

SUSTAINABILITY REPORT

of the SICK Group for the 2020 fiscal year

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A. BUSINESS MODEL

The SICK Group is one of the world's leading sensor companies. In line with its 'Sensor Intelligence.' brand claim, the SICK Group concentrates on the development, production and marketing of sensors, systems and services for industrial automation technology.

Its business activities focus on sensor intelligence to provide added value to customers in a wide range of target industries. SICK offers these solutions worldwide, in the form of components, systems including software, or individual services – in the business segments of Factory, Logistics and Process Automation. The SICK Group's reporting is based on four sales regions.

SICK's business model mainly centers on the continued successful development of independent sensor markets. Intelligent and high-quality products and solutions for industrial automation can only be efficiently produced, implemented and sold by companies that focus entirely on sensor solutions. In line with its 'Sensor Intelligence.' claim, SICK therefore concentrates on sensor technology for industrial applications whereby, however, it uses every possibility and characteristic that sensor technology offers. These possibilities – particularly in the form of more powerful processors and storage technologies – together with the integration of application knowledge in the software of individual products ensure that SICK sensors are increasingly developed to provide sensor intelligence. This intelligence is indispensable for enabling the current vigorously advancing digitalization of industrial production and logistical processes within the framework of Industry 4.0 to create the intelligent factory. Industry 4.0 consequently offers continuing growth potential for SICK.



In addition to its business with intelligent products, SICK's business model is based on developing solutions for system business as well as providing individualized customer support with services. Apart from individual products, SICK's systems and service business supplies its customers with complex solutions that are individually adapted to the particular requirements. As a highly innovative company with a world-wide presence, as well as its own production, development and sales facilities in all important sales regions, SICK is well positioned for participating in the growth of industries and markets.

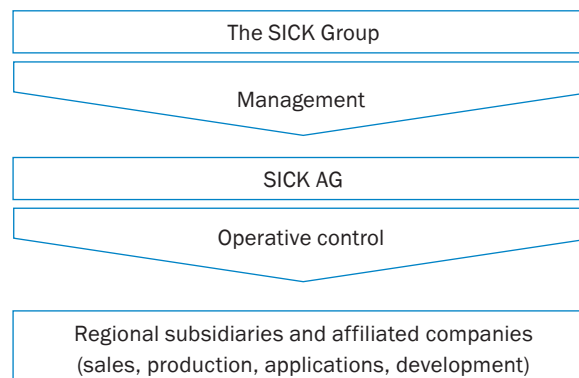
Further information on the business model can be found in the SICK Group's 2020 Annual Report.

I. The Group's organizational structure

SICK AG and its subsidiaries (referred to as the 'SICK Group', 'SICK' or 'Group' below) is one of the world's leading producers of sensors and sensor solutions for industrial applications.

SICK AG is the controlling company for the SICK Group. The company was founded by Dr. Erwin Sick in Vaterstetten near Munich in 1946, and is celebrating its 75th jubilee in 2021. SICK AG carries out its Group management tasks from the company headquarters in Waldkirch near Freiburg. In the 2020 fiscal year the SICK Group consisted of 53 companies. The SICK Group reports on its business performance in four sales regions: Germany; Europe, the Middle East and Africa (EMEA); Asia-Pacific; and the Americas. The SICK Group is led by an Executive Board consisting of six people. The Supervisory Board, consisting of twelve members with equal representation between stockholders and employees, acts as the control committee.

ORGANIZATIONAL STRUCTURE OF THE SICK GROUP



The regional structure of the Group's organization reflects the complex structure of customers and markets. Competence and production centers are correspondingly domiciled in all regions of the world. Sales generally take place via the Group's own sales and service companies in all important industrial nations, whereby product-generating units are controlled from German sites. Regional Product Centers (RPCs) have been set up for the USA (in Savage/Eagle Creek and Stoughton), for Asia (in Singapore and in Johor Bahru, Malaysia) and for Europe (in the German sites and in Kunsziget, Hungary). These RPCs develop and manufacture products for the particular regions and for the world market. The largest production and development site is located at the German headquarters in Waldkirch near Freiburg.

II. Corporate strategy

Corporate independence, a high level of innovative power, and a leading competitive position with continuous sustainable growth are the core objectives of the SICK Group's corporate strategy – regarding the main sales regions as well as the product portfolio.

A high level of investment in research and development reinforces SICK's position as a highly innovative company. SICK constantly offers its customers new products and applications. This strengthens local customer relations and expands the company's global market position. SICK consistently exploits the opportunities offered by the increasing digitalization of production and business processes within the framework of Industry 4.0 – to enhance its leading market position and its competitiveness. In addition, the further improvement of SICK's organizational structure and internal processes, as well as its great attractiveness as an employer, are important cornerstones of the corporate concept.

The Supervisory Board completely supports the Executive Board's strategy of holistically aligning the SICK Group on the requirements of progressive digitalization so that the SICK Group can take a leading role in helping shape the development of the digital world of Industry 4.0.

The development of SICK's corporate strategy has been evolving for many years. The SICK 1.0 strategy formed the basis. During this period, the company's mission was defined on the basis of SICK's corporate culture and values – the 'Principles of Leadership and Cooperation'.

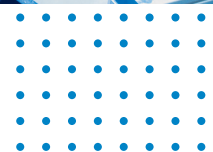


The SICK 2.0 corporate strategy defined the Vision whose formulation proclaims the strategic and future-oriented alignment of the company: 'We perceive the world today as it will be tomorrow'. Important milestones in our corporate strategy have been achieved with the SICK 2.0 strategy program since 2013: Internal corporate projects for more uniform stabilization of processes and control, our handling of globalization, and the founding of internal Start-up Initiatives. Economic development was not the sole aim.

Important pillars of SICK 2.0 also included cultural development within the company to foster a culture of sharing and trust, as well as a future-oriented competence model.

Work on the further development of corporate strategy for the next decade to 2030 – SICK Beyond Borders – has been continuing since 2019. The official go-live took place in September 2020. The core thoughts of the strategy were developed in collaboration between international management and the Executive Board. Employees have also been explicitly invited to actively participate in the further development, structuring and implementation of the strategy since it went live. The strategy program particularly focuses on the needs of customers.

As a highly innovative company with a worldwide presence, as well as its own production, development and sales facilities in all important growth regions, SICK is well positioned for participating in the growth of industries and markets.



III. Corporate policy

SICK's corporate policy is anchored in a single document valid throughout the Group. Among other things, it provides a framework for the definition and evaluation of quality, environmental, and energy targets. SICK's corporate policy commits it to do more than merely maintain legally required standards.

CORPORATE POLICY GENERAL

We are committed to employing all necessary resources to adhere to and implement our corporate policy and to put appropriate measures in place. We monitor current developments in the statutory, autonomous, and normative requirements and commit ourselves to adhering to them and to continuously improving all of the management systems we have implemented. All employees are obligated to align their actions with the corporate policy and to contribute to continuous improvement.

EMPLOYEES, OCCUPATIONAL SAFETY AND HEALTH PROTECTION

Our employees and their expertise are essential to the success of our company. Maintaining the health of our employees as they carry out their occupational activities is therefore very important to us. Taking account of the capabilities and needs of employees and providing the necessary equipment to enable them to do their jobs is part of our corporate culture. We regard continuous training and further development as essential as these are the prerequisites for a high qualification and motivation. We encourage safe and healthy

working conditions that prevent not only injuries, illnesses and strain but also physical, mental and social stresses. This applies both to our employees as well as external parties. The Executive Board, Management Board, senior managers, and staff representatives (if present) work together to implement and promote an integrated and comprehensive approach to prevention and health promotion.

INFORMATION SECURITY & DATA PROTECTION

Adequate protection of our information and business processes with regards to confidentiality, integrity, and availability safeguards the independence of our company. We are aware of our special responsibility when handling personal data. We therefore regard it as essential that we adhere to all applicable laws and regulations relating to data protection.

QUALITY

The customer is our main focus in all our actions. We recognize their needs early, respond quickly to their wishes and requests, and develop innovative solutions with dedication and technological expertise. We view our customers and suppliers as partners with whom we have a long-term working relationship.

We guarantee to our customers the safety of our solutions during operation, and the security of the data that has been entrusted to them over the life cycle.

The quality of our products and services ensures our ongoing commercial success and gives us a unique selling point. We regard it as an opportunity to learn from our mistakes, regardless of where and why they occurred. Continuous improvement is our fundamental philosophy and therefore the basis of our actions and the path towards the zero-defect goal.

ENVIRONMENTAL AND ENERGY MANAGEMENT

We are conscious of our special responsibility to the environment and are committed to sustainable environmental protection. This means, in particular, that we use resources sparingly, minimize our environmental emissions, and use and develop environmentally friendly and energy-saving products. This includes the development of products whose functions make a positive contribution to the protection of the environment. In all of this, energy efficiency is an essential building block for sustainable environmental protection and we continuously strive to improve it.

Waldkirch, August 1, 2020

Dr. Tosja Zywiets
Member of the
Executive Board

ppa. Torsten Hug
Senior Vice President
CD Quality Management

Susanne Tröndle
Chairman of the
Group's Works Council

B. SICK SUSTAINABILITY STRATEGY

SICK AG's sustainability strategy encompasses corporate responsibility for employees, the environment, economic success, and society.

As a family-owned company, sustainability has a long tradition, is a matter of course, and is an integral element of our corporate philosophy and culture. Before development of the new strategy, sustainability was understood according to the three-pillar model in which ecology, economy and social aspects were considered equally important factors.

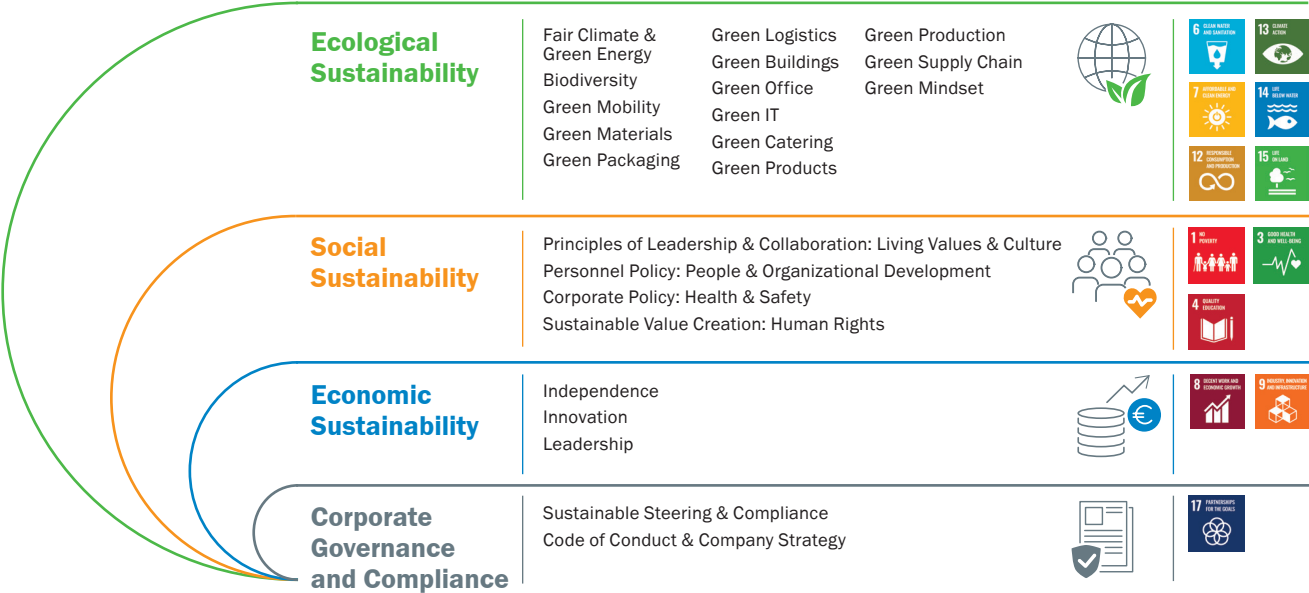
With its new sustainability strategy, SICK clearly commits itself to the 'strong or ecological sustainability' model, and focuses on ecological aspects. The fundamental understanding is based on the fact that no sustainable development is possible without an intact environment – the environment is thus the basis for further development. Economic and social aspects remain important pillars of our sustainable alignment. In concrete terms, this commitment to ecological sustainability means that a consideration of all important processes takes place from the point-of-view of ecological improvement – and identified optimization potentials are implemented within the framework of what is feasible in reality.

Protecting the environment and people, securing stable jobs through long-term economic success, and contributing to society: This has been SICK's understanding of sustainability since the company was founded in 1946.



SICK SUSTAINABILITY STRATEGY

UN sustainability goals and fields of activity



C. ECOLOGICAL SUSTAINABILITY



Climate change and resource scarcity require committed activity from all sections of society. SICK takes its corporate responsibility very seriously and supports long-term ecological protection with its sustainability strategy

6

CLEAN WATER AND SANITATION



7

AFFORDABLE AND CLEAN ENERGY



13

CLIMATE ACTION



14

LIFE BELOW WATER



12

RESPONSIBLE CONSUMPTION AND PRODUCTION



15

LIFE ON LAND



No sustainable development is possible without an intact environment. For this reason, we integrate ecology in all important processes and business departments that can influence sustainability. SICK thus commits itself to so-called 'ecological sustainability'. Our commitment to our employees, society, and sustainable economic success is based on this, so that we can all work in a future environment worth living for.

