

SUSTAINABILITY
2017

2017 SUSTAINABILITY REPORT AND SEPARATE NON-FINANCIAL REPORT FOR THE MANZ GROUP

Dear Readers,

As a company, taking responsibility for our employees and the environment is, in our opinion, the key foundation for long-term economic success. For example, Manz AG has for a long time offered its employees a broad range of training and further education measures at the Manz Academy. We generate with large photovoltaic equipment a substantial share of our electricity requirement with solar energy at our locations in Germany and China. In addition, we assume social responsibility, for example through projects such as the “Metal Workshop – Give someone a Future” in Ethiopia. In other words, for us, economic success and responsible behavior are not a contradiction, but decisive factors for the future viability of the Corporate Group.

As a high-tech equipment manufacturer, research and development plays an important role. With our more than 500 engineers, technicians, and scientists at our development sites, we focus on the development of innovative production technologies, standardized stand-alone machines, modules, and fully linked, individual system solutions and equipment. The core of our strategy is to use the technology portfolio across sectors and regions. This transfer of technology and know-how not only offers a high level of flexibility, but also the opportunity to generate and make the best possible use of internal synergies. For this purpose, we also maintain numerous cooperative agreements with well-known research institutes, universities and colleges (for more, refer to

the detailed group management report in the chapter “Research and Development” on page 36).

Know-how across the entire value chain – from the development, through manufacturing, to the sale of innovative products and solutions for various industries – is essential for ensuring the high performance of our company. In addition, we offer our customers comprehensive offerings for after-sales service, such as maintenance and repair or the conversion and upgrading of machines and assemblies. Our company is certified by the internationally recognized ISO 9001 Quality Management Standard. In this way, we ensure the fulfillment of customer requirements as well as further demands on product and service quality. In our own production, we comply with German and international regulations in dealing with hazardous materials. We can positively influence the sustainability aspects of our retail market through the development center for more efficient production equipment and thus lower resource consumption.

We renewed the topic of sustainability in 2017 by conducting an inventory assessment with an interdisciplinary team based on the German Sustainability Code (DNK) and oriented our further processes in accordance with the DNK criteria. Following the inventory, aspects were defined that could have a significant impact on Manz AG and the opinion of our stakeholders. Essentially, economic performance and aspects of em-

employee and environmental issues were defined. Since sustainability is an integral part of the corporate strategy and reporting, the project team will be transferred to a working group under the leadership of Martin Drasch, COO of the Managing Board. Employees from the Marketing & Corporate Communications, Investor Relations, Purchasing, Operations, Human Resources, Finance, and Order Processing departments form this working group. They also keep in contact with the business segments and subsidiaries when it comes to sustainability issues.

The 2017 Sustainability Report is, at the same time, the separate non-financial Group report for the 2017 financial year for the Manz Group, in accordance with sections 315b and 315c in connection with sections 289c to 289e of the German Commercial Code (HGB), which will be made public by publication on the website.

Manz AG's separate non-financial Group report for the 2017 fiscal year has been reviewed by BEST AUDIT GmbH, Wirtschafts-

prüfungsgesellschaft, on behalf of the Supervisory Board in accordance with the *International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information"* for the purpose of obtaining limited assurance engagement with regard to the information required in accordance with sections 315b and 315c in connection with sections 289c to 289e HGB.

Our sustainability reporting and this separate non-financial Group report are based on the sustainability reporting standards of the German Sustainability Code (DNK).

We are pleased to be able to present to you our sustainability report and wish you pleasant reading.

