel department with appropriate forms of work, teaching and learning. Various learning modules are being developed for employees and executives. In addition, the Management conducts so-called fireside chats to ensure close and intensive exchange with the executives. This enables executives to send consistent, unambiguous messages to all employees and to communicate with one voice in accordance with the corporate goals.

The ifm group of companies is currently setting up a comprehensive sustainability management. The basis comprises the thoroughly implemented quality management system. Other elements are our internal Environmental Management System, the Occupational Health & Safety Management that we implemented many years ago and the Sustainability Report 2019, which was published for the first time in 2020. These different aspects of sustainability are the responsibility of the Sustainability Manager of the Central Management. Since September 2019, a Social Sustainability Manager has been coordinating all HR-related sustainability topics. Overall, ifm responded to an increasing number of sustainability-related customer and employee enquiries during the reporting period, which reflects the growing interest in this topic.

In our operating business, we have set ourselves the goal of becoming climate-neutral by 2030 (for more information see the chapter on Eco-friendly production). By doing so, we are following not only the EU climate strategy, but also our own corporate philosophy. However, we aim to contribute to a healthy environment not only through our own actions, but also through our products. An environmental programme that defines targets and measures based on the environmental relevance for ifm is published in the environmental statement. In

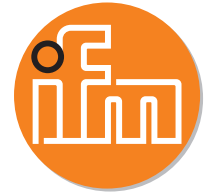
addition to production, areas such as purchasing, human resources and development have also been included.

Central interest groups (stakeholders) of the ifm group of companies are our employees, suppliers and customers. We exchange information regularly with them via various communication formats:

- **Employees:** Intranet (among others in the category 'Questions to the ifm Management'), health days, social media, podcasts
- **Suppliers:** visits to suppliers, trade fairs
- **Customers:** newsletters, brochures, podcasts, trade fairs, social media

We also communicate with local stakeholders and exchange information with educational and research institutions via university fairs, professorships and by hiring working students. In our meetings with trade and industry associations, we also communicate with politicians and other companies.

To identify the most material topics in terms of our impact on the environment and society, we carried out a materiality analysis in 2019, which is presented in detail in our [Sustainability Report 2019 \(p. 15\)](#).



COMPLIANCE MANAGEMENT

The principles anchored in the ifm philosophy are a clear commitment that our group is aware of its social and environmental responsibility. The guiding principle, ‘ifm intends to be a moral company’, is an integral part of our daily activities. This includes, for example, that as a matter of principle, we do not develop, manufacture or sell products that directly serve military or weapon technology purposes. A central goal of our company is to grow successfully in security. This also includes complying with applicable laws and guidelines to prevent penal or civil sanctions. To ensure this, we added a Code of Conduct to our ifm philosophy in 2013. It was updated in 2020 and was expanded to include conflicts of interest, environmental protection & sustainability, quality, health & safety at work and child & forced labour.

The ifm Code of Conduct provides all employees with a guideline that answers legal and ethical questions. This guideline clearly defines that applicable laws and standards form the basis of our actions. We are committed to the United Nations Declaration of Human Rights and to globally recognised social standards that should at least apply as a minimum requirement. We promote diversity and encourage all employees not to discriminate against anyone on the basis of age, gender, religion, origin or any other reason. We also stand up for fair competition and speak out against

child & forced labour. All employees are required to observe the rules described in the ifm Code of Conduct. To raise awareness of these rules, regular compliance training is conducted at the ifm group of companies.

“ifm guidelines are positive. Employees are not restricted by rules, but encouraged to understand and use their scope of action.”

ifm corporate philosophy

ifm electronic gmbh has appointed a Compliance Officer for the ifm group of companies who is organisationally assigned to the Internal Audit & Compliance main department. Both the Head of the Internal Audit & Compliance department and the Compliance Officer, who form the Compliance function, have defined tasks and competencies within the entire group of companies. In fulfilling its duties, the Compliance function is solely bound by instructions and information from the Board of Directors of ifm stiftung & co. kg and reports directly to it.

In order to better comply with our duty of care, we set up a whistleblower system in 2019. It can be used in ten languages and, if desired, anonymously to report potential disregard of our corporate values and suspected criminal cases. The central compliance organisation investigates all notifications. If the report is not made anonymously, whistleblowers acting to the best of their knowledge will be protected from suffering any disadvantages as a result of their report. In addition to reporting information, it is also necessary to safeguard the legitimate interests of the person affected by a report.

In 2020, no compliance training courses were held for our employees due to the Covid-19 pandemic. To offer online training in this field in addition to our in-person training courses, we conducted a benchmark for online compliance training in 2020. We reported on individual compliance rules, such as gifts in business life, in the company magazine and on the Intranet. In the year under review, the Compliance department received information on a case of fraud. The matter was investigated and disciplinary action under labour law was subsequently taken as well as further measures initiated.

A compliance awareness campaign is planned for 2021 at all locations. In this context, posters in more than 20 languages will be used to raise awareness of our compliance principles.

The ifm whistleblower system is open to all employees as well as to third parties such as customers and suppliers.



RISK MANAGEMENT

The Management has communicated the following through the ifm philosophy: 'Each growing company has to take risks to work successfully. Partners and management will only take such risks that are in the interest of normal business activities and the size of which is suitable to ifm.' Each of the four divisions of the ifm group of companies has set up its own divisional controlling that reports to the central controlling department of ifm electronic gmbh as well as to the Chief Financial Officer. In addition to the monthly financial indicators, emerging risks are also identified and evaluated. This information is included at corporate group level in a monthly list of opportunities and risks that are discussed and evaluated at the regular meetings of the Board of Directors and the meetings of the extended Group Executive Committee and from which the resulting measures are adopted.

We have identified the issue of sustainability as an overarching trend that significantly influences the categories of risks and opportunities. Topics like digitalisation, transformation of the automotive industry or climate change and energy transition are not new, but their effects are as radical as they are rapid. At the same time, interdependencies are often not easy to evaluate. We pursue the goal

of anchoring our continuous development and improvement in terms of sustainability more firmly in our organisation in order to strategically harmonise economic, environmental and social aspects.

With regard to our environmental impact, all locations follow the principle of 'prevention before reaction' and the precautionary principle. A core element of the environmental management system is the systematic recording, evaluation and avoidance of potential risks. For this purpose, plants, processes and the local environment are regularly evaluated at all locations (for more information see the [chapter on Eco-friendly production](#)).

OTHER CONTROL MECHANISMS

In addition to our compliance activities, SEDEX audits according to SMETA were carried out for the third time in 2019 by an independent external organisation at ifm electronic gmbh in Tett nang and for the first time at ifm prover USA, inc. In 2020, no SMETA audit took place. The 'Sedex Members Ethical Trade Audit' (SMETA) is one of the most frequently applied audit concepts for ethical trade audits worldwide. Sedex (Supplier Ethical Data Exchange) is an organisation for companies committed to continuous improvement of ethi-

cal behaviour in their supply chains. ifm electronic gmbh and ifm prover USA, inc. were evaluated on the basis of a compilation of best practices for ethical trade. The SMETA methodology uses the code of the Ethical Trade Initiative (ETI) as well as requirements of the respective national legislation as an evaluation benchmark and comprises four pillars:

- health and safety
- labour standards
- environment (optional)
- business ethics (optional)

The audit results are compiled in a secure online database at Sedex and transmitted to various customers as required.

In order to comply with our duty of care with regard to information security, the sites of ifm electronic gmbh and ifm efector gmbh in Essen and Tett nang are certified according to ISO 27001. In this way, we constantly improve our information security management system in the areas of development, production and distribution of sensors as well as communication and control systems.