I. SICK's environmental management

All German sites in the SICK Group, as well as all productive subsidiaries (Hungary, USA, Malaysia and China) are certified according to the ISO 14001 environmental management system. In addition, sites of particular environmental relevance, such as the headquarters in Waldkirch, the Reute site, SICK Vertriebs-GmbH in Düsseldorf, and the Buchholz site, are also certified according to EMAS (Eco-Management and Audit Scheme, Regulation (EC) No. 1221/2009) and ISO 50001 (energy management). Details and figures on these sites are provided in Annex 1 of the Consolidated Environmental Statement for 2020.

Detailed information and key figures on these sites are presented in the Consolidated Environmental Statement 2020 at:

www.sick.com/de/en/green-sustainability/w/green-sustainability/

The aim of our environmental management system is the maximum improvement or, if possible, elimination of negative environmental effects.

This is made possible by consistent implementation of the corporate principles described in SICK's quality and environmental policy throughout the company. The assessment of all environmentally relevant processes, activities and services is another basis for minimizing negative environmental effects. Risk evaluations involving potential mistakes (e.g. during the handling of chemical products and water-polluting substances) are carried out during the assessment of environmental aspects. Appropriate technical and organizational measures are defined and regularly updated.

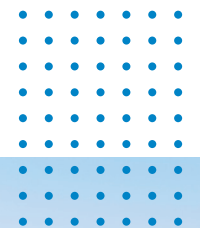
Emergency drills, as well as needs-oriented training in environmental protection, take place regularly.

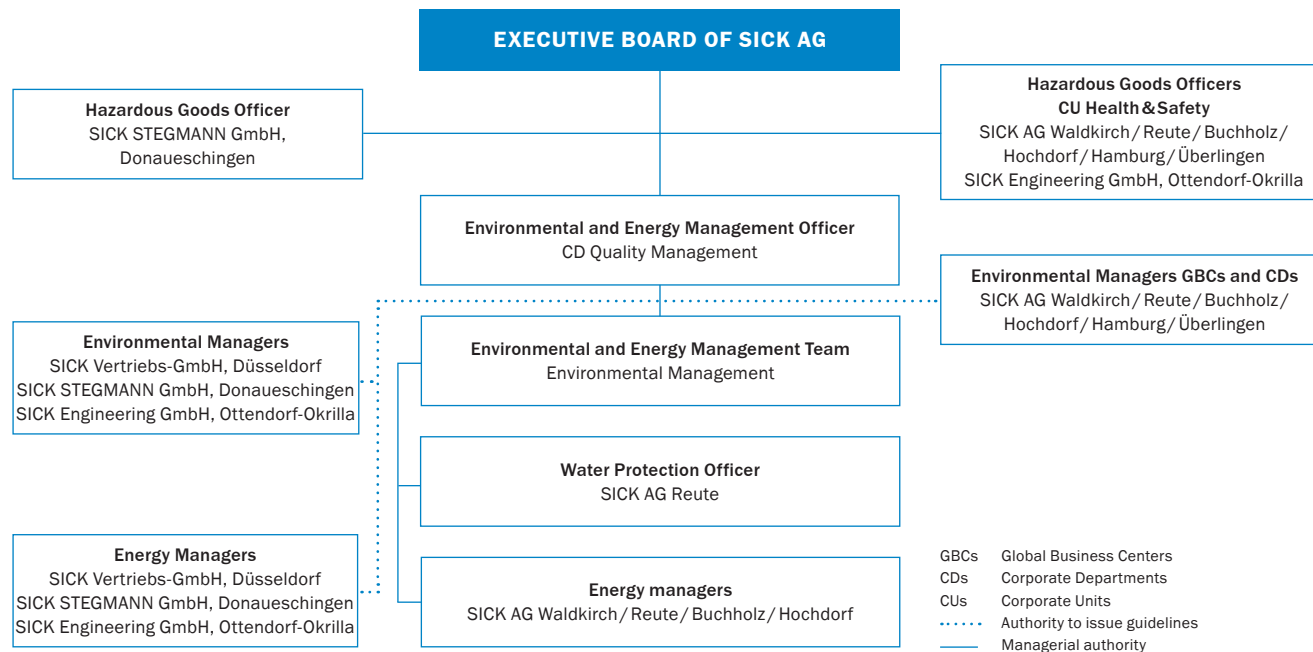
Reliable compliance with legal environmental requirements and careful tracking of legislative changes is a matter of course for SICK. An interdisciplinary committee of experts examines new and changed laws and standards for their relevance to the SICK Group, and advises the affected departments on the necessary implementation activities. Legislation on the European, national and local levels is relevant for SICK AG, starting with waste regulations (the Commercial Waste Ordinance, GewAbfV and the Circular Economy Act, KrWG), energy management (the Renewable Energy Sources Act, EEG, the Energy Saving Ordinance, EnEV), water protection (Water Resources Act, WHG, the Ordinance on Facilities for Handling Substances Hazardous to Water, AwSV) and air pollution protection (Implementation of the Federal Emissions Control Act, BImSchV) and going on to legislation restricting hazardous substances such as the EU's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) legislation or the Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive.

Compliance with standards is also ensured by environmental audits, an open and direct dialog with the public and responsible authorities, as well as our involvement in external specialist committees. Environmental policy, changes in legal requirements, and the results of the annual evaluation of environmental aspects form the basis for adoption of environmental targets, from which our detailed environmental program is derived.

Environmental management is part of the SICK Process Management system (SPM) and integrated in the document steering system of the same name. Strategic guidelines are worked out together with the Executive Board during the conception, introduction and further development of the management system which is compulsory – for environmentally aware and responsible activities on all levels of the company.

Internal and external audits ensure that the defined system is successfully implemented and actively lived. Senior management carries out an annual management review to evaluate the system's effectiveness. The regular provision of results enables us to draw the conclusion that our environmental and energy regulations are being complied with or, if not, measures are introduced to achieve compliance. No fines or non-monetary sanctions were imposed due to non-compliance with environmental legislation and regulations during the period under review.





Our specialists in the central environmental and energy management team in Waldkirch handle operational and product-related environmental protection and energy management. As a central department domiciled in quality management, they produce guidelines for implementation and for the further development of the management system according to ISO 14001, EMAS and ISO 50001, and are contacts for all questions regarding environmental protection and energy management. They work in close collaboration with the environmental managers of the subsidiaries and the product-generating units (Global Business Centers, GBCs) as well as

the central production departments (Corporate Departments, CDs, and Corporate Units, CUs). They lead central projects to implement environmental and energy requirements. They maintain contacts with external partners, the Chamber of Industry and Commerce (IHK), and associations in order to be able to contribute towards continuous improvement, as well as recognize trends and legal requirements in good time.

The following organigram shows the organizational integration of environmental protection at SICK in simplified form. Legally required company officers are also shown here.



II. Principal ecological sustainability activities

SICK's corporate commitment to the environment is in the tradition of our company founder Dr. Erwin Sick. He invented the first smoke density measuring device as early as 1956 because he was very concerned about protecting the environment and humans from industrial waste gases. We continue this tradition with our sustainability strategy and our commitment to ecological sustainability.

SICK not only makes a contribution by means of its intelligent sensor technology, but also with comprehensive measures in all controllable corporate processes. For almost 20 years, SICK has been operating an ISO 14001 environmental management system, according to which all production sites worldwide are certified. In addition, the certification of relevant sites has been supplemented with Europe's EMAS (Eco-Management and Audit Scheme) environmental standard as well as an energy management system according to ISO 50001. The aim of our environmental management system is the maximum improvement or, if possible, elimination of negative environmental effects. A three-level climate and environmental protection strategy was also formulated in 2013.

In its strategy focusing on ecological sustainability and updated in 2019, SICK expanded its environmental protection activities worldwide with all the main fields of activity. Environmental protection is integrated in products and processes throughout the entire product life cycle in order to ensure the maximum possible protection of the environment against negative impacts. All corporate departments are assessed for their ecological optimization potential and set concrete targets. These fields of activity are harmonized with the United Nations sustainability goals of relevance to SICK. The German Sustainability Code (DNK) and the Global Reporting Initiative (GRI) are also standards against which SICK's sustainability strategy measures itself.



GREEN SUPPLY CHAIN AND MATERIALS

GREEN SUPPLY CHAIN

In the life cycle of a sensor product, the main environmental impact is caused by the production, processing and transport of raw materials. The delivery chain with its suppliers and subcontractors, as well as transport between the individual companies involved, is thus decisive for achieving sustainability goals. This interplay is not only the subject of political scrutiny – processes at SICK are also evaluated and optimized along the entire delivery chain.

Green Supply Chain describes the delivery of materials and products from suppliers and subcontractors to SICK taking into account ecological aspects. Appropriate measures can be derived by evaluating suppliers' levels of sustainability. SICK measures CO₂ emissions and their offsetting costs using a calculation model to determine the environmental impact of products caused by their transport to individual SICK sites. Some of our procurement logistics have been transferred to CO₂-reduced freight routes. In addition, SICK collaborates internally and cross-departmentally to design and implement sustainable packaging for consignments from suppliers to SICK with Green Logistics and Green Packaging.

CONFLICT MINERALS

Armed conflicts, particularly in the Democratic Republic of the Congo and bordering nations, are financed with the proceeds of mining particular raw materials. Whereby militias control the raw material mines with the most serious of human rights abuses, and sell the resulting 'conflict minerals' (mainly gold, tantalum, tungsten and tin – the so-called 3TG minerals) worldwide.

Some companies in the USA are legally required to report whether, and to what extent, they purchase 3TG minerals from conflict regions. A system of certified smelting is intended to ensure that in future only conflict-free 3TG minerals are purchased and traded. The corresponding EU Conflict Minerals Regulation also involves a reporting and certification obligation for smelting operations and refineries, as well as major importers of raw materials.

SICK is affected by neither the reporting obligation of the US nor that of the EU. Nevertheless, SICK recognizes the underlying aim – preventing the financing of militant groups that violate human rights – and explicitly works towards achieving this goal. SICK makes efforts to ensure it only uses conflict-free 3TG minerals in its own production, and expressly supports the establishment of the Responsible Minerals Assurance Process (RMAP) by the Responsible Minerals Initiative (RMI).

GREEN MATERIALS

Minerals, metals and fossil resources are present on our planet in finite quantities and cannot be renewed. So it is essential to reclaim these materials and integrate them in a recycling economy. The increasing population of the world results in rising consumption that further aggravates the lack of resources.

A functioning recycling economy is also an important aspect for plastics, most of which are not recycled. Plastics account for 85 percent of coastal litter worldwide. These plastics end up in the bodies of marine organisms and hence humans. The negative consequences for human and animal health from microplastics in the air, water and food are impossible to gauge.



SICK places great value on the responsible treatment of our limited raw materials. Minerals, metals and fossil resources can be recovered with the help of the recycling economy. Metals are already recycled to a certain extent. Thus about 52 percent of the aluminum produced in Europe is made from recycled material. Regarding plastics, on the other hand, this is seldom the case in industrial settings. It is therefore essential to reprocess and reuse these materials (a circular economy). Most plastics are not yet recycled and remain in the environment. In an initial approach, SICK is therefore concentrating on plastics and is developing a strategy for using recycled plastics in the production of SICK products.

GREEN PRODUCTS AND PRODUCTION

GREEN PRODUCTS

Commitment to the environment was already a concern of company founder Dr. Erwin Sick, who developed the first smoke density measuring device in 1956 to reduce air pollution. In parallel with technological progress, demands for companies to contribute towards environmental and climate protection have also risen in recent decades. From production and logistics, to energy generation and consumption, as well as the monitoring of emissions – the need to use resources more efficiently is great in all industrial fields.

Sensors can help here because they gather large quantities of relevant data, and thus generate the transparency needed to optimize processes.

SICK's Green Products initiative assists its customers to use resources more efficiently and minimize negative environmental impacts.

CO₂ measurement devices for incineration, processing and drying plants, among others, helps SICK's customers reduce their greenhouse gas emissions. SICK makes an important contribution towards maintaining a habitable environment with its sensor products for waste incineration plants, power stations, steel and cement works, the oil and gas industry, as well as for chemical and petrochemical plants. SICK's dust measurement technology can precisely detect dust concentrations using a variety of measurement principles – to maintain emission limits or detect problems in processes in good time. In volume flow measurement, SICK sensor systems take on a variety of tasks, for example determining volume flows in plants, measuring natural gas quantities for the natural gas industry, or monitoring emissions in industrial processes.

THE MARITIME INDUSTRY

Ships' emissions damage health and the environment worldwide: More than 10 percent of global CO₂ emissions originate from international shipping. The International Maritime Organization (IMO) thus introduced more stringent regulations with effect from 2020, stipulating considerably lower limits for ships' waste gases worldwide. The shipping industry can reliably monitor its emissions with solutions from SICK, whose measuring devices monitor the scrubbers that filter unhealthy sulfur oxides from the exhaust gases of ships' engines, ensuring clean air above the world's oceans.

THE ENERGY SECTOR

Wind energy plays a major role in sustainable energy generation. Sensors enable adjustment of their components and rotor blades so that maximum energy can be generated. SICK offers absolute encoders with magnetic scanning for these adjustments.



GREEN PRODUCTION

The use of resources is particularly high in production plants – from the production processes themselves to the necessary infrastructure. The use of hazardous substances, the consumption of energy and water, and the waste produced have an environmental impact that must be reduced as far as possible. Production is an important mainstay of SICK's entrepreneurial success, so particular attention is paid here to implement resource-conserving and environmentally friendly working methods.

