

# Combined Non-financial Report

» In short «

In the past fiscal year  
Jenoptik invested

# 2.5 million euros

in the training and HR development  
of its employees.


The Combined Non-financial Report fulfils the requirements  
of the CSR Directive Implementation Act.

## Separate Combined Non-financial Report in Accordance with the CSR Directive Implementation Act

### Position and Business Model

Jenoptik sees its entrepreneurial activity as more than purely the realization of commercial objectives; it is also something that brings with it an obligation to society and the environment. Together with our customers, we create forward-looking trends in the fields of energy efficiency, healthcare, the environment, mobility, and safety. As an international technology company, innovation is our driving force and the basis of our success in business. Our innovative products allow us to make significant contributions to overcoming the societal challenges we face as well as to the conservation and efficient use of resources.

In 2018, the Jenoptik Group operated in the three segments Optics & Life Science, Mobility as well as Defense & Civil Systems, and the majority of its products and services was provided for the photonics market. With our high-quality capital goods – from standard components to modules to complex solutions – we are primarily partners to industrial companies and public-

sector clients. Since the beginning of 2019 Jenoptik has reported in its new organizational structure with the four divisions Light & Optics, Light & Production, Light & Safety as well as VINCORION. 

### Our Take on Sustainability

Our understanding of sustainability is based on the conviction that the best way to achieve our economic goals and lastingly profitable growth is to adopt a position of responsibility to the environment and society. To meet this requirement, the issue of sustainability (ESG – environment, social, governance) as well as CSR – social responsibility at Jenoptik is the responsibility of the President & CEO. A Sustainability Working Group, consisting of the heads of the Finance, Investor Relations, Communication & Marketing, HR, Environmental Management and Compliance & Risk Management departments, regularly reports to the Executive Board and the Supervisory Board on relevant issues.



For more information on the business model and markets see page 72.

### G08 Materiality matrix



In this report, we provide information on sustainability issues that are important for better understanding the course of business as well as the future development of the company.

The Separate Combined Non-financial Report published here serves the purpose of fulfilling the requirements of the CSR Directive Implementation Act (CSR-RLUG) in accordance with § 315b, 315c in conjunction with 289b to 289e of the German Commercial Code (HGB). The report covers the key topics issues in the areas of employees, the environment, social commitment, human rights and anti-corruption for both our external target groups and the company in the 2018 fiscal year. The description of the approaches set out here is guided by Standard 103 of the Global Reporting Initiative (GRI). This means that Jenoptik describes components such as goals, existing guidelines, responsibilities, but also specific measures such as projects, programs and initiatives. The GRI standard was used as a guide to determine key figures but not for further detailing. This applies to information on the number of employees, employees on parental leave or the fluctuation rate. The materiality analysis and risk assessment were prepared in accordance with the requirements of CSR-RL-UG. In accordance with § 315b (1) (3) of the German Commercial Code, reference is occasionally made to other information available in the Group Management Report. The list below shows all the relevant passages in the Management Report that are relevant to the Separate Combined Non-financial Report.

- Business model page 72
- Strategy from page 75 on
- R+D/Innovation management from page 81 on
- Risk & opportunities from page 113 on
- Diversity policy see Corporate Governance Statement, [www.jenoptik.com/investors/corporate-governance](http://www.jenoptik.com/investors/corporate-governance)

## Materiality Analysis

Jenoptik maintains ongoing dialog with all of its stakeholders. As part of an analysis carried out in 2017, an independent assessment was made of all non-financial aspects for Jenoptik which are essential for sustainable business development both from Jenoptik’s perspective and from the perspective of the respective external target groups (customers, business partners, employees, shareholders, suppliers and the general public). In doing so, we made assumptions about the significance and impact on the sustainability aspects mentioned on behalf of our external target groups. The results of the overall assessment are summarized in a materiality matrix and are also valid without restriction for 2018. Topics in the upper right quadrant are of major significance to the Group’s business development from the perspective of both Jenoptik and its stakeholders. G08 T09

The following overview reveals where Jenoptik sees its priorities in the value chain.



Our new Strategy 2022 also goes hand in hand with a change in corporate culture towards a more open, agile and less complex company whose employees are expected to contribute to its success with commitment and motivation. In addition, we must compete for the best workers and create a trustworthy and attractive working environment in which the best performance is possible. For this reason, our corporate culture, the development of our employees as well as our brand and reputation were given top priority in the prior fiscal year. These topics as well as the non-financial targets defined for them in the Sustainability Working Group together with Human Resources (HR) and Jenoptik management are described in detail on the following


## T09 Jenoptik's key topics

Employee Matters	Environmental Matters	Social Commitment	Human Rights	Anti-Corruption	Other Topics
Corporate culture	Environmental management	Commitment to science & education, art & culture as well as in social projects	Respect for human rights	No tolerance for corrupt behaviour	Brand & reputation
HR development	Waste management			Responsible business relations built on integrity	Quality management
	Processes to ensure compliance with regulations			Compliance with all applicable laws, standards and guidelines	Innovation & patent development
	Resource management				Corporate strategy

● Jenoptik's key topics    ● Topics reported on a voluntary basis

pages. In addition, we report on environmental matters and our corporate citizenship on a voluntary basis. Jenoptik pays particular attention also to topics such as innovation, quality management and compliance.