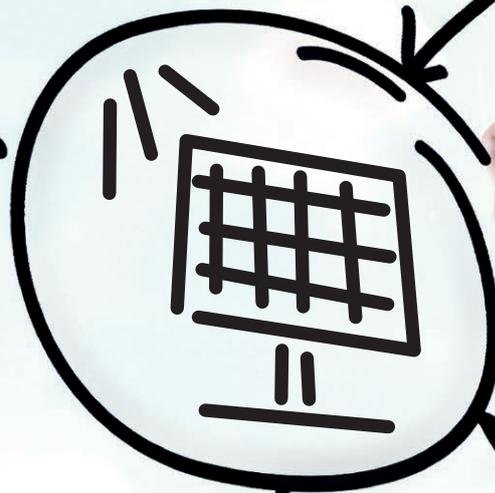
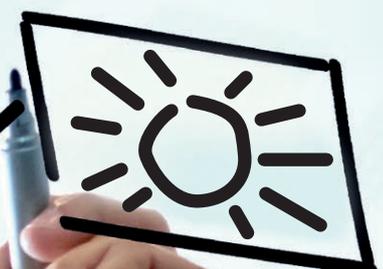
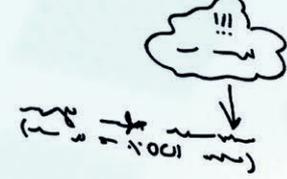
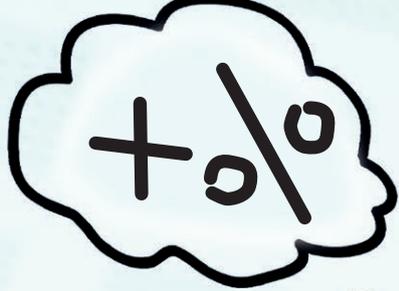
Sincerely

Manz AG Executive Board

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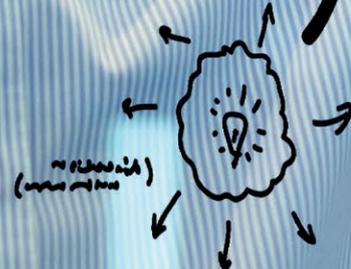
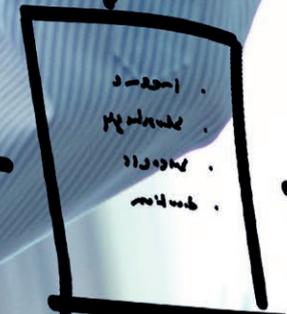
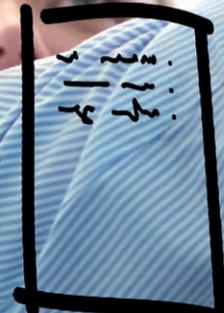
Sustainable action means for us: Taking responsibility. For our colleagues, partners, and customers. For society. For the environment. That is why equal opportunity and opportunities for development,

careful treatment of resources, and unconditional respect for human rights throughout the supply and production chain are the foundation of everything we do. A foundation that is not negotiable.



$K + y = (x + y) - x$
% of cost savings
+ 20% of profit

100% = 100%
10% = 10%
1% = 1%



100%
10%
1%



100%
10%
1%

100%
10%
1%

STRATEGY AND GOVERNANCE

STRATEGY AND GOALS

Manz AG has decided to develop a Group-wide sustainability strategy into which the existing measures will be integrated. In our future sustainability strategy, we will particularly concentrate on the following key aspects for Manz AG:

- Equal opportunities and qualification/development possibilities
- Employee rights
- Efficient resource management
- Compliance matters

In our first sustainability report, the following sustainability topics were defined as key aspects and performance indicators:

- Economic performance
- Employee development

Corresponding goals were defined for both aspects:

Economic performance

The economic objectives of the Group and its segments are presented in the "Forecast report" chapter of the group management report on page 85.

Employee development

With regard to long-term employee retention, our focus is above all on future-oriented and demand-oriented qualification and development opportunities for our employees.

These are coordinated through our Manz Academy. Our goal is to be able to offer the services provided by the Manz Academy internationally as well. The Manz Academy comprises a broad range of training and professional development measures. A new development in this context is a certified full-time course for "Automation Engineer specializing in Software", which Manz offers together with the Industry and Trade Chamber (IHK) Reutlingen at the Reutlingen location. Object-oriented software development and the corresponding software architecture in our machines help in the development and implementation of modular assemblies. In addition, seminars are offered for earning additional qualifications, which comprise subject- and product-specific advanced training and higher-level training opportunities.

The main topics for 2018 will be the newly launched high-potential program and the possible worldwide use of the Manz Learning Portal (IMC). We will also pursue the promotion of our internal international job market in order to be able to diversify professional development opportunities for our global employees. Corporate culture and the associated management culture are of major importance in the area of employee development. The Managing Board has therefore decided to set up an international program for defining and developing a common management framework and understanding: Future Leadership@Manz.

An important point here is for managers to encourage their employees to take responsibility in order to awaken their potential and creativity.

Dual training and dual degrees are also very highly valued at Manz AG. The internationalization of the dual training concept is also of great importance to us as a globally operating company. For example, a successful industrial-technical training structure based

on the German model has been established at the location in Slovakia in close cooperation with the German training department.