SICK takes into account, and assesses, the entire life cycle of its products in order to find environment-related potentials that enable process optimization. Worldwide, SICK takes responsibility in this area, even exceeding legal requirements in some places. We increase resource efficiency in the relevant production processes and infrastructure. This field of activity works closely with Green Materials in the development and improvement of production technologies to further reduce our ecological footprint. SICK also seeks suitable solutions outside its own companies, e.g. among partners and suppliers, to align the entire value-creation chain sustainably.

Whereby we concentrate on three aspects, above all:

- Energy and resource savings in production processes
- The reduced use of hazardous substances
- New production technologies for handling environmentally friendly materials

GREEN LOGISTICS, PACKAGING AND MOBILITY

GREEN LOGISTICS

According to current studies, 8 to 10 percent of the world's CO₂ emissions are caused by logistical processes. SICK is therefore committed to improving the efficiency of its logistics, whereby the transport of goods throughout the delivery chain (from raw material to subcontractors, from suppliers to SICK), the transport of goods within SICK (operating logistics), and the transport of our SICK sensors to customers are considered. SICK supports an intact environment, and takes responsibility regarding the consumption of energy, space, material and fuel.

We are reducing our CO₂ footprint by optimizing packaging sizes and by improving the efficiency of our dispatch planning and replenishment processes, whereby there is close networking with the Green Packaging and Green Supply Chain fields of activity.

Individual measures include:

- Using alternatives to air freight (particularly sea and rail freight) wherever possible and sensible. Since March 2020, a rail transport has taken place between SICK's European logistics center in Germany (Buchholz) and its Asian logistics center in China (Jiaxing) roughly every two weeks.
- All logistical processes are being optimized regarding packaging materials.
- Stock replenishment is being optimized with carefully considered order quantities, and longer transport routes are being adapted to sea and rail freight.
- CO₂-compensated dispatch: Our main logistical partners already compensate for the emissions resulting from all transport of packages.

GREEN PACKAGING

Most of our solid waste results from packaging. In the USA, for example, packaging waste is estimated to make up about 30 percent of all waste. Reducing this value is also important because the packaging is mostly only used for a short time compared to the service life of the product. SICK is working on environmentally friendly packaging with reusable materials in order to minimize plastic waste. SICK's sustainability strategy is based on the responsible treatment of resources.

INNOVATIVE IDEAS FOR SUSTAINABLE PACKAGING

We are continuously working on finding environmentally friendly packaging in order to reduce our consumption of oil-based plastics. For this purpose we replace plastic with either cardboard or paper, or use recycled plastics. We also aim to further reduce the volume of packaging, as well as the weight of plastic and paper packaging.

These measures are intended to alleviate the problem of environmental pollution by microplastics and reduce energy consumption during transport. Wherever possible and sensible we want to stop using new plastic in future and exploit recyclates instead. We replace the use of finite resources with renewables: Recycled paper, recyclates and wood from sustainable forestry will be used more in future.

Initial projects have already been implemented: SICK now uses stronger paper to protect transports instead of conventional two-component foam. The use of bubble wrap with a recycle level of at least 50 percent also ensures secure transport. Three differently sized plastic bags are now used in place of our standard plastic packaging, to reduce overpackaging. Smaller adapted packaging sizes not only reduce the amount of plastics consumed, but also the entire packaging volume. This reduces the CO₂ footprint of packaging and all transport processes.

With its Green Packaging field of activity, SICK takes responsibility for an intact environment and is continuously developing innovative and environmentally friendly packaging solutions with its packaging suppliers.

GREEN MOBILITY

A large proportion of CO₂ emissions is caused by everyday traffic – about 30 percent in the EU. Cars are responsible for about 60 percent of total CO₂ emissions from Europe's road traffic. SICK therefore aims at precisely this problem: In our Green Mobility field of activity, we want to specifically reduce carbon dioxide emissions caused by our employees' business trips and commuting to work.

USING GREEN MOBILITY TO INCREASE SUSTAINABILITY

E-MOBILITY:

Essential business trips will be carried out with as little impact on the environment as possible. SICK has been using e-vehicles for business trips between German sites since as long ago as 2011. Their power is entirely supplied using green electricity, and the fleet is constantly being expanded. Pedelecs are also available for employees to use. These e-bikes were donated by Dorothea Sick-Thies, daughter of company founder Dr. Erwin Sick, and a committed environmentalist. She is also the initiator of numerous environmental measures at SICK. SICK invests in the necessary infrastructure and is continuously expanding its network of charging points for e-cars, for example in employee and visitor car parks.

PROMOTING ENVIRONMENTALLY FRIENDLY TRANSPORT:

Business trips between individual sites are unavoidable for a company like SICK that is active worldwide. Whenever possible, business trips are replaced by telephone or video conferences. Essential business trips are carried out with as little environmental impact as possible, e.g. by train or with efficient journey planning using car-sharing. SICK uses e-mobility for short distances. Since 2013, CO₂ emissions caused by business trips (indirect emissions) have been compensated for by a climate protection project carried out by 'atmosfair' and in accordance with the CDM Gold Standard.



For many years now, the 'Environmentally friendly to SICK' working group has been supporting employees switching to environmentally friendly means of transport, such as bicycles or public transport. An app that simplifies the organization of car-sharing is also available, and helps motivate the workforce.

Another measure for reducing CO₂ emissions is a Green Car Policy for those entitled to company cars. This has been in force since 2013 and is constantly being developed. The accounting system makes it financially attractive to select a low-emission company car.

GREEN BUILDINGS, OFFICE AND IT

GREEN BUILDINGS

Buildings are considered the largest single factor contributing towards energy consumption and greenhouse gas emissions worldwide. Of decisive importance here is the environmental impact during the utilization phase (i.e. energy consumption), as well as the environmental impact of the building materials used.

As a result of the long lifetime of buildings it is essential to invest in energy efficiency right from the start – when designing office buildings, warehouses and production buildings – to achieve a maximum positive effect on the environment.

SICK uses sustainable building materials wherever possible for its new buildings. This includes using renewable raw materials, such as wood instead of concrete, produced with as little energy as possible and ideally obtained locally. These factors have a decisive positive effect on our ecological balance sheet.

THE SUSTAINABILITY OF SICK'S BUILDINGS

SICK optimizes both existing buildings and all planned construction work:

An energy concept is created for all new buildings in advance – to achieve the minimum possible energy consumption. The main measures used depend on site suitability and the type of building involved. They include:

- The use of groundwater for cooling
- Concrete core activation
- Displacement ventilation, and ventilation plants with heat recycling
- The use of daylight, as well as presence-controlled and daylight-controlled LED lighting
- The use of photovoltaic, geothermal and cogeneration units
- A measurement concept for monitoring and optimizing energy consumption

Existing buildings and the entire infrastructure are being renovated to increase energy efficiency. For this purpose, for example, ventilation plants have been renewed, lighting standards defined, and automated shading systems installed. An energy measurement system detects which plants or departments are consuming how much electricity to uncover savings potentials. All information and experience leading to building definitions is documented in a building standard – which must be used for all new buildings at SICK.



GREEN OFFICE

In addition to reducing CO₂ emissions caused by our logistics, packaging and business trips, SICK also takes on this task in everyday office work. Large quantities of old paper and plastic waste are created every day. The Green Office field of activity therefore focuses on the environmentally friendly structuring of office-specific processes. SICK thus wants to establish measures oriented upon the environment and resources to gradually achieve our own sustainability targets.

RESOURCE AWARENESS IN THE OFFICE

Although recycling is a sensible process for environmental protection, it is the last option at SICK wherever possible: We want to prevent avoidable purchases in the first place. Integrating this in our daily business enables us to minimize waste and contribute towards reducing carbon emissions. With the digitalization of work processes, SICK distances itself from paper-based work and conserves valuable resources. We also prefer magazines and newspapers in digital format to prevent the creation of old paper at source. SICK uses recycled and environmentally friendly products in its core range of office supplies so that every employee has direct access to sustainable office materials. SICK continuously works on improving and expanding the range of environmentally friendly office suppliers, and will introduce them internationally in the next step.

GREEN IT

According to current estimates, IT and communication technology represent about 4 percent of the world's electricity consumption. Video streaming, social media, big data, artificial intelligence and the digitalization of business and production processes also contribute towards the worldwide rise in energy consumption – and CO₂ emissions. Moreover, the production of IT devices requires metals (including silver, gold, copper, lithium) and rare earths (e.g. neodymium and tantalum), resulting in a negative impact on the environment because their mining is largely uncontrolled. These examples show why the IT field of activity also offers considerable optimization potentials regarding ecological sustainability.

WHAT SICK UNDERSTANDS BY GREEN IT

Green IT describes how we implement energy-efficient and environmentally friendly information and communication technology at SICK, whereby we differentiate between 'green in IT' and 'green via IT':

'Green in IT' includes, among other things, the use of energy-saving IT devices and the optimization of resource requirements at the workplace and for cooling servers. SICK also places great value on a sustainable life cycle for IT devices – from procurement to recycling. We also try to focus on ecological sustainability in the area of IT with resource-conserving and energy-efficient processes, such as server virtualization and the harmonization of applications to reduce our server and energy loads.

'Green via IT' at SICK involves the preparation of IT infrastructure to reduce our CO₂ footprint. This includes video conferencing systems to replace unnecessary business trips, or IT equipment for mobile home office working. Cross-departmental collaboration is also promoted, to drive forward the digitalization of business processes throughout the company.



FAIR CLIMATE & GREEN ENERGY

Climate change is the greatest challenge and threat to the world's population. 95 percent of all climate scientists agree that man-made CO₂ emissions are responsible for negative climate change. We at SICK take responsibility and are gradually reducing our CO₂ emissions. Our energy policy includes the sustainable procurement and generation of energy – so that the earth remains habitable for coming generations.

CLIMATE PROTECTION STRATEGY AT SICK

1. We do not waste energy – we increase energy efficiency
2. We use renewable energy wherever possible. We compensate for CO₂ emissions that cannot be avoided

We track and evaluate the success of our measures on the basis of concrete targets. SICK has voluntarily committed itself to reduce its net greenhouse gas emissions at all German sites, as well as all production sites worldwide, to zero by 2030 by signing a new climate protection agreement with the German state of Baden-Württemberg. This commitment refers to Scope 1¹, Scope 2² and proven Scope 3³ emissions.

SICK already achieved this goal in Germany in 2013 – for emissions at its sites including upstream energy generation (Scopes 1 and 2) and business trips (Scope 3). Other Scope 3 emissions are to be measured and offset.

THE PREVENTION OF, AND COMPENSATION FOR, CO₂ EMISSIONS

ENERGY EFFICIENCY: SICK has set itself the goal of increasing its energy efficiency by 25 percent in Germany (by 2025) and worldwide (by 2030) based on 2018 rates. SICK wants to achieve this goal using a variety of measures, such as optimized control of heating and ventilation, optimization of compressed air generation, optimization of quiescent power consumption, and the insulation of facades and roofs.

GREEN ELECTRICITY: SICK has been using certified green electricity at all German sites since 2013 to prevent CO₂ emissions. The electricity is certified with the 'OK Power Label' to achieve the highest possible environmental standards. This means, among other things, that the electricity is 100 percent generated from renewable energy sources with at least one-third from newly built power stations – promoting the energy transition (away from nuclear power). Throughout Germany, SICK can thus prevent about 7,300 tonnes of CO₂ emissions per year. SICK has set itself the goal of also switching its worldwide production sites to green electricity by 2025 or, if unavailable, to compensate for the emissions.

PHOTOVOLTAIC, GEOTHERMAL AND COGENERATION POWER STATIONS: SICK generates electricity and heat from renewable energy sources on its own works grounds. This includes heat from geothermal plants, gas-powered combined heat and power plants (CHP) for the efficient generation of electricity and heat, and electricity generated using photovoltaic plants (PV) that have been constructed at many SICK sites. SICK thus want to increase the proportion of electricity (PV and CHP) that it generates itself to 40 percent – in Germany by 2025 and globally by 2030. We also constantly check that gas derives from renewable energy sources – CO₂ emissions are compensated for if this cannot be implemented.



¹ Scope 1: Direct, i.e. emissions generated at our own sites

² Scope 2: Emissions generated from purchased energy, e.g. electricity and district heating

³ Scope 3: Indirect greenhouse gas emissions generated by upstream and downstream value-creation chains, including business trips

COMPENSATION: Unavoidable CO₂ emissions are offset by means of climate protection projects that meet the CDM GOLD Standard via the 'atmosfair' not-for-profit organization. Annual compensation for about 18,000 tonnes of CO₂ emissions can thus be achieved. The CDM GOLD Standard is the compensation standard with the highest quality demands.

SICK has also been working with the Plant for the Planet environmental organization since 2017. The collaboration was initiated by Dorothea Sick-Thies, daughter of company founder Dr. Erwin Sick and a committed environmentalist. Together with Plant for the Planet, SICK organizes annual Climate Academies for children and youths who are trained to become climate ambassadors. SICK also offsets its unavoidable CO₂ emissions by planting trees on Plant for the Planet's own land on the Yucatan peninsula in Mexico. This takes place in addition to the compensation already carried out via atmosfair. The planting of trees on Plant for the Planet's own land ensures that the trees absorb the calculated quantity of CO₂ and are not felled too early. Although it is clear that trees only bind CO₂ temporarily, SICK has decided to use this additional form of compensation. The temporary absorption of CO₂ for a length of about 100 to 200 years will gain valuable time until new technologies can demonstrate their full effectiveness.