- Greater investment in research and development as well as the promotion of good framework conditions for more innovations ensure e. g. substantial growth and play a decisive role in our future performance. Innovation and IP management are thus indispensable to a technology company such as Jenoptik. 
- Our future success also depends crucially on a deep understanding of customer and market requirements as well as a functioning sales network. 
- We are equally as committed to law-abiding and compliant conduct with respect for human rights as we are to ensuring the above-average quality of our products and services.
- As a responsible and socially committed company, Jenoptik considers it its duty to play an active role in shaping its environment. Regional commitment is therefore another high priority.
- Our obligations to the environment are also close to our hearts, and environmental issues are of key concern to us in all our business decisions.

All key topics are reflected in our new corporate strategy and act as value drivers in our various areas of business. 

Our materiality matrix thus sets out the basis of all our long-term activities. These key topics are explained in detail in the sections below.

## Risks in Connection with Non-financial Aspects

Acting in conformity with rules and considering business risks and rewards – for Jenoptik, these are the principles of responsible corporate governance. The Group maintains a risk manual and a system of guidelines that document all relevant processes

throughout the Group and represent a reliable reference framework for all employees. Twice a year, Compliance & Risk Management identifies all risks within the Group and discusses the top issues – set in net terms – with the Executive Board. Our risk assessment system takes account of both financial and all relevant non-financial factors, such as health and safety, environmental protection, compliance, marketing and sales, HR and quality management. The net analysis did not identify any risks that are very likely, now or in the future, to have a serious negative impact on the specified key non-financial factors. 

## Employee Matters

Our employees, with their experience and abilities, are our greatest asset and absolutely essential to the Jenoptik Group's business success. Structured HR work and a responsible approach to working conditions are some of our major tasks, as consistently excellent business performance is only possible with dedicated employees.

HR work at Jenoptik covers all employee-related operating and strategic measures to realize the Group's objectives and is thus an essential component of the overall leadership and management process. HR positions internally as a globally active Business Partner that supports the operating and strategic business in all Jenoptik units. In doing this, HR fulfills three different requirements. It delivers a local service for all employees and managers, supports division-specific projects and offers expert knowledge in the areas of recruiting, employer branding, HR development, labor law and remuneration. HR reports directly to the President & CEO, who is also HR Director, via the function Head of Global HR.

The first point of contact for all HR-related issues in day-to-day business concerning the Group's employees and managers are the HR Service Partners. Each division has a permanent HR Business Partner who is part of the management team. Working with the division management, the HR Business Partners develop and implement HR strategic topics. Group-wide guidelines govern all relevant processes, workflows, and rights of employees internally and to outside parties.



See R + D chapter from page 81 on.



For further information see the chapter Targets and Strategies from page 75 on.



For detailed information on our risk management system and major risks, including in connection with non-financial factors, see the Risk and Opportunity Report from page 113 on.



For further information on the corporate strategy see the chapter Targets and Strategies and the Corporate Governance Statement.

Alongside an appealing corporate culture, we see our employees' efforts, expertise, experience, and commitment to the company as key values. This was also confirmed by the results of the materiality analysis, which in Human Resources in particular point to topics such as corporate culture, HR development and employee satisfaction. Jenoptik will dedicate even more attention to these points in the future. In the past fiscal year, the Sustainability Working Group therefore defined non-financial targets for 2019 and subsequent years together with HR and Jenoptik management as part of the corporate strategy.

Based on the defined targets, our activities will focus on the topic of "Employee Matters" in 2019. For monitoring purposes, an internal reporting system has been developed for special non-financial performance indicators (KPIs); it provides the Executive Board with regular reports. In order to achieve the defined goals Jenoptik is working on specific measures which are described in the following sections. T10

Detailed information on gender equality and targets for the proportion of women on the Executive Board and the two management levels below the Executive Board can be found in the Corporate Governance Report and in the Corporate Governance Statement.

An attractive corporate culture provides guidance to not only for employees, but also to customers, suppliers, and potential applicants. With the implementation of the Group strategy published in February 2018, the focus is also on establishing a dialog-based corporate culture characterized by initiative, respect for diversity and equal opportunities. An intensive exchange with employees, customers and management representatives in the form of surveys, workshops and interviews formed the basis for the three newly defined Jenoptik values – open, driving, confident. We believe that committed and curious people always perform outstandingly. We value new ideas and develop them further in an open dialog. In order to achieve our targets, we encourage employees who drive things forward and who have the will to succeed. We have the courage, the conviction and the expertise to seize opportunities that present themselves and to be a leader in the field of photonics. At the beginning of 2019 we introduced the Jenoptik values company-wide with an information and workshop program.

In the future, Jenoptik's leadership culture will become even more modern and flexible. Key to this will be the promotion of respectful behavior in the workplace, balancing of career and family, flexible working hours, and a healthy work environment.