In addition, German training management was involved in the conception and design of the training center at the location in China.

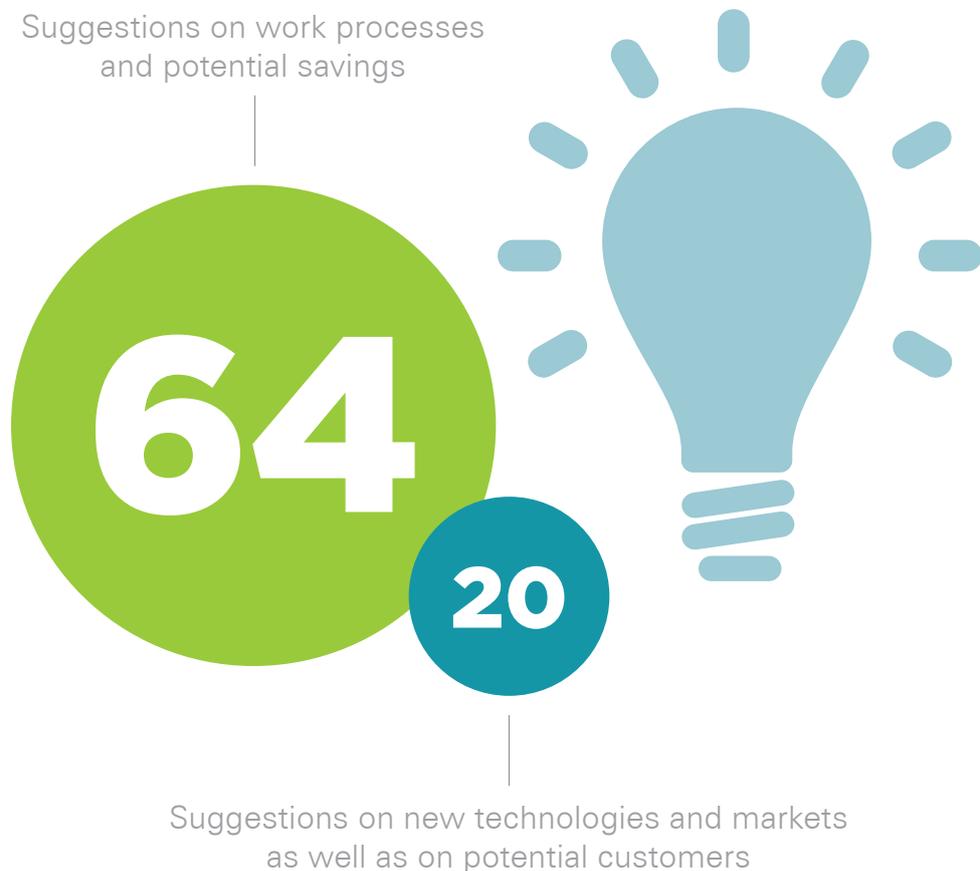
In 2017, we held 37,996.50 hours of training. On average, each employee thus received roughly 21.8 hours of training in 2017.



INVOLVEMENT OF STAKEHOLDERS

Manz AG maintains a continuous dialogue with key stakeholder groups such as employees, customers, suppliers or investors, analysts, and banks. We involve our employees in the further development of Manz AG in the form of regular employee surveys on current topics via our intranet. The results of these surveys are published on the intranet and included in the respective decision-making processes. In addition, our employees have the opportunity to submit suggestions within the framework of the

Innovation Forums. The Innovation Forum is an online-based discussion forum for employee suggestions on “new technologies/new markets/potential new customers”, “cost savings”, and “general suggestions for improvement”. In addition to these measures, the Corporate Group companies offer their employees further opportunities for participation and exchange of views, such as through regular employee meetings and feedback discussions with superiors or joint events such as summer parties.



We also attach great importance to active dialogue with investors, analysts, and banks. The regular and prompt publication of reports relevant to the company underscores our goal of providing comprehensive information on the company's developments.

In so doing, Manz AG, with its listing in the Prime Standard of the Frankfurt Stock Exchange, fully complies with the highest requirements for transparency.

In addition to legal requirements, we regularly attend capital market conferences, conduct roadshows at home and abroad, provide conference calls with webcast and audio replay as online offerings on the Company's website, and publish corporate news and press releases on current corporate developments.