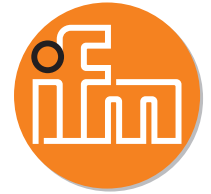


VALUE CREATION

For ifm, sustainable value creation forms the basis for business success. After all, durable and high-quality products not only contribute towards the conservation of resources, but also increase customer satisfaction. We focus on our entire supply chain and, apart from economic and qualitative aspects, also consider ecological and social aspects when selecting suppliers.

> **Economic performance** > **Responsible procurement** > **Product responsibility**





RESOURCE-SAVING OPERATION OF INDUSTRIAL PLANTS

The digital transformation of industrial companies can not only drive productivity, but also support environmental efforts. Using a wealth of data collected by ifm sensors from various industrial plants, the IIoT¹ platform moneo provides operators with an accurate picture of the condition of their assets. This enables predictive maintenance, reduction of downtimes and precise dosing of cleaning agents.

INTERVIEW WITH NIKOLAJ SETZKORN AND JANA HASSE FROM ifm PRODUCT MANAGEMENT

» ifm's IIoT platform moneo helps to read and process sensor data generated in production plants. How can plant operators use this information?

In order to monitor the condition of assets in real time, functioning production processes rely on a multitude of sensor data. For example, sensors from ifm detect the level and pressure in storage tanks, the position of valves and the vibrations of pumps. But the data collected in this way has little meaning in its raw form. This is where moneo comes in: the modular IIoT platform automatically converts the sensor data into digital information and makes it available to plant operators as a basis for corporate decision-making. Operators can for example maintain or replace components at the ideal time, which

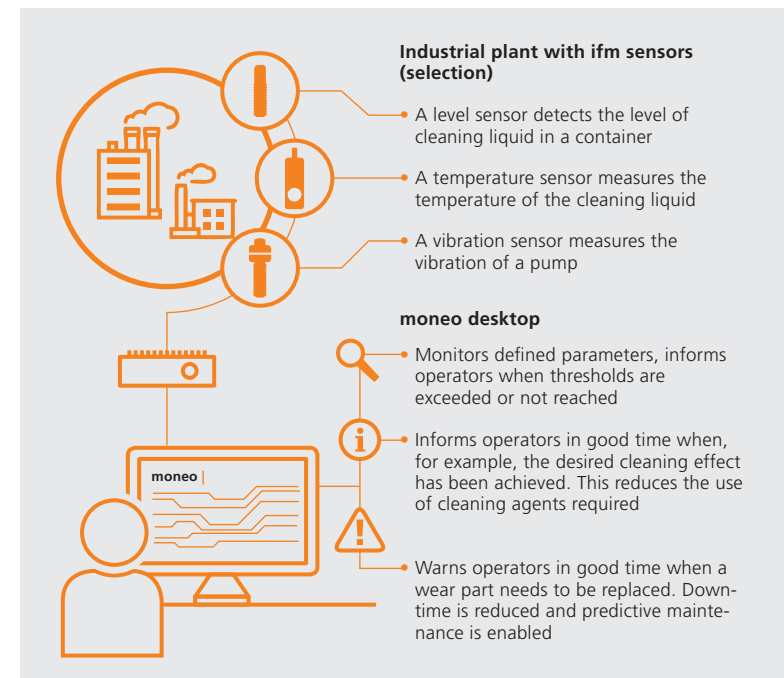
not only prevents production downtimes, but also reduces resource consumption. Ultimately, the service life of components is extended and equipment wear is minimised.

» How does condition monitoring work in practice?

This depends on the application. A car manufacturer needs other solutions for its production processes than a brewery. But the basic principle is the same for all IIoT applications: the normal condition of a system is defined on the basis of various parameters, such as vibration, pressure or temperature. If deviations occur, moneo reacts automatically and alerts the system operator in good time, e.g. if a system requires maintenance or wear parts need to be replaced.

THE OPERATING PRINCIPLE OF MONEO

Whether it be levels, temperature or vibrations: moneo monitors a wide range of functions in production processes and alerts operators in good time, e.g. if the required cleaning temperature has been reached or wear parts need to be replaced.



> see explames for moneo use cases

¹ Industrial Internet of Things



ECONOMIC PERFORMANCE

We work holistically to achieve our corporate goals and to grow successfully and securely. We measure and control business performance using uniform key figures for sales, production, personnel, costs, development and innovations, efficiency and quality. Targets regarding sales, cash flow and return on investment are set by the Management.

In 2020, the ifm group of companies registered a slight decline in group turnover, by 3.6 percent to €959.3m (2019: +5.5), which can be particularly attributed to the effects of the Covid-19 pandemic. To be ideally prepared for the future, we invest especially in innovations. In the year under review, we spent €107.1m on research and development (2019: €107.0m). Investing in training and jobs, however, is also an important aspect of sustainable operations: we see a significant contribution to the creation of social value in the remuneration of our employees, because their families and the region will benefit from the money. Worldwide personnel expenses amounted to €394.2m, including

Economic indicators

in million euros	2018	2019 ¹	2020
Turnover	943.2	994.7	959.3
Procurement ²	274.9	285.7	274.5
Personnel expenses	390.0	410.6	394.2
Research & Development	101.7	107.0	107.1

¹ Values for 2019 were adjusted retrospectively with respect to last year's report

² Cost of raw materials, supplies and purchased products

wages and salaries, social security contributions and social benefits (2019: €410.6m). In addition, ifm electronic gmbh donated a total of €274,331 for charitable purposes (2019: €319,348). The worldwide input volume for raw materials, supplies and purchased products in the year under review amounted to €274.5m (2019: €285.7m).

RESPONSIBLE PROCUREMENT

As a globally operating company, a significant part of our value creation is a result of our cooperation with suppliers. Therefore, trustworthy and long-term partnerships are of pivotal importance to us. In addition to technical requirements, we expect our suppliers to comply with clear standards regarding social aspects and environmental conditions.

For series material, Central Purchasing has a pool of about 750 suppliers and a worldwide purchasing volume of around €211m (2019: €215m). Especially material groups such as electronic and electromechanical components and subassemblies, machined metal parts, cables and cable assemblies, plastic injection moulded parts and tools are procured.

For non-production material under the responsibility of the purchasing department in Tettnang, we cooperate with about 1,100 suppliers. The

purchasing volume for capital goods, services and materials not bound to the bill of materials for our Lake Constance locations amounted to €33m in the reporting period (2019: €36m). About 95 percent is procured in Europe, mainly in Germany (2019: 95). The focus of procurement for capital goods is on production facilities, business equipment and storage systems as well as on materials for equipment construction.

CLEAR STANDARDS FOR BUSINESS PARTNERS

The central purchasing department of the ifm group of companies follows a systematic process in the selection and promotion of suppliers. This takes into account commercial, quality and environment-related aspects as well as social issues such as freedom of association, collective bargaining and respect for human rights. We visit all new suppliers before approval and evaluate at least the supplying production site. In this context, we pay special attention to new series suppliers. In the course of the business relationship, further visits on site are made in view of supplier development and promotion or by reason of joint projects.

We expect all suppliers to respect and share our values. Therefore, a code of conduct that is based on the ifm philosophy and the ifm Code of Conduct is to be complied with by all business partners. Accordingly, we expressly do not tolerate either discrimination, corruption and bribery or forced labour or child labour. Our business partners



must comply with all applicable laws, guidelines and standards, ensure data protection and promote environmental protection and occupational safety within their sphere of influence.

All business partners are obliged to sign our Code of Conduct and thereby to recognise the requirements laid down in it. 98 percent of the suppliers of bought-in products have already given their consent and signed our Code of Conduct (2019: 99.25); the figure for series suppliers is also 98 percent (2019: 91). Our conditions of purchase also include, among other things, respect for human rights.