## T10 Non-financial objectives and performance indicators:

Aspect	Objectives	Performance indicators	Target
Corporate culture	<ul style="list-style-type: none"> <li>We want to increase the satisfaction and commitment of the employees</li> </ul>	<ul style="list-style-type: none"> <li>Fluctuation</li> <li>Sick leave</li> <li>Engagement Score</li> <li>Net Promoter Score</li> </ul>	<ul style="list-style-type: none"> <li>&lt; 5 percent</li> <li>&lt; 5 percent</li> <li>&gt; 68 percent</li> <li>&gt; 67 percent</li> </ul>
Recruiting	<ul style="list-style-type: none"> <li>We want to fill more internal vacancies with skilled workers who have received training from Jenoptik.</li> </ul>	<ul style="list-style-type: none"> <li>Training ratio Germany</li> <li>Number of trainees taken on</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 4 percent</li> <li>100 percent</li> </ul>
Brand & Reputation	<ul style="list-style-type: none"> <li>We want to increase the attractiveness of Jenoptik as an employer</li> </ul>	<ul style="list-style-type: none"> <li>Fluctuation</li> <li>Engagement Score</li> </ul>	<ul style="list-style-type: none"> <li>&lt; 5 percent</li> <li>&gt; 68 percent</li> </ul>

We measure the satisfaction and commitment of our employees through an annual employee survey. This has been conducted globally since 2018 in order to obtain a holistic picture. In the survey, employees evaluate the various facets of their work as well as the corporate and leadership culture. Also surveyed are the commitment of our employees (so-called Engagement Score) and the recommendation rate (so-called Net Promoter Score).

The results of the employee survey were communicated by our managers to their teams, who developed team-specific measures in a joint workshop. All measures are regularly presented to the EMC (Executive Management Committee). We have planned that all managers will start to implement the measures from their action plans in the first quarter of 2019. Our next employee survey is scheduled for May 2019, we will then analyze the effectiveness of the measures implemented. In the most recent employee survey, the top 3 topics rated as particularly important by all participants worldwide were as follows

- Career advancement and development opportunities,
- Support from their supervisors in identifying their areas of development, and
- Transparent communication between Jenoptik and its employees.

A total of 67 percent of our employees took part in the 2018 survey. The commitment of our employees, the so-called "Engagement Score" is 68 percent, i. e. 68 percent of our employees identify positively with their duties at Jenoptik and are actively involved. With a "Net Promoter Score" of 67 percent, two thirds percent of our employees would recommend Jenoptik as a good employer. This puts Jenoptik two percentage points above the benchmark of 65 percent determined by our service provider Qualtrics.

A survey of our trainees and new employees regarding the onboarding process at Jenoptik will be conducted for the first time in 2019. The aim is to further improve the quality of our training and the onboarding process.

Jenoptik is family-friendly and responds to the needs of its employees with flexible working hour models. Flexitime, part-time work, and flexible parental leave all make it easier for our employees to strike their own balance between family and working life. In 2018, 157 employees made use of parental leave (prior year: 156 employees). The number of part-time contracts fell to 6.7 percent in 2018 (prior year: 7.4 percent). One of the most important preconditions for balancing career and family is the availability of childcare. For several years, Jenoptik has been investing in daycare centers at the Jena, Wedel, and Monheim locations, as well as in flexible childcare models. This means that our employees are assured a specified number of places at the daycare centers. That our employees regard Jenoptik as an attractive employer, is reflected, among other things, in the staff fluctuation rate of 4.5 percent, which was determined on a group-wide level for the first time in 2018. In Germany, the fluctuation rate was 3.7 percent in the past fiscal year (prior year: 3.0 percent).

HR development is a key factor that determines the future viability of the company and the commitment of our employees. To help promote them in line with their potential and interests, the development needs are assessed in regular staff appraisals and implemented through appropriate training. Regular appraisals will be held at all locations in 2019. For the 2018 fiscal year, the reporting structure was changed and the costs for training and HR development were combined. The total amount is therefore correspondingly higher, since it includes both the costs for trainees and students at the Cooperative State Universities and the costs for further training for our employees. In 2018, Jenoptik invested around 2.5 million euros (prior year: 2.0 million euros) in the professional development of its employees. In the year covered by the report, 1,866 employees benefited from this as part of further training measures (prior year: 1,755 employees). In the future, learning at Jenoptik will be structured according to the 70:20:10 principle: as employees and their

supervisors are the experts for their own further development, 70 percent of learning takes place in the workplace and 20 percent through learning from others. Classroom or online training makes up only 10 percent.

In the future, we will also follow this learning principle in the development of our managers: the existing Jenoptik Junior Leadership Program (J2LP) will be replaced by several target group-specific programs. Our managers continue to be key drivers of the leadership culture at Jenoptik and thus of our corporate success. They are responsible for motivating the employees and have a direct influence on their satisfaction. These new programs are aimed at potential employees as well as new and experienced managers, thus ensuring a uniform leadership culture and cross-division networking among the participants.

**HR recruitment.** Jenoptik's HR requirements are guided by the Group's international growth strategy, resulting in a greater need for recruitment in Asia and the US. However, experts and managers are also being sought in Germany. The audiences addressed by recruitment and thus also HR marketing are primarily specialists and skilled workers in the natural and engineering sciences as well as experts with business management and legal backgrounds.

In order to fill more vacant positions with internal specialists trained at Jenoptik, the training ratio was increased, taking into account the retirement of employees in the context of succession planning. This means that significantly more trainees can be hired from 2019 onwards. In 2018, 38 young people began

their training at Jenoptik, in total, 108 trainees were employed at Jenoptik. In 2019, the number of trainees is to be increased to a total of 137. Thus, 29 additional training positions are created. The trainee retention rate in 2018 was 90 percent. The trainees were taken on for an unlimited period by the company.