We will identify all major stakeholder and shareholder groups, including appropriate measures for a structured exchange – for example, through regular surveys of our customers and suppliers – by developing the sustainability strategy.



15 Corporate news



2 Ad-hoc announcements



6 Capital market conferences



3 Roadshows



4 Webcasts and audio replays

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Over 500 engineers, technicians, and scientifically trained employees, as well as numerous partnerships with renowned universities, colleges, and institutes, demonstrate the importance of research and development at Manz. We not only ensure

the sustainable development of our company with continuous innovation, but we also make a significant contribution to the success of our customers with our high-quality, demand-oriented products and services.



RULES, PROCESS AND CONTROL

The rules and processes according to which Manz AG will implement sustainability aspects within its operative business in the future will be developed by the interdisciplinary sustainability team in the overall

context of the Group-wide sustainability strategy. The planning and control of the goals will be based on the performance indicators defined in our sustainability strategy, as well as the rules and processes.

RESPONSIBLE BUSINESS MANAGEMENT

Manz AG has a compliance system throughout the Corporate Group. There were no corruption cases or fines for non-compliance with laws and regulations in 2017.

As far as good corporate governance is concerned, Manz AG follows both the German Corporate Governance Code (DCGK) and our Group-wide Code of Conduct. It defines our values and our ethical and behavioral standards across the Group. The Code of Conduct is part of our "Corporate Governance Statement", which can be viewed on our website at www.manz.com in the "Corporate Governance" area of the "Investor Relations" section and in the "Profile" area of the "Company" section. We respect internationally recognized human rights and support compliance with those rights. We strictly reject all forms of forced labor and child labor. The extent to which the obligation to comply with human rights and the exclusion of forced and child labor can be

included in future contracts with service providers and suppliers will be discussed in the context of the preparation of our sustainability strategy. However, these points are already part of our General Terms and Conditions (GTC).

Responsible corporate governance requires fair and performance-related compensation. We report in detail on the target agreements and compensation for the Executive Board and Supervisory Board in our Compensation Report, which is part of the Corporate Governance Report. Managers and employees participate in the success of the company on the basis of certain financial ratios for the Corporate Group as well as the achievement of individually agreed targets. We will examine in the future whether the inclusion of specific sustainability goals in the existing system is reasonable and appropriate, and implement these goals if necessary.

SUSTAINABILITY ASPECTS OF RISK MANAGEMENT

Our risk management system is embedded in our entire organizational structure and process organization. It consists of a large number of components, which are explained in detail in our annual report.

Significant risks that are likely to have serious negative effects on the environmental or social aspects of sustainability cannot currently be derived from our business model.

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The conscious, responsible use of resources is not an abstract idea for Manz. Neither is it limited to declarations of intent that lie in the future. Conserving and saving resources is a process for

us in the here and now. The goals are clear: less waste, fewer emissions, and reduction of energy consumption.



