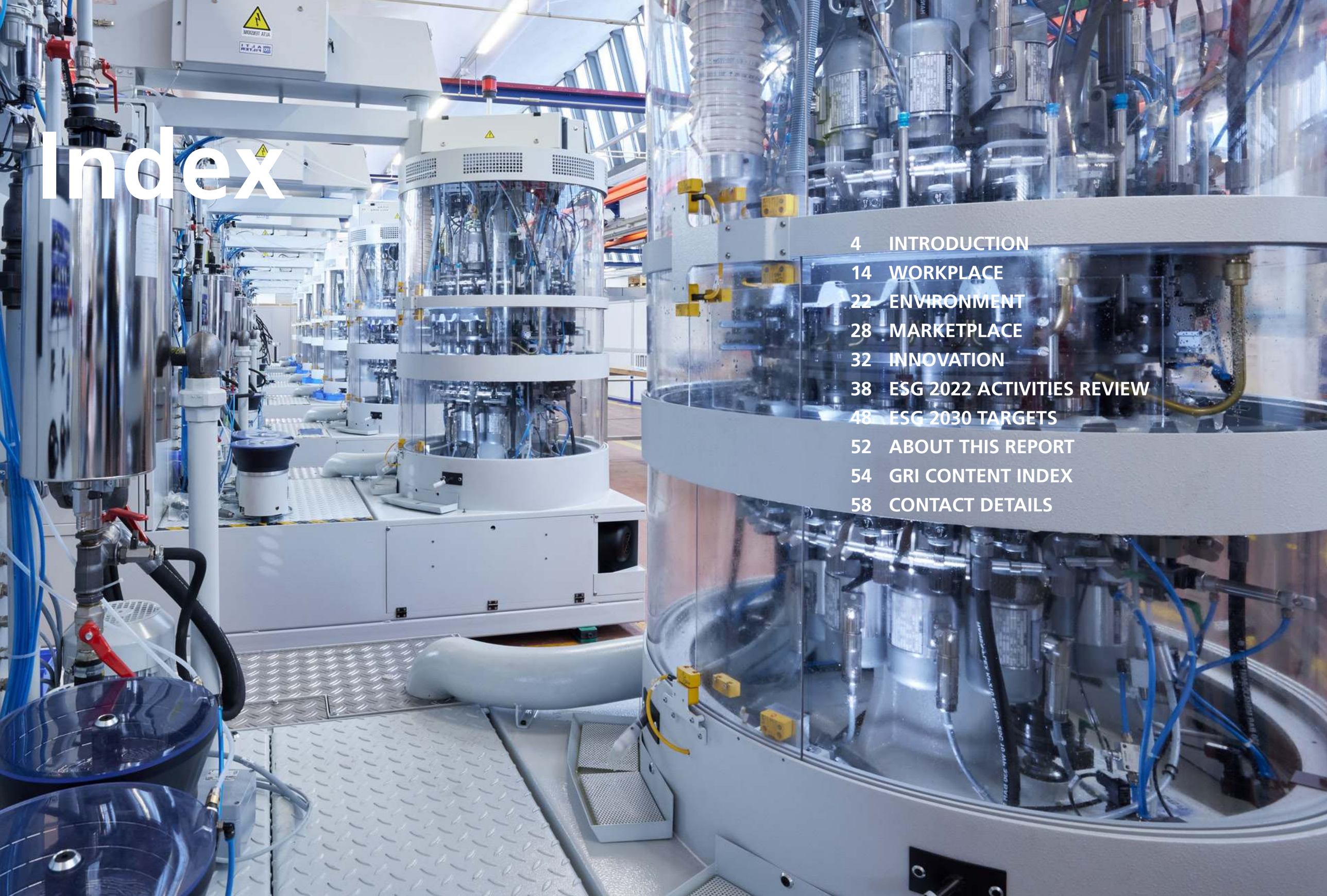
MIKRON

Sustainability Report 2022

Creating value with passion for precision



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Introduction
At a glance

PASSIONATE

1,414
highly qualified employees

97
apprentices

PRODUCTIVITY

3
business divisions

11,000
Mikron systems installed worldwide at the end of 2022

GLOBAL LOCATIONS

10
as partner of major leading companies in the industry segment and for project cooperation with technical high schools

INNOVATION

3
awards won

42
patent applications

STAKEHOLDERS

CHF **309.4** million
2022 sales revenue

CHF **264.0** million
value distributed

Letter to stakeholders

Dear stakeholders,

Mikron has been engaged in sustainability efforts for several years now. The last 12 months were characterised by establishing sustainability standards and by defining our sustainability targets for 2030. We are committed to further improve all three dimensions: environment, social, and governance.

We spent a substantial amount of time to set ambitious, long-term sustainability targets, that support us improving our performance while safeguarding the environment. And we are committed to doing our part to achieve the United Nations Sustainable Development Goals (SDGs). This report serves as a reinforcement of our commitments and documentation of our activities around sustainability and compliance.

In 2022, we were able to contribute to a reduction in energy consumption, by implementing investments in state-of-the-art building infrastructure in our locations in Switzerland. Additionally, we implemented measures to reduce energy consumption as Mikron's contribution to the energy crises in Europe. We will continue to work on further reducing our consumptions: For 2030, we target to reduce our CO_2 emissions by -70%.

To keep on attracting and retaining exceptional professionals, we care about the concerns and interests of our employees. Attractive, safe workplaces and conditions, as well as a high level of individual responsibility in performance-oriented teams, are important prerequisites for a motivated, loyal, and productive workforce. The success of Mikron was always to promote and develop employees and educate young talents with apprenticeships or internal trainings. We target to reduce the turnover and improve safety. Promoting diversity and tolerance regarding gender, nationality, and age, as well as disability inclusion at work will continue to be essential to our targets in 2030.

A redesign of our values forms a strong indication of our governance standards. Mikron's values are the six principles that shape our organisation, and we are all committed to them. Based on Swiss high standard of compliance, their valid and endorsed by each manager and employee of Mikron, whatever his location and environment.

Unchanged, we continue developing efficient and sustainable solutions being the most powerful lever to lower our ecological footprint. With our skilled people and leading technologies, we make a strong contribution to a low-carbon society by offering systems with reduced energy consumption or alternative production solutions — more efficient and with a longer lifetime. Our commitment is to help our customers reduce their annual CO_2 emissions.

Our success in sustainability has also been confirmed by external institutions that help us to measure the impact of our actions. At most locations, Mikron was awarded with improved scores by EcoVadis in 2022.

In this report, you will find some case studies and examples of how we are advancing in our sustainability journey by continually improving energy efficiency across our factories and sites.

We are extremely proud of what our people have accomplished so far. We are grateful for your collaboration and support as we take on the challenge of building a sustainable future. We know that amazing things happen when we all work together. With our great people, leading technologies, and the support of our stakeholders, we are committed to our 2030 targets. Not because we must, but because we believe in it.

Thank you for your trust and support.

Paul Zumbühl
Chairman of the Board

Marc Desrayaud
CEO Mikron Group

Values

Creating Value With Passion for Precision

Mikron's values are the six principles that shape our organisation, and we are all committed to them. We truly believe they are the pillars of our long-term success and not just random corporate clichés. Of course, words and declarations aren't magic. They need to be understood, lived by, and acted upon. Only then values become actions.

Reflect on what these values mean to you personally and how they can be converted into actions.

We are high-performance teams that work together.

EXCELLENCE
SKILLED& MOTIVATED EMPLOYEES

Each employee contributes to Mikron's success. We share our experiences and shape our working environment in such a way that everyone can be successful. Through continuous training our people develop their needed competencies and skills for today and tomorrow. Transparent communication and a feedback culture foster teamwork and a trustworthy environment. Empowerment and constant challenge move to action and motivates us to step out of comfort zones.

We honour our commitments.

RESPONSIBILITY
HONOR AGREEMENTS & SHOW RESPECT

We take responsibility for our actions and behavior based on our values, policies, and corporate objectives. We are all ambassadors of our company and show respect and develop profound trust with our colleagues, customers, and partners. We take and execute decisions professionally and for the good of the company. We fully comply to the legal statues and behave socially and environmentally responsible, not because we must, but because we believe in it. Regardless of our title, we are all leaders and have a responsibility to act as role models.