Specific support for school students, university students and graduates forms part of the Group's expertise strategy, ensuring early loyalty to the company and thus simplifying the recruitment process. A selection of targeted initiatives and cooperation arrangements is shown below. T11

Increasing **attractiveness as an employer** is the focus of employer branding at Jenoptik. Clear and distinctive positioning as an attractive employer should support recruitment and develop a positive and distinctive employer image as a future-oriented, innovative high-tech company in the photonics industry. The definition of the employer brand and the development of the employer value proposition were carried out in 2018 on the basis of the Jenoptik Strategy 2022 under the motto "More Light".

From 2019, Jenoptik will be using a uniform international applicant management system which replaces the previous country-specific systems.

**Occupational health and safety** are also key topics affecting the basic needs of our employees and their satisfaction in the workplace. They are firmly anchored in the Group's operating processes and aim to minimize risks arising in the work environment that may endanger employees. The Jenoptik companies are each responsible for applying the law on all aspects of occupational health and safety. The central Safety, Occupational and Environmental Protection (SEH) department reports directly to the

## T11 Initiatives and cooperations (selection)

### Jenoptik supports

- career guidance projects at schools, also offering their students the opportunity to complete an internship
- young researchers in Thuringia as a longstanding state-level corporate sponsor of the "Jugend forscht" initiative
- various industry organizations to promote professional development activities
- students in the form of degree theses, internships, and scholarships

### Jenoptik cooperates with

- selected universities around the world with regards to HR marketing and recruitment, for research purposes, and to foster the professional development of its employees
- selected universities around the world via projects and sponsorship activities, and is active in a range of committees and networks in an advisory capacity

President & CEO and is available to advise all companies. It coordinates the relevant tasks and assists the Executive Board on enforcing necessary measures. There are health and safety committee meetings in all divisions each quarter. In addition, all employees are briefed on issues relating to health and safety at work at least once a year. At all of the German locations, around ten percent of the workforce are trained as first-aiders. In 2018, the number of reportable work and commute-related accidents came to 12.77 per 1,000 employees in Germany (prior year: 10.73 per 1,000 employees). Work accidents accounted for 7.45 and commute-related accidents for 5.32 of the total figure. Compared to the members of the ETEM trade association for the energy, textile, electronics and media product sectors, Jenoptik is thus significantly below the average figure of 22.5 in 2017. In the interests of our employees' health and performance, the Group offers regular medical examinations by a company physician, and in 2018 launched health days for employees at the Jena, Triptis and Berlin locations.

## Environmental Matters

We see the efficient use of resources and energy at all our global locations as our corporate responsibility and here report voluntarily on key environmental matters in the Jenoptik Group. As many of our products contribute to the efficient and responsible use of resources, Jenoptik primarily makes an indirect contribution to conserving resources.

**Environmental management** is a key part of our business practices, but we also require our suppliers and contractual partners to comply with relevant laws to minimize environmental risks. As a manufacturing company, we set our focus on efficient

resource management so as to reduce energy consumption and greenhouse gas emissions to the best of our ability, use commodities and materials in a safe and resource-saving manner and to largely avoid producing hazardous waste. Corresponding to their environmental relevance, selected Jenoptik companies are certified in accordance with the ISO 14001 environmental management system.

Environmental management lies within the remit of the Safety, Occupational and Environmental Protection department. The Jenoptik companies are each responsible for applying the law on all aspects of environmental protection. The central environmental protection officer is available to provide assistance where required and, as just one example, reviews all group investment projects with regard to their environmental relevance. The managers responsible for environmental issues at the German locations meet twice a year to share their experiences and ensure a standard approach to implementing environmental law requirements and processes. Waste officers take care of all matters relating to the production, recycling, and disposal of hazardous and non-hazardous waste.

Jenoptik continues to implement and in part exceed statutory requirements relating to nature conservation and environmental protection for new buildings, extensions and the modernization of production facilities. State-of-the-art technologies for saving resources and protecting the environment are applied when fitting out production facilities. The minimum standards for environmental protection introduced at Jenoptik were also fully implemented at the new building for the Light & Production division in France. For example, the new building was equipped with modern insulation, sensor-controlled LED lighting and energy-saving heating and air conditioning technology in 2018.

## T12 CO<sub>2</sub> emission of major production sites (in tons)

	2017	2016
Germany	8,979	9,038
Europe	148	n.a.
Americas	4,151	n.a.
Asia/Pacific	192	n.a.
<b>CO<sub>2</sub> emission (total)</b>	<b>13,471</b>	<b>9,038</b>



As a technology company, Jenoptik generates only small amounts of emissions within its plants (scope1); the majority of its pollutant emissions are attributable to externally sourced energy (district heating or electricity). In order to meet our goal of recording energy consumption at all of the Group's main production sites, the major American production facilities in Rochester Hills, Jupiter and Huntsville as well as the Chinese production facility in Shanghai were included in our reports for the first time in 2017. In Europe, our production facilities in France and Great Britain were added. This will in future provide comparison values that allow for an assessment of the energy consumption levels as a ratio of revenue and consequently in relation to changing levels of energy efficiency in production. The media consumption (electricity, district heating, gas, heating oil, wood pellets) of all major Jenoptik sites was used to calculate the CO<sub>2</sub> emission. In 2017, CO<sub>2</sub> emissions amounted to 13,471 tons. T12 T13