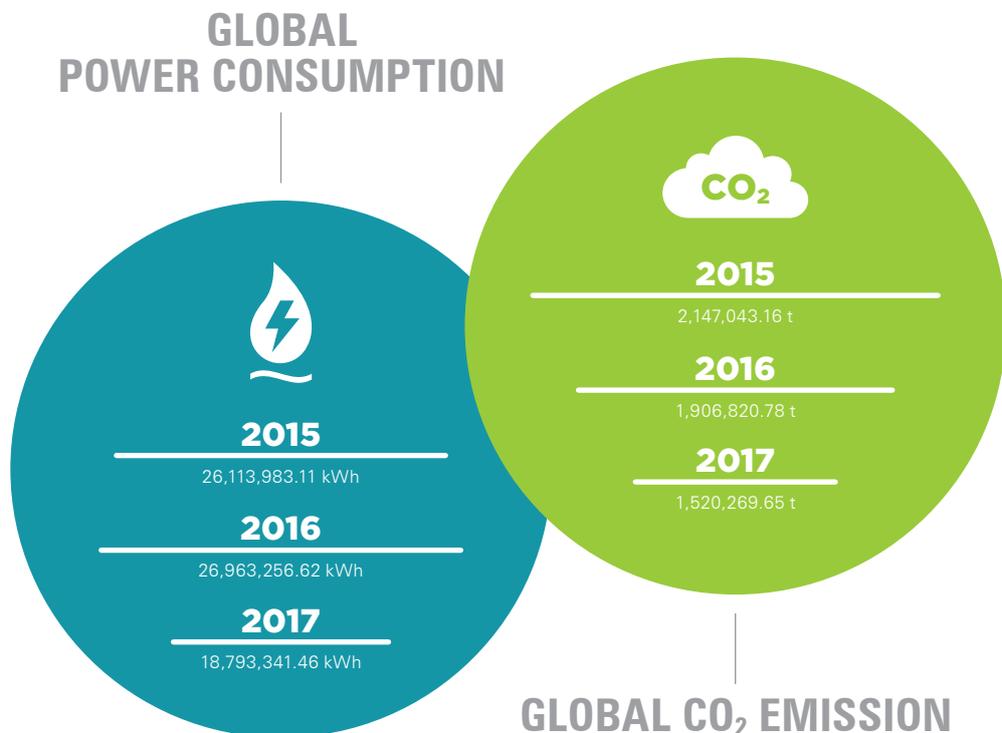
ENVIRONMENTAL AND EMPLOYEE MATTERS

ENVIRONMENTAL MATTERS

We see a responsible and careful use of our resources as our social obligation to present and future generations.

Resource-saving production and administration is not an abstract concept for us, but an integral part of our corporate philosophy, as demonstrated by the installation of solar modules on the roofs and facades of our buildings at the sites in Reutlingen, Germany, and Suzhou, China.

At the Reutlingen headquarters, more than 340,000 kWh of electricity are generated per annum with two large photovoltaic plants. In addition, a substantial share of the company's own electricity needs is generated by photovoltaic at its location in China. We will define goals and measures for efficient resource management and further increases in efficiency in the scope of developing our sustainability strategy.



Power generation of the PV plant in Suzhou (China) in MWh



EMPLOYEE MATTERS

As far as employee issues are concerned, we comply with all applicable labor laws in Germany and other relevant countries. In addition, we have established committees which advocate for employee matters in the individual subsidiaries, such as the voluntary employee representation in Germany.

Within the Group, an open and trusting relationship is maintained between the Managing Board, the respective managing

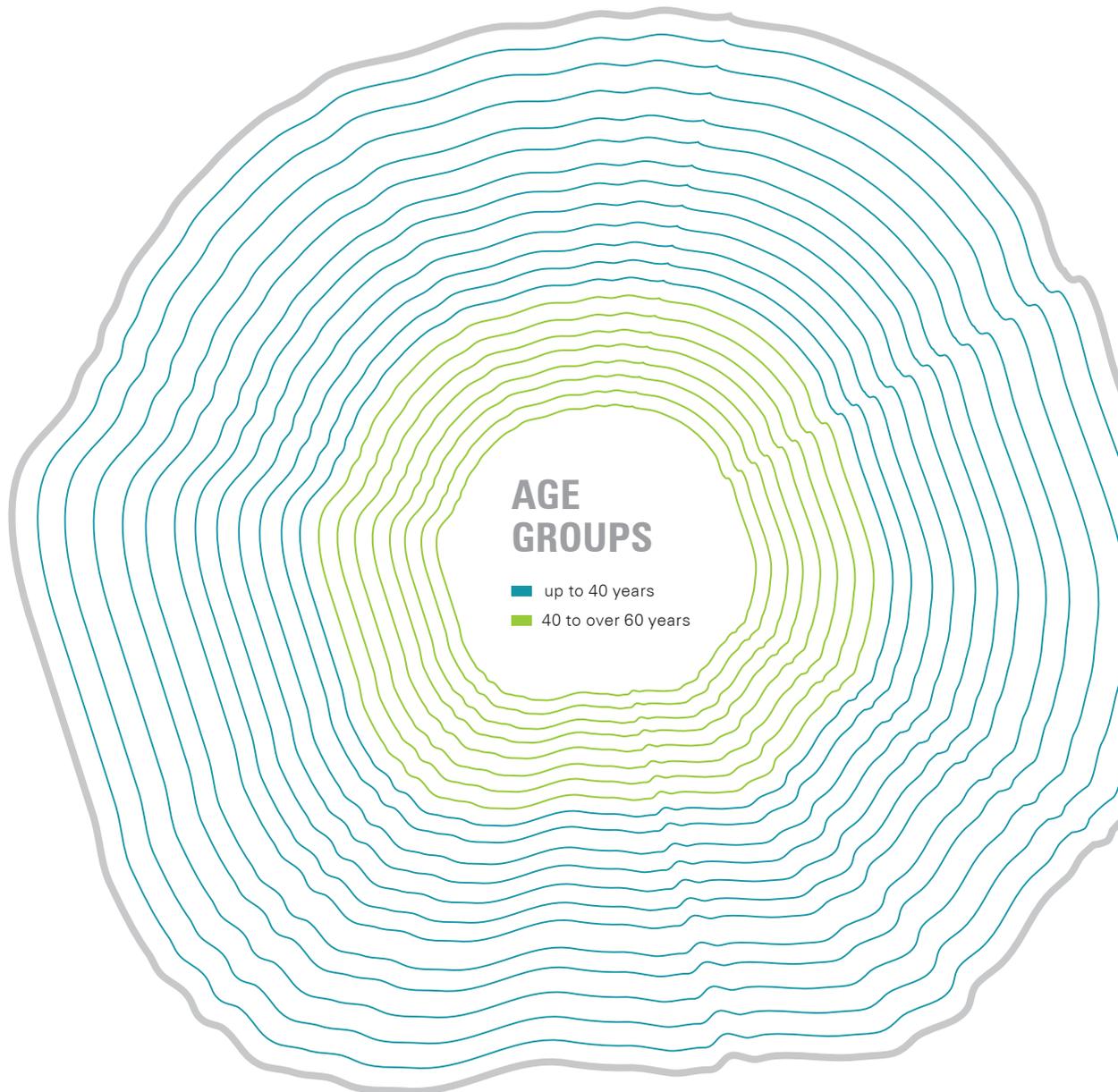
directors, the employees and their representatives. In addition, each company has central contact persons on special topics such as equal treatment, occupational safety, or health. Together with the employee representatives, we create reliable working conditions, for example through a permanent improvement in occupational safety or through working time models for flexible working hours.