We partner with our customers.

ENGAGEMENT
MARKET& CUSTOMER FOCUSED

The needs and expectations of our customers guide the way we think and act. We help them to improve their productivity and become more competitive in their markets using innovative solutions. Building long term business relationships is vital to us. We are confident and only make promises that we can keep. We continuously invest in new products and technologies to meet the needs of our customers and the evolving market. Through digitalization we transform our services, products, and internal processes to remain a reliable and competitive partner.

We are constantly improving.

QUALITY
THROUGH CONTINUOUS IMPROVEMENT

Based on our passion for precision, we deliver the quality our customers expect. All within the budget, on time and environmentally safe. Quality is all-encompassing: rapid and agile adjustments to new requests, and the constant search for improvements of products, processes, and competences.

We keep your know-how safe.

RESPECT
CONFIDENTIALITY
& CARE FOR SECURITY

We protect our customers intellectual property and data, and use it only as authorised. Employees shall have access to materials required to perform their work, but Mikron is very careful and restrictive about information inside and beyond the walls of our company. We are aware of cyber risks and our vulnerability, consequently, we use all communication tools with the upmost care.

We strive for targets and results.

SUCCESS
STRIVE FOR TARGETS & RESULTS

We devote all our energies to achieving our company's objectives. Our success is depending upon customers success. By meeting their expectations, we will deliver to our company's objectives, targets, and its long-term stability. We set demanding and clearly defined quantitative and qualitative targets. Each employee knows their own and the company targets and what their expected contribution is. We also monitor and communicate progress within the teams and work together to timely initiate the necessary measures should deviations be identified.

Code of Conduct

- In 2022, the third edition of the company's Code of Conduct was officially published. This document was previously developed in 2014 and subsequently revised in 2018. It was made available to employees through the Meta Compliance platform. Positive feedback was received from 90% of employees.

  The Code of Conduct is translated into five languages to ensure easy understanding by all company stakeholders.

  Importantly, the Code of Conduct is presented in four distinct sections. The first, entitled "We are reliable and act with integrity," and the second, "We protect Mikron's assets," are mainly focused on corporate governance and compliance issues.

  On the other hand, the third section, "We select business partners carefully," and the fourth, "We acknowledge our social responsibility and corporate citizenship," address the area of ESG (Environmental, Social, and Governance).

- The Code of Conduct proves Mikron's commitment to act with complete ethical integrity in all situations while respecting every person's individual rights. It sets out the relevant principles of ethical behaviour in writing and applies them to all Mikron areas and sites. The aim of the Code of Conduct is to ensure that the Mikron Group acts as a good corporate citizen, complies with legislation, and creates a working environment characterised by mutual respect, openness, and personal integrity.

- The Code of Conduct defines what Mikron as an employer expects from its employees. All employees are obliged to adhere to Mikron's Code of Conduct. It sets out how all employees should behave — both in general and in specific situations where an individual action has an impact on Mikron's reputation. Compliance with these guidelines is essential to protecting Mikron's good name.

- Mikron stands for machining, automation, and solutions that deliver the highest productivity, precision, and quality. Mikron does business in a responsible and ethical manner and is committed to contributing to circular economies and long-term sustainable development, taking different needs into account.

- Mikron's good reputation is one of its most valuable assets. The company's various stakeholder groups expect Mikron to act properly. All employees have a responsibility to foster and protect Mikron's reputation. The six Mikron values provide guidance for everyday behaviour at work and form the basis of the Code of Conduct. Maintaining high standards in our business relations is key to enduring success.

- The Mikron Group's membership in various industry associations and interest groups is a way to advocate the attitudes encouraged by the Code of Conduct.

- The new edition of the Code of Conduct has reserved a section dedicated to whistleblowing principles. The aim is to raise awareness among all employees and require them to promptly report any suspected or observed violation of the law or this Code of Conduct. Reports should be addressed to immediate supervisors, human resource managers, local management, or division heads. They will be treated confidentially to the extent possible, consistent with Mikron's needs. A dedicated e-mail channel has been established to protect confidentiality. Anyone who makes a report in good faith need not fear adverse retaliation, even if the report later turns out to be unconfirmed. Violations of this Code of Conduct will be identified, investigated, and rectified.

  In 2022, a whistleblowing organisation was established. The whistleblowing organisation is based on three levels, each with specific subjects who can be contacted in the case of whistleblowing. The different subjects have specific skills to deal with whistleblowing issues.

Certifications

Thanks to its highly efficient machining and automation solutions, the Mikron Group helps its customers to produce in an environmentally friendly and healthy way.

The increasing scarcity of energy and raw materials is a major challenge the Mikron Group is resolutely facing up to. The company thus takes responsibility for the environment at every link in the value chain very seriously.

The Mikron Group's certifications

ISO 9001 (Quality Management)

ISO 14001 (Environmental Management)

ISO 45001 (Occupational health and safety management systems for the Swiss entity in Agno)

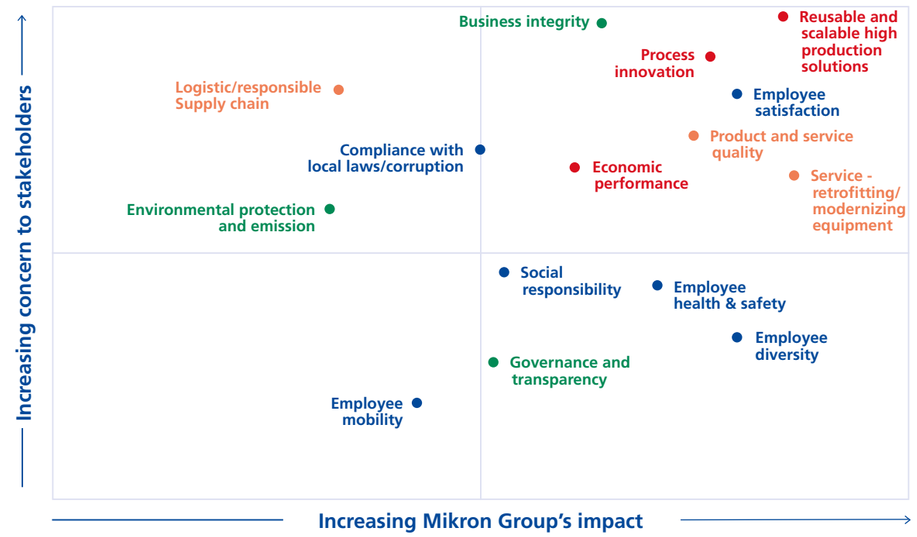
ISO 13485 for medical pre-production at the USA entity in Denver plant

Materiality Map

The Mikron Group conducts a regular qualitative survey to determine which indicators are most relevant to sustainability reporting. Customers, suppliers, employees, and other business partners along the group's value chain take part in this survey, together with authorities, new and potential employees. The company also facilitates internal focus groups to identify and prioritise other indicators relevant to sustainability reporting and to act on environmental, social, and governance issues. The accumulated findings are presented in the following matrix.

The Mikron Group views its commitment to sustainability through the following 4 indicators:

- **Workplace**
- **Environment**
- **Marketplace**
- **Innovation**



Stakeholders Map

Employees:

Dialogue between employees and management, satisfaction surveys, annual appraisal interviews, mutual respect, diversity, data protection, data privacy protection, idea and whistleblowing management, continuous training, company intranet, and digital training platforms.

Suppliers:

Close collaboration and partnership for the development of a sustainable, qualitative, and ethically oriented supply chain; long-term relationship and sharing of Code of Conduct; ethics and corporate values.

Customers:

Global partners and focus on customer expectations, long-term relationships, service excellence, innovation and product, service development process, sharing of Code of Conduct, ethics and corporate values, trade shows, and social media.

Agents and Distributors:

Creation of synergy and collaboration with local partners, long-term customer relationships with Mikron's valuable agents and distributors who are the company's ambassadors in their country, sharing of the Code of Conduct, ethics and corporate values.

R&D partners:

Cooperation with universities, scientific direction or participation in conferences, hosting students in R&D projects.

Local community:

Community involvement projects, plant visits, neighbourhood dialogue, open-door events, face-to-face dialogue with local authority representatives.

Media and public:

Communication through media events, publications, advertising, social media, and websites.