BIODIVERSITY

Biodiversity is the variety of species, habitats and genetic material. The gradual loss of this diversity is a challenge for the whole of society. Measures to maintain biological diversity are required on global, regional, and local levels.

In this age of climate change and lack of resources, SICK is well aware of its role in society, and wants to work against the loss of biodiversity locally and set a good example for employees and customers. Imitation is explicitly encouraged!

ACTIVELY PROMOTING BIODIVERSITY

In the Biodiversity field of activity ideas are developed and implemented to protect and increase biodiversity at SICK sites. In a first step, biodiversity potentials were identified at several company sites in 2018.

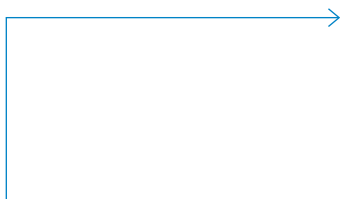
The aim is to give biological diversity space in the green areas on SICK's grounds. Wild bees, butterflies, lizards, grasshoppers and many other types of flora and fauna should make these areas their home.

For this purpose, all SICK's open spaces will be converted to flowering and natural meadows throughout Germany by 2022 (except for cesspits and heavily frequented lawns). Elsewhere, we want to convert open spaces at SICK's production sites to flowering and natural meadows by 2025.

Depending on suitability, specific habitats for insects, birds and bats will be set up at individual company sites. Many activities have already been implemented and will be expanded. Examples include:

HUNTING AREAS FOR BATS IN WALDKIRCH: Bats are among the most threatened mammals in Germany. They not only suffer from habitat loss, but also from a shortage of food. Oak logs have been set up at SICK's headquarters, providing an important habitat for insects – the main source of food for bats. We further expanded this habitat by planting Virginia creeper and clematis around the logs, creating a large range of nutrition for the bats. Bats like to use linear structures as guidelines because they mainly orient themselves using echolocation. The avenue arrangement of the oak logs in combination with the positioning of SICK's office buildings thus provides ideal prerequisites for hunting grounds. Bat nesting houses, where bats can withdraw during the day, raise their young, and hibernate over winter, have also been installed.

DEAD WOOD HABITATS IN BUCHHOLZ: The piles of dead wood at SICK's distribution center in Buchholz will form a habitat for many types of animal, including insects, birds and bats, for the next 20 to 30 years. The chalk gravel spread on the ground also offers a habitat for other rare plants and animals that require poor soil. The logs originate from an ecological landscaping project, i.e. a planned deforestation.



ECOLOGICAL DESIGN OF DITCHES AS TEMPORARY MARSH-

LAND: The existing drainage ditches at SICK's European distribution center in Buchholz were expanded, their cross-section enlarged and three hollows created. A layer of clay was laid down to delay the drainage of water. This has created a new ecosystem:

- Damp zones with highly specialized plants that withstand wet/dry changes
- A transition zone
- A south-facing slope on nutrient-rich ground

REFORESTATION WITH NATIVE TREE SPECIES AND TREES THAT PROVIDE FOOD FOR BIRDS:

Every year SICK hosts a Climate Academy for children and youths at selected locations. More than 150 trees and shrubs, including rare and ecologically valuable species (such as sorb and the true service tree) have been planted at SICK during the joint planting events with Plant for the Planet.

GREEN MINDSET AND CATERING**GREEN MINDSET**

Sustainability is an omnipresent topic – it confronts each of us every day. Industrial companies like SICK are, of course, not exempt. And this is necessary, because the earth will only remain habitable if we stop climate change and use resources responsibly. Environmental protection must have its place on all levels and be driven forward with motivation – from the management level to every single employee.

GREEN MINDSET – AT ALL LEVELS

For us, Green Mindset means taking into account sustainability aspects on all levels of activity, and understanding why it deserves its high status. SICK increases environmental awareness in the company by appreciating and sponsoring exemplary projects, and providing information about environmental protection in training courses. Sustainability is a holistic concept at SICK and affects every corporate department. Our employees are therefore not just confronted with it every day, but are also informed about all measures undertaken – this establishes a green mindset. Suggestions for improvements can be handed in by any employee and flow into concrete sustainability projects.

In addition to our internal corporate expertise, SICK is also supported by an external council of experts. Together, projects to achieve our sustainability goals are continuously assessed, adapted and internationally expanded.

GREEN CATERING

The supply of food is responsible for one third of all greenhouse gas emissions worldwide: No progress in transportation or energy transition has the potential to slow global warming as much as a conscious choice of food. Above all, conventional means of food production have negative effects on biological diversity. The selection of seasonal and regional food could reduce carbon emissions from the food supply chain by at least 50 percent – and increase regional species diversity. It is also worth noting that arable farming releases lower amounts of greenhouse gases, so vegetable products are preferable to meat.

GREEN CATERING AT SICK:

SICK uses Green Catering concepts to select the range of foods in its works canteens, as well as choose how snack machines and coffee machines are used. We pay attention to the sustainability and quality of the foods provided. SICK attempts to obtain its foods regionally so that transport routes are kept as short as possible and greenhouse gas emissions can be reduced. SICK selects seasonally available foods for its canteens. We promote a sustainable food culture with regional and seasonal products and our almost entirely vegetarian Green Line supplementary range of meals. This not only leads to appreciation of the range of food available regionally, but also reduces CO₂ emissions while increasing quality and freshness. Our aim is to offer our employees a healthy and sustainable range of meals – without them having to renounce culinary pleasures.

Concrete measures that SICK has introduced at individual sites:

- Conversion to compostable coffee capsules
- Plastic-free tea-bag packaging
- Expanded range of water dispensers and thus reduced number of beverage bottles
- Introduction of returnable glass boxes for takeaway meals to replace the disposable polystyrene boxes previously used
- Range of organic meat dishes (pilot phase)



III. Key figures and targets for ecological sustainability

The total energy consumption of SICK AG has fallen from 57,016 MWh in 2019 to 52,874 MWh in 2020. This is largely due to a reduction in fuel consumption of more than 4,000 MWh during this period. The CO₂ emissions caused by SICK also fell by about 5,500 tonnes compared to the previous year. The sharp decline is due to the decrease in actual flights booked (from 8,282 flights in 2019 to 187 flights in 2020) and business trips.

The gross value added (in EUR m.) has been selected as the reference parameter that will enable us to maintain our environmental and sustainability performance for many years, despite future growth of the company. This is currently being determined and, after completion of the calculations, will be published.

This is currently being determined and will be published after the calculations have been completed at:

■ www.sick.com/de/en/green-sustainability/w/green-sustainability/

CONSUMPTION FIGURES*

		2018	2019	2020
Input	Energy (incl. fuel) in MWh	54,679	57,455	53,277
	External procurement, gas**	20,574	21,982	22,334
	External procurement, electricity	17,350	18,316	17,364
	SICK-generated electricity (PV)	780	1,137	1,192
	SICK-generated electricity (CHP)	2,149	2,341	2,871
	Fuel	13,826	13,679	9,515
	Proportion renewable – absolute, in MWh	18,130	19,453	18,556
	Proportion renewable – relative, in %	33	34	35
	Proportion SICK-generated electricity – relative, in %	14	16	19
	CO₂ emissions total in tons	16,120	13,359	7,605
	CO ₂ emissions direct – at the sites	4,197	4,484	4,556
	CO ₂ emissions indirect – business trips	11,923	8,875	3,049
	CO ₂ emissions indirect – rail	15	12	–
	CO ₂ emissions indirect – company cars	3,713	3,664	2,537
	CO ₂ emissions indirect – flights	8,195	5,199	512
	Water in m³**	61,293	62,592	51,107

* Consumption figures for all SICK sites in Germany.

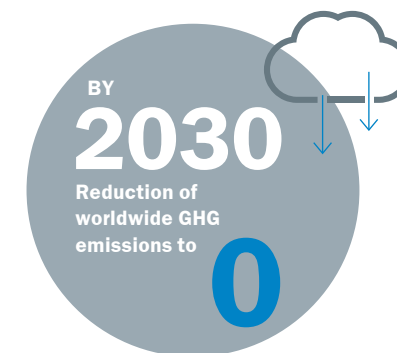
** The consumption figures for gas and water at some rented sites are based on projections due to our not yet having received consumption billing for 2020. The projections are based on consumption during the previous calendar year.

OVERALL ECOLOGICAL SUSTAINABILITY GOAL

SICK has voluntarily committed itself to reduce its net greenhouse gas (GHG) emissions at all German sites, as well as all production sites worldwide, to zero by 2030 by signing a new climate protection agreement with the German state of Baden-Württemberg. This commitment refers to Scope 1, Scope 2 and proven Scope 3 emissions.

SICK already achieved this goal in Germany in 2013 – for GHG emissions at its sites including upstream energy generation (Scopes 1 and 2) and business trips (Scope 3). Other Scope 3 emissions are to be measured and offset.

SICK has set itself the goal of zero net GHG emissions for Scopes 1 and 2 by 2025, and for proven Scope 3 emissions for global production by 2030.



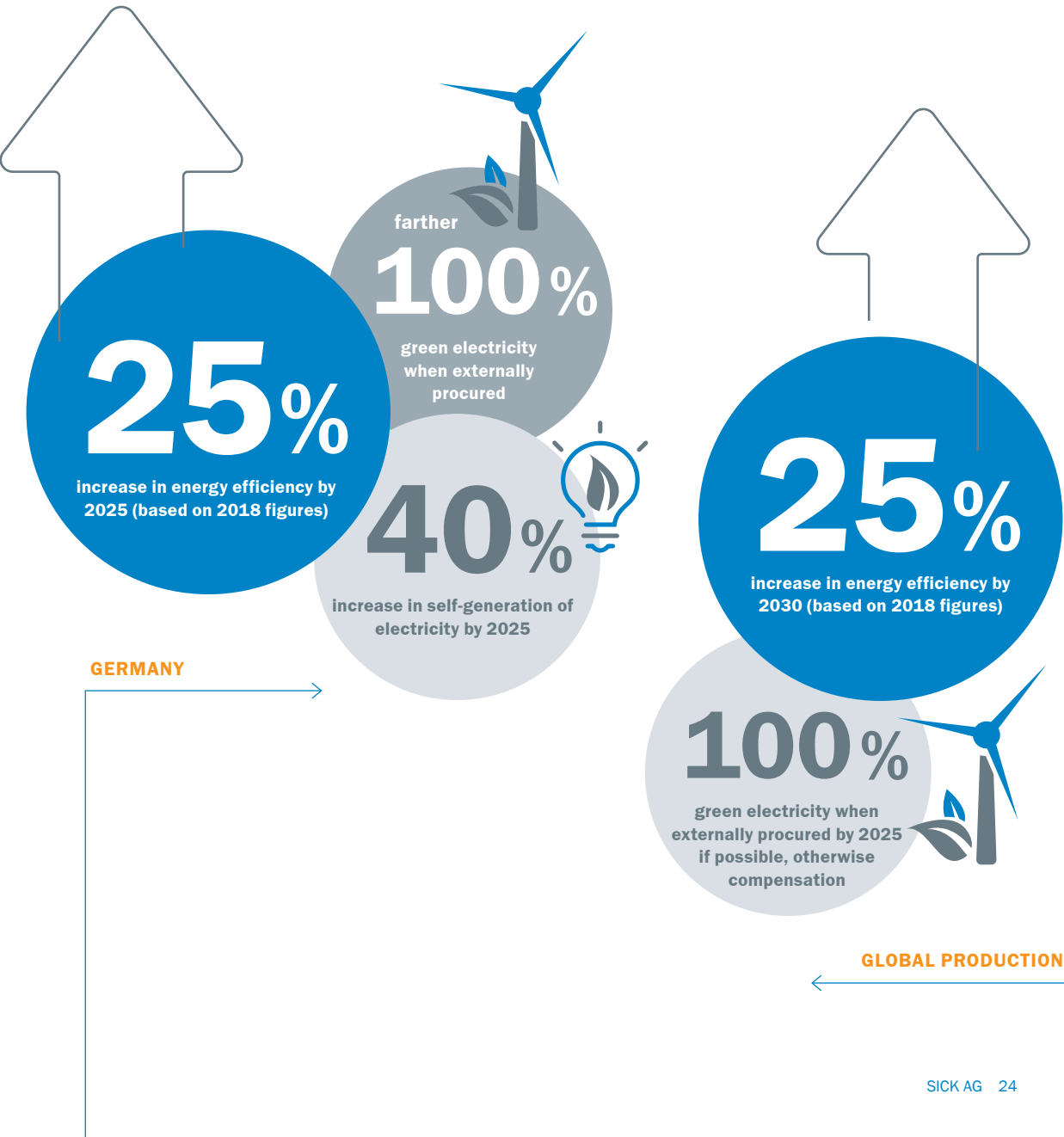
ECOLOGICAL SUSTAINABILITY GOALS ACCOMPLISHED SO FAR

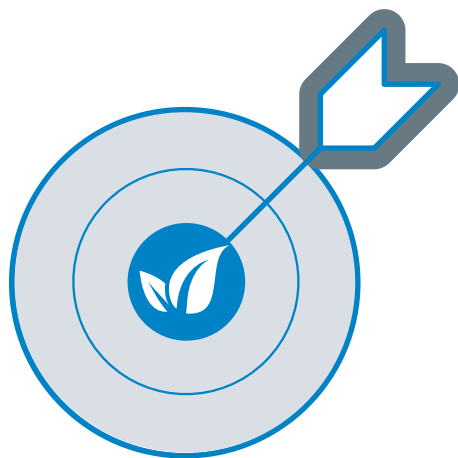
Field of activity	Goal	Scope	Measure/KPI	Date	Status
Fair Climate and Green Energy	100% green electricity	Germany	100%	2013	Goal achieved
	100% compensation for Scope 1 and 2 emissions and business trips (Scope 3)	Germany	100%	2013	Goal achieved
Biodiversity	Flower and natural meadows at the Reute, Waldkirch and Buchholz sites	Germany	Individual	2019–2020	Goal achieved
	Dry stone walls, dead wood stumps, bat habitats at the Reute, Waldkirch and Buchholz sites	Germany	Individual	2018–2020	Goal achieved
Green Mobility	Expansion of e-mobility	Germany	Expansion to 100 charging points in Waldkirch	2020	Goal achieved
Green Logistics	Implementation of regular rail link	Global	Introduction of regular rail link between DC Buchholz and FCC Jiaxing for replenishment deliveries	2020	Goal achieved
Green Packaging	Replacement of packaging foam with paper	Germany	Use of foam machine at DC Buchholz replaced by new paper packaging machine (50% recycled paper)	2020	Goal achieved
Green Buildings	Establishment of an environmental and energy standard for new and existing buildings	Germany	Environmental and energy standards defined for buildings and services – implementation ongoing	2020	Goal achieved