In addition to the Code of Conduct and purchasing conditions, when placing orders we refer to our specifications for environmental and chemical management. Our holistic environmental management system also requires our business partners to continuously improve their environmental performance by means of an adequate environmental management. We will therefore increasingly demand environmental management systems from all existing strategic and new suppliers. For this purpose, we verify on an annual basis which of our suppliers have installed an environmental management system. About 25 percent of our series suppliers currently have an environmental management system in accordance with ISO 14001, EMAS or comparable standards (2019: approx. 20 percent).

The requirements we have regarding our suppliers include in particular a responsible chemicals management. The purpose of this is to ensure that relevant laws and regulations, in particular the EU Chemicals Regulation (REACH), the Hazardous Substances Regulation and occupational safety regulations, are complied with.

If a supplier violates fundamental requirements of the supplier relationship, we will initiate appropriate measures. These may range from a warning and a request to meet the requirements in the future to a termination of the business relationship.

VERIFICATION AND EVALUATION OF SUPPLIERS

In the course of audits, existing suppliers are reviewed on all relevant topics of the Code of Conduct. In addition to our annual audit planning, further audits are carried out as required. The decision is made by the responsible Head of the Supplier Management department in consultation with the Supplier Development and Lead Buyer Management departments. A total of about 30 audits are carried out each year.

Each new supplier for series parts is visited by a buyer or supplier developer before being included in the ifm pool of suppliers. If gross violations against environmental protection become apparent on site, the corresponding supplier is not added to the pool of suppliers. During the initial meetings

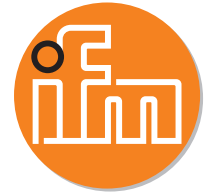
with the supplier, our environmental requirements – including a suitable chemicals management – is also addressed in order to comply with regulations such as REACH. No violations of environmental laws and regulations were reported in 2020.

We pay particular attention to the observance of human rights by our suppliers. For example, supplier developers or buyers visit our series suppliers when circumstances require and evaluate them with regard to social aspects. Among the most frequent occasions are visits to new suppliers as part of the onboarding process or audits suggested by the supplier developer. In 2020, no conspicuous incidents regarding anti-competitive behaviour, incidents of discrimination or violations of laws and regulations were reported. Worldwide, we do not see any suppliers as posing significant risks of child labour, and in the year under review, we did not detect any cases of child labour among our suppliers.

PRODUCT RESPONSIBILITY

The ifm group of companies optimises the production processes of its customers – this is both a vision and a core business. For this purpose, we anticipate developments, develop flexible solutions and provide them in the best quality. More than 1,150 researchers and developers are working on new technologies and innovations on a daily basis





– this is more than 15 percent of the workforce. Moreover, we are currently actively using 1,060 patents and were able to register 90 new applications in the year under review alone. To ensure that our products are used effectively and safely, we rely on a large sales and service team of around 1,700 employees.

Our comprehensive product portfolio considers not only all relevant standard solutions, but also special requirements of individual industries. In addition to position and process sensors, we develop and sell sensors for motion control and safety technology, products for industrial imaging and communication as well as identification systems and systems for mobile machines. By developing innovative solutions and corresponding software and cloud products for Industry 4.0, we make existing business processes digitally usable for our customers. In addition, new, holistic management options for sustainable efficiency and cost optimisation are opening up.

QUALITY MANAGEMENT AND PRODUCT SAFETY

To ensure the health and safety of our customers at all times, the ifm group of companies has laid down the entire development process in the quality management system: from brainstorming to the business plan, system definition and the concept and detail development phase to the implementation phase and preparation for series production.

In addition, we rely on a well-managed risk register and a comprehensive security concept that takes the following aspects into account:

- the procurement of products that are certified according to ISO 9001 or higher,
- the process-capable development of products,
- conducting the required application and market-specific approvals,
- conformity assessment regarding the applicable EU CE marking directives.

All development and production sites are certified according to ISO 9001:2015 and are regularly audited. The quality management is decentralised and analyses both process results and customer feedback. On this basis, suitable optimisation measures are initiated in small and large control loops as required.

In order to further develop regulations and standards with regard to product safety and data protection, we actively contribute our experience in national and international committees and thereby keep ourselves updated about future standards and guidelines.

With our products, we also contribute to more occupational safety in our customers' operations. We develop electro-sensitive protective equipment, door switches, actuating elements and control systems. In industrial production, for example, our

inductive safety sensors reliably detect whether a safety gird or a safety door is closed. Safety light curtains and grids are used where hazardous areas must be reliably secured. Door switches with guard locking also ensure that movable protective equipment such as safety guards, other covers and safety doors remain closed in case of a hazardous situation.

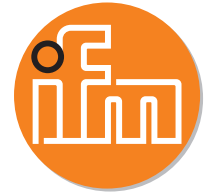
ENVIRONMENTALLY FRIENDLY PRODUCTS

The durability of our products is a high priority for us and is a core element in reducing resource consumption and avoiding waste. Already at the stage of product development, we pay special attention to the economical and sustainable use of resources – both in the product and during its production. As early as developing ideas for new products, we consider possible environmental challenges and check the applicability of relevant regulations and standards.

Product development follows a defined innovation process to ensure a uniform approach across the entire group of companies. This enables us to benefit from synergies and make our products more effective and efficient.

Even before the development of a product starts, solution approaches are evaluated and weighed up against each other. New technologies and processes must be technically and environmentally controllable before they are applied. We are aware





that our impact on the environment, especially on raw material supplies, water reserves and wastewater, is not only caused by our own company, but to a considerable extent also by the supply chain. To minimise this impact as far as possible, we impose appropriate environmental requirements on our suppliers (for more information see the [chapter on responsible procurement](#)).

Many of our products contribute directly to preventing or reducing negative environmental impacts. Our sensors are mainly used to stabilise production processes and thus contribute to reducing rejects, higher availability and the conservation of resources. For example, with the help of flow monitoring of the thermal compressed air meter, the loss in compressed air supply systems can be identified and reduced, which also enables significant reduction of energy consumption. Moreover, the integrated measurement makes it possible to monitor the pressure drop in clogged filter systems and general pressure fluctuations.

Our vibration sensors also facilitate efficient use of resources: they are used in almost all industries and enable early detection of machine damage. This makes it easier to plan maintenance measures and

Many other ifm products may have direct environmental relevance:

Desalination plants:

- process sensors
- initiators
- condition monitoring

Recycling:

- shredders: pressure sensors, inductive sensors, ultrasonic sensors in case of overflow, temperature sensors for warm-up processes, speed sensors

Water energy:

- AS interface (actuator-sensor interface)
- process sensors
- condition monitoring

Wind turbines:

- pressure sensors
- initiators
- speed monitors

to use the remaining service life of important components in an optimised way. If damage is detected at an early stage, the affected components can be replaced to avoid consequential damage. Vibrations that influence quality can be detected automatically in order to avoid reject parts. Vibration monitoring not only records vibration data, but also ensures signal analysis and diagnostics on the machine itself. The machine condition is determined on site and transferred to the controller or process control level. In addition, the trend curves for all diagnostic characteristics are stored automatically.

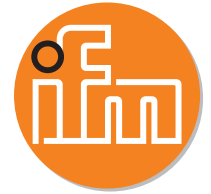


ECO-FRIENDLY PRODUCTION

ifm has set itself the goal of becoming climate-neutral in its operations by 2030. To this end, we focus on improving energy efficiency in our production processes and on using renewable energy sources. Moreover, to minimise our impact on the environment, we take into account the environmental effects of the materials used in the production of our products.