In the course of our business also hazardous waste is produced, e.g. electronic waste, adhesive residues or solvents. In Germany, waste types are systematically recorded, categorized and their quantities calculated in all segments. The volume of hazardous waste disposed of in waste treatment/disposal plants in the 2018 reporting year fell marginally to 162 tons (prior year: 175 tons). In contrast, the quantity of non-hazardous waste rose to 1,022 tons (prior year: 871 tons), mainly caused by waste fractions such as paper, cardboard packaging materials as well as mixed packaging. In general, Jenoptik aims to recycle waste through certified waste management facilities. Through continuous waste separation and training of the employees on waste prevention, the amount of residual waste was further

reduced. For example, by expanding the recycling of plastic materials in the recycling process, it is possible to conserve resources, avoid waste disposal costs and generate revenues at the Triptis site.

As a high-tech company, Jenoptik is dependent on a wide range of raw materials. In the face of an increasing scarcity of resources, Jenoptik is committed to making sparing use of the materials it requires. We comply with applicable regulations, for example the requirements of the European chemicals regulation REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) and the European RoHS directive (Restriction of certain Hazardous Substances), and are fully involved in associated committees. As Jenoptik does not require large quantities of water for its production processes, we do not see ourselves encountering any key risks in this area. In view of its business purpose, conservation regulations are also of only very minor significance to the Group. The objective of our purchasing processes is to meet all regulations relating to conflict minerals in compliance with the Dodd-Frank Act.

## T13 Energy consumption by energy source in 2017 (in MWh)

	Electricity	Gas	Wood pellets	District heating	Heating oil	Energy consumption
Germany	34,546	16,027	1,080	9,223	637	61,513
Europe	645	57	0	0	281	983
Americas	5,686	2,129	0	0	0	7,814
Asia/Pacific	283	0	0	0	0	283
<b>Total</b>	<b>41,160</b>	<b>18,212</b>	<b>1,080</b>	<b>9,223</b>	<b>917</b>	<b>70,593</b>

## Resource Management

Many of Jenoptik's innovative products and services make a contribution to the efficient and responsible use of resources. As a technology company, we are mostly involved in the areas

where our customers' production processes and products can be made more efficient. The table below provides an overview of the contribution of selected Jenoptik products to resource conservation. T14

### T14 Contribution of our products to resource conservation

Product	Contribution to resource conservation
<b>Jenoptik diode lasers and laser machines</b> for a wide range of applications, e.g. in medical technology or the automotive industry	<ul style="list-style-type: none"> <li>• The most efficient light sources available with an efficiency of up to 70 percent</li> <li>• Resource-friendly alternative to traditional machining processes, especially when machining high-strength steel with a low weight</li> </ul>
<b>"JENOPTIK RayLance"</b> – powerful and energy-efficient LED lighting system	<ul style="list-style-type: none"> <li>• Approx. 40 percent higher light yield than prior generation while maintaining high energy efficiency</li> <li>• Wide-ranging use, particularly in industrial spaces such as warehouses, logistics buildings, and production facilities</li> </ul>
<b>Optical systems and components</b> for information and data transmission as well as medical diagnostic procedures	<ul style="list-style-type: none"> <li>• Ongoing development toward ever-smaller crystalline structures in semiconductor production opens up a growing number of new uses</li> <li>• Time-saving processes and more cost-effective production save resources</li> </ul>
<b>Metrology</b> – systems and equipment to check shape and roughness, particularly in the automotive industry	<ul style="list-style-type: none"> <li>• The results are more precise surfaces and tighter tolerances in engine components (downsizing) and thus entire vehicles that require less fuel and produce fewer emissions</li> <li>• More complex transmissions for electromobility demand the increasing use of metrology</li> </ul>
<b>Hybrid power generation</b> systems to enable an efficient power supply to the Patriot missile defense system	<ul style="list-style-type: none"> <li>• Use of battery technology reduces fuel consumption</li> <li>• Longer life cycles for customers, less service expenditure and thus product sustainability</li> </ul>
<b>Traffic monitoring systems</b> check compliance with road traffic regulations	<ul style="list-style-type: none"> <li>• Contribution to increasing road safety and reducing accidents</li> <li>• Reduction in pollutant and noise emissions</li> <li>• Installation at the side of the road limits interference in the environment (no installation of monitoring gantries)</li> </ul>
<b>Toll monitoring systems</b> on federal highways	

## Social Commitment/Corporate Citizenship

Supporting young people in their education and scientific activities, as well as in social projects – this is at the heart Jenoptik’s corporate citizenship. The Group supports a whole range of non-profit projects, organizations and initiatives and is actively involved in the following three areas, primarily in Germany but increasingly also abroad:

- A commitment to the younger generation with projects in science, education, and in the social arena.
- Art and culture projects to lend an attractive design to our company locations and create good conditions for our employees’ work/life balance.
- A commitment to integration and internationality to strengthen the foundations of business and society in the future.