GOALS FOR THE 14 FIELDS OF ACTIVITY FOR
ECOLOGICAL SUSTAINABILITY

FAIR CLIMATE AND GREEN ENERGY

We at SICK take responsibility and are gradually reducing our CO₂ emissions. Our energy policy embraces the sustainable procurement and generation of energy so that our Earth also remains habitable for coming generations. We have set ourselves binding energy efficiency values and compensation goals for this purpose – both for our German sites and for all SICK production sites worldwide.





TARGETS

WE AT SICK WANT TO IMPLEMENT SUSTAINABILITY IDEAS IN ALL CORPORATE DEPARTMENTS.



OTHER ECOLOGICAL FIELDS OF ACTIVITY

We at SICK have evaluated all corporate departments to assess whether feasible potentials exist to use more sustainable processes. This has resulted in 14 fields of activity. Important ecological targets have already been defined, though some concrete goals and figures for measuring progress have yet to be defined by those responsible for specific topics.



GREEN LOGISTICS

Expanded use of sea and rail freight instead of air freight.
Increase in proportion of sea freight to the USA to 20%.



GREEN PACKAGING

Definition of minimum requirements for sustainable environmentally friendly packaging to reduce packaging material overall and use recycled materials wherever possible.



GREEN MOBILITY

Reduction of CO₂ emissions from our vehicle fleet by promoting e-mobility, setting targets for CO₂ emissions, and developing green travel guidelines.

TARGETS

“We integrate ecology in all important processes and business units that have an effect on sustainability.”

Kerstin Kohler,
Manager, Environmental Management



GREEN OFFICE

Introduction of recycled photocopy paper (A4) with a reduced level of whiteness (80%), and extension to other office materials.



GREEN BUILDINGS

Generation of specific energy concepts for all new buildings with the aim of maximizing energy efficiency and the use of renewable energies.



GREEN IT

Taking into account energy efficiency and the sustainable use of resources in our IT strategy, including our cloud strategy.



GREEN PRODUCTION

Definition of standards for the development of future production plants using sustainable and energy-efficient components.



GREEN PRODUCTS

Development of new technologies and measurement technology to support energy transition, e.g. power-to-gas.



BIODIVERSITY

Expansion of flower and natural meadows on all SICK grounds (except for heavily frequented areas and cesspits).



GREEN MATERIALS

Development of a strategy to use recycled plastics in SICK products (a circular economy approach).



GREEN SUPPLY CHAIN

Inclusion of sustainability in supplier management – for more energy-efficient components.



GREEN MINDSET

Further development of an effective sustainability network (internal/external) to expand awareness of sustainability and create synergies.



GREEN CATERING

Use of regional and seasonal products, as well as continuation of pilot organic meat scheme.

D. SOCIAL SUSTAINABILITY



Our employees are at the heart of SICK's success.

Their competence and collaboration within the corporate network are the fundamental prerequisite for sustainable growth, and an important differentiation feature. Consequently, both our corporate and personnel strategy are ultimately based on their competence – because innovation and corporate success are the result of the work of committed, inspired and efficient employees. This innovation and corporate success can only thrive if the ground has been prepared for respectful and fair togetherness in a trusting working atmosphere. This includes creating an environment that promotes the pride, motivation, identification, and health of our employees.

In addition to this trusting togetherness, the main elements of our corporate culture include personal development opportunities, competence development, a balance between obligation and encouragement, and the numerous possibilities to contribute beyond one's own work context and take responsibility – based on the conviction that tasks and competences must be ideally compatible with one another. Only then can the prerequisites be created for employees to exploit their individual potentials to the full and contribute their efforts.

Finding the right employees, as well as integrating and retaining them, is very important. To ensure that this is successful, we constantly aspire to make the promises of our strategy and personnel policy visible and experienced in the lived culture. The active shaping of workplace culture thus gains particular significance – expressed in a transparent, comprehensible and coherent personnel policy.

1 NO POVERTY



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



10 REDUCED INEQUALITIES



I. Personnel policy

PERSONNEL POLICY AND DEVELOPMENT

SICK's personnel policy is characterized by the Mission Statement, with its core values of independence, innovation and leadership. Whereby leadership not only means technology and market leadership, but also the development of our corporate and leadership culture.

The activities of SICK personnel are based on the same principles and values worldwide. Ever-greater international networking makes value-oriented leadership, interaction and constructive collaboration increasingly important and increasingly more challenging. SICK orients itself on its 'Principles of Leadership and Cooperation'. These form a binding framework for the activities of all employees and managers valid worldwide.

High workplace quality, trust, enthusiasm and teamwork have been deeply anchored in SICK's corporate culture and Mission Statement since the company was founded more than 70 years ago. Employees fill these values with life every day – and thus create the basis for economic success.

Personnel work involves a wide variety of topics. The most important during the 2020 fiscal year were:

- Alignment and adaptation of personnel work to requirements resulting from the pandemic
- Progressive concepts and targeted implementation of activities shaping the world of work ('New Work') in response to the requirements of digitalization and business (e.g. continued agile transformation, encouragement of cross-functional and cross-organizational collaboration, targeted personnel development opportunities)
- Organizational development of the ability to adapt and change
- Further development of methods, instruments and processes focusing on performance, transparency and applicability
- Acceleration of cultural change and its active support
- Competence development, talent management, strategic personnel planning, as well as employer branding and recruiting
- The clear aims are to enhance competences for cross-departmental collaboration in a global environment, and to develop appropriate organizational methods to optimally enable the company to overcome the challenges of digitalization.

In line with our principle 'We recognize and acknowledge performance', in addition to collectively agreed remuneration, SICK also offers extensive non-tariff payments, e.g. profit-sharing, variable pay components, performance-related payments, invention-based bonuses, or company pensions. This range is supplemented by flexible worktime models, mobile work, flexitime and working time accounts for individual life phase planning and the active promotion of health and needs-oriented training. The core of our recognition culture, however, is a lived culture of feedback that is strongly promoted by personnel work.

Along with growth in sales during the last fiscal year, the number of employees worldwide also increased by 229. At the end of 2020, the SICK Group employed a total of 10,433 personnel. The increase was thus 2.2 percent compared to the end of 2019 (10,204 employees). The rise was within the forecast range; slightly above it if the extra personnel for the Start-up Initiatives are included. This increase in capacity further enhances the competences at SICK, particularly in R&D, Production and the worldwide sales and service organizations.

EMPLOYEES ON DECEMBER 31, 2020

	2020	2019	Change in %
Germany	5,961	5,847	1.9
Europe, Middle East and Africa (EMEA)	2,023	1,972	2.6
North & South America (Americas)	993	970	2.4
Asia-Pacific	1,456	1,415	2.9
Total	10,433	10,204	2.2

The average age of the SICK workforce remained unchanged at 41.0 years in 2020. Despite the many new appointments, the average period of employment only fell slightly, to 9.2 years (2019: 8.9 years) due to the continuing very low rate of fluctuation. The percentage of women in the workforce of the SICK Group remained almost constant compared to 2019. 31.8 percent of the workforce was female and 68.2 percent male in 2020. The SICK Group employed 384 trainees on 31 December 2020 (2019: 365 trainees).

THE SELECTION AND ONBOARDING OF NEW EMPLOYEES

When selecting new employees, SICK places great value on their fitting the company, their future colleagues, and our culture. The cultural imprint is thus a central selection criterion for new appointments, alongside professional qualifications.

Thus social and leadership competences play a major role during the application process, alongside professional competences. An online test is an additional indicator for trainees and students at cooperative universities. In addition to questions about career choice and qualifications, it specifically examines the extent to which an applicant fits SICK's corporate culture and values. In the Assessment Center, the part of the selection process for trainees and students at cooperative universities, applicants complete both individual and group tasks that portray everyday work at SICK. As a result of the great significance that the corporate culture has within the company, this selection step also specifically examines whether, and to what extent, an applicant fits SICK and SICK's culture.

There is a specific curriculum for new employees involving an introductory seminar, feedback workshops, and special e-learning courses. Participants familiarize themselves with SICK's corporate culture during the two-day introductory seminar. In addition to the corporate strategy, other important elements include corporate communication and values, SICK's Mission Statement, corporate competences and the Principles of Leadership and Cooperation. Adapted variants of the introductory seminar meet the needs of specific target groups, e.g. the Start@SICK program for Production and Logistics, which focuses on the topics of social togetherness, leadership and collaboration in direct areas of work, as well as developments and strategy in Production and Logistics. There is an adapted range of seminars that examine intercultural aspects for international employees who work at SICK as impatriates.

TRAINING AND FURTHER EDUCATION

SICK considers lifelong learning not only to be a key for sustainable success, but also a real opportunity for the personal development of employees. Competence management, as an integrated dynamic system of personnel management, is the mainstay of internal training – with the goal of shaping cultural change at SICK regarding leadership and collaboration.

In addition, the fundamental attitude that 'competence counts' expresses a high level of recognition and appreciation of our employees. SICK's competence management supports the necessary development of specialist, leadership and social competences, particularly given the challenges of the digital transformation. This ensures that every employee has the necessary expertise and abilities to fulfil their specific tasks. As SICK has great trust in the individual responsibility of its employees, the further education program offered by the company's own Sensor Intelligence Academy (SIA) is available to all employees during worktime.

The SIA coordinates needs-oriented training and, with its highly varied range of courses, acts as a competence center for further education and lifelong learning that also increasingly extends to SICK's international companies, particularly in Asia and the USA. It has become established as a training center for technical and non-technical courses. The range of further education is divided into four general areas: Methods and specialist knowledge, product-oriented knowledge, sector and application knowledge, and corporate topics. The Learning Management System enables the harmonization and standardization of training processes, and guarantees uniformly high quality standards. The farther the digital transformation advances, the greater the importance of targeted knowledge acquisition and capability. Thus it is becoming increasingly important to rapidly and straightforwardly provide employees access to the knowledge and information required at the particular workplace. For this purpose, the SIA offers, among other things, efficient learning formats based on new technologies, e.g. web-based training courses,

Competence management at SICK supports the necessary development of specialist, leadership and social abilities.



blended courses, virtual reality, social collaboration learning, or co-creation approaches. The SIA also offers the most varied course formats: e-learning courses, short films and webinars are available, in addition to classic attended courses that take place on site. The aim is to offer digital learning media to support self-paced learning processes to enable learning anytime and anywhere, and increase learning effectiveness.

Key figures on the SIA (at end of 2020):

- 939 face-to-face training courses carried out with 5,288 participants and a total of 42,509 teaching hours
- 2,441 internal trainer hours completed
- 543 new internally developed and implemented e-learning courses
- 132,869 completed e-learning modules worldwide
- 50 external and internal trainers

The international manager courses were further intensified during the 2020 fiscal year. They mainly concentrated on handling change management, agility, or increasing complexity – decisive competences given dynamically developing market and customer demands.

As in the past, our personnel work during 2020 focused on training. Learning in projects as well as courses on social and methodological competences (off-the-job measures) played a major role, in addition to specialist training. Thus SICK also offers further education that is specifically tailored to meet the needs of trainees and students at cooperative universities. Trainees can also access the SIA's full program. Students at cooperative universities spend part of their practical phase or education at a foreign subsidiary, to promote intercultural competences and to prepare for a position in an international setting.

SICK enables contact with interested school-leavers through training partnerships with schools, e.g. within the framework of the School Research Center opened in Waldkirch in 2018, the Summer University, or the Open Training Days.

The 12-month international entry program for university graduates continued during the 2020 fiscal year, prioritizing SICK's engineering department, SensorING. The tasks and goals of the program are:

- Early acquisition of potential young talents for specialist and project tasks
- Support for mid- and long-term personnel planning
- Acquisition of employees for posts that are difficult to fill – specifically set up and expanded through internal development
- The build-up of cross-departmental knowledge
- The promotion and expansion of formal and informal networks

Investment in training and further education to expand competences worldwide amounted to EUR 10.0 m. during 2020, decreasing by 18 percent compared to those in 2019 (EUR 12.2 m.). The training program focused on expanding specialist knowledge, as well as promoting competences for efficient Group-wide collaboration, among other things.