Industrial associations:

Membership of various organisations at local, national, and international levels; participation in working groups.

Investors:

Meetings with shareholders, dialogue with financial institutions and analysts, regular and transparent reporting.

Strategic partners :

Collaboration with third party in innovation and strategic market project.

Program with EcoVadis

Mikron submits its data to an assessment by EcoVadis, one of the world's leading sustainability rating providers. The assessment process involves a detailed expert analysis of environmental performance, ethics and work-related issues, and human rights.

Workplace

EXCELLENCE SKILLED & MOTIVATED EMPLOYEES

Skilled and motivated employees

1,414
employees

97
apprentices

10
locations around the world

12.4%
turnover rate

3.5%
absenteeism

10
total annual hours of trainings per employee

903
employees (headcount) with flexible time

80
employees (headcount) with part-time

277,902
total annual hours of homework

SUSTAINABLE DEVELOPMENT GOALS

	2019	2020	2021	2022
Number of employees (full-time equivalent)				
Number of employees (FTE)	1,486	1,331	1,327	1,414
Apprentices	98	91	98	97
Number of male and female employees				
Number of male employees	1,341	1,199	1,193	1,251
Number of female employees	145	132	134	163

Headcount

The number of employees is the total of the full-time equivalent of all employees. The total headcount is higher than the Group's full-time equivalent as not all employees work full-time.

As at the end of the 2022 financial year, the Mikron Group had 1,414 employees (FTE) overall, which represents an increase of 6.5% compared to 2021 (prior year: 1,327 employees).

The number of apprentice was 97 at the end of 2022.

	2019	2020	2021	2022
Absenteeism				
Total hours of absence	50,470	47,000	47,824	91,218
Total annual hours of work	2,828,300	2,312,877	2,659,798	2,662,628
Rate of absenteeism	2.0%	2.0%	1.8%	3.5%

Absenteeism

The health and safety of employees are extremely important to the management of the Mikron Group.

Internal processes are regularly reviewed for potential negative effects on health and safety. As in the prior years, there were no significant occupational accidents in 2022.

The figures in the table above, include illnesses/diseases, on-site accidents, and accidents that occurred outside of work in Swiss locations. The rate of absenteeism (working hours absent as a proportion of annual working hours) has increased to 3.5% compared to the prior-year figure of 1.8%.

	2019	2020	2021	2022
Training				
Total annual hours of internal training	35,540	24,757	22,887	11,267
Total annual hours of external training	2,590	449	1,953	2,951
Total annual hours of training on security and health	465	333	353	1,611
Total annual hours of training	38,594	25,539	25,193	15,829
Total annual hours of training per employee (FTE)	29	19	19	12

Note: in 2022, the reduction of the hours of internal training is mainly related to one site where the hire occurred late in the year under review; specifically, less training for newcomers was done, and some training is booked for 2023.

Employee satisfaction and training

Mikron operates in a demanding, highly cyclical and global market, and it is exposed to globally active and locally specialised competitors. The key to success is highly skilled and motivated employees who are willing to assume responsibility and work together efficiently. This allows the Group to respond to the rapid changes, diverse customer requests, and complexity inherent in the business.

Recruiting, retaining, and developing employees as well as inspiring them to embrace shared goals and practices remain priorities at all of our locations.

Mikron regularly assesses employee satisfaction levels through a dedicated survey.

During the year under review, more than half of the employees (FTE) received feedback from their supervisor in the form of an appraisal and development form.

Mikron aims to attract and retain employees with the right level of technical qualifications who are able to work in dynamic interdisciplinary teams, have a broad set of language skills, and are willing to travel and work abroad.

Mikron continues to invest in training and education and has conducted numerous on-site and virtual seminars. In 2022, we conducted a total of 15,829 hours of training, which corresponds to 12 hours per employee.

New apprentices and trainees were taken on in 2022. Further steps have been taken to foster the apprentice culture during the pandemic at our sites in Switzerland and the USA.

The management and leadership training program as well as specific project managers training continued.

All employees are regularly invited to online training on the Code of Conduct, and managers are asked to oversee the participation. The rating of participation in such ethics, compliance, and security e-trainings has reached 90%.

Phishing email and related awareness online training was conducted regularly during the year under review to gain resiliency to cyber risks and threats.

Diversity

The Mikron Group's management team is keen on promoting diversity within the workforce. The management looks for balanced diversity with a specific focus on competencies and experience at the same time. In local management, diversity is a fundamental element that enriches the social fabric and promotes innovation, valuing and encouraging the participation and inclusion of diverse perspectives, cultures, and backgrounds within the local community.

Still, those responsible for recruiting staff are dependent on the labour and training market. For example, in Switzerland, the number of men with appropriate technical qualifications is considerably larger than the number of women with such skills. The proportion of women pursuing initial training in engineering and technology amounts to 6.9%, with 12.7% studying technical subjects at universities of applied sciences and 31% — at regular universities (source: Swiss Federal Statistical Office).

Employee remuneration is based on the role in question, performance, specific knowledge or skills to Mikron (languages, special technological expertise), and experience. Men and women are paid equally for performing the same work. Women account for around 12% of Mikron's staff, and most of them perform tasks related to internal service functions. It is important to note that the conditions for women are in line with the industry average. The economic performance and regional differences of the individual companies are also taken into account. It is Mikron's aim to compensate employees fairly and in a way that is comparable to similar internationally active companies.

Mikron also takes the differences that may arise at individual sites into account. For instance, an equal pay approach is applied when a site employs local residents and commuters coming from a neighbouring county, as is the case in Agno.

In addition, during the year 2022, a specific tool has been implemented for the Swiss entities to evaluate the application of the equal pay approach in accordance with the statutory law requirements in Switzerland. The results have been audited by an external supervisor and showed overall compliance and an equal approach to salaries for different genders.

The Mikron Group has employees of a number of different nationalities at its sites in Switzerland, Germany, the USA and Asia: alongside the Swiss (37%), Italians (20%), Americans (17%), Germans (7%), and Asians (8%) are most widely represented.

The relatively high proportion of different nationalities is caused by the geographic location of the Agno site — Agno is located on the border between Switzerland and Italy.

	2020	2021	2022
Nationalities			
Swiss	39%	37%	37%
French	-	3%	4%
Italians	24%	21%	20%
Germans	13%	8%	7%
Americans	15%	18%	17%
Asians	9%	9%	8%
Share of other nationalities	-	4%	7%

Note: in 2022, the method of reporting has been reviewed compared to the prior years; therefore, some differences appear in the table for French and other nationalities.

Smart working initiatives

In 2018, Mikron had already developed an open approach to smart working, giving employees the opportunity to work from home and achieve a better work-life balance. Naturally, the occurrence of the pandemic in 2020 and its continuation in 2021 further incentivised the home office mode. Many Mikron collaborators continue to take advantage of the opportunity to work from home while ensuring continuous and efficient services for their clients. This has been made possible thanks to Mikron's development of IT solutions that have enabled most employees to work remotely. The recall of emergency government decisions on the pandemic may have an indirect impact on the practice of home office in the future, particularly for commuting personnel. Indeed, according to some local tax laws, the number of hours worked from home is limited to remain subject to the tax regime of the country that regulates the employment contract.

Other smart working initiatives such as flexible time, part-time, and parental leave even over statutory-law days expanded in their application at Mikron over the years, as the table above shows.

	2019	2020	2021	2022
Smart working initiatives				
Total annual hours of remote work	3.078	73.244	117.306	277,903
Number of employees (headcount) with flexible working time	389	356	512	903
Number of employees (headcount) with a part-time schedule	24	70	91	80
Number of days of parental leave exceeding the statutory limit	92	206	226	187

Experience at a glance

Robotics course for children

The company is proud to have taken part in a project called "Robotics course for children aged 11 to 13," which aims to inspire vocation for technical and IT professions among 11-13-year-old children, particularly girls.

The two robotics courses were launched in 2019 by EPFL, École Polytechnique Fédérale de Lausanne, in collaboration with the Department of Scientific Promotion of the Ecole Polytechnique Fédérale de Lausanne, and with the support of companies that have their sites in the canton of Neuchâtel, Switzerland such as Ciposa, Ima Automation, Mikron, Microcity, and Rollomatic.

These robotics workshops aim to promote information and communication technologies and engineering courses that use robotics. However, separate courses for girls and boys are designed to encourage more active participation of girls in these activities and to attract them towards technical and scientific professions. This is done to promote the future careers of women and to combat the shortage of engineers in a region with a strong industrial vocation.

For this third edition, 48 young people followed robotics courses called "Robots Are a Girl's Thing" and "Building and Programming a Robot" at the EPFL Microcity campus for 11 weeks (from October 2022 to January 2023), under the supervision of qualified EPFL students. Every Saturday for a semester, participants aged between 11 and 13 learned how to design, build, and program a robot while having fun. Three different projects were proposed, and these workshops were a great success.

The closing ceremony took place on January 28th, 2023. The young participants who had worked on their project for 11 weeks were able to present the robots they had programmed to perform various tasks to the public.

The apprenticeship allowed them to become familiar with information, communication, and engineering technologies early on and gain confidence in their abilities in these fields. As this experience occurs at an early age, it may encourage participants to choose middle school or high school options that would allow them to move into related technical fields or pursue related training.

Student visiting High-performance assembly lines

Mikron Boudry warmly welcomed 120 bachelor students in microengineering from the prestigious Swiss Technical University, EPFL. The students were able to visit the different departments to understand the complete process of designing and manufacturing high-performance assembly lines. Mikron Boudry employs more than 50% of engineers specialised in microengineering, mechanical, robotics, vision, and software.

Smart Office

Mikron, a leading technology company, has recently implemented a series of innovations within their offices. In particular, Mikron has introduced the concept of a "smart office" using advanced technologies to optimise the management of processes and information. Furthermore, FTH ceilings with sound-absorbing elements and linoleum or carpeted floors with underlying noise reduction have been installed. Concrete walls have been equipped with sound-absorbing elements, and POD offices have been introduced to create private and quiet workspaces. Finally, adjustable electric office workstations with sound-absorbing panels have been implemented, along with larger director PODs with high-quality finishes.

Family score

The family score represents a cost-benefit evaluation of work-family reconciliation measures implemented. It allows for identifying the ideal meeting points between the demand and supply of implemented work-family reconciliation measures in individual companies.

The Swiss association Pro Familia promotes the reconciliation of professional, private, and family life. Such reconciliation should be a fundamental right for all individuals, not just for young mothers, fathers, or caregivers.

Results of the Family Score survey

The Mikron Group employs over 1,400 collaborators and has a vision centred on creating value with passion and precision. The company pays particular attention to its customers' needs and offers its expertise to deliver the best solutions for them. The key to Mikron's success is its highly skilled and motivated workforce, which is considered the company's fundamental asset.

Moreover, the Mikron Group, specifically the Swiss entities recently obtained the "Family-Friendly Organisation" certification, demonstrating its commitment to policies and actions supporting the work-life balance. The decision was based on a online survey conducted from May 23 to June 20, 2022 targeting 803 Mikron employees with an email address. 750 employees were asked to complete the online questionnaire, and 403 people responded — which resulted in a response rate of 51%.

With a score of 60 out of 100 possible points, Mikron Group's Family Score has earned the "Family-Friendly Organisation" quality label from Pro Familia Svizzera for the next three years.

For Mikron, the key to success is the employees with their skills, abilities, experience, and motivation.

The Family Score allowed us to see the significant sense of belonging the employees feel towards the company and encouraged us to continue our policy of social responsibility based on open, transparent communication and consideration of family needs.

Environment
Taking responsibility

RESPONSIBILITY
HONOR
AGREEMENTS &
SHOW RESPECT

CONSUMPTION

11,535
Electricity (MWh)

1,434
Natural gas (MWh)

48,717
Heating oil (litres)

258
Waste (t)

835,935
Fleet (km)

8,066
Water (m3)

EMISSIONS

2,198 tCO_2eq

OTHER FACTS

42%
recycled electrical waste

44%
of resources are renewable

90%
recycled oil waste

SUSTAINABLE DEVELOPMENT GOALS

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

15 LIFE ON LAND

Environmental key Performance indicators		Absolute figures						Intensity figures (consumption per CHF million revenue)					
Consumption	Unit	2019	2020	2021	2022	difference to 2019	difference to 2021	2019	2020	2021	2022	difference to 2019	difference to 2021
Energy													
Electricity	MWh	11,813	11,351	10,670	11,535	-2.3%	8.1%	36.06	44.03	36.86	37.28	3.4%	1.2%
Natural gas	MWh	2,065	2,257	2,493	1,434	-30.5%	-42.4%	6.31	8.76	8.61	4.64	-26.5%	-46.1%
Heating oil (fuel oil)	l	161,860	139,399	128,121	48,717	-69.9%	-62.0%	494.08	540.73	442.56	157.46	-68.1%	-64.4%
Waste													
Municipal garbage	t	70	145	136	100	43.6%	-26.0%	0.21	0.57	0.47	0.33	52.0%	-30.7%
Used chemicals	t	66	40	68	60	-9.4%	-12.1%	0.20	0.16	0.24	0.19	-4.1%	-17.8%
Other waste (electrical, not recyclable)	t	68	6	109	97	41.7%	-10.6%	0.21	0.02	0.38	0.31	50.0%	-16.4%
Fleet													
KM diesel with particle filter	km	1,087,000	794,749	904,500	835,935	-23.1%	-7.6%	3,318.07	3,082.81	3,124.35	2,701.79	-18.6%	-13.5%
Water													
Yearly consumption	m^3	11,521	10,662	9,540	8,006	-30.0%	-15.5%	35.17	41.36	32.95	26.07	-25.9%	-20.9%

*Note! The formula for calculating the data included in the 2022 tables has been changed. The 2022 data are based on the actual percentage of green electricity per site, which means that the calculation method for 2022 is different from the data in previous years. Therefore, for the year 2022, the average of renewable resources for electricity is 44%. The calculation of 2021 was based on an avarage of 30% green energy.

Greenhouse gas emissions

The internal greenhouse gas emissions in connection to the Mikron production activities can be distinguished between direct and indirect.

Direct emissions (Scope I, according to the GHG Protocol) are considered to be those produced by the machinery owned or controlled by the company (boilers, burners, as well as means of transport, such as company cars). Indirect emissions (Scope II) are those that occur from the production of electricity imported and consumed by the company. They are calculated in tons of CO_2 equivalent, tCO_2eq.

Following this definition, Mikron's direct emissions are calculated taking into consideration the tools of the GHG Protocol, while an estimate of indirect emissions stemming from the production of electricity is carried out using the market-based method and the latest available data relating to the energy mix, arising from the information received by service provider.

Energy

Mikron energy's consumption is attributed mainly to the operation of the machinery in testing and the production plants. To date, the electricity required for these operations has been purchased mainly from external suppliers. The Boudry site in Switzerland is able to produce by its own a part of energy as explained in the Experience at a glance in the next pages.

Renewable resources represent about 44% of the purchased mix, which is an increase compared to the prior year's report (2021: 30%).

In addition to the electricity purchased, we also consider gas-methane and automotive fuels (diesel and gasoline) for company vehicles among the energy sources necessary for company activities.

Thanks to the new buildings in Agno and Boudry, Switzerland, the consumption of heating oil amounted to 48,717 litres (2021: 128,121 litres). That is a 62.2% reduction in absolute figures and a 64.4% decrease in intensity figures.