As a responsible and socially committed company, Jenoptik considers it its duty to play an active role in shaping its business environment. As part of this process, our main concern is to achieve close, long-term partnerships, by providing not just financial but also ideal assistance. With our commitment to society, we want to strengthen the confidence placed in Jenoptik and boost our employees’ sense of identification with the company. We also expect it to leave a positive mark on our brand image, reputation and our attractiveness as an employer. T15

Corporate Citizenship is the responsibility of Marketing & Communication. Group-wide guidelines govern the principles of a structured and standardized approach to defining “Jenoptik as a Corporate Citizen” and ensure a uniform method of handling donations and sponsorship queries, as well as carrying out sponsorship projects.

### T15 Social commitment - exemplary projects

Social	Jenoptik supports	<ul style="list-style-type: none"> <li>• Easter charity concert by the International Young Orchestra Academy on behalf of the Elterninitiative für krebskranke Kinder Jena e. V.</li> <li>• Habitat for Humanity and Friends of Foster Children, Jupiter, Florida</li> <li>• Fundraising campaign on the occasion of the New Year’s Eve reception on behalf of “KLEX Children and Youth Center”, Jena</li> <li>• Summer camps for children of Jenoptik employees and children of recognized refugee families</li> <li>• Christmas campaigns on behalf of sick and needy children at the Jenoptik locations Jena, Jupiter and Toronto</li> </ul>
Science & Education	Jenoptik is a partner for...	<ul style="list-style-type: none"> <li>• The Thuringian young researchers competition “Jugend forscht” (since 1991)</li> <li>• Photonics Award</li> <li>• Competition “Schüler experimentieren” (since 2012)</li> <li>• Workshop series “BEGEGNUNGEN Kultur Technik Wirtschaft” for students of the Ernst Abbe University of Applied Sciences Jena</li> <li>• MINT-Festival Jena</li> <li>• Lothar Späth Award for Outstanding Innovations in Science and Business</li> <li>• Authentic Career Experience in Rochester Hills, Michigan</li> </ul>
Art & Culture	Jenoptik promotes young artists through its own series of “tangente” art exhibitions (since 1994):	<ul style="list-style-type: none"> <li>• tangente: Werner Klotz “Colore Mobile Immensum”</li> <li>• tangente: Thomas H. Saunders “Art of Microscopy”</li> <li>• Oster &amp; Koezle art exhibition as part of the 100th anniversary of Bauhaus 2019</li> </ul>
	Jenoptik supports cultural projects with partners:	<ul style="list-style-type: none"> <li>• Open-air Cultural Festival “Kulturarena” organized by the city of Jena</li> <li>• Summer theater spectacular by Theaterhaus Jena</li> <li>• Summer concert series at the Thalbürgel monastery church</li> </ul>

Our dedication to our region is of particular relevance. Since 1996, the Group has acted as the patron of the Elterninitiative für krebskranke Kinder Jena e.V. (Parents' Initiative for Children with Cancer in Jena e.V.). Donations made both by Jenoptik and collected from partners, and the organization of various events, have helped to support children with cancer and their parents, for example, with the EkkStein clubhouse in Jena Lobeda, which was opened in 2018 and takes affected families from everyday hospital life into a whole other world. Particularly worthy of note is the Easter Charity Concert given by the International Youth Orchestra Academy, the proceeds of which are donated to the initiative. In the USA, employees at the Rochester Hills, Michigan site provide education and career guidance to young people from financially disadvantaged families. Jenoptik employees at the Jupiter, Florida site assist the "Habitat for Humanity" organization in championing affordable, decent housing, and help to build homes for families in need. Jenoptik in Jupiter has been working with Friends of Foster Children from Palm Beach County for the third time in a row, bringing holiday joy to two foster children. The employees fulfilled gift requests in the form of toys and cash donations to bring a smile to the children's faces during this time.

Since the company's earliest days, Jenoptik has been enriching life in Jena with art and cultural projects. The in-house "tangible" series of art exhibitions is a key part of this endeavor. Together with numerous partners, the Group is also active as a member of "Familienfreundliches Jena e.V." (Family-Friendly Jena) support group for projects conducted by the "Jenaer Bündnis für Familie" (Jena Family Alliance) to improve general underlying conditions, the **work/life balance** and equal opportunities in education. Jenoptik supports various models of family-friendly childcare, the "Saaleknirpse" in Jena, the "Wasserstrolche" in Wedel, and the "Talentschuppen" in Monheim. The highlight once again was the summer camp jointly organized for children of Jenoptik employees and children of recognized refugee families.

## Human Rights and Anti-Corruption

In a globalized market environment, Jenoptik is fully committed to responsible corporate governance and law-abiding, compliant conduct. We make our business decisions with this in mind and always work to ensure that our actions are in accordance with regulations, laws and our values. The Compliance & Risk Management department therefore lies within the remit of the President & CEO and reports directly and regularly to him. The Chief Compliance & Risk Officer is in close contact with all employees throughout the organization. He organizes and manages the Group's risk and opportunity management system in close cooperation with the central departments and the divisions' risk officers.

Respect for **human rights** is a high priority for Jenoptik, especially in the supply chain. Jenoptik is committed to internationally recognized standards of human rights and does not tolerate any form of slavery, forced labor, child labor, human trafficking or exploitation in its own business operations or those of its supply chain. We expect our suppliers to comply with and respect internationally recognized human rights standards, e.g. the Slavery and Human Trafficking Statement. All our suppliers are contractually bound to adhere to the standards of the "Code of Conduct for Suppliers to the Jenoptik Group", and similarly to require their own suppliers to adhere to them. The compliance-relevant processes are continuously revised in order to identify violations and high-risk business partners in good time. In a two-step process, a supplier compliance declaration and an additional code of conduct for distributors first oblige all our business partners to adhere to the law. In the second step, a centralized high-risk business partner screening process is used to ensure that Jenoptik cooperates only with those business partners that meet all of its compliance requirements.