II. Health management and our family orientation

By signing the Luxembourg Declaration on workplace health promotion in the European Union, SICK has committed itself to meeting the objectives and principles of occupational health support – and understands health management as an element of corporate strategy: SICK considers its employees an important factor in its success, and their professional and health promotion and protection is in the best interests of the workforce and the company. SICK understands employee health as a social responsibility. It is therefore important to achieve a positive long-term improvement of health potentials, to improve the wellbeing of employees at the workplace, and to take precautions against risks at the workplace.

Active health management at SICK is intended to make a permanent contribution towards the health and wellbeing of all employees at the workplace and beyond – to maintain and enhance their health and wellbeing in the long term. For this purpose, specific measures have been developed in the overall concept for mental health to fulfil each point in the Health-Illness Continuum: from health promotion, through prevention levels, to rehabilitation. Potential mental, physical and psychosocial workloads and health hazards at the workplace, and in concrete work processes, are being examined. Solution concepts will then be developed in collaboration with employees – to minimize potential health hazards, and protect and promote the health of the workforce.

The range of activities available for employees includes wide-ranging health promotion programs. These extend far beyond legally stipulated measures, and are firmly integrated in work processes. A wide range of corporate health promotion measures, e.g. corporate medical services, medical check-ups, sport study groups, advice on prevention and ergonomics, and the use of holistic risk assessments, are intended to contribute towards maintaining the health and effectiveness of

the workforce. Employees also receive support in emergency situations: Examples of SICK's employee welfare measures include professional reintegration management after periods of illness, in-house social counselling, and urgent assistance in the case of mental illness.

The range of workplace health management was considerably expanded with the construction of our Family and Health Center at the Waldkirch site, opened in March 2018. The core elements here include physiotherapeutic and ergonomic programs, as well as a wide range of health-oriented courses. In addition, occupational health care was supplemented by orthopedic and general practitioner services. This has resulted in a seamless linkage between internal and external structures – with the aim of offering employees a comprehensive range of services that easily tie in with working times and can thus be integrated into everyday working life.

At least one health program takes place at SICK every year. The health program individually promotes the health of employees. The concept of the multi-layered health program is intended to stabilize and improve the general health of employees, whereby the focus is on behavior-related measures with the aim of supporting and ensuring healthy employee lifestyles. A concrete example here is the 'SICK is(s)t gesund' (SICK is healthy/eats healthily) program that focuses on healthy nutrition, rolled out nationally in September 2020. A wide range of local needs-oriented programs has been planned for SICK's German sites in collaboration with the Techniker Krankenkasse health fund. It will also be available digitally via the mosaic+ platform.

SICK also places great value on its holistic family-oriented personnel policy. The aims include a work/family balance that is as optimal as possible and results in improved employee motivation and greater work satisfaction. Thus the work/family balancing program was considerably expanded in the year under review. SICK offers care to 19 children aged between 6 months and 6 years, as well as flexible afternoon

care for schoolchildren. This supplements the previous range of programs such as holiday and emergency care, as well as a number of social events (e.g. introductory PC courses, courses on making job applications, or ski and snowboard excursions). In addition, the program for making working times and workplaces more flexible was also considerably expanded in 2020 specifically in response to the Covid-19 pandemic.

SICK AG helps its employees take advantage of parental leave. Advice on arranging and claiming parental leave is available from the works social advisers. At SICK, even fathers who work at higher hierarchical management levels can take advantage of so-called partner months. This is a matter of course, and expressly not exceptional for our company.

In addition, the opportunities offered by flexible working hours, mobile work and part-time work are an important prerequisite enabling employees to better balance work and family.

SICK believes that a holistic family-oriented personnel policy is very important.

THE COVID-19 CRISIS

The health of all employees and the company has the highest priority at SICK. For this reason, SICK very early on implemented appropriate protection and prevention measures – in close collaboration with the responsible authorities and health departments. The measures and rules were centrally defined, controlled, and communicated throughout the company by the Corona Planning Committee established in February 2020. The planning committee met daily at the beginning of the pandemic, and switched to meeting twice a week from early summer onwards. As a result of the team's line-up, it was able to take into account all aspects, make rapid decisions, and implement them without delay. The planning team includes members of the Executive Board and Works Council, the senior Company Medical Officer, as well as leading experts from Human Resources, Health & Safety at Work, Facility Management, Factory Security, IT, Procurement, Operations, Customer Fulfillment/Logistics and Corporate Communication. The planning committee is an important orientation point and anchor for employees and management in the SICK Group worldwide. It regularly provides information on Group-wide regulations for all employees, and provides packages of measures, rules and information for local propagation.

Mobile working from home was the preferred option for many employees in 2020, and a preventive measure to keep the number of people at company sites as low as possible. Internet bandwidths were massively increased for this purpose, and employees were provided with equipment as well as collaboration and conferencing media that were consistently expanded and improved during the course of the year. Employees were permitted to take any necessary equipment (e.g. screens, test devices, etc.) home with them.

Tips, training and support programs for working from home, as well as for virtual collaboration, were provided in our own Coronavirus Info Space. Experiences and best practices from the home office were distributed throughout the Group in Intranet blogposts. Live formats involving the topics of promoting virtual collaboration and dealing with stressful situations were offered to managers and other personnel.

Production and Logistics Departments are critical to the success of the company's business activities. The on-site presence of production and logistics employees was therefore essential. In addition to the higher-ranking planning committee, a Covid-19 Crisis Committee was also established to specifically meet the needs of these departments, ensuring the implementation of far-reaching protective measures. These apply throughout the global operations network and have the following priorities:

- Protection of employees (by means of social distancing rules and hygiene measures)
- Greater flexibility for employees in shaping their individual working times
- Protecting the company – and thus jobs (e.g. SICK set up a global production and logistical network in such a way that if there were a lockdown in one country the manufacture of products there could be temporarily moved to another production site)

Among other things, SICK donated 24,000 surgical masks to the Emmendingen district for use in hospitals and other care and social facilities to protect medical institutions in the southern Baden region. SICK also donated two respiratory ventilators to the BDH Clinic in Waldkirch.

In addition, SICK supported and advised institutions throughout the region regarding the procurement of protective materials, and liaised with international procurement sources via its Chinese subsidiary. SICK's Central Procurement Department helped authorities and medical institutions in the southern Baden region obtain a six-figure number of protective FFP masks and surgical masks.

III. Employer branding

The growing business in sensors for industrial automation and Industry 4.0 generates a great need for well-qualified specialists, particularly in the fields of mathematics, IT, the natural sciences and technology (MINT). A central task of employer branding is therefore to position SICK as an attractive employer, and bring potential specialists into contact with SICK early on and convince them of the benefits of joining the company.

A Recruiting Night was initiated in 2020 in order to help achieve this goal. The open evening event was widely announced in advance, and was intended to enable us to quickly cover the very great need for production personnel. About 500 initial interviews took place during this event.

Activities to find new trainees and students at cooperative universities include:

- Introductory practical experience for pupils to awaken interest in the profession
- The SICK Summer University to interest upper secondary pupils in careers as technical engineers, and introduce them to the possibilities available in the field of technology
- The 'Technic for Teens' program that is intended for secondary school pupils in the 8th and 9th grades who are interested in technology
- School projects offered in collaboration with schools
- Presentations offered to schools
- Articles on training websites, as well as the use of Facebook, press releases and classic advertising

SICK AG was among Germany's best employers again in 2020 – for the 18th time in a row. SICK AG came sixth in the category of companies with 2,001 to 5,000 employees. The participating companies underwent a voluntary examination of the quality and attractiveness of their workplace cultures, carried out by the independent Great Place to Work® Institute and based on the judgment of their own personnel. The award not only documents SICK's attractiveness as an employer, but also its employees' great appreciation of the company. SICK continuously develops this attractiveness as an employer with its targeted employer branding approach.

The Great Place to Work survey also plays a major role regarding internal corporate development. The opinions of, and feedback from, its employees are an important measure of the lived corporate culture and, as such, the company pays great attention to them. The results of this annual employee survey, and thus the voices of employees at SICK, thus act as an important basis for measures and activities to develop the organization and culture – very much in keeping with a continuous improvement process.

IV. Diversity and equal opportunity

The SICK Group is an internationally active company in which diversity and equal opportunity are important, whereby the company's Mission Statement, as one of SICK's most important action frameworks, leads the way. Its values (independence, innovation and leadership) form the basis for our togetherness within a global network: Each individual finds a guide here for their own daily actions.

The term 'diversity' is wide-ranging and refers to the broad spectrum of possible heterogeneity within the organization: Gender, age, handicaps, religious and cultural diversity, as well as the variety of specialist disciplines.

In this sense, the diversity of employees – and the resultant multi-perspective – is a major success factor for SICK. The wide range of expertise, opinions and points-of-view is both a resource and an opportunity to further develop the company and make appropriate decisions. The management supports the abilities and readiness of personnel to achieve worldwide collaboration in order to be able to meet the challenges of a complex global environment. Respectful treatment, curiosity, and optimism help us successfully master challenges together.



The basis for collaboration at SICK is a togetherness of people from different organizational units and countries characterized by a trust in, and respect for, one another that is founded upon the variety of abilities and perspectives – helping lead to SICK's success. The common understanding of this togetherness enables all of us to act in the company's best interests, to build up trust in the competence of colleagues, and to share information and knowledge. Our leadership culture is based on strengthening, encouraging and enabling employees so that they can exploit the power of their competence, creativity and potential – for responsible solution-oriented implementation together to achieve results and success. These Principles for Leadership and Cooperation ensure that our culture and our employees' activities worldwide are based on the same principles and values – in view of our continuous growth and increasing international networking. Diversity is a concern of, and incentive for, managers, their personnel, and worker representatives alike. It is, for example, documented in our competence model, leadership models and, in turn, in courses for employees and managers. The inclusion agreement that was concluded with the aim of enhancing equal opportunity and preventing discrimination and the social exclusion of people with handicaps is further evidence of the seriousness with which these topics are handled. The results of the annual employee survey show that our employees also see it in this light. Thus questions about equality, fairness, and safety at work, in particular, traditionally receive the highest approval ratings.

DEFINING TARGETS FOR THE EQUITABLE PARTICIPATION OF MEN AND WOMEN IN LEADERSHIP POSITIONS

In connection with equal opportunity aspirations, targets for the equitable participation of men and women in leadership positions were already defined in 2015.

With effect from 30 September in the 2015 fiscal year, the Supervisory Board of SICK AG defined a target figure of 17 percent for the women's quota in accordance with Section 111 Para. 5 German Stock Corporation Act (AktG), to be achieved or exceeded by 30 June 2017 as a so-called 'flexible women's quota'. This figure was 17 percent on 31 December 2020. The same applies for the target figure for women's participation in the Executive Board of SICK AG, which was found to be 0 percent. This figure was 0 percent by the reporting date.

In addition, in accordance with Section 76 Para. 4 of the German Stock Corporation Act (AktG), the Executive Board of SICK AG defined a target of 6 percent for the women's quota in the management level immediately below the Executive Board of SICK AG (who directly report to members of the Executive Board) with effect from 30 September 2015, to be achieved or exceeded by 30 June 2017. This proportion was 13.8 percent on the reporting date. A target figure for the women's quota in the second management level below the Executive Board of SICK AG (who directly report to the above-mentioned first level of management) was also set to 6 percent with effect from 30 September 2015, to be achieved or exceeded by 30 June 2017. On the reporting date this figure was 12.4 percent.

V. Human rights and social responsibility

HUMAN RIGHTS

Compliance with nationally and internationally valid human rights and workers' rights is a matter of course for SICK. The protection and respect of every person has the highest priority for SICK, and are an indispensable element of corporate responsibility. SICK condemns any form of discrimination, e.g. for reasons of ethnic origin, religion, political views, gender, physical constitution, appearance, age or sexual orientation. To underline this, clear anti-discrimination rules are part of SICK's Code of Conduct valid worldwide. Employees – as well as customers, suppliers and other external stakeholders – can anonymously report human rights and workers' rights violations using a whistleblower system (more detailed information on this can be found in the 'Compliance' section).

In addition to monitoring at SICK's own sites, suppliers of the SICK Group should also maintain sustainability and human rights standards. SICK has developed a Supplier Code of Conduct for this purpose: SICK expects its suppliers to respect human rights and employee needs on all levels, and forbids child labor and forced labor. SICK reserves the right to employ suitable persons who are sworn to secrecy (e.g. auditors) to inspect observance of the principles listed in the Supplier Code of Conduct as part of the usual or contractually agreed supplier audit. If a supplier culpably violates a principle of the Supplier Code of Conduct, SICK is entitled to demand that the infringing activity cease if the violation is not minor. If the requested change in behavior has not taken place after a reasonable set period has expired, and consequently there are further violations, SICK is entitled to immediately cancel the particular contract. SICK considers this Supplier Code of Conduct to be a continuous (improvement) process that requires, and will in future require, reasonable efforts on the part of all involved to achieve its purpose.

In addition, analyses of the risk of human right abuses along upstream and downstream levels of the value-creation and delivery chains are planned as part of the development of our sustainability strategy. If, as a result of these analyses, risks are found regarding the abuse of human rights SICK will take steps to meet these risks with appropriate reactions.