> **Organisation and management** > **Resource management**





THE LIFE CYCLE IN FOCUS

For ifm, environmentally friendly production is not only linked to energy efficiency or the use of renewables. In our production processes, we are increasingly focusing on the life cycle as a whole. Our 'green factory' in Sibiu, Romania, sets a milestone in terms of eco-friendly and climate-neutral manufacturing and points the way to the future.

INTERVIEW WITH BERND HAUSLER, DIVISION MANAGER POSITION SENSOR PRODUCTION

» The new ifm location is going to be the first 'green factory' in Romania. What does this mean?

At our new site in Romania, we basically combine a number of innovative technologies for reducing emissions and generating our own energy in a flagship project. The factory features PV systems that generate electricity for the on-site production facilities. Excess energy is stored in an underground ice storage unit. The ice is defrosted as needed and used to climatize the factory – so its energy supply is almost autonomous. In the future, the ice storage unit will be replaced by a reversible fuel cell, which will allow us to store and use the energy we generate even more effectively. However, this is still in the development phase.

The 'green factory' in Romania serves as a blueprint for future construction projects at ifm. Of course, it is much easier to use innovative technologies and materials in new buildings than

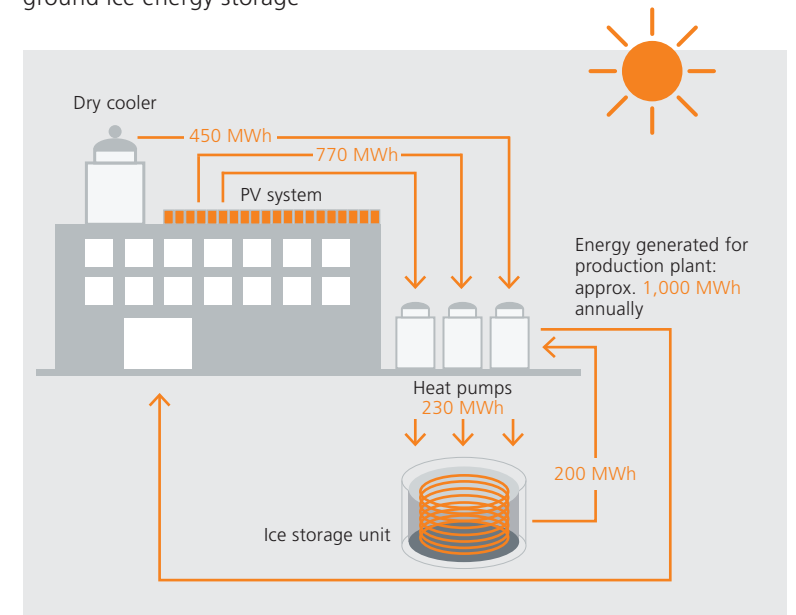
in existing ones. But we are increasingly using climate-friendly technologies at existing sites as well. For example, the PV concept of the 'green factory' will also be implemented at our plant in Poland.

» The use of renewable energy only reduces the emissions associated with the operation of the building. What about the upstream and downstream steps in the life cycle of the 'green factory'?

We look beyond the use phase and consider the entire life cycle of the building. For example, we prefer long-life materials that have a low carbon footprint and can be recycled at the end of their life, such as low-carbon concrete made from ash, which other production processes generate as a by-product. For all measures, we closely follow the standards of the German Sustainable Building Council (DGNB) and will have the site gold-certified to the DGNB standard.

THE 'GREEN FACTORY' IN SIBIU (ROMANIA)

Near-autonomous power supply with PV system on the roof and underground ice energy storage





ORGANISATION AND MANAGEMENT

ifm's philosophy clearly defines our approach of managing natural resources as carefully as possible. We demand and promote environmentally conscious decisions and behaviour both within the company and with our business partners. To fulfil our environmental responsibility, all of the Lake Constance locations have been working for almost twenty years with their own environmental management system that is based on the ISO 14001 standard.

As early as the 1990s, we drew up our first life cycle assessment and have been implementing continuous improvements ever since. Environmental data such as energy use, water consumption, material use, discharges, emissions or waste are collected and processed annually at all Lake Constance locations. The ifm group's environmental policy was last updated and adopted in 2019.

ENVIRONMENTAL MANAGEMENT SYSTEM

The business processes that are relevant in connection with our environmental management are currently described either in the quality management systems or the environmental and occupational safety management database. It is planned to merge these two database systems. To prepare for this harmonisation, context and stakeholder analyses from the quality and environmental perspectives have already been brought together. Risks and opportunities arising from environmental aspects (e.g. waste minimisation), binding obligations (e.g.

compliance with approvals) and the context or interested parties (e.g. energy-efficient products) are continuously identified and considered in the annual management assessment. Based on this, the corresponding need for action is determined.

In 2019, four locations were audited in accordance with the EMAS environmental management system and, for the first time, according to ISO 14001: the company headquarters and the logistics centre in Essen, the location Tett nang-Bechlingen with ifm electronic gmbh and ifm efector gmbh, and the location Wasserburg with ifm flexpro gmbh. Since the ifm group's pre-production and final assembly as well as the development, administration, sales and dispatch are based at these locations, the audit covers essential business activities. Almost one third of all employees work at these EMAS locations. Unless otherwise indicated, all the following figures apply exclusively to these four EMAS-audited locations. We are planning to successively expand this EMAS scope. In the reporting year, supervisory audits were completed for the locations Tett nang-Bechlingen and Wasserburg.

COMPLIANCE WITH REGULATIONS

Through our Code of Conduct for employees, we demand and promote environmentally conscious decisions and behaviour. We also expect our business partners to continuously improve environmental protection (for more information, see the [chapter on responsible procurement](#)). For us, it is

a matter of course to comply with the applicable environmental regulations and the requirements of authorities and to continuously improve environmental protection within an economically justifiable framework. As in previous years, there were no indications of violations of environmental protection laws or regulations in 2020.

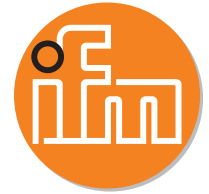
To continuously improve our measures, we use the cross-location Sedex Members Ethical Trade Audit (SMETA) as a further element that is based on the pillars of health and safety, labour standards, environment and business ethics. In 2019, ifm electronic gmbh as the distributor of all ifm products and ifm prover USA, inc. were audited (for more information see the [chapter on compliance management](#)). In 2020, no SMETA audit took place.