**Anti-corruption:** Jenoptik fights all forms of active and passive corruption and expects all its business partners to do the same. We also see it as our responsibility to ensure that our customers and suppliers act in compliance with the law. For detailed information on Jenoptik's compliance management system, the company guidelines and codes of conduct for employees, suppliers and sales partners, our online training, and our whistleblower system, we refer you to the Corporate Governance Report from page 38 on and the Risk and Opportunity Report from page 113 onward.

## Quality Management and Brand Image

### Quality management

The key to Jenoptik's success as a technology company primarily lies in the quality of its products and solutions. Longstanding collaborations with key customers, sometimes in the form of development partnerships, and the confidence placed in us by our partners are proof that our products and solutions are of outstanding quality. As a quality leader, we are committed to ensuring that the quality of our products and services is above average in many of our product areas. Quality management at Jenoptik is managed locally in the business units and falls within the responsibility of the division managers. Each division applies individual quality indicators. The following overview summarizes key KPIs for quality management in the Jenoptik Group. T16

One measure to ensure and further improve our quality is our quality initiative, the impact of which can be felt in all areas of the business – from the development of new products to quality planning and assurance and all the way to the quality of the finished product. In 2018, topics such as international quality and occupational health and safety as well as environmental protection programs were developed on the basis of the Jenoptik and divisional strategies. Within the automotive sector, for example, the Jenoptik subsidiary Five Lakes Automation was integrated into the division's international QM system and a new quality reporting and rollout plan was developed for upcoming certifications. The initiative will continue to run in 2019, now with an increased focus on internal customer and supplier relationships, i.e. a better understanding of all parties relating to processes.

In addition to certifications, further issues in quality management at Jenoptik include standardization, process controls, tests and continuous dialog with customers, e.g. analyses of customer satisfaction. Almost all the Group companies comply with the requirements of quality management standard ISO 9001; many of them also meet the requirements of the ISO 14001 environmental management system.

The table below shows a selection of Group certifications and actions undertaken in 2018. The Optical Systems division has again successfully passed the surveillance audit according to the international standards for quality and environmental management ISO 9001 and ISO 14001. The German sites in the Defense & Civil Systems division also received the re-certification

### T16 KPIs for quality management

Criterion	Examples for KPIs
Quality from a customer perspective	<ul style="list-style-type: none"> <li>Customer satisfaction</li> <li>Complaint cost ratio</li> <li>Warranty costs</li> </ul>
Quality as an internal business partner	<ul style="list-style-type: none"> <li>Internal audits</li> <li>Measures in the continuous improvement process</li> <li>Process and product quality               <ul style="list-style-type: none"> <li>- Good yield/quality grade</li> <li>- Rework costs</li> <li>- Reject costs</li> </ul> </li> </ul>
Quality from the supplier's perspective	<ul style="list-style-type: none"> <li>External supplier audits</li> <li>Suitable suppliers</li> <li>Supplier quality with delivery of defective parts</li> </ul>

## T17 Certification within the Group (selection)

Certification	Description	2018 actions
ISO 9001	Certification of quality management processes	<ul style="list-style-type: none"> <li>• Recertification in the Optics &amp; Life Science segment (JENOPTIK Optical Systems Inc.) as well as in the segment of Defense &amp; Civil Systems (JENOPTIK Power Systems GmbH)</li> <li>• Surveillance audit in the Mobility as well as Defense &amp; Civil Systems segments (JENOPTIK Advanced Systems GmbH) (JENOPTIK Automatisierungstechnik GmbH) (JENOPTIK Industrial Metrology GmbH at all European locations and in the US)</li> <li>• Certification of JENOPTIK Shanghai PIE Co. Ltd.</li> </ul>
ISO 50001	Certification of the energy management system	Certification of Photonic Sence GmbH due to energy-intensive machining processes
EN 9100	Certification of quality management processes specific to the aerospace and defense industries	Surveillance audit in the Defense & Civil Systems segment (JENOPTIK Advanced Systems GmbH at the Wedel and Essen locations)
ISO 13485	Certification of comprehensive quality management systems for the design and manufacture of medical products	Re-certification in the Optics & Life Science segment (JENOPTIK Optical Systems GmbH) (JENOPTIK Polymer Systems GmbH)
ISO 14001	Certification of the environmental management system	Renewal of certification in the Optics & Life Science segment (JENOPTIK Polymer Systems GmbH) and in the Defense & Civil Systems segment (JENOPTIK Advanced Systems GmbH)
ISO/TS 16949	Certification for the automotive industry	Re-certification in the Optics & Life Science segment (JENOPTIK Polymer Systems GmbH)
EG 748/2012	Certification as a manufacturer for the civil aviation industry	
EG 2042/2003	Certification as a maintenance company for the civil aviation industry	
IRIS	International Railway Industry Standard	Re-certification in the Defense & Civil Systems segment (JENOPTIK Power Systems GmbH)
ILO-OSH-2001 / OHSAS 18001	Certification of occupational safety and health management	
AQAO 2110/2210	NATO quality assurance system	Renewal of certification in the Defense & Civil Systems segment (JENOPTIK Advanced Systems GmbH)