SOCIAL RESPONSIBILITY

SICK AG is involved both regionally and supra-regionally – especially in the areas of training and further education, as well as in the promotion of science and research. Whereby SICK places particular weight on supporting children and youths, as well as up-and-coming scientists in technical fields. SICK thus supports and encourages regional and social commitment through internal events such as Tech4Teens, Science Days and Girls' Days, as well as supporting 'Jugend forscht' (a youth science competition).

As part of its commitment for science and education, SICK works closely with universities, technical colleges and institutes such as the Institute for Applied Optics at the University of Stuttgart. Academic institutes are also funded by awarding endowed professorships, e.g. the Gisela and Erwin Sick Professor for Microoptics at Freiburg University. SICK is also a member of the Stifterverband für die deutsche Wissenschaft (Association for the Promotion of German Science), a member of the German Academy of Engineering Sciences, and a founding member of the International Data Space Association. With its support and promotion of research and education, SICK also makes a contribution towards maintaining the high standard of innovation in Germany.

SICK is also committed to regional social projects – particularly regarding young people and health provision. SICK supports activities in schools and kindergartens, at the Red Cross, and at voluntary fire brigades. As a company, SICK is a partner in the Waldkirch Employment and Qualification Company (WABE) which offers new perspectives to young men and women without training.

E. ECONOMIC SUSTAINABILITY



SICK is an independent family-owned company aligned towards sustainable growth.

The high quality of its products and its innovative strengths form the basis for long-term growth and profitability as a core component of corporate responsibility.

I. Quality

To ensure quality, SICK exploits quality assurance measures during product development and in its own production to monitor the individual steps of the production process up to a precisely defined approval process for production and sale of the products.

Quality assurance agreements are completed with suppliers. This is followed by monitoring of the quality of supplier components. Strategic partnerships exist with suppliers to prevent procurement bottlenecks. Important suppliers are checked using internal certification. Special processes monitor and control the supply of strategically relevant components.

Quality management in production is supplemented by field observation after delivery, involving processes that ensure and monitor quality. Supplier processes and quality management are checked using an audit management system. The overall effectiveness of the measures is continuously evaluated by internal and external audits.

An information security system was set up and introduced in 2017, leaning on the internationally recognized ISO 27001 standard.

II. Innovation

The increasing networking of production and control processes in complex machine environments (Industry 4.0) will determine the industrial future. The possibilities of more efficient, flexible, resource-conserving production and delivery with improved quality – achieved via better and more targeted use of data – decisively depends on the reliability and robustness of the data that forms the input of many process chains.

SICK first aligned itself on the dawning changes in the world of automation as early as 2004. The corporate claim 'Sensor Intelligence.' has since formulated our focus on technical intelligence.

With sensor intelligence, the company's focus has gone far beyond the applications of mechanical automation technology. The focus in coming years will, in particular, be turned towards expanding the existing product range, towards the networking capability of sensors in the context of Industry 4.0, and towards the topic of data sovereignty.

SICK responded to the growing importance of the capture, evaluation and use of data for controlling industrial processes by founding its Start-up Initiatives during the 2018 fiscal year. The Start-up Initiatives focus on the three areas of infrastructure (secure use of digital sensor data), applications (optimum integration and connection of sensors and software), and customer services (expansion of customer services based on digital data). The Start-up Initiatives combine the existing multilayered expertise and the strengths of the existing SICK organization with the visionary thinking and activities of a start-up culture. The aim of the Start-up Initiatives is to use SICK's competences to make Industry 4.0 rapidly usable, and thus offer customers increased added value from the improved use of data.

As is the case with the developments of the Start-up Initiatives, the openness of SICK's products to as many automation systems as possible and their ability to communicate with higher-ranking cloud levels is essential. Two important development priorities of SICK in the core competence area of industrial automation are therefore to be found in the fields of connectivity and data sovereignty. SICK maintains a presence in the industry committees of a variety of associations to enable the company to drive forward the further development of open and defined interfaces. The company is closely following the progress of other technologies and trends considered relevant for the future development of the SICK Group and, when considered significant, development or cooperation processes are initiated.



Major investments in research and development (R&D) are required to secure and enhance our leading market position in view of the enormous technological possibilities and the competition. Only a financially strong and innovative company can invest such amounts. The innovation process at SICK has one goal, above all: We want to offer solutions consisting of sensor products, systems or services to help customers improve productivity, increase flexibility, and conserve resources. Thanks to the Start-up Initiatives founded in 2018 we are very well positioned to profit extensively from the increasing levels of networking and digitalization in industrial production (Industry 4.0).

As in past years, SICK again spent considerable amounts on R&D activities in 2020, as shown in the following overview. The costs for the Start-up Initiatives are included.

INVESTMENTS IN INNOVATIVE POWER

in EUR million	2020	2019	Change in %
Sales	1,700.2	1,750.7	-2.9
R&D costs	201.1	202.0	-0.5
R&D costs as percentage of sales	11.8	11.5	0.3 pp
R&D employees on reporting date	1,367	1,310	4.2

The high rate of R&D expenditure of 11.8 percent of sales underlines the innovative power of the SICK Group. Most R&D activities still take place at sites in Germany.

Thanks to our intensive R&D activities, SICK has a very diverse product portfolio that meets the requirements of a wide variety of industries and serves markets regardless of the length of their cycles. It is therefore easier to compensate for heterogeneous developments within SICK's target markets caused by, for example, economic fluctuations – and thus exceed the average growth of the market.

A new product development process (PEP 4) has been binding since January 2020 to ensure that innovative product development continues in future.

In addition, our intensive dialogs with customers, universities and research institutes, in particular, have provided stimuli for the R&D departments. The consistent industry alignment of our worldwide sales organization is also the basis for understanding customer requirements – and translating them into new products, system solutions and service concepts. Successful projects have shown how the combination of new digital products and proven hardware products resulting from collaborations between numerous organizational units at SICK can open up new applications and business fields. The gaps between sensor data capture and customers' management and planning systems, for example, can be closed using customer-specific integration solutions from SICK.

On 31 December 2020 1,367 employees, 4.2 percent more than in 2019, were contributing towards converting innovative ideas into marketable products. Additional personnel are being employed for R&D activities worldwide, mostly at sites in Germany.

SENSOR INTELLIGENCE – A PREREQUISITE FOR INDUSTRY 4.0

The worldwide demand for systems and system solutions for intelligent rationalization and increased efficiency in production, logistics and process flows remains high. The intelligent factory, to which Industry 4.0 aspires, offers major development possibilities for SICK because intelligent networking in production, logistics and process flows can only be implemented if robust and smart sensors detect reality in the form of data, and provide these data in the amount required for Industry 4.0. Sector specialists expect continuing high average growth rates for the global sensor industry – and worldwide sector sales amounting to USD 241 bn. in 2022 (source: Allied Market Research: Global Sensor Market 2022). SICK will continue to align its product portfolio, and its research and development activities, towards recognizing interactions in customers' processes – and thus increase the transparency of their applications to enable them to make better decisions. SICK sensors must solve customers' problems simply, contributing towards increased performance or resource conservation. This applies to all target industries. Comprehensive knowledge about the particular application is necessary to achieve this. The field of connectivity also deserves further attention in order to ensure the consistency of communication from the sensor, through the control level, to the higher-ranking data level (e.g. in the form of a cloud). This, in turn, necessitates data sovereignty, which SICK strongly advocates as a founding member of the Industrial Data Space Association. Thanks to its wide range of products and services, its system and solution competence, its comprehensive sector knowledge, and its worldwide presence, the SICK Group is excellently positioned to meet customer demands for intelligent automation solutions that provide this added value, particularly in the Industry-4.0 context.



INNOVATIONS 2020

		Description	Customer benefits
G6	G6 photoelectric sensors and proximity switches	The photoelectric sensors and proximity switches of the G6 series use both pinpoint LED and laser technology.	Excellent optical performance and robustness from SICKs ASIC. Variants with stainless steel housings and an enclosure rating of IP69K ensure long sensor service lives in demanding washdown applications.
LLX	LLX fiber-optic cables	LLX fiber-optic cables guide the light transmitted by a particular fiber-optic sensor to any detection location – however restricted – and back again for evaluation.	The fiber-optic cables offer flexible passage to distant detection locations, and space-saving mounting in almost any size of space, thanks to the minimal dimensions of the end-sleeve.
W4F	Photoelectric sensors and proximity switches	Thanks to new ASIC technology, miniature sensors consistently provide extremely robust detection results.	With the intuitive BluePilot operating concept, sensors in the W4F series offer particularly easy and precise alignment. The blue LED indicator provides the user with direct feedback for optimum alignment.
Single Item Verification	Deep learning software solution for track & trace systems	Verification solution for individualizing package flows.	Optimization of sorting processes with individualization control, reduced delays and costs through prevention of incorrect sorting, and increased throughput due to better performance. Reduction of CO ₂ emissions by avoiding unnecessary transportation.
Mobile Inbound System	Track & trace systems	Turnkey conveyor technology system with integrated camera for reading barcodes and determining the dimensions of packages.	Mobile conveyor unit for simplest possible integration in a package distribution center. Automatic detection of all relevant package information for efficient package dispatch in online trading. The mobile system permits flexible points-of-use to cover capacity peaks in logistical distribution centers.
DLS40	Incremental encoders	Solution for measuring rotary speed and position.	The housing, integrated in the flange, enables a reasonably priced, lean and compact design as well as uncomplicated installation, particularly where space is limited.
Flexi Compact	Safety controllers	Software-programmable safety controller with modular hardware platform.	Rapid production start-up, increased machine availability, and expanded functions (such as safe serial connection with Flexi Loop) increase productivity and efficiency in the machine life cycle.
IQB2S	Non-contact safety switches	The inductive safety switches of the IQB2S series are used for safe monitoring of position and areas.	Simple and safe monitoring of position up to Performance Level d (PLd).
SICK AppEngine	SICK AppSpace software tools	Software license for installation of SICK AppEngine. SICK AppEngine software integrates devices in the SICK AppSpace ecosystem and converts them into programmable devices on which SensorApps can be run.	Reasonably priced development of sensor applications thanks to comprehensive SICK AppSpace tools, low development costs as a result of reusable SensorApps and their worldwide availability via the SICK AppPool, usable on Windows and Linux.
Intelligent Inspection	SICK AppSpace SensorApps	The Intelligent Inspection SensorApp offers simple object classification which is impossible using conventional rule-based industrial image processing.	Users can easily collect data to train the neuronal network and directly use the trained network on the camera without additional equipment.
Quality Inspection	SICK AppSpace SensorApps	The Quality Inspection SensorApp, based on the SICK Nova SensorApp framework, ensures that products meet precise demands after production, e.g. regarding dimensions and presence.	The SensorApp is included in the InspectorP6xx 2D camera and is supplied pre-installed. Quality assurance takes place with the help of special tools for image analysis, configured via a graphic user interface in a web browser.

INNOVATIONS 2020

		Description	Customer benefits
Deep Learning	SICK AppSpace artificial intelligence	DStudio is an optimized web service for various SICK devices, with which the neuronal network can be trained. Deep learning from SICK opens up new paths in industrial automation. With little effort, user-friendly deep learning enables the training of cloud-based artificial neuronal networks for SICK sensors on the basis of sample images. The sensors can then evaluate and sort objects themselves in situ (in machines or plants) according to customer-specific criteria, even if the natural appearance of the objects varies.	An intuitive user interface enables use even without well-founded knowledge of AI. The progress and success of the training process is clearly shown, so the neuronal network can actually be evaluated before productive use. Automatic, rapid and reliable decisions by the sensors, even with complex tasks, reduces development costs: Image analyses are trained on the basis of sample pictures. No additional hardware or software is necessary thanks to cloud-based training.
SPEETEC 1D	Laser surface motion sensors	Wear-free and maintenance-free laser surface motion sensors detect the movements of object surfaces without contact.	SPEETEC closes the gaps between tactile measurement wheel systems and complex laser Doppler sensors – and is suitable for almost all surfaces and objects thanks to non-contact measurement.
MPS-G	Position sensors	MPS-G position sensors detect the position of the fingers of pneumatic grippers and the piston position of miniature cylinders continuously, directly and without contact.	The magnetic path measurement system with its compact design enables extremely precise position determination.
sHub®	HIPERFACE DSL® rotary motor feedback systems	The sHub® sensor hub enables servomotors to be used as a data source for distance monitoring and the predictive maintenance of machines. The data are collected in the motor and transmitted to the controller via HIPERFACE DSL®.	Additional vibration and temperature data from the sHub® enables highly precise state monitoring – and increases the availability of servomotors.
Distance-Guard	2D LiDAR sensors	Anonymous and reliable distance measurement.	Simple and reliable maintenance of distancing rules made necessary by, for example, legal requirements.
People-Counter	3D LiDAR sensors	Anonymous and reliable counting of persons.	The PeopleCounter of the 3D LiDAR sensor counts the number of persons with the help of artificial intelligence. Their direction of movement is determined thanks to the four scanning layers, and people are also recognized as such due to the detection of head-and-shoulder contours by the SensorApp. People are thus reliably differentiated from objects.
SICK AssetHub	Digital services for integration	SICK AssetHub is a digital service with which the digital twins of all a company's devices or plants can be administrated regardless of the producer.	The SICK AssetHub provides the necessary basis for every I4.0 strategy, and provides a flexible basis with modular expansion for further asset-centered digital services.
ZS36x8 DPM	Mobile handheld scanner	Detection of demanding DPMs regardless of code size, surface, contrast and resolution – including very demanding marks.	By combining reliable DPM code reading, robust design and simple fieldbus integration, the ZS36x8 enables the use of DPMs in the most varied of industrial applications.
LBR SicWave	Filling level sensors	Filling level measurement in bulk materials with 80 GHz radar.	Functions with all solid materials, extremely robust against external interference, dust or deposits.
ZIR-KOR200 Ex	In-situ gas analyzers	Expansion of our range of robust and reliable oxygen measurement devices for small and large incineration plants, for example in the chemical industry.	User-friendly, particularly robust and precise both for zones at risk of gas explosions (ZIRKOR200 Ex-G) and for use in atmospheres at risk of dust explosions (ZIRKOR Ex-D). With SIL2 certification for integration in safety-oriented process control systems. Cable-free access to analyzers via the ZIRKOR remote app.