RESPONSIBILITIES

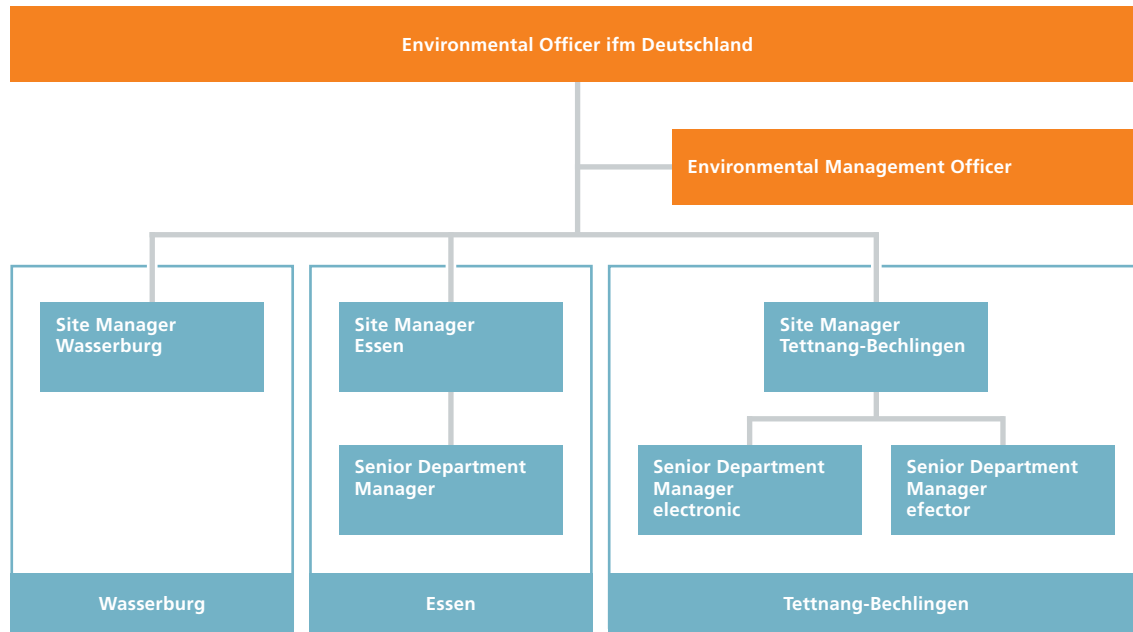
The Central Managing Director for Technology is responsible for all environmental issues at the German ifm group in his/her capacity as Environmental Officer and Sustainability Manager. The role is based in Tett nang-Bechlingen (central office for environmental management). To ensure compliance with the EMAS environmental management system requirements, the implementation and monitoring duties were delegated to 'site managers' at all three companies within the EMAS scope. Further environmental obligations were delegated to relevant Senior Department Managers.

In 2020, there were **no** violations of environmental protection laws and regulations.

Since the **1990s**, we have been drawing up environmental input-output analyses.



ENVIRONMENTAL ORGANISATION ifm EMAS SCOPE



The central environmental protection and sustainability division is responsible for product-related environmental protection within the entire ifm group of companies and thus plays a key role in environmental management. It belongs to ifm electronic and reports to the Central Managing Director for Technology.

The central division monitors environmental regulations and passes them on to the divisions concerned. It is also responsible for answering worldwide customer enquiries, such as those concerning the EU directive on the use of hazardous substances in electrical and electronic equipment (RoHS), the EU chemicals regulation (REACH) or

the WEEE directive (waste electrical and electronic equipment).

The central division also controls the assessment and monitoring of all chemicals used by the ifm group of companies worldwide and that are used in its products, and organises environmentally relevant training courses. The environmental protection department is significantly involved in the final acceptance or commissioning of new plants and machines.

RESOURCE MANAGEMENT

The hardware of ifm products basically consists of the electronics, a housing and an electrical connection to other processing systems. The final assembly of the sensors primarily comprises mounting of the electronics in a housing as well as further processes related to assembly and connection technology to ensure connectivity and a defined tightness and robustness of the housing.

In the spirit of Design for Environment, the ifm group ensures that resources are used as sparingly as possible right from the product development stage. We identify and avoid potential environmentally relevant problems as early as possible. To evaluate relevant manufacturing processes and adjust them as required, the product development department collaborates closely with the industrial



engineering and environmental protection & sustainability departments.

As early as in the product development phase, environmental aspects are systematically assessed by the development and industrial engineering departments. To this end, we have integrated a check list into the innovation process, which is completed for every new development. In addition to the materials used in the product and packaging and the energy consumed by the products during operation, we also consider and assess other environmental effects throughout the product life cycle. Due to our large product range, we do not currently carry out complete life cycle analyses of our products. A pilot project is now being planned. We are closely following the development of the method for calculating product-specific environmental footprints (Product Environmental Footprint, PEF) of the EU Commission, since it may allow standardisation of future analyses.

MATERIALS USED

To reduce the impact on the environment to a minimum, we as well as our customers attach importance not only to saving resources, but also to minimising the impact of the materials used. The EU chemicals regulation (REACH) and the EU directive on the use of hazardous substances in electrical and electronic equipment (RoHS) are particularly important for us. Due to the high proportion of full material declarations of 99 percent for in-house manufactured products, we know the components,

materials and substances used in our products, can track them, comply with legal requirements and answer customer enquiries at any time. If anything is suspicious, additional laboratory tests are ordered. The data is stored and managed via a Product Material Compliance System by SAP. We implement new customer requirements or legal regulations as quickly as possible.

In addition to various components, we procure raw materials such as stainless-steel piping for our own production. In 2020, 130,926 metres of this product were used (2019: 149,993). Currently, we do not use recycled materials for the production of plastic sleeves, since the sensors must meet very high quality requirements. These cannot yet be guaranteed with recycled materials.

WASTE

In the logistics centre, packaging waste is produced when the products are unpacked and also if they need to be repacked. To reduce this waste as much as possible, all ifm companies use standardised system cardboard boxes for dispatch that are also used for storage and transport to the customers. Some of our larger suppliers of bought-in products also deliver their products in these system cardboard boxes. In the future, product packaging will be identified by weight. For this purpose, we are currently working on standardising it, so that further measures can be planned and controlled more efficiently.

We generally dispose of non-hazardous waste – including commercial waste that is similar to household waste, packaging waste, waste paper and biowaste – via the respective local waste disposal facilities or contracted specialist companies. Exceptions are the non-hazardous waste fractions ‘metals’, ‘electrical scrap’, ‘cables’ and ‘washing and rinsing liquids’, which are mostly disposed of centrally by ifm electronic gmbh.

Waste

in tonnes	2018	2019	2020
Non-hazardous waste			
for recycling	851.6	912.3 ¹	935.5
for disposal	158.3	202.3 ¹	144.2
Hazardous waste			
for recycling	185.8	158.3	167.2
for disposal	32.8	35.4	41.5
Total	1,228.5	1,308.3¹	1,288.4

¹ Values for 2019 were adjusted retrospectively with respect to last year's report

ENERGY

To increase efficiency and reduce energy consumption, energy audits were carried out at all German ifm locations in 2019. Due to the expansion of EMAS, no additional energy audits have been planned at the certified locations since 2020. The EMAS sites primarily use electricity as an energy source. The share here is about 62 percent and it is required in particular for machinery, systems, process cooling and compressed air. Since the begin-





ning of 2020, the share of renewable energies in the electricity mix purchased has been 100 percent (2019: 56). Thus, all European production sites and all German sites have been using 100 percent green electricity since 2020. District heating and natural gas provide the necessary thermal energy. Various fuels are also used for cars, trucks and aircraft.

In terms of air travel (scheduled flights and company-owned aircraft), transportation from Lake Constance to Essen accounts for the largest share of indirect energy consumed. Here, consumption in the reporting year was 403.03 tonnes of kerosene (2019: 543.20). This is not covered by the EMAS environmental statement.

With regard to energy intensity, it is not possible to indicate the energy consumption per square metre

Energy consumption

in MWh	2018	2019	2020
Electricity consumption	16,058	15,751	15,362
Consumption of gas / district heating	7,187	6,774 ¹	6,181
Fuel (cars, HGVs)	3,109	3,518	2,875
Total (electricity, heating, fuel)	26,354	26,043¹	24,418
Share of electricity generated from renewable sources ²	65.3%	62.9%	100%

¹ Values for 2019 were adjusted retrospectively with respect to last year's report

² Since 2020, all European production sites and all German sites have been using 100 percent green electricity.

of printed circuit board or turnover that is customary in the industry in a comparable manner for all locations.