Environmental key Performance indicators	Absolute figures						Intensity figures (tCO_2eq per CHF million revenue)					
Green gas emissions - Scope I and II tCO_2eq	2019 tCO_2eq	2020 tCO_2eq	2021 tCO_2eq	2022 tCO_2eq	difference to 2019	difference to 2021	2019	2020	2021	2022	difference to 2019	difference to 2021
Energy												
Electricity	1,689.26	1,623.19	1,525.81	1,157.27	-31.5%	-24.2%	5.16	6,30	5.27	3.74	-27.5%	-29.0%
Natural gas	382.15	417.67	461.22	265.44	-30.5%	-42.4%	1.17	1.62	1.59	0.86	-26.5%	-46.1%
Heating oil (fuel oil)	427.31	368.01	299.54	128.61	-69.9%	-57.1%	1.30	1.43	1.03	0.42	-68.1%	-59.8%
Waste												
Municipal garbage	86.32	179.28	167.39	117.78	36.4%	-29.6%	0.26	0.70	0.58	0.38	44.5%	-34.2%
Used chemicals	244.67	150.58	252.29	221.68	-9.4%	-12.1%	0.75	0.58	0.87	0.72	-4.1%	-17.8%
Other waste (electrical, not recyclable)	204.96	18.24	324.94	290.41	41.7%	-10.6%	0.63	0.07	1.12	0.94	50.0%	-16.4%
Fleet												
KM diesel with particle filter	21.73	15.89	18.08	16.71	-23.1%	-7.6%	0.07	0.06	0.06	0.05	-18.6%	-13.5%
Total tCO_2eq	3,056.40	2,772.86	3,049.26	2,197.90	-28.1%	-27.9%	9.33	10.76	10.53	7.10	-23.9%	-32.6%

Waste

Mikron makes every effort to ensure that waste is dealt with in an environmentally compatible way. In 2022, the Group produced 258 tonnes of waste in Switzerland, Germany, and the US (2016: 454 tonnes; 2017: 474 tonnes; 2019: 205 tonnes; 2020: 192 tonnes; 2021: 314 tonnes), which corresponds to an 18% decrease in absolute figures and a 23% decrease in intensity figures.

In the course of 2022, Mikron has been able to recycle 42% of electrical waste and 90% of oil waste.

Water

Due to the nature of our processes and the fact that water is not used in our production, Mikron's water consumption is not very significant in terms of impact.

Our consumption of water is mainly related to kitchen and hygiene facilities and, to a lesser extent, the operation of air conditioning systems. The sites included in the report consumed 8,066 m3 of water in the year under review (previous reports: 2017: 15,600 m^3, 2019: 11,521 m^3, 2020: 10,662 m^3, 2021: 9,540 m^3), corresponding to a 15.5% decrease in absolute figures and a 21% decrease in intensity figures.

Experience at a glance

Generation of energy at Mikron

Our new/renovated Switzerland factories in Agno and Boudry include energy-friendly utilities and improved insulation. This results in a reduction of fossil energy consumption, an increase of green energy part of consumption, the production of own solar energy, and the implementation of CO_2-neutral heat pump systems.

Governments around the world have set targets to achieve net zero carbon emissions and create a greener future by 2050, as reiterated during COP 27.

Energy-intensive sectors, including the pharmaceutical industry, are striving to achieve ambitious goals to become more sustainable. Read more about sustainability in the pharmaceutical industry here.

With our initiatives, and thanks to the support of the local authorities in our locations, we engaged in a 5 years investment plan to reduce our CO_2 emissions and participate to the scope 3 improvement of our customers.

The Success Story of Mikron Boudry "The Next Factory"

Mikron Boudry site in Switzerland has made big changes!

"The Next Factory" is the result of an industrial vision elaborated by the management of Mikron Boudry. In March 2020, the Board of Mikron Group approved an investment that included the construction of a new building of 7,800 m² aligned with the zero-carbon initiative, the digitalisation of the factory, a complete reform of the work methodology, and the logistic flow development for Mikron Boudry future. In addition to the implementation of the Smart Office as explained above in the Workplace indicator, several other strategic projects were included in the Next Factory Concept: for example, the installation of the solar panels, new heating and cooling systems.

Thanks to the installation of 1,381 m² of solar panels since September 2021, Mikron Boudry has been able to self-procure a significant portion of the needed energy. About 85% of the produced energy is used by Mikron Boudry. The new heating and cooling system has allowed us to reduce the CO_2 emissions significantly compared to the previous system.

Marketplace

ENGAGEMENT
MARKET & CUSTOMER FOCUSED

Focusing on market and customer expectations

37%
of local suppliers

47%
of key suppliers from certified businesses (ISO 9001)

42
terms of payment to the supplier (average in days)

73%
of suppliers that have committed to Mikron's ethics and Code of Conduct

SUSTAINABLE DEVELOPMENT GOALS

17 PARTNERSHIPS FOR THE GOALS

Economic Performance

Mikron can look back on a successful 2022 financial year in a positive market environment. Our Group was able to continue the positive development started in 2021 and further improve its key figures year-to-year. The significant increase in volumes and earnings, to which all business units contributed, confirms that Mikron is on the right track both strategically and operationally.

Overall, the Group's net sales increased from CHF 289.5 million to CHF 309.4 million (+6.9%), while EBIT rose by 50.0% to CHF 26.4 million and the EBIT margin increased to 8.5% of net sales (2021: 6.1%). These results are remarkable in view of the major challenges our Group faced in the year under review: shortages on the raw material and supplier markets, material price increases, and massive energy price hikes demanded flexible solutions and decisive action. All three divisions succeeded in this respect thanks to proactive discussions with customers and suppliers and a careful pricing policy.

The Mikron Automation business segment took advantage of the continued strong demand from the pharmaceutical and medtech industries and further improved its profitability. In the Machining Solutions business segment, the Mikron Machining division continued the positive sales trend that began in the second half of 2021. Mikron Tool realised several new product developments for applications in the medical technology industries and reduced its exposure to the automotive industry.

We also made considerable progress in the implementation of future-oriented infrastructure projects last year, all financed by the operating cash flow.

	2021		2022
By segment	39%	Machining Solutions	41%
	61%	Automation	59%
By region	44%	Europe	42%
	6%	Switzerland	7%
	15%	Asia/Pacific	20%
	33%	North America	30%
	2%	Others	1%
By industry	11%	Automotive	12%
	56%	Pharma/Medtech	55%
	4%	Writing	4%
	7%	Consumer Goods	9%
	22%	Others	20%
	CHF 289.5 million		CHF 309.4 million

Value generated and distributed

Worldwide Presence

With its 10 locations, Mikron continues to be a globally networked Swiss-based company with a worldwide presence. The most important foreign markets include Europe, North America, and Asia Pacific.

However, Mikron generates about 70% of its immediate value in Switzerland, where it makes the majority of its payment to suppliers.

As of the end of the 2022 financial year, the Mikron Group overall had 1,414 employees (FTE), which represents a 6.5% increase compared to the prior year (1,327 employees). Based on these considerations, the payments to employees were mainly unchanged compared to the prior year. 65% of payments went to staff in Switzerland, 18% to employees in North American locations, 9% to employees in Asia, and 8% to employees in Europe.

CHF million	2021	2022
Economic value generated	289.5	309.4
Economic value distributed		
Operating costs (material and external services)	-119.0	-140.5
Employees wages and benefits	-122.7	-127.8
Payments to providers of capital	-0.4	-0.1
Payments to government (taxes inclusive of VAT)	4.1	4.4
Community investment (donations, collaboration)	-0.3	-0.1
Subsidies and governmental aids	1.0	0.0
Economic Value Retained	52.1	45.40

Distribution to shareholders

At the Annual General Meeting of Mikron Holding AG on 26 April 2023, the shareholders approved all the Board of Directors' proposals and the dividend of CHF 0.40 per share.

Community

Mikron entities individually contribute to the community where they are located by participating in associations of the segment (such as Swissmem and Prodnet in Switzerland, or Cecimo in Europe), by collaborating with local universities in technical and innovation fields, working with the municipal authorities in developing new talent and apprentice programs, and executing donations to associations in social service and health segment.

Innovation

QUALITY THROUGH CONTINUOUS IMPROVEMENT

Striving to achieve targets and results

Innovation and key investments

Several development projects continued in 2022. In the year under review, a total of CHF 6.5 million (prior year: CHF 6.6 million) was invested in the development or enhancement of new products or product platforms. These figures include capitalised research and development expenses, personnel expenses, material costs and other operating expenses. This does not include daily innovation activities, which are triggered by customer projects and are required to develop new specific assembly or machining processes.

CHF
6.5 million
investment in R&D

42
patent applications

23
registered trademarks

5
R&D locations

SUSTAINABLE DEVELOPMENT GOALS

4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
17 PARTNERSHIPS FOR THE GOALS

Production and development

Mikron Tool is characterised by tremendous enthusiasm for innovation and technology. This requires continuous investments in the latest manufacturing and R&D technologies. The company possesses one of the most advanced technology centres for micro-cutting, specialising in high-performance machining of challenging materials. Recently, a turning and milling machining centre for complex components focusing on 6-side machining was put into operation. This allows the machining specialists at Agno to develop groundbreaking manufacturing strategies for small and large series production in various industries. Another 5-axis machining centre was installed this spring to evaluate whether emulsion or cutting oil as a coolant provides better results in different production environments.

Production equipment of the latest generation

To produce high-performance tools in the smaller diameter range with the highest repeatability, state-of-the-art production equipment is required. High-precision grinding centres of the latest generation, highly accurate digital measuring devices are used throughout the entire production process to ensure high-quality standards, including custom-made digital microscopes with up to 2,000x magnification. However, that alone is not sufficient. Thanks to the high competence of the grinding specialists, Mikron Tool achieves absolute precision (with a correction range of up to 0.1 µm).

Innovative tool technologies for new market

Miniaturisation is an important modern trend that pushes conventional materials to their limits. The reduction in weight and size of products, as well as their increased mechanical, thermal, and chemical stress, lead to the use of high-performance materials. In this context, Mikron Tool positions itself as a solution provider for future markets such as medical and dental technology, aerospace, as well as the energy sector, the food industry, and watchmaking. Not to mention the electronics industry, which has to deal with lead-free brass.

Mikron Tool sets high standards for its own quality and constantly strives to exceed its strict standards and set new technological trends. This ensures continuous performance improvement for customers with their products. The company's success is evident in winning four innovation awards in the past eight years.

State-of-the-art building technology

Innovation is also a priority when it comes to utilising sustainable energy sources. As part of the construction of the new production hall in Agno, a state-of-the-art heat recovery system was installed to capture waste heat from the production process. Since 2022, no fossil fuels have been consumed. By implementing a new cooling system, the company saves 370,000 kWh annually. But it doesn't stop there. In late June, Mikron Tool will begin installing a solar power system, once again relying on cutting-edge technology to ensure long-term sustainability

High-performance machining of lead-free materials

Recent environmental laws require the elimination of hazardous materials, including lead in metal alloys, from all production processes.to evaluate whether emulsion or cutting oil as a coolant provides better results in different production environments.

Restriction of Certain Hazardous Substances (RoHS):

Directive reference: 2002/95/EC
Member states shall ensure that from 1st July 2006, new EEE put on the EU market does not contain 6 restricted substances

1. Lead (Pb)
2. Cadmium (Cd)
3. Mercury (Hg)
4. Hexacalent Chromium (Cr+6)
5. Polybrominated Biphenyles (PBB)
6. Polybrominated Diphenyle Ether (PBDE)

The RoHS 2002/95 / EC directives required the elimination of lead from metal alloys in all products sold in the European Union.

New lead-free materials are being used in many industrial branches, such as mechanics, electromechanics, electronics, and consumer goods. These new materials affect not only the quality and characteristics of the final products but also the way they have to be manufactured.

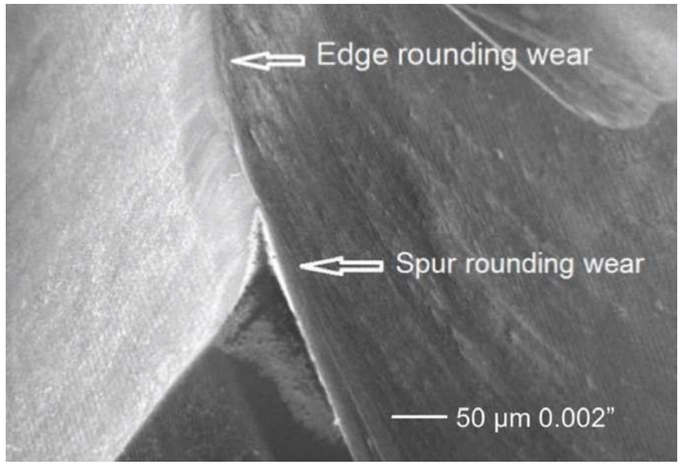
When machining lead-free materials with traditional cutting tools and processes, it is difficult to obtain minimal roughness, keep the tolerances, and preserve the material properties. This results in a poor quality of the final product and/or a decrease of the overall efficiency, which increases the production costs.

Examples of lead-free brass electrical connectors: on the left, machined with dedicated technology, on the right, machined with traditional technology

Long chips, material overheating, and premature tool wear-out are common in machining lead-free material. This creates skeins and dams that prevent their evacuation and tend to pile, making automatic production unproductive and sometimes even impossible.

Examples of lead- and sulfur-free steel chips. Left, with dedicated technology; right, with conventional tools.

Premature wear of the tool's cutting edge could have negative consequences on the quality of the produced parts. At the high production rates of a modern transfer machine, a worn tool edge could produce thousands of defective pieces in as little as 30 minutes. Recovering them from the containers of finished parts is a long and risky undertaking; missing even one defective piece could compromise the reputation of the manufacturer.



Mikron Machining has carried out numerous tests in collaboration with Mikron Tool in order to better understand the behaviour of these new lead-free materials and to continue offering highly efficient production equipment.

The development of new dedicated processes and machine elements that started in 2021 and concluded in 2022 can now assure the quality of the piece without losing cutting speed while machining, thus assuring reliable mass production and automatic machining. The new process for lead-free materials includes dedicated tools, optimised cutting parameters, specially developed machining units, high-pressure coolants, and dedicated software for tool wear-out monitoring.

This software (Mikron miTool) can immediately detect tool wear-out, initiating an immediate stop of the machine that allows the operator to replace the worn tool and remove the few pieces of non-compliant quality. This modern monitoring system is also easy to use, thanks to automatic learning of load limits and the use of artificial intelligent engines.

Mikron's miTool tool-monitoring system

Mikron's Multistar CX-24 transfer machine is particularly suitable for the reliable mass production of complex and accurate electrical contacts in lead-free copper base alloys. Equipped with its 44 working units and the newly developed lead-free process, it can assure a very high output rate of up to 200 pieces/minute.

Mikron's Multistar CX-24 transfer machine

ESG 2022 activities review

Our engagment in sustainability and the SDGs

Activities and initiatives in a nutshell

Relationship with the community

Our engagement in sustainability

On September 25, 2015, the United Nations approved the 2030 Agenda for Sustainable Development — a global action programme to achieve a better and more sustainable future for all by 2030.

This document lists 17 Sustainable Development Goals (or SDGs), which address the major challenges of our time that come from balancing the three dimensions of sustainability: economic, social, and environmental. The Goals aim to stimulate action in areas of crucial importance to humanity and nature: People, Planet, Prosperity, Peace, and Partnership.

The 2030 Agenda leaves ample room for the role of business, identifying several areas of action (such as the circular economy). The contribution of the private sector is crucial, as it is called upon to act in favour of sustainability starting from its core business.

At Mikron, we've already started to follow the 17 SDGs. With our corporate strategies and product offerings, we aim to make our contribution to achieving these goals. Among the 17 SDGs of the 2030 Agenda, we focus in particular on the following objectives:

We aim to develop top levels of productivity through diversification, technological upgrading, and innovation, with a focus on high value-added sectors such as MedTech.

We are committed to achieving increases in turnover over the next few years. At the same time, we strive to separate economic growth from environmental impact by progressively improving resource efficiency and adopting clean and environmentally friendly technologies.

We stimulate scientific research, encouraging creativity and innovation.

We reinvest in our company to create new jobs and improve the health and safety of our employees at all production sites. At all sites, we have a management model to ensure the best possible protection of health and safety in the working environment and prevent all potential forms of risk.

Finally, through our corporate policies and attitude towards people and the local area, we contribute to the sustainable development of goals 4, 5, 10, and 11.

- We have achieved a high specialisation of resources through personalised training courses and collaborations with research centres and universities worldwide;
- We guarantee and demand equal treatment for men and women;
- We embrace a diverse community of more than 30 nationalities;
- We have strong ties to local areas and communities, establishing our operations there, sponsoring local development initiatives, and supporting voluntary associations;
- We are constantly working to reduce our impact on the local areas in terms of waste and emissions.

The Mikron production sites in Switzerland are based on the Kaizen principle and the ISO 14001 certification, which enables waste reduction and process simplification. Employees are actively involved in the process.

In addition, Mikron is implementing digital technologies to further increase efficiency. Paperless projects have been already introduced at Swiss sites.

Different measures for the responsible use of energy were taken at Mikron Swiss sites as explained above in the Environment section.