INNOVATIONS 2020

		Description	Customer benefits
Inspec-torP62x	2D machine vision	User-friendly, compact and versatile all-in-one industrial vision camera.	The Quality Inspection SensorApp is included in InspectorP6xx 2D cameras and is delivered pre-installed.
LiDAR-LOC	LiDAR localization	Modular LiDAR localization based on natural contours.	Localization based on natural contours: No reflectors necessary. It lays the foundation for effective vehicle navigation, efficient vehicle control and fleet management.
Lector 61x	2D identification	The small camera-based code reader.	Flexible use: Small design, variable reading distances and reading of codes on differing material colors. Increased productivity: Code reading even with poor-quality codes or on reflective surfaces. Reasonably priced commissioning with snap-in mounting in seconds and automatic parameterization. Follows the industrial trend: Integrated optics with magnifying glass effect for mini-codes on small components and integrated distance measurement.
Function Block Factory	Software-based service	Software-based service for generating PLC function blocks.	The Function Block Factory (FBF) smart service enables the creation of a PLC function block from an IODD regardless of device type and producer, supports most PLC systems, simplifies the reading and writing of device parameters, can be customized, allows the generation of process data parser functions, considerably simplifies and accelerates PLC programming, and helps prevent errors.

III. Profitability

As a result of consistent implementation of the corporate strategy – aligned upon innovation, growth and profitability – SICK has achieved rising sales during recent years with a high level of operative profitability and return on equity.

DEVELOPMENT OF SALES AND THE EBIT MARGIN

	2020	2019	2018	2017	2016
Sales in EUR million	1,700.2	1,750.7	1,636.8	1,511.6	1,361.2
EBIT margin in %	8.3	7.6	7.2	9.8	10.9
Return on equity in %	15.9	15.6	14.7	21.7	24.9



F. CORPORATE GOVERNANCE AND COMPLIANCE



Acting with integrity, guided by legal requirements as well as ethical principles and high standards, is always the task and responsibility of all employees at SICK.

I. Separation of management and control of the company

The SICK Group is a family-owned company and can look back at 75 years of successful entrepreneurial development. Trusting collaboration between the SICK Group's Supervisory Board and its Executive Board – with a clear separation of responsibilities for the management and for control of the company – are the cornerstones of the corporate governance structure at SICK. SICK's separation of entrepreneurial competence and ownership complies with the legal standard for stock corporations.

The Executive Board of SICK AG was expanded from five to six members on 1 January 2020. After the age-related departure of one Executive Board member, the Supervisory Board decided on a new Executive Board structure and, with effect from 1 January 2021, a new Executive Board member was appointed for the Sales & Service portfolio. Overall, the Executive Board has many years of experience in its activities for SICK. It is responsible for managing the company, as well as for the corporate development strategy and its implementation. The Executive Board works trustingly with the controlling committee, the Supervisory Board. The Supervisory Board and Executive Board both acknowledge their entrepreneurial responsibility for the independence and long-term growth of the SICK Group.

The Supervisory Board consists of twelve members with equal representation between stockholders and employees. Many members of the Supervisory Board can look back on numerous years of activity in the controlling organ of SICK AG. The Annual General Meeting elects the six representatives of the shareholders on the Supervisory Board for a five-year term of office. The owner family as a whole owns more than 95 percent of the shares in SICK AG. It is represented on the Supervisory Board by two elected members. Gisela Sick, widow of the company's founder Dr. Erwin Sick, is the Honorary Chairwoman of the Supervisory Board. A majority of the shares in SICK AG are held by the Sick Holding GmbH. The Supervisory Board monitors the work of the Executive Board, and together they agree the main features of the SICK Group's business policy and corporate strategy. Details on the activities of the Supervisory Board, on who sits on the committees, and on their activities during the 2020 fiscal year can be found in the Supervisory Board's Report that is included in this Annual Report. Further information on the Executive Board and the Supervisory Board is provided in the Group Annex (see Annual Report).

II. Compliance management

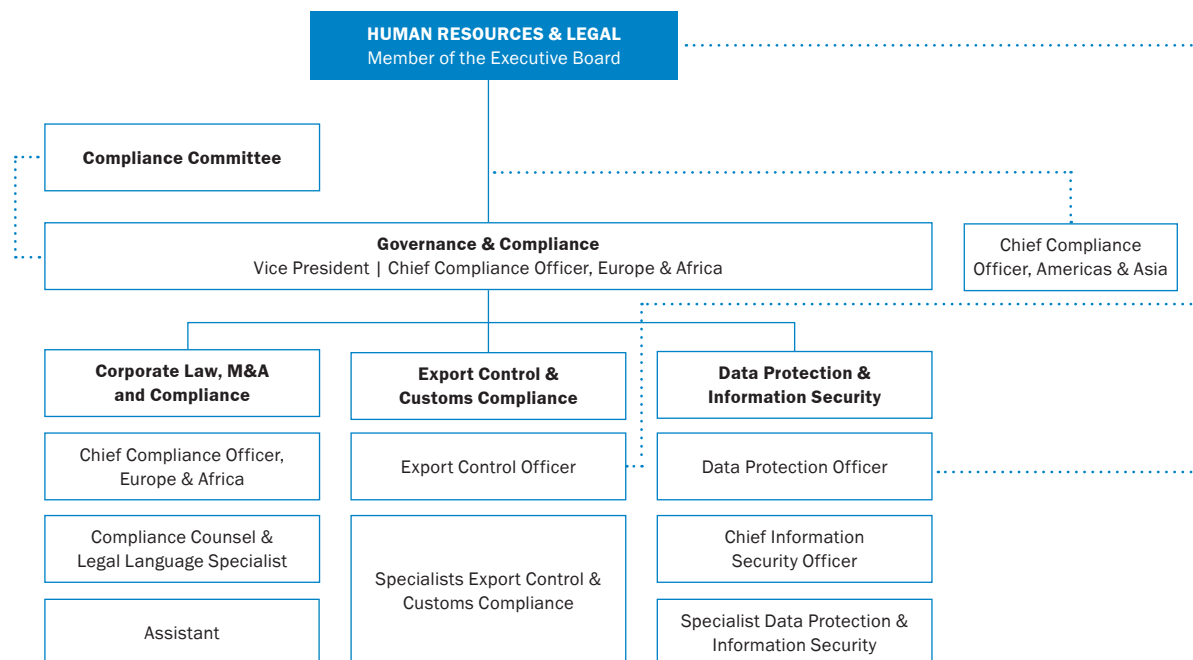
The successful worldwide activities of the SICK Group require the observance and fulfilment of numerous external and internal regulations, directives and laws. Knowledge of, and compliance with, all of the legal requirements and internal guidelines valid for SICK AG and its Group companies is the aim of the preventive approach of the compliance management system at SICK. Monitoring company compliance is one of the main tasks of the compliance organization. The Executive Board introduced the compliance management system in 2010, and its expectation that all employees of the SICK Group must comply with all regulations of relevance to SICK is explicitly stressed throughout the company. In the Executive Board, Dr. Martin Krämer is responsible for SICK AG's Compliance portfolio.

Compliance management at SICK is directly subject to the Executive Board. The two Chief Compliance Officers, appointed for different sales regions, report directly to the Executive Board. They are responsible for the implementation, monitoring and continuous development of the Group's compliance management – together with other employees of SICK AG and the subsidiaries with compliance-related tasks. The Chief Compliance Officers regularly inform the entire Executive Board and the Supervisory Board about compliance at SICK.

If no compliance officer has been appointed at a subsidiary, the particular Managing Director is responsible for maintaining compliance. The Compliance Committee, working under the leadership of the Chief Compliance Officer Europe & Africa, defines the compliance requirements in the Group and supports the operative units in their introduction and observance of appropriate measures. The committee monitors the effectiveness of compliance management and initiates any additional compliance activities that may be necessary. It is supported in this by regular internal audits and external

inspections regarding potential compliance violations and weaknesses in the compliance processes. All compliance-relevant departments in the company are represented on the Compliance Committee, especially those responsible for data protection, export control, health and safety at work, quality management, and environmental management, as well as risk management and the Works Council. Every year, those with responsibility for risk management and compliance carry out a survey of risks, including compliance-related risks, throughout SICK – using a uniform Group-wide system for risk and compliance management. Coordinated systems and processes are particularly recommended when searching for new compliance risks because it is not always possible to differentiate business process risks and compliance risks from one another without overlap.

ORGANIZATION CHART COMPLIANCE



Compliance provides SICK with added value by reducing liability risks as well as preventing financial losses and damage to its reputation. In addition, successful compliance management can create long-term strategic reputational and competitive advantages, as well as promote increased efficiency and process optimization. Compliance management is therefore integrated in daily processes. There are continuous adaptations to changing conditions. In order to simplify this dynamism, the Governance & Compliance Department has set up a Compliance Hotline (You can send an email to compliance@sick.de.) with which employees or business partners can ask questions on compliance-related topics or report compliance violations at any time. The introduction of a supplementary electronic whistleblower system for anonymous compliance-related questions or information is planned to take place in 2021. Overall, there is an open and direct exchange with employees on the topic of compliance throughout the company.

III. The SICK Code of Conduct

The SICK Code of Conduct forms the basic framework for compliance activities at SICK. In addition to the requirement for behavior to comply with the law, it addresses all the core topics of compliance by for example, unmistakably declaring that SICK is against any form of corruption or violations of antitrust law. Among other things, the Code of Conduct also covers environmental protection, health and safety at work, equal opportunity for employees, and the confidential treatment of business secrets, whereby it also demands compliance with relevant legal and internal regulations.

On introduction of the SICK Code of Conduct, managers were trained first and then enabled to successfully train their employees. Training on the SICK Code of Conduct is very practical and is intended to promote discussion. Moreover, there were classic attended presentations on individual compliance topics in order to promote direct exchanges between employees and the compliance team. While the relevant information for the courses was defined centrally, employees also examined specific department-related compliance issues.

The courses on compliance are regularly updated. In addition, a didactically innovative e-learning course on the SICK Code of Conduct was made available to employees in early 2017. A variety of measures supports the status of the Code of Conduct and is intended to further ensure its observance and implementation. Accompanying (communications) measures include, for example, addressing the topic of compliance on the internal communication platform or within the framework of presentations in management meetings.

In the delivery chain, SICK wants to work with companies that have comparable principles. SICK therefore constantly seeks to commit its suppliers to accept the SICK Supplier Code of Conduct. This commits business partners to maintain certain minimum standards, for example to combat corruption and bribery, as well as to protect the environment.

IV. Certifications

All relevant production sites of the SICK Group – namely the sites of SICK AG in Germany, SICK STEGMANN GmbH (in Donaueschingen), SICK Engineering GmbH (in Ottendorf-Okrilla), SICK Kft. (in Hungary), SICK Product & Competence Center Americas LLC. (in the USA), SICK Sdn. Bhd. (in Malaysia), SICK MAIHAK (Beijing) Co., Ltd. (in China), and SICK Vertriebs-GmbH (in Düsseldorf) – are certified according to the EN ISO 9001 international quality management standard and the EN ISO 14001 international environmental management standard.

In addition, individual sites of special relevance are certified according to:

- EN ISO/IEC 80079-34 (explosion protection)
- EMAS (eco-management and audit scheme)
- EN ISO 50001 (energy management)
- Safety Certificate Contractors (SCC)

The sites of SICK AG in Waldkirch, Reute and Hochdorf, as well as SICK Vertriebs-GmbH and SICK Engineering GmbH, are also certified according to OHSAS 18001 (BG ETEM, safety at work).

Further information on SICK's certifications can be found at:

🖥️ www.sick.com/de/en/about-sick/certifications/w/certificates/

V. Negative effects and risks resulting from business activities

As part of the reporting process, an assessment is made of whether risks exist resulting from business activities, business relationships, and SICK products – and the very probable serious negative effects they have, or will have, on non-financial aspects stipulated in law. On the basis of this net risk evaluation, and the general legal requirements regarding selection of the main reporting content, there are no risks to be reported.

As this examination is part of the company's risk reporting, a more detailed description can be found under non-financial risks in the 'Risk overview' section of the Annual Report.

VI. Development of non-financial performance indicators

The positive development of the most important non-financial performance indicators in the 2020 fiscal year ensures the desired sustainable and profitable growth of SICK. The main indicators are the continuing high level of R&D activities, the acquisition and retention of qualified employees, and the fulfilment of high quality demands and sustainability targets.