In recent years, we have been able to reduce our energy consumption by changing over to LED lighting, minimising cooling and heating losses by means of new insulation of the cooling and heating lines and checking the compressed air network for leaks. In addition, we regularly implement heat recovery measures. Thanks to efficient pipework conversion, the refrigeration system to be purchased in the reporting year for a new building at the Tett nang-Bechlingen site is no longer needed; this will save about 74,000 kWh per year.

EMISSIONS

Tackling climate change is currently one of the greatest challenges worldwide. The ifm group has therefore set itself the goal of becoming climate-neutral in its operations by 2030. To reduce emissions, we count in particular on energy efficiency measures and the purchase of renewable energy (for more information see the [chapter on energy](#)).

According to the Greenhouse Gas Protocol (GHG) categories, Scope 1 emissions include both direct CO₂ emissions resulting from the use of our company vehicles and aircraft and those from physical and chemical processing. Indirect CO₂ emissions (Scope 2) from our locations result from the consumption of electricity and district heating. For the

calculation of CO₂ emissions, we use the GEMIS emission factors of the International Institute for Sustainability Analysis and Strategies (IINAS). Further information on the energy mix and consumption at individual locations is given in our [EMAS environmental statement](#) (only available in German).

By switching to green electricity, we significantly reduced emissions in 2020. In addition, we are seeing a pandemic-related decline in travel activities as well as a lower production volume in the reporting year. Scope 1 and Scope 2 emissions decreased by a total of 51.3 percent in 2020 (2019: +7.0).

CO₂ emissions (Scope 1 and 2)

in tonnes	2018	2019	2020
Emissions resulting from heating – only gas in Tett nang and Wasserburg	1,482	1,451	1,222
Emissions from machinery (CF ₄ , refrigerants, dry ice) in CO ₂ e	4,057	4,565 ¹	2,636
Company-owned aircraft	928	924	686
Pool vehicles incl. HGVs	151	142	98
Company cars	722	921	769
Scope 1 total	7,340	8,003¹	5,411
Emissions from electricity	3,153	3,222	0
Emissions resulting from heating – only district heating in Essen	280	308	199
Scope 2 total	3,433	3,530	199
Total (Scope 1 + 2)	10,773	11,533¹	5,610

¹ Values for 2019 were adjusted retrospectively with respect to last year's report

We have been using

100%

green electricity at all European production sites since 2020.

Our operating business is to become

climate-neutral

by 2030.



Scope 3 emissions are other emissions resulting from our business activities that cannot be directly influenced. Consequently, they are more difficult to reduce. Business travel, commuting, product transport via third parties as well as emissions resulting from the use of our products were identified as significantly relevant Scope 3 emissions. It has not yet been identified how much CO₂ results from the two latter activities. Emissions caused by our employees commuting to and from work were determined for the first time in 2020. These accounted for 2,337 tonnes of CO₂ in the reporting year.

One of the most effective ways to reduce emissions caused by travel (both Scope 1 and Scope 3) is to avoid them. We are therefore increasingly relying on video conferencing and continue to expand the digital infrastructure. To maintain good customer relations and to execute business activities, air travel is still necessary due to the poor rail connections in the Lake Constance area. By comparison, car journeys are more environmentally friendly, but rarely a good alternative due to the long travelling time.

WATER AND WASTEWATER

ifm's water supply comes exclusively from the public network. For the sanitary facilities, we have already been able to save considerable quantities of drinking water by pre-regulating the wash

basins and by adjusting the toilet flush. The production water is mainly used for cooling and air treatment in the production areas, but partly also to cool down the office areas. The slight increase in water consumption compared to the previous year is likely attributable to pandemic-related hygiene measures at the sites.

Water consumption

in m ³	2018	2019	2020
Total	36,372	34,591	35,044
Specific water consumption			
Production water / presence + machine hours (m ³ /h) ¹	0.0085 ²	0.0081 ²	0.0086
Water for sanitation, kitchen, garden / employee (m ³ /employee) ³	5.79 ²	6.71 ²	7.81

¹ Only applies to Tettngang and Wasserburg

² Values for 2018 and 2019 were adjusted retrospectively with respect to last year's report

³ Applies to all EMAS locations

The wastewater volume corresponds to the fresh water consumed. However, some of the water evaporates via the cooling towers at the Tettngang-Bechlingen and Wasserburg sites. We have decided not to deduct this water from the wastewater figures and thus pay the wastewater costs for the entire amount.

Rainwater is drained off via retention basins at several points of the Wasserburg and Tettngang-Bechlingen sites. There are legally prescribed limits for wastewater, such as, for example, for oil separators for the compressors in Tettngang. In 2020, as in previous years, these limits were not exceeded. The cooling towers in Tettngang and Wasserburg that are subject to regulatory authorisation and the wastewater plant at the Wasserburg site that is likewise subject to authorisation also comply with the prescribed limit values. In all plants, wastewater is not discharged directly into the water network, but via public sewers and sewage treatment plants. At the Wasserburg site, the wastewater resulting from our wet technology is pre-treated in a biological plant. To keep water consumption in wet technology as low as possible, we have implemented four to five cascades at each plant.

Wastewater

in m ³	2018	2019	2020
Pre-treated wastewater	2,424	2,073	1,684
Untreated wastewater	33,948	32,518	33,360
Total	36,372	34,591	35,044

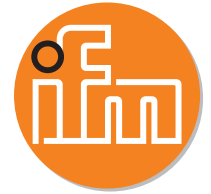


EMPLOYEES

Not only since the onset of the Covid-19 pandemic, ifm has been adopting new work approaches with more digital and more flexible ways of working. In all of this, people remain at the centre of everything that we do. As one of the global industry leaders with more than 7,200 employees, we combine the close customer contact of a family-run, medium-sized company with the internationality of a growing group of companies. We strive to offer our employees an attractive and safe working atmosphere characterised by mutual appreciation.

- › **Organisation and management**
- › **Attractive employer**
- › **Diversity and equal opportunities**
- › **Training and further education**
- › **Occupational health and safety**





SOCIAL SUSTAINABILITY: MORE THAN JUST A BUZZWORD

Since autumn 2019, ifm has had a Social Sustainability Manager who supports employees from all departments in managing sustainability requirements in daily business. The role focuses on modern HR management which, in addition to traditional HR issues, also addresses global challenges such as climate change or digitisation, and raises awareness for these topics among employees.

INTERVIEW WITH STEFFEN FISCHER, CHRO AND EXECUTIVE BOARD MEMBER

» In addition to your role as Head of HR, you also hold the role of 'Social Sustainability Manager' at ifm. Why has ifm decided to establish this function?

From a company perspective, social sustainability is still a fuzzy concept with no clear definition in the industry. Of course, this initially bears the risk of establishing yet another buzzword that becomes overused. We nevertheless see the need for this new role at ifm. People remain at the centre of all our strategic and operational HR activities, and we bundle all personnel topics under this guiding principle. However, as global challenges such as climate change, digitisation and 'new work' intensify, requirements also grow for personnel

work and thus for our employees. Moreover, automotive customers in particular have explicitly requested this role. The newly created function of 'Social Sustainability Manager' will act as a mediator between these new requirements and the more traditional HR topics.

» Social sustainability is an interdisciplinary topic. How do you integrate it into daily business?

Social sustainability management does indeed cross a number of topics, cutting across various fields of activity at ifm. We aim to consider sustainability aspects in as many work processes as possible while also getting our employees on board. It starts with our risk management, where we analyse not only

economic but also social and ecological risks, and extends to modes of staff travel, where we encourage the use of alternative low-carbon transportation. However, we not only look at our own employees, but also at our supply chain, which increasingly requires coordination with the purchasing department. Supplier questionnaires prepared by Purchasing increasingly enquire about working conditions. These even have to be assessed through on-site audits in some cases. Of course, this requires appropriate procedures at ifm. For example, we started with executive training courses on international minimum working conditions and human rights, and are now about to adopt a certified health management system.