OCCUPATIONAL SAFETY

Occupational safety is a top priority at Manz AG. It is important for us to be active and take preventive measures beyond the laws and regulations in this area. Therefore, care is taken in this area to ensure that processes and information paths are constantly optimized, that new techniques such as e-learning are applied, and that further training is provided for employees by close guidance

and support from professional experts. However, the primary goal is always to prevent and avoid accidents at work, because the health of our employees is very important to us. Across the Corporate Group, the average accident rate for 2017 was 2.7 percent. The ratio of injury-related work absences was 0.03 percent.





EQUAL OPPORTUNITY AND DIVERSITY

Equal opportunity and diversity is a central concern for us as a global engineering company. Fostering a culture of equal opportunity, mutual trust, and respect is very important to us. Any form of discrimination in interactions with colleagues, employees, and business partners on the basis of age, disability, national origin, skin color, gender, sexual orientation, religious affiliation, world view, or other personal characteristics is prohibited.

This is also reflected in our diverse workforce that spans genders, nationalities, and age groups. As a high-tech equipment manufacturer, we employed a total of 1,756 permanent employees in seven different countries in 2017, of which one in five employees is female. Around 65% of the employees are in the 40 years and younger age group; around 35% are in the 40 to over 60 age group.

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Equal opportunity and diversity are central to our self-image. As a globally active company, we are well aware of the associated challenges – and therefore take them all the more seriously. A cul-

ture of mutual trust and respect is of the utmost importance to us. We do not tolerate discrimination based on age, origin, gender, disability, world view, sexual orientation, etc.



SOCIAL AND COMMUNITY ISSUES

As an important employer in the Reutlingen region, we fulfill our responsibility to the community and are committed beyond the professional sphere. As part of this connection, we support local sports and cultural clubs and organizations, in which Manz employees are volunteers, through financial contributions as part of the "Employees in voluntary work" initiative.

As a globally active high-tech equipment manufacturer, we also face up to our worldwide social responsibility in other regions. In the past fiscal year, the "Metal Workshop – Give someone a Future" project in Ethiopia, which has been in operation since 2008, was successfully continued in close cooperation with the Evangelical Youth Organization and the Ethiopian YMCA. The aim is to help people help themselves by providing interested and motivated youths from disadvantaged ethnic groups with basic education as a "general metalworker."

To this end, Manz AG developed its own training workshop for metalworking in Ethiopia's capital city of Addis Ababa. In 2017, the ninth class graduated and thus has the necessary expertise to get a start in working life.