audits for the implementation of their quality and environmental management systems. Successfully audited were the implementation of the environmental management standard ISO 14001:2015 (in Wedel, Essen and Jena), compliance with the industry-specific standard EN 9100:2016 (in Wedel and Essen), compliance with the railway standard "International Railway Industry Standard" (IRIS Rules:2017, ISO/TS 22163:2017) and the general international standard for quality management ISO 9001:2015 in Altenstadt. The auditors certified a good system of integrated process analysis, a good risk/opportunity analysis and saw strengths in innovation management. In addition, they certified that the employees receive very high level of training. In June, the Automotive division's production area at the Shanghai site successfully passed an audit by Deutschen Gesellschaft zur Zertifizierung von Managementsystemen (DQS). For the first time, the plant was audited across the board with respect to the requirements of ISO 9001. Shop floor management in assembly received an especially good report. T17

### Brand Image and Reputation

Jenoptik's **brand image and reputation** are of key importance in many respects – the trust placed in us by our stakeholders, our position in the competitive environment, our attractiveness as an employer, and our employees' sense of identification with the company. As an international photonics company, we work in many different markets and compete with numerous companies to be visible, understandable and attractive both to customers,

as a supplier of high-quality capital goods, and to future employees. This is dependent on lasting and stable relationships with our customers and suppliers, shareholders and other stakeholders, which we consistently strengthen with transparent communication and trust. Internal and external communications are the task of the central Communication and Marketing department at Jenoptik, which reports directly to the President & CEO and ensures a consistent image for the overall Group and the Jenoptik brand. The aim is to ensure that the company's communications and public image are modern, distinct, ongoing and memorable, as well as aligned with the Executive Board's strategic targets. All topics relating to markets and products are managed locally by the division marketing managers in the operating areas. Group-wide guidelines, for example, govern the information channels for internal communications and central marketing. Communications to the capital market are the responsibility of Investor Relations, which also reports to the President & CEO and remains in close, regular contact with Corporate Communications.

Within the highly specialized photonics market, which is characterized by a multitude of smaller companies, the Jenoptik brand is perceived as synonymous with a major supplier – with an integrated brand image covering all products. We have been shaping the Jenoptik umbrella brand throughout the Group for over ten years. In February 2018 the Executive Board announced Jenoptik's Strategy 2022. The core of this strategy: Jenoptik is concentrating on what sets the company apart: Optics and photonics. A uniform corporate culture based on a common understanding, common values and a clearly positioned brand are indispensable for the implementation of the strategy. Answers to essential questions such as "What does Jenoptik stand for?", "Why do customers choose Jenoptik?" and "What does Jenoptik stand for in the market" were developed



For further information on strategy see the Strategy and Targets section from page 75 on.

in a comprehensive process in 2018. Employees, representatives of Jenoptik's management as well as customers and partners were intensively involved in the form of surveys, workshops and interviews. The first global online survey of all employees and a first global customer survey took place and more than 400 Jenoptik employees collaborated in workshops on the future of Jenoptik. As a result, the three Jenoptik values "open, driving and confident" and the positioning of the Jenoptik brand were defined. With a brand house and a new corporate design Jenoptik is positioning itself in the market and against the competition as a top photonics supplier from 2019. This was initially communicated to the employees by means of information events and workshops at various locations with the goal of actively working with the values and the brand in order to communicate the knowledge, acceptance and the new spirit throughout the company. Since February 2019, Jenoptik has been on the market with a new brand positioning and a new corporate design.

With the new strategy, the Group will concentrate on the core photonics areas of light and optics under the Jenoptik brand in the future. One of the priorities in the past fiscal year was the introduction of the independent VINCORION brand for the mechatronics business (previously part of the Defense & Civil Systems segment), which takes better account of specific market requirements.

The Jenoptik Group benefits from the reputation of our main location Jena, which is highly renowned by both scientists and customers as an "Optical Valley". Jenoptik is conscious of this reputation and is involved in various activities aimed at sustainably improving the location.

The audit report for the Separate Combined Non-financial Report can be found on page 216.



## Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting <sup>1</sup>

To Jenoptik AG, Jena

We have performed a limited assurance engagement on the separate combined non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of Jenoptik AG, Jena, (hereinafter the "Company") for the period from 1 January to 31 December 2018 (hereinafter the "Non-financial Report").

### Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

### Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

<sup>1</sup>) PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

15	Management	35	Corporate Governance	53	Non-financial Reporting	69	Combined Management Report	133	Consolidated Financial Statements	207	Further Information
										208	Assurance by the Legal Representatives
										209	Audit Opinion
										216	Assurance Report on Non-financial Report
										218	Executive Board and Executive Management Committee
										220	Glossary   Index
										222	Historical Summary of Financial Data
										224	Key Figures by Segment and Quarters

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

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

- Obtaining an understanding of the structure of the sustainability organization
- Inquiries of management and relevant personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the combined group management report
- Evaluation of the presentation of the non-financial information

### Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2019 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

### Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Munich, 7 March 2019

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Hendrik Fink                      ppa. Barbara Wieler  
Wirtschaftsprüfer  
(German public auditor)