SOCIAL SUSTAINABILITY AT ifm IN FIGURES

100%

of office staff have flexible working time arrangements

Approx.

20%

of employees work part-time

53

executives have completed training courses on working conditions and human rights

100%

of new suppliers are evaluated on their environmental and social performance



ORGANISATION AND MANAGEMENT

The principles of our personnel work are laid down in the ifm personnel strategy. This supports the corporate strategy and is based on the ifm corporate philosophy and its guiding principle, 'People are always in the focus of our actions.' In our decisions, we always consider pivotal megatrends, such as demographic change, changing values, digitisation and virtualisation, globalisation and dwindling resources. For this reason, the ifm group has defined five essential core topics with regard to its personnel management, which have been further developed as part of the personnel strategy 2021:

- **Growth & development**

Our employer attractiveness is outstanding in the local surroundings of our technical sites worldwide.

- **Internationalisation**

We train and qualify at all our locations worldwide. We promote lifelong learning and prepare ourselves for the requirements of the future. We ensure a lively intercultural exchange, especially on improvements.

- **Globalisation & diversity**

The values laid down in the corporate philosophy are common to all ifm employees across countries and cultures. Independent of language, culture and religion, we are a strong ifm team.

- **Digitisation**

Digitisation simplifies processes and increases our efficiency. Teams use smart and collaborative technologies to optimise the way they work and to communicate transparently.

- **Sustainability**

We as ifm have an excellent image as an employer in our industry that can be perceived and experienced by everybody and we live sustainability, both with regard to the environment and to social aspects.

To successfully shape the growth of the ifm group, we coordinate and standardise fundamental personnel issues centrally where necessary. At the same time, we implement our personnel strategy in a decentralised way, so that we can respond flexibly to local and market-specific requirements. Central and decentralised responsibilities are laid down in corresponding manuals.

ATTRACTIVE EMPLOYER

The shortage of skilled workers in the regions of the ifm locations motivates the group's efforts to be and to remain an attractive employer. It is important to us that both senior executives and other employees identify with the company and its philosophy. We promote our reputation as an attractive employer by offering competitive remuneration systems, working time models and additional benefits, including training opportunities,

a company health management system and company pension plans. In addition, we look after the effective public communication of our corporate culture, safe jobs and the prospect of growth in an exciting industrial and international environment.

AWARDS AND RANKINGS

As in previous years, ifm has been rewarded for its personnel work. Here is a selection:

- Ausgezeichneter Ausbildungsbetrieb 2021 ('excellent training company', ertragswerkstatt GmbH)
- Top Nationaler Arbeitgeber 2021 ('top national employer', Focus)
- Top Company (kununu)
- Open Company (kununu)
- Top-Arbeitgeber im Mittelstand 2021 ('top middle-sized employer', Yourfirm.de)
- Top Employer 2021 (Top Employers Institute)
- Prädikat Familienbewusstes Unternehmen 2020 ('family-friendly company' certificate, familyNET-BW)
- Member of the company network 'Erfolgsfaktor Familie' ('success factor family')



We encourage open exchange and take the time to talk to our employees. For this purpose, we carry out employee surveys, offer conflict management and mediation and have implemented targeted feedback processes.

In order to attract and retain new talent, we are expanding our applicant management and our employee retention management. To this end, we are strengthening our personnel marketing and recruiting measures. To cover our personnel

requirements in the long term, we are increasingly recruiting and developing employees internationally and with entry-level qualifications.

In the year under review, we gained 282 new employees worldwide (2019: 459) and took on 32 trainees (2019: 41). We see long company affiliation of up to 43 years and a low fluctuation rate as proof of the good working atmosphere at ifm.

ifm is not a member of a collective agreement because the conditions of the remuneration framework agreement (Entgeltrahmenabkommen, ERA) do not correspond to the personnel policy of the company, especially with regard to performance-related pay. Instead, we have developed our own ERA-based model, NEXX, which is recognised by the association and is now recommended as an alternative to ERA.

In the year under review, we took on
282
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32
trainees.

Employees at a glance

Number of employees	2018	2019	2020
Total	6,991	7,187	7,218
Germany	4,507	4,506	4,485
Total abroad	2,484	2,681	2,732
Production abroad	1,037	1,168	1,213
Sales abroad	1,447	1,513	1,519
Gender			
Female	3,169	3,206	3,204
Male	3,822	3,981	4,013
Employee category			
Trainees	184	201	215
Temporary employees	239	168	154
Blue collar workers	2,306	2,239	2,197
White collar workers	4,262	4,579	4,651
Type of contract¹			
Temporary	1,335	1,131	1,117
Permanent	5,417	5,888	5,946

¹ Figures without contingent workers and freelancers

Fluctuation¹

in percent	2018	2019	2020
in Germany	4.82	4.81	4.25

¹ Without temporary workers; with retirement, termination by employee and employer, termination agreement

REMUNERATION

We want to offer our employees fair and regionally appropriate remuneration. Therefore, our remuneration model is designed in such a way that each position is assigned a salary range according to the required qualifications and professional experience and knowledge. Aspects such as gender, religion or other factors are not relevant. Moreover, each employee participates in the success of the company in the form of a bonus. Temporary workers are not part of this payroll system, but shift bonuses are passed on to temporary employment agencies.

EMPLOYEE RIGHTS

As a supporter of the Ethical Trading Initiative (ETI), we have recognised the ETI Base Code, which includes freedom of association for our employees. The ETI Base Code is stored in all available languages in ifm's internal knowledge network and is also regularly posted in physical form. We inform our employees promptly and consider the statutory deadlines. We are convinced that this will improve our support of workers' rights and respect for human rights. We are particularly committed to ensuring

- that all workers have the right to join or form unions of their own choosing and to bargain collectively,
- that the employer adopts an open attitude towards the activities of trade unions and their organisational activities,
- that employee representatives are not discriminated against and have access to exercise their representative functions in the workplace, and



- that where the right to freedom of association and collective bargaining is restricted by law, the employer facilitates rather than hinders the development of parallel means of independent and free association and bargaining activities.

In 2019, ethics audits were carried out at ifm electronic gmbh and at ifm prover USA, inc. by an independent third party as part of the Sedex Members Ethical Trade Audit (SMETA). These audits also check compliance with the ETI Base Code (for more information see the [chapter on compliance management](#)). No audit took place in 2020. In the year under review, the right of employees to freedom of association or collective bargaining was not violated or seriously threatened at any operating site.

DIVERSITY AND EQUAL OPPORTUNITIES

As an internationally operating company, the ifm group lives and appreciates the diversity of its workforce. In times of globalisation, individualisation and shortage of skilled workers, we regard our workforce as a market and competitive advantage. For this reason, a concept that has been valid since 2017 defines how our group deals with diversity and that each employee is considered individually. The concept is now gradually being implemented. In addition, our Code of Conduct includes a ban on discrimination on the basis of age, sex, religion, origin, or other reasons.

In the year under review, 72 women held management positions in Germany (2019: 64). This is 12.4 percent (2019: 11.7). At the ifm group of companies, equal opportunities apply when filling management positions – also against the background that the predominantly technically oriented management positions are difficult to fill from the market – and open management positions are required to be filled on the basis of good performance.

WORKING TIME MODELS AND PARENTAL LEAVE

We offer our employees flexible working models. We have various part-time models across all departments that are also used in production, especially by our female employees. To ensure working efficiency, two part-time employees share one shift. In addition to this, we have been testing the principle of desk and job sharing in the personnel department for more than two years. Two employees share one job on a part-time basis.