Manz AG is a member of the German Engineering Federation (VDMA), which sees itself as a leading association representing the industry in politics and the public sphere. In addition, Manz AG is a member of the Solar Cluster Baden-Württemberg, an industry association with the aim of raising the public awareness of the industrial policy and economic significance of solar energy, actively helping to develop the legal framework for the further expansion of renewable energies, and ensuring a sustainable development market for solar energy.

There were no direct or indirect donations to parties or politicians in 2017.

NOTE FROM THE INDEPENDENT AUDITOR CONCERNING AN AUDIT TO OBTAIN LIMITED ASSURANCE OF THE SEPARATE NON-FINANCIAL GROUP REPORT

TO THE SUPERVISORY BOARD OF MANZ AG, REUTLINGEN

We have performed a limited assurance engagement on the non-financial group report separately designated for Manz AG that is identical in content to the 2017 sustainability

report, pursuant to sections 315b and 315c in conjunction with sections 289c to 289e HGB (in the following „report“), for the period from January 1 to December 31, 2017.

RESPONSIBILITY OF LEGAL REPRESENTATIVES

The legal representatives of Manz AG are responsible for the preparation of the report in accordance with sections 315b and 315c in connection with sections 289c to 289e HGB.

This responsibility of the company's legal representatives includes the selection and application of appropriate methodologies

for preparing the report, as well as making assumptions and estimates of individual disclosures that are appropriate in the given circumstances. Furthermore, the legal representatives are responsible for the internal controls that they have identified as necessary to enable the preparation of a report that is free from material misstatement, whether intentional or unintentional.

STATEMENTS BY THE AUDITOR REGARDING INDEPENDENCE AND QUALITY

We are independent of the company in accordance with German commercial and professional law and we have fulfilled our other professional duties in accordance with these requirements.

BEST AUDIT GmbH Wirtschaftsprüfungsgesellschaft applies the national statutory

regulations and professional pronouncements for quality assurance, in particular the professional charter for certified public accountants and certified accountants as well as the IDW quality assurance standards: Requirements for quality assurance in the auditor practice (IDW QS 1).

AUDITOR'S RESPONSIBILITY

Our responsibility is to deliver an independent assurance statement on the report with limited assurance based on our assurance engagement.

Our assurance engagement has been performed in accordance with the *International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information"* issued by the IAASB. Accordingly, we are to plan and perform the assurance engagement to obtain a limited assurance as to whether the company's report has been prepared in line with sections 315b and 315c in connection with sections 289c to 289e HGB in all material respects. This does not mean that a separate assurance opinion will be submitted for each entry. In a limited assurance engagement, the procedures performed are less extensive than those required for a reasonable assurance engagement to obtain adequate assurance, thus significantly reducing the degree of assurance. The choice of the procedures lies in the due discretion of the auditor.

AUDIT OPINION

Based on our limited assurance procedures performed and the assurance evidence obtained, we have not become aware of any issues that lead us to believe that the Manz AG report for the period from January 1 to

As part of our assurance engagement, we performed the following procedures and other activities:

- Providing an understanding of the structure of the sustainability organization and stakeholder engagement
- A survey of employees involved in the preparation of the report about the preparation process, the internal control system related to this process and selected information in the report
- An analytical assessment of quantitative data and trends reported by all company sites for consolidation at Group level
- Inspection of selected internal and external documents
- Assessment of local data collection, validation and reporting processes as well as the reliability of the reported data through a sample survey at the headquarters in Reutlingen

December 31, 2017 is not in line with sections 315b and 315c in connection with sections 289c to 289e HGB in all material respects.

PURPOSE OF THE NOTE

This note is addressed to the Supervisory Board of Manz AG, Reutlingen, and is intended solely for this purpose. We do not assume any responsibility to third parties in this respect.

LIMITATION OF LIABILITY

The order for which we provided the above-mentioned services for the Supervisory Board of Manz AG, Reutlingen was based on the „General Terms and Conditions of Engagement of the Institute of Public Auditors in Germany e. V. for external auditors and accounting agencies“ as amended on January 1, 2017. By acknowledging and using the information contained in this note, each recipient confirms that they have read and understood the provisions set out therein (including the limitation of liability to 4 million euros for negligence in clause 9 of the AAB) and acknowledges their validity in relation to us.

Reutlingen, March 16, 2018

BEST AUDIT GmbH
Wirtschaftsprüfungsgesellschaft
Zweigniederlassung Reutlingen

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IMPRINT

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