2022 activities in a nutshell

Sites and buildings

Our new buildings at the sites in Agno (both for Mikron Machining and Mikron Tool divisions) and Boudry have been completed and are now fully operative.

These new buildings allowed for a significant reduction of the CO2 emissions in Agno and Boudry as can be seen in the Environment section in the table above.

Certifications

Our certifications are regularly renewed: ISO14001, 9001 ISO 45001 at the Swiss sites

(see Introduction of this report).

Employment practices

Certain obligations regarding pay equality and reporting of gender quotas have come into effect as of july 1, 2020.

Therefore, starting from July 1, 2020, employers with a certain number of employees are required to carry out an internal evaluation on pay equity every four years, under Article 13 and following the Code for equal opportunities between women and men. If the employer is subject to organisational control, the pay equity analysis must be verified by an independent body.

Employees must be informed of the analysis results within one year of the audit's conclusion. The listed companies are required to publish the results of the pay equity analysis as an attachment to their annual financial statements.

Public sector employers must publish the individual results of the pay equity analysis as an attachment to their annual financial statements and inform their employees. The first results must be made public by June 30th yearly.

For all Swiss entities, there is a tool for calculating the ratio of basic salary and remuneration of women and men, i.e. equal pay. An external audit of pay equality at Mikron has been performed (see Workplace in this report).

Starting from January 1st, 2021, the listed companies are subject to a quota of 30% for each gender for members of the board of directors and 20% for executives, with different deadlines for compliance: by 2016 for board members and by 2031 for executives. Mikron has appointed an new member as director in compliance with this rule.

Governance

- In 2022, 1,547 hours of internal training on health and safety has been performed.
- Two online training sessions on the Code of Conduct rules, ethics, and compliance were completed with a participation rate of 93%. Around 90% of employees took part in the IT and cyber security online training.
- Our Data Privacy Policy for employees has been updated in accordance with the mandatory laws, specifically GDPR and FDPA. The new policy was presented to employees through an online platform (a 90% participation rate was achieved).
- In addition, the new 2022 Code of Conduct has been published and approved by 91% of employees.

Community

Experience 1

Part 4 of the four-part article series, "Medical Device Industry's Most Pressing Challenges and How To Solve Them," focuses on ESG Standards.

The article describes how pharmaceutical and medical device manufacturers are trying to bring new products to market in a disrupted and changing environment. These companies need to devise strategies to keep their assembly systems running and optimise new product development — all while facing various challenges.

Mikron is a positive force in the global community and is leading by example — it has clear sustainability and diversity targets set for the near future. We address such challenges as best as we can and want to share our experience.

The first challenge involves supply chain disruptions due to the COVID-19 pandemic and war in Europe. To address this challenge, Mikron has planned material purchases in advance and invested in the in-house production of metal parts.

The second challenge concerns the shortage of talent in the industry. Mikron has launched an extensive apprenticeship program in Switzerland and the United States to train polymechanics and technicians. The company has also invested in a new office layout to make the work environment more attractive.

The third challenge concerns time-to-market, or the speed with which a product becomes ready for sale. Through the use of advanced technology and extensive industry experience, Mikron can offer its customers time-saving solutions. For example, product development and assembly system construction can be put in parallel, so that time-to-market can be accelerated.

In addition, the increasing complexity of products requires ever-larger assembly programs, often involving the use of two or more assembly lines in parallel. Mikron is able to meet these requirements in a short timeframe, using all of its production capacity present at all of its sites.

Moreover, Mikron provides its customers with guidance on optimising projects from conception to launch, thus helping avoid errors and save time in the production phase.

The last challenge is the ESG standards. Attention to environmental, social, and governance (ESG) impacts is increasing, and pharmaceutical companies need to demonstrate their commitment to these areas. Mikron is leading by example, setting goals for 2025 and 2030 regarding sustainability and diversity.

For example, Mikron's new Swiss plant is equipped with solar panels and a carbon-neutral heat pump system. A well-designed, high-precision assembly system makes it possible to assemble products in an energy-efficient manner and to plan production with the highest standards in mind. In addition, Mikron's apprenticeship program aims to promote women in engineering, which promotes diversity.

Experience 2

Mikron Automation in Denver recently held a blood drive, which attracted many volunteers! The number of units collected from our team has the potential to improve and/or save the lives of 72 individuals.

Mikron is not only dedicated to helping our life science and healthcare partners with automation solutions but also keen on supporting and helping our local community.

Experience 3

During the Industrial Skills Championships in Lausanne (Switzerland), our apprentice Kyton won the gold medal in the Polymechanic category. Congratulations from the entire Mikron team for this superb achievement!

Experience 4

The Mikron Corporation in Denver brought the heat back in the fall by hosting a Chili Cook-Off! The employees were also encouraged to wear their favourite sports team jerseys during the festivities. The cook-off categories included home-style chili, red chili, and green chili. YUM!

Experience 5

Congratulations to our eleven apprentices from Mikron Switzerland AG, Boudry, who celebrated their graduation in July!

We are proud to announce that after four years of apprenticeship, all our polymechanic apprentices successfully obtained their Federal Diploma of Vocational Education and Training. We would also like to thank our three instructors for their engagement and support.

We wish them success and inspiration in their future endeavours.

Experience 6

Territory report

The "CSR Territory Report in Ticino" is an official document that has been developed in collaboration with SUPSI University (Scuola Universitaria Professionale della Svizzera Italiana) and AITI (Association of Ticino Industries).

The sustainability report provides companies with a tool to showcase their contribution to the region. It is based on 45 economic, social, and environmental indicators that are relevant to the Canton Ticino. This set of indicators forms the basis for preparing the sustainability report by all companies that wish to adopt an information and planning tool aimed at developing a sustainable approach for their business.

The economic indicators represent an opportunity to foster dialogue between the public administration, associations, and businesses.

The Association of Ticino Industries (AITI) is an organisation that represents industrial and commercial companies in Canton Ticino, Switzerland.

The collaboration with AITI is of local relevance in the context of the Ticino region. Mikron's representative in AITI, a lawyer named Luigi Rancan, is a member of the committee and the board of directors.

AITI has created six working groups to promote the strategic drivers for the development of the Ticino region. One of these working groups is focused on "Corporate Social and Environmental Responsibility and Inclusion." Luigi Rancan, who coordinates this group along with other participants, has defined four objectives in AITI's economic development strategic plan "Ticino 2032" to promote the importance of ESG and develop sustainability for Ticino and its businesses.

ESG 2030 targets

SUCCESS
STRIVE FOR TARGETS &
RESULTS

Governance

Building a sustainability culture of ESG
Increasing training participation

Environment

Reducing CO_2 emissions
Developing sustainable products
Reducing non-recyclable waste production

Social

Improving performance in employee practices

Targets 2030

The baseline data for our sustainability report is the year 2019. It was chosen as a reference point as the data from that year is considered more representative since it is not influenced by the consequences of the COVID-19 pandemic that began in 2020.

This report will present data on sustainability for the reference year of 2019 and compare it with data from 2022 to provide a comprehensive analysis of the organisation's progress in sustainability. Furthermore, comparing the data with the previous year allowed us to evaluate the effectiveness of the actions taken by the organisation to improve its sustainability in 2022

Over the past year, the organisation identified targets for the six KPIs (key performance indicators) that represent the main areas of interest in sustainability. These KPIs were defined based on the organisation's strategic objectives as well as the needs of society and the environment.

The six identified KPIs are divided into three macro sectors: environmental, governance, and social. This is done in order to ensure comprehensive coverage of the main areas of interest in sustainability.

1. Building a culture of ESG

- By 2024, the company plans to include ESG as part of performance indicators.
- By 2024, the Long-Term Incentive of Mikron's top management is linked to achieving the 6 KPIs targets shown in these pages by 2026, respectively, by 2030.

2. Training participation

- By 2030 the target is a participation of > 95% for IT and cyber security trainings.
- By 2030 the target is a participation of >97% for Code of Conduct, ethics, corruption, trade control, HSE trainings.

3. Energy

- By 2030 the group wants to reduce the CO_2 impact scope 1 and 2 to less than 1600 tCO_2 net figures and less than 3.5 in intensity figures.

4. Sustainable products

- By 2025 we develop and implement LCA, review the inventory of scope 1,2 and implement targets by 2030 for scope 3.
- By 2025, the company strives to establish targets for 2030 with particular attention to the circular economy, analysis of material life cycles, and sustainable procurement.
- By 2024 all R&D projects will include targets on ESG impact of our products

5. Waste reduction

- By 2023, the company plans to confirm the database obtained from the 2020-2021-2022 triennium.
- By 2024, the company aims to establish waste reduction targets for 2026-2030.

6. Employee practice

All KPIs compared to 2022 baseline data

- Diversity: by 2030 the employee women ratio is increased by more than 30%.
- Equal pay: regular audit and continuous control. By 2030 the target is to maintain the deviation below 5%.
- Employee satisfaction and engagement survey: by 2030 the enablement score is improved by 5ppt.
- Turnover rate: by 2030 the turnover rate is reduced by more than 30%.
- HSE: by 2030 the TAFR (number of incident per 200,000 working hours) is reduced by more than 30%.

Environment

Governance

Social

About this report

This Sustainability report is Mikron Holding AG's fourth since 2017. Together, the Annual Report 2022, the Financial Statements 2022 (which form part of the Annual Report 2022) and this Sustainability Report 2022 constitute the reporting of Mikron Group.

All of the information and figures presented in this Sustainability Report apply to the Mikron Group – namely, its locations in Switzerland, Germany, China and the United States.

Mikron views sustainability reporting as a step-by-step process. We believe that collecting data and information on the economic, environmental and social impact of our business activities annually provides an additional basis for the Mikron Group's strategic development and capacity for innovation, including aligning with the UN Sustainable Development Goals (SDGs).

This report was drawn up following the international framework and in accordance with the Global Reporting Initiative (GRI) standards.

The Mikron Sustainability Report has not been subject to an external audit. The consolidated financial statements (as part of the Annual Report 2022) were audited by a third party; see the Mikron Annual Report 2022, pages 102-105.

The Annual Report 2022 is available for download
Reports (mikron.com)

This Sustainability Report 2022 is available only in a digital format:
Sustainability (mikron.com)

GRI Content Index

The GRI Content Index provides a clear overview of where to find information on a particular ESG topic. In addition to the references to the relevant places in this ESG Report 2022, there are also page references to the Mikron Annual Report 2022.

GRI indicators	Disclosure	Document / Section	Page(s) or URL(s)
GRI 1: Foudnation 2021			
GRI 2: General Disclosures 2021			
Organisation profile			
GRI 2-1	Organisation details	Annual Report 2023 / Mikron in the World	2 / 14 / 15
GRI 2-2	Entities included in the organisation's sustainability reporting	Annual Report 2022	122
GRI 2-3	Reporting period, frequency, and contact point	Sustainability Report 2022 / Contact details	52
Activities and workers			
GRI 2-6	Activities, value chain, and other business relationship	Sustainability Report 2022 / Marketplace	28-31
GRI 2-7	Employees	Sustainability Report 2022 / Workplace	14-21
Governance			
GRI 2-9	Governance structure and composition	Annual Report 2022 / Corporate Governance	46-64
GRI 2-19	Remuneration Policies	Annual Report 2022/ Compensation Report	68-71
Strategy, policies, and practices			
GRI 2-22	Statement from a senior decision maker	Sustainability Report 2022 / Letter to the Stakeholders/ ESG 2030 Target	6-7 / 50-51
GRI 2-26	Mechanisms for seeking advice and raising concerns	Sustainability Report 2022 / Code of Conduct	10
Stakeholder engagement			
GRI 2-29	Approach to stakeholder engagement	Sustainability Report 2022 / Materiality map	11
GRI 3: Material Topics 2021			
Disclosures on material topics			
GRI 3-2	List of material topics	Sustainability Report 2022 / Materiality map	11
GRI 200: Economic performance indicators			
Topic disclosures			
GRI 201-1	Direct economic value generated and distributed	Sustainability Report 2022 / Marketplace	28-31
Market presence			
GRI 202-2	Ratios of standard entry level wage by gender compared to local minimum wage	Sustainability Report 2022 / Workplace	14-15
Indirect economic impacts			
GRI 203-1	Infrastructure investments and services supported	Sustainability Report 2022 / Marketplace / Innovation	28-29 / 32-33
Procurement practices			
GRI 204-1	The proportion of spending on local suppliers	Sustainability Report 2022 / Marketplace	28-31
Anti-corruption			
GRI 205-1	Operations assessed for risks related to corruption	Sustainability Report 2022 / Values & Integrity / ESG 2022 activities review	8 / 38-39
GRI 205-2	Communication and training about anti-corruption policies and procedures	Sustainability Report 2022 / Values & Integrity / ESG 2022 activities review / ESG 2030 targets	8 / 38-47 / 48-51

GRI 300: Environmental performance indicators			
Materials			
GRI 301-1	Materials used by weight or volume	Sustainability Report 2022/ Environment	22-25
GRI 301-2	Recycled input materials used	Sustainability Report 2022/ Environment	22-25
Energy			
GRI 302-1	Energy consumption within the organization	Sustainability Report 2022 / Environment	22-25
GRI 302-4	Reduction of energy consumption	Sustainability Report 2022 / Environment	22-25
GRI 302-5	Reductions in energy requirements of products and services	Sustainability Report 2022 / Environment	22-25
Water and effluents			
GRI 303-1	Interactions with water as a shared resource	Sustainability Report 2022 / Environment	22-25
GRI 302-3	Water withdrawal	Sustainability Report 2022 / Environment	22-25
GRI 303-4	Water discharge	Sustainability Report 2022 / Environment	22-25
GRI 303-5	Water consumption	Sustainability Report 2022 / Environment	22-25
Emissions			
GRI 305-1	Direct (Scope 1) GHG emissions	Sustainability Report 2022 / Environment	22-25
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Report 2022 / Environment	22-25
GRI 303-5	Reduction of GHG emission	Sustainability Report2022 / Environment	22-25

GRI indicators	Disclosure	Document / Section	Page(s) or URL(s)
Waste			
GRI 306-1	Waste generation and significant waste-related impacts	Sustainability Report 2022 / Environment	22-25
GRI 306-3	Waste generated	Sustainability Report 2022 / Environment	22-25
GRI 306-4	Waste diverted from disposal	Sustainability Report 2022 / Environment	22-25
Supplier environmental assessment			
GRI 308-1	New suppliers that were screened using environmental criteria	Sustainability Report 2022 / Marketplace	28-31
GRI 400: Social performance indicators			
Employment			
GRI 401-1	New employee hires and employee turnover	Sustainability Report 2022 / Workplace	14-21
Occupational health and safety			
GRI 403-1	Occupational health and safety management system	Sustainability Report 2022 / Certifications - Workplace	11 / 14-21
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Sustainability Report 2022 / Certifications - Workplace	11 / 14-21
GRI 403-3	Occupational health services	Sustainability Report 2022 / Certifications - Workplace	11 / 14-21
GRI 403-5	Worker training on occupational health and safety	Sustainability Report 2022 / Certifications - Workplace	11 / 14-21
GRI 403-6	Promotion of worker health	Sustainability Report 2022 / Certifications - Workplace	11 / 14-21
GRI 403-8	Workers covered by an occupational health and safety management system	Sustainability Report 2022 / Certifications - Workplace	11 / 14-21
GRI 403-9	Work-related injuries	Sustainability Report 2022 / Certifications - Workplace	11 / 14-21
GRI 403-10	Work-related ill health	Sustainability Report 2022 / Certifications - Workplace	10 / 14-21
Training and education			
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Sustainability Report 2022 / Workplace / ESG 2030 targets	14-21 / 48-51
Diversity and equal opportunity			
GRI 405-1	Diversity of governance bodies and employees	Sustainability Report 2022 / Workplace / ESG 2030 targets	14-21 / 48-51
GRI 405-2	Ratio of basic salary and remuneration of women to men	Sustainability Report 2022 / Workplace / ESG 2022 activities review	14-21 / 38-47
Local Communities			
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability Report 2022 / Workplace / ESG 2030 targets	14-21 / 48-51
Customer health and safety			
GRI 416-1	Assessment of the health and safety impacts of product and service categories	Sustainability Report 2022 / Certifications	11

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