“It might be possible sometimes to buy the employees’ sympathy. However, it is not worth much if it is not given out of people’s own free will.”

ifm corporate philosophy

To ensure an efficient changeover, both employees work together on one day per week.

We strive to make re-entry after parental leave and the compatibility of work and private life as easy as possible. In 2020, a total of 217 employees took parental leave for a certain period (2019: 212). Of these employees, 87 parents have so far returned to their workplace and eleven have left the ifm group. In the previous year, 78 employees had returned and four had cancelled their employment contracts.

TRAINING AND FURTHER EDUCATION

The ifm group wants to offer its employees demanding tasks and, at the same time, enable them to master them. Everyone is required to make an active contribution to the success of the company. For this purpose, we rely on systematic training and further education – in line with our corporate philosophy ‘Growing successfully in security’. From this follows our claim to have the right employees at the right time, in the right place, to the right extent, and in the right organisation.

In accordance with the needs of the specialist departments, we constantly readjust our training and further education and regularly balance the requirements with the specialist departments. We have, for example, increased our training capacity

In 2020, a total of
62
children of ifm employees were looked after.



with regard to IT skills. Personnel development is implemented at both national and international level. It is embedded in our global personnel strategy and offers our employees a long-term perspective and contributes equally to the achievement of our corporate goals. The ifm talent strategy that is anchored therein underlines the great importance of talent management.

Via personnel development or the corresponding specialist department, ifm organises, finances and provides time for external seminars or in-house training and further education. In the case of external training and further education, such as master craftsmen, bachelor's or master's degrees, we provide 50 percent of the working time and 50 percent of the costs as a benchmark. Individual arrangements can always be agreed upon. Educational leave can be applied for at any time. We also make it possible to reduce working hours to ensure that our employees can study while working.

In total, our employees completed 1.19 days of training and further education at the ifm electronic Tettngang location in the year under review (2019: 1.7). In Essen, our employees used an average of 0.58 days (2019: 0.8) for soft skills and specialist training and received over 400 hours of English lessons (2019: 800). The lower number of language training courses this year is attributable

to pandemic-related constraints. 220 employees participated in online product training courses (2019: 177).

The development and support of our employees is a central task of all executives. They have a crucial role to play if change is to succeed. Executives have the task of taking their employees along this path, motivating them and accompanying them in the implementation of measures. This means promoting employees in a targeted manner and supporting their personal development.

In order to build management positions, we adopted and successfully implemented a trainee programme in Essen in 2020. Five trainees are currently part of the programme. The executive and succession programme is currently being revised. We are currently strengthening executive competencies on the basis of the K8 model, which defines eight core competencies and is used in the annual interviews to measure individual competence. The further training of executives based on the K8 model has been organised at a national level and in pilot projects at an international level since 2018. The performance of all executives is evaluated in annual interviews or K8 discussions along with specifically defined goals from which appropriate further education measures can be derived.

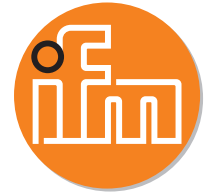
As part of a cross-mentoring programme at the Lake Constance locations, experienced executives from various companies pass on their experience to junior managers. In this way, they not only gain new perspectives, but also learn more openly and confidently from their mentors beyond the company's own hierarchy.

OCCUPATIONAL HEALTH AND SAFETY

To improve the motivation and performance of our employees, we attach great importance to a safe working environment and holistic health promotion. We also expect our business partners to maintain a high level of work safety worldwide and to promote the health and safety of their employees (for more information see the [chapter on responsible procurement](#)).

Up until now, we have planned and managed individual issues such as occupational safety, conversions or new buildings, new facilities and health protection issues in line with relevant management systems. The introduction of a certified management system for occupational health and safety in accordance with the ISO 45001 standard has been delayed due to the pandemic and is now planned for the end of 2021.





OCCUPATIONAL SAFETY

To guarantee the safety of all employees at all times, workplaces and the working environment at ifm are inspected annually and adapted to new requirements at an early stage. We comply with all legal requirements and regulations.

Every year, our internal specialists for occupational safety and external service providers carry out occupational safety instructions. The respective superiors give workplace-specific instructions. Important documents such as operating instructions are always available to all employees in a database.

Injuries are often caused by operational incidents such as tripping, limbs becoming trapped or falling parts. All incidents are investigated and, if possible, additional preventive measures are taken. In order to identify and eliminate sources of danger as early as possible, we particularly rely on the awareness

of our employees. Therefore, everyone is asked to report near-miss accidents as well. In the year under review, there were no serious injuries as a result of work-related or commuting accidents. At the Lake Constance locations, the rate of work-related accidents was 3.2 (1,000-employee quota) (2019: 6.3).

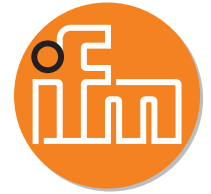
HEALTH PROTECTION

Only healthy employees can enjoy being at work and deliver the performance that a rapidly growing technology company requires. For this reason, company health management (Betriebliches Gesundheitsmanagement, BGM) is an important part of the personnel strategy in Germany. It is based on the three pillars 'health promotion', 'healthy working environment' and 'healthy leadership'. BGM deals with matters such as the collection of key figures and analyses, the organisation of sporting events and surveys, prevention courses

and company sports groups or the deployment of company doctors.

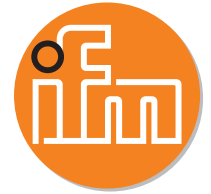
Within the framework of BGM, a central topic is chosen every year. In 2020, the chosen topic at Lake Constance and in Essen was 'Relaxed through the day'. Discussions with the company physicians, occupational safety officers and the BGM managers serve to prepare the extensive measures. The topic is then chosen and prepared by the BGM team.

In the reporting year, a health talk on the coronavirus took place instead of the health day. In addition, we raise our employees' awareness and sensitivity using various formats and by communicating specific knowledge throughout the year. In 2020, online lectures on health were offered in addition to Intranet articles. The running group did not meet this year due to the pandemic.



ifm SUSTAINABILITY PROGRAMME 2021

Field of action	Target	Target date
Strategy & management	We strengthen responsible corporate governance and intend to integrate sustainability into strategic decision-making processes.	
	We establish a compliance management system (CMS).	2025
Value creation	We aim to further improve the sustainability performance of our products.	
	We increase the proportion of full material declarations for bought-in products to 50%.	2025
	We are committed to responsible value creation and aim to promote transparency in our supply chains.	
	We map our supply chain up to the first upstream supply chain step (tier 2) of selected suppliers.	2024
Eco-friendly production	We examine our current sourcing for conflict minerals (3TG – tin, tantalum, tungsten, their ores, and gold).	2025
	We intend to improve the environmental compatibility of our operational processes and contribute to climate protection.	
	We achieve climate-neutrality for our operating business (production sites).	2030
	50% of our worldwide production sites are validated according to EMAS.	2023
	We introduce energy consumption monitoring (incl. renewables' share) at our international production sites.	2025
	We analyse the availability of plastic packaging and plastics for packaging manufacture – both with 100% recycled content – and the suitability of such recyclates for processing on our packaging lines.	2023
Employees	We monitor our water consumption at all production sites and perform a water risk analysis.	2025
	We consider workplace safety as part of our responsibility towards all our employees.	
	We introduce an ISO 45001 based occupational health and safety management system at ifm electronic on Lake Constance and in Essen.	2022
	We strive to be an attractive employer and want to create the best possible conditions for our employees.	
	100% of our employees at the German sales locations are offered the opportunity to have a personal development review.	2022



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