

Non-Financial Group Report of AIXTRON SE

Corporate Social Responsibility at AIXTRON SE

Explanatory comment

First separate Sustainability Report of AIXTRON SE for the 2017 reporting year.

Note:

In reporting specific information, reference has been made to select GRI Standards, or sections thereof. This report does not meet the "Core" requirements of GRI reporting.

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Dear Ladies and Gentlemen,

Together with its 2017 Annual Report, AIXTRON is for the time also publishing this separate Sustainability Report, which is based on the guidelines set out in the Global Reporting Initiative (GRI).

In the past financial year, AIXTRON not only met its financial targets, but also made progress in terms of its commitment to sustainability. One impressive example of this was the receipt of the Energy Efficiency Prize awarded by the German Energy Agency (dena).

Strategy and management

This commitment to sustainability and to sustainable business activity is an important aspect of the management responsibility borne by AIXTRON's Executive Board and its employees. Sustainable business activity has now become a generally accepted and important principle. The objective here is to safeguard the company's long-term stable growth while taking due account of the interests of all its stakeholders, such as customers, employees, suppliers, and shareholders.

Responsibility activity and acceptance within society – these are prerequisites for the business success of any company. As a major supplier of key technologies to the semiconductor industry, AIXTRON has therefore set itself the explicit goal of contributing to sustainable developments in business, the environment, and within society. In view of this, we attach great value to presenting our sustainability-related principles and actions to you in this report.

Yours faithfully,

Dr. Felix Grawert and Dr. Bernd Schulte

Executive Board of AIXTRON SE

GENERAL DISCLOSURES – 2017

Business activities of the AIXTRON SE Group

AIXTRON is a leading provider of deposition equipment to the semiconductor industry. The company's products are used by a broad customer base worldwide to manufacture high-performance modules for electronic and optoelectronic applications based on compound semiconductors and organic semiconductor materials. Among others, these include LED and display technology, data transmission, power electronics, communications, 3D sensors, and numerous other sophisticated high-tech applications.

As of December 31, 2017, AIXTRON has a production and R&D facility in Herzogenrath, Germany, and a production and R&D facility in Cambridge, UK. The other locations are purely sales and service locations. Until October 2017, AIXTRON also had a production and development site in Sunnyvale, USA. Since then, only sales and service activities have been concentrated in the USA. As part of the sale of the ALD/CVD product line located in the USA, a significant number of the employees were transferred to the buyer. The majority of the Group's employees are also employed at the two locations in Germany and the UK. For this reason, some of the information in this report, such as environmental, employee and supplier data, is focused on these two sites.

Location	Country	Utilization	Size (approx. m ²)	Share of employees
Herzogenrath	Germany	Company headquarters, production, F&E	12.457	Europe 78 %
Herzogenrath		Production, construction, F&E	16.000	
Aachen		F&E	200	
Cambridge	Great Britain	Production, construction, F&E	2.180	
Cambridge		Customer service, construction	696	
Santa Clara	USA	Sales and service	334	USA 6 %
Hwasung	South Korea	Sales and service	1.151	Asia 16%
Shanghai	China	Sales and service	594	
Hsinchu	Taiwan	Sales and service	568	
Tainan		Customer service	109	
Tokio	Japan	Sales and service	364	

Table 1: Overview of the locations per country incl. use, size and distribution of employees by region

Further information about the company's business activities can be found in the Annual Report of the AIXTRON Group, which is available at <https://www.aixtron.com/en/investors/financial-reports/>. Reference is made here above all to the more detailed disclosures about the company's structure and management included in the following chapters:

1. Group Fundamentals, with the respective subsections

1.1 Strategy

1.2 Business Model, with the respective subsections

1.3 Locations

1.4 Management and Control

1.5 Research and Development

2.2 Competitive Position

2.3 Earnings Performance, with the corresponding sub-points.

MANAGEMENT APPROACH

Corporate Social Responsibility strategy

For the AIXTRON Group, corporate social responsibility (CSR) – or sustainability – involves harmonizing economic, ecological, and social requirements in the context of its business activities. At core, it is about integrating key sustainability aspects into all of the company's divisions and processes.

Key focuses here include developing the latest, highly efficient system generations and energy-efficient facility management. AIXTRON is endeavoring to further expand its commitment in this respect at all of the company's locations.

Material stakeholders

AIXTRON accords the utmost priority to its relationships with its customers and employees. As AIXTRON is a publicly listed company, the capital market and its players also constitute material stakeholder groups. Identifying the most important stakeholders and their interests are crucial for any successful stakeholder dialog. Stakeholders are categorized and prioritized by reference to the following criteria:

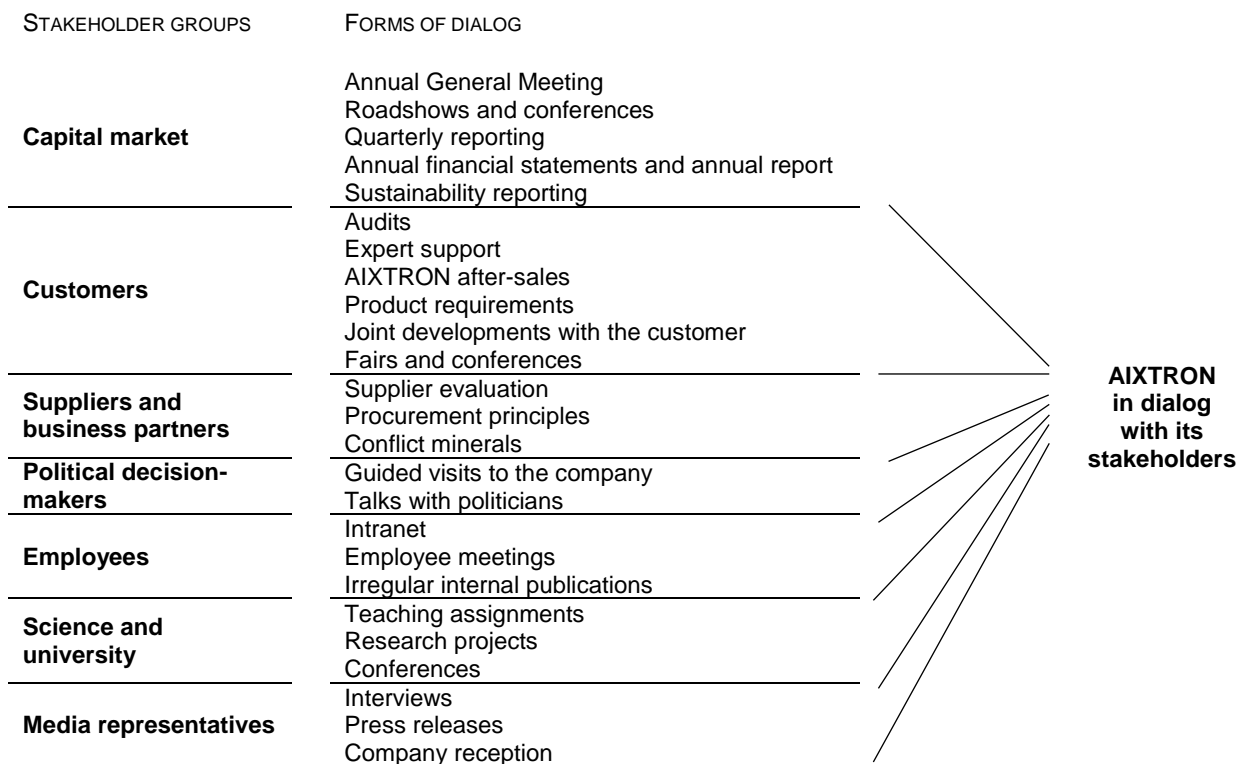
- Stakeholders' interests
- Exercising of influence by stakeholders
- Stakeholders' expectations in AIXTRON
- Stakeholders' dependence on AIXTRON, and
- Value for AIXTRON of entering into contact with these stakeholders.

As the respective stakeholders may change as a result of new technologies, markets, customers, requirements, and developments within society, the process of determining and categorizing the most important stakeholders should be regularly reviewed and, where necessary, updated.

Stakeholder involvement

As a company with international operations, AIXTRON forms part of an interactive relationship between the environment and its various stakeholders as a result of its research and development activities, and the production and sale of its products. AIXTRON maintains a regular dialog with its most important stakeholders: customers, employees, shareholders, suppliers, government bodies and political players, the media, and science and research.

In dialog with its stakeholders, AIXTRON attempts to understand their viewpoints, to build up trust, and to reinforce existing partnerships. This helps the Group to recognize what steps are possible and necessary and what stakeholders expect of AIXTRON. At the same time, the company uses this dialog to communicate the scope it sees to address social concerns and environmental issues and to present the underlying requirements and conditions that are important to AIXTRON.



Overview 1: Stakeholder involvement

Derived CSR action focuses

In 2017, AIXTRON once again analyzed the main economic, ecological, social, and ethical factors which materially influence the company from an internal and external perspective. Strategically relevant topics are determined in the form of a materiality matrix. Reference is made here to the guidelines of the Global Reporting Initiative (GRI) and the criteria set out in the German CSR Directive Implementation Act (CSR-RUG). To this end, the potential factors influencing these topics were stated and assessed from the perspective of the company and its stakeholders. This iterative process led to the setting of several material action points on which the company has focused its sustainability approach and which it will present in greater detail in this Sustainability Report. Future dialogs with stakeholders will build on these results.

ASPECTS (BASED ON CSR-RUG)	ISSUES / MATERIAL CSR ACTION POINT AT AIXTRON
ENVIRONMENTAL CONCERNS	Resource efficiency
EMPLOYEE CONCERNS	Employee health, personnel development, training and development
SOCIAL CONCERNS	Promoting the common good
RESPECTING HUMAN RIGHTS	Supplier relationships
COMBATING CORRUPTION AND BRIBERY	

Table 2: The table presents the aspects pursuant to the German CSR Directive Implementation Act (CSR-RUG) and the material action points at AIXTRON SE. These action points were identified on the basis of the materiality matrix and allocated to the relevant aspects.

Values, Guidelines, Standards, and Behavioral Norms

AIXTRON's values provide the basis for all of the company's activities. They determine employees' behavior towards each other at the company and towards its customers and partners. With target-driven actions, AIXTRON aims to ensure that it always occupies a leading position, acts in a forward-looking manner, and actively provides momentum for the future. Open communications and approachability ensure a healthy corporate culture, one in which the Group can do justice to its responsibility.

Management principles

Management principles play an important role in determining AIXTRON's management culture and provide a key framework for all of the company's managers. They require all managers to identify customers' needs and, on this basis, to derive clear, performance-oriented company targets. Decisions are taken on a sustainable basis in order to secure the company's future. AIXTRON's managers endeavor to act as role models and encourage their employees to assume responsibility. This approach is accompanied by efforts to achieve permanent improvements by working with a culture of partnership-based, constructive feedback.

Precautionary principle

AIXTRON's business is subject to numerous risks which could adversely affect the company's business performance, business model, and business strategy. These risks are minimized by being monitored, analyzed and documented within the companywide strategic risk management system. No material risks have been identified in respect of CSR-related topics. Material risks resulting from AIXTRON's business activities are only mentioned if severe infringements arise.

AIXTRON expects all its business partners along the entire value chain to consistently respect human rights. For the Group, this represents a key prerequisite for upholding the respective business relationship.

To ensure that its risks, associated opportunities, and risk-minimizing measures are managed efficiently, AIXTRON has defined risk management as a responsibility of the Compliance department and documented its activities in the Opportunity and Risk Report, which forms part of the Group Management Report.

Membership of associations

AIXTRON is a member of numerous organizations and associations and in some cases also acted as a founding member (e.g. for ISA, International Solid State Lighting Alliance, China).

Organizations / associations	Base of organization / association
ISA, International Solid State Lighting Alliance	Shanghai, China
Responsible Business Alliance (formerly the Electronic Industry Citizenship Coalition)	Alexandria (Virginia), USA
DGKK, Deutsche Gesellschaft für Kristallwachstum und Kristallzüchtung e.V.	Erlangen, Germany
DPG, Deutsche Physikalische Gesellschaft	Bad Honnef, Germany
IVAM e.V.; Fachverband für Mikrotechnik	Dortmund, Germany
EPIC, European Photonics Industry Consortium	Paris, France
OE-A - Organic and Printed Electronics Association (VDMA),	Frankfurt/Main, Germany
OLED Association (OLED-A)	Houston (Texas), USA
Photonics-21 (European Private Public Partnership)	Düsseldorf, Germany
REGINA - Regionaler Industrieclub Informatik Aachen e.V.	Aachen, Germany
DAI, Deutsches Aktieninstitut,	Frankfurt/Main, Germany
SEMI/FlexTech, Semiconductor Equipment and Materials International	Milpitas (California), USA
VDI, Verein Deutscher Ingenieure	Düsseldorf, Germany
VUV, Vereinigte Unternehmerverbände	Aachen, Germany
VDE, Verband der Elektrotechnik Elektronik Informationstechnik e.V.	Frankfurt/Main, Germany

Table 3: List of most important memberships of business and other associations.

ENVIRONMENTAL

Energy consumption within the organization

AIXTRON is making efforts to further reduce the volume of energy consumption of its manufacturing and R&D facilities in Germany and the United Kingdom and thus further cut its CO₂ emissions. With this in mind, the “Converting the Energy Center and Launch of Operations with a Refrigerating Plant” project was initiated in 2016. The resultant conversion was completed at the end of 2016. A further project involved reducing the volume of energy consumed by lighting at the building. To achieve this objective, AIXTRON has begun converting all lights to LED. This project was partly implemented in 2017 already and is due to be continued and completed in 2018. It was not possible to include the Asian locations in this report as their reporting structures are currently being developed.

A further important aspect is the systematic approach to energy management introduced in 2013. The calculation of proprietary energy consumption, broken down by energy type, forms the basis for sustainably reducing consumption and making more efficient use of energy.

Systematic energy management at AIXTRON: Here, the analysis of actual energy flows and consumption showed the energy potential which had not yet been exploited. The German Energy Agency (dena) has calculated that, by making consistent use of the technologies currently available, Germany could reduce the volume of energy consumption and costs for industrial processes and room heating by an average of 15 percent across all sectors.

In 2014, the company was certified under DIN EN ISO 50001 (international standard setting out the requirements for applying an energy management system). In 2015 and 2016, this was followed by two external monitoring audits successfully conducted by the TÜV inspection agency. The recertification audit took place in April 2017.

Energy projects at AIXTRON

Drawing on this systematic energy management approach, AIXTRON has initiated a number of projects and measures to sustainably reduce its energy consumption.

Major projects initiated and implemented since 2015:

- ✓ Needs-based (rather than permanent) activation of equipment cooling pumps at the laboratory and in production. This reduced annual electricity consumption by 1,100,000 kWh (around 10%).
- ✓ Reducing use of active cooling towers by covering cooling requirements with a more precisely controllable active cooling plant.
- ✓ Due to changes in requirements, the primary energy used for heating and cooling was converted from electricity to gas. This chiefly had economic benefits, as gas is substantially cheaper than electricity.
- ✓ To cover the growing need for cooling energy in an energy-efficient manner, the company invested more than EUR 700,000 in converting the energy center and launching operations with a refrigerating plant. A buffer storage facility covers part of the fluctuations in demand for cooling energy. An energy saving of more than 17% has been calculated for the project.
- ✓ In 2017, around 320 lights (20%) in 2 departments were converted to LED.
- ✓ In the UK, AIXTRON Ltd. also began work in 2017 on gradually exchanging the total of 125 lights in its Production department for LED lighting.

Implementing these measures has enabled AIXTRON to generate significant energy savings and reduce its costs. The company's has sustainably shrunk its environmental footprint, as the measures outlined above have cut CO₂ emissions by around 1,600 tons. Wherever possible, the company will also initiate and implement projects to further reduce its energy consumption. The results confirm the approach we have taken, as is clearly apparent from the table below (significant reduction in energy consumption in 2016).

Germany	2015	CO₂ in tons^{*)}	2016	CO₂ in tons^{*)}	2017	CO₂ in tons^{*)}
Electricity (kWh)	11,143,100	5,872.4	9,112,560	4,802.3	9,595,253	5,056.7
Natural gas (kWh)	6,580,224	1,447.7	6,072,163	1,335.9	568,181	125
District heating (kWh)	756,610	90.8	688,120	82.6	1,821,360	218.6
Total (kWh)	18,479,610	7,410.9	15,207,294	6,220,8	11,984,794	5,400.3
Nitrogen (N ₂) in tons	2,362	0	1,816	0	2,050	0
Argon (in tons)	33	0	-	0	375	0
Hydrogen (H ₂ , in m ³)	12,303	0	9,508	0	11,250	0
Water total (in m ³)	16,861	0	16,777	0	18,961	0
Fresh water	16,861	0	16,777	0	18,961	0
Wastewater	16,861	0	16,777	0	18,961	0
Wastewater at cooling towers	12,164	0	10,433	0	2,656	0

Table 4: Consumption of energy and other significant resources at AIXTRON in Herzogenrath

*) CO₂ consumption was calculated using the "Klimaneutral-handeln.de" website as of February 20, 2018

To date, it has only been possible to determine the CO₂ data for the sites in Europe and the USA. No data is yet available for the sales offices in Asia.

2017	UK	CO₂ in tons^{*)}	USA	CO₂ in tons^{*)}
Electricity (kWh)	786,512.51	414.5	4,605,022.62	2,426.9
Natural gas (kWh)	0	0	0	0
District heating (kWh)	0	0	0	0
Total (kWh)	786,512.51	414.5	4,605,022.62	2,426.9
Nitrogen (N ₂) in tons	102.48	0	Not recorded	0
Argon (in tons)	3,529	0	Not recorded	0
Hydrogen (H ₂ , in m ³)	3,200	0	Not recorded	0
Total water (in m ³)	18,961	0	Not recorded	0
Fresh water	N/a	0	Not recorded	0
Wastewater	Not recorded	0	Not recorded	0
Wastewater at cooling towers	None	0	Not recorded	0

Table 5: Consumption of energy and other significant resources at AIXTRON Ltd/UK and AIXTRON Inc./USA (figures currently only available for 2017).

*) CO₂ consumption was calculated using the "Klimaneutral-handeln.de" website as of February 20, 2018.

Energy consumption outside the organization

- a) **Air travel.** The CO₂ consumption resulting from air travel within the AIXTRON Group in 2015, 2016, and 2017 has been recorded, evaluated and communicated for the first time in this report. This data only relates to the European sites. No CO₂ data is available for air travel in Asian countries and the USA. Higher demand for AIXTRON's products is usually accompanied by increased travel activities on the part of AIXTRON's employees, as most of the company's customers are located outside Germany and development work is in some cases performed jointly with the customer.

	2015	2016	2017
Number of tickets	1,199	1,326	1,344
Total kilometers flown ^{**)}	7,625,708	8,055,810	10,419,302
CO ₂ consumption* [tons]	1,807.19	1,934.72	2,450.73
CO ₂ consumption* [kg/km]	0.24	0.24	0.24

Table 6: *) The data collected for the European sites in this report was calculated using the CO₂/GHG model at myclimate.de.

**) The kilometers flown disclosures are based on GPS data

b) **Company vehicles.** In 2016, the company vehicle pool consisted of four vehicles (diesel). Following an internal comparison of the resultant CO₂ emissions, a decision was taken at the end of 2017 to exchange two of the diesel vehicles for hybrid vehicles. This move is intended to reduce the associated CO₂ emissions. Furthermore, at the end of 2017 the total number of company vehicles was reduced from four to three.

	2016	2017
Number of vehicles	4	4 [2]*)
Total kilometers traveled **)	43,900	38,700 [9,000]
Actual average consumption	7.5 l/100	5.7 l [4.4 l]
CO ₂ consumption* [tons]	9,581.18	6.4 t [1.1 t]
CO ₂ consumption* [kg/km]	0.22	0.17 [0.12] kg/km

Table 7: *) Energy consumption reduced by renewing the vehicle fleet. From October 1, two diesel vehicles were exchanged for hybrid vehicles, reducing CO₂ consumption from 0.17 kg/km to 0.12 kg/km. The disclosures before the brackets relate to the four conventional vehicles, while the disclosures in the brackets relate to the new vehicles.

dena Energy Efficiency Award 2017 for AIXTRON

In recognition of its innovative and resource-efficient energy management concept, for the location in Germany which has sustainably reduced its energy consumption and also costs, in 2017 AIXTRON received the Energy Efficiency Award from the German Energy Agency (dena). The company was singled out in the “Energy Efficiency 4.0” category for its digital measurement and remote monitoring of energy data and for implementing extensive energy efficiency measures in its heating and cooling energy systems.



Picture 1: Presentation of the dena Energy efficiency Award 2017 for AIXTRON

AIXTRON initiated the project in 2014 in order to review energy management at its main site in Herzogenrath (Aachen municipal region). This was because the company still needed very large quantities of energy to generate the necessary volumes of cooling and heating energy, and that despite the presence of modern, highly efficient systems. Together with an external energy services provider, the company developed and implemented energy efficiency measures. These have sustainably reduced energy consumption by no less than 6.4 GWh a year, a development which has in turn cut CO₂ emissions by 1,884 tons a year and generated annual cost savings of EUR 211,000. These figures also impressed the jury at the Energy Efficiency Award. In their assessment of the project singled out for the award, they focused above all on the consistent and dedicated planning and implementation of the energy efficiency measures.

External initiatives

Carbon Disclosure Project (CDP). As part of its participation in the Carbon Disclosure Project (CDP), AIXTRON has regularly reported on the ecological implications of its business activities since 2010 already.

Energy Efficiency Network. Furthermore, the company is a member of the Energy Efficiency Network, an affiliation of eight companies in the Aachen region. In this group, which is organized by the Aachen Chamber of Industry and Commerce (IHK), energy experts from the individual companies share their experiences, benefiting here from expert guidance, and work towards further improving their companies' energy balance sheets.

EMPLOYEES

AIXTRON's employees are the foundation of its success – it is their motivation, skills, and ideas which advance the company. As a high-tech player, AIXTRON endeavors to retain its employees at the company on a long-term basis and to offer them an attractive working environment. AIXTRON aims to provide its employees with the skills and competencies they need and to offer a high degree of flexibility and individual development perspectives. Consistent with this approach, in the context of their respective activities AIXTRON employees are offered a variety of individual training measures and development options. The information presented here chiefly relates to AIXTRON's site in Herzogenrath. Reporting for other sites is currently in development.

The company has implemented several codes of conduct which provide binding definitions of fair and correct conduct for its employees, also in their dealings with each other.

Balance between work and private life

AIXTRON makes every effort to ensure that the company's economic interests are compatible with the private and family needs of its employees.

One key component of this approach involved introducing flexible working hours to provide AIXTRON's employees with the freedom to largely determine their working hours themselves using time accounts. Based on these time accounts, employees can individually determine their working hours in accordance with the respective requirements.

At his locations in Germany AIXTRON supports parents wishing to take parental leave following the birth of a child. Overall, nine employees drew on this parental leave. In the period under report, all parents returned to their former positions at the end of their leave.

Employee selection and working culture

AIXTRON acts in a rapidly changing business climate and has to compete to attract highly qualified specialist and management staff, e.g. in the fields of natural and engineering sciences and business administration. As AIXTRON recruits its staff not only from within the region, but also worldwide, the company accords great value to ensuring equality of opportunity for all applicants.

Based on a requirements profile, AIXTRON selects its employees in accordance with their specialist and personal qualifications and their previous experience. Ideally, AIXTRON recruits local employees and managers and, as a general rule, offers them permanent employment contracts.

Share of management staff hired in 2017

Non-local	Local	
95.18 %	4.82 %	Germany, Herzogenrath
---	100%	United Kingdom, Cambridge

Table 8: Share of local and non-local management staff hires

Further information about how we select our staff can be found in the “Employees” section of the “Business Model” chapter in our Annual Report.

Diversity

A modern and open society gives rise to wide variety of lifestyles and expectations. As an international company, AIXTRON prizes equality of opportunity and diversity. A workforce composed of different cultures, a suitable gender equilibrium and a well-balanced age structure therefore form part of the corporate culture practiced at the Group. In 2017, almost 390 employees from a total of 27 nations worked at AIXTRON’s location in Herzogenrath. AIXTRON sees this diversity as providing added value to the company, whether in terms of its power of innovation or of boosting its competitiveness, for example by understanding customers’ needs more closely or devising potential solutions based on a variety of perspectives.

All AIXTRON employees are accorded the same level of appreciation, the same respect, and the same opportunities. The company strictly complies with the requirements of national law concerning the protection of employees’ rights. In the contractual structures of its employment relationships, AIXTRON also adheres to the requirements of national law, in-house agreements, and statutory notification periods.

Information about employees and other staff

Employees	2017		Total	
	Permanent	Limited term		
Men	311	5	389	Germany
Women	69	4		
Men	64	0	75	United Kingdom
Women	11	0		

Table 9: Total number of employees broken down by employment contract type (permanent and temporary) and region (DE, UK).

Newly hired employees and personnel turnover in 2017

Age	Number of new employees	Share of total hires	Number of new employees	Share of total hires
	Herzogenrath (D)	Herzogenrath (D)	Cambridge (UK)	Cambridge (UK)
< 30 years	6	17.64 %	5	83.3 %
≥ 30 < 50 years	25	73.53 %	1	16.67 %
≥ 50 years	3	8.82 %	0	0 %

Table 10: Newly hired employees

Leaving and Personnel turnover

	Herzogenrath (D)	Cambridge (UK)
< 30 years	3	0
≥ 30 < 50 years	20	2
≥ 50 years	2	0
Turnover rate	6.43 %	3.75 %

Table 11: Personnel turnover by age class and turnover rate based on total number of employees. The personnel turnover rate at AIXTRON reflects the situation in sectors with high proportions of specialist staff (e.g. in the metal and electrical industries).

Employee health

AIXTRON supports at its production locations in Germany and Great Britain a targeted range of measures intended to improve its employees' health. Among others, these include preventive healthcare measures regularly offered or supported by the company, such as flu vaccinations, various sports offerings, and the campaign to encourage employees to come to work by bike. Furthermore, regular occupational medical examinations by the company doctor are obligatory for all employees in Germany.

The company promotes the health of employees at its Cambridge (UK) location by offering a selection of fruit free of charge and supporting the "Pedometer Challenge" walking competition. A "Wellbeing Committee" sees to matters relating to employees' overall wellbeing.

For AIXTRON, schemes to integrate employees back into their working lives after longer periods of sickness or accidents are not just a legal obligation, but a self-evident component of the measures taken by the company to uphold the working capacity and employability of its workforce.

Accident avoidance is another important aspect of the healthcare promotion measures to which AIXTRON attaches great importance. There are no activities or workplaces within the organization which involve higher incidence rates or risks of specific forms of sickness; having said this, it is never possible to fully eliminate the risk of injury or accidents. At the UK site, no work-related accidents that are subject to mandatory reporting in accordance with RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) were reported for 2016 or 2017. The last accident subject to RIDDOR requirements occurred in February 2015.

For its Herzogenrath and Aachen sites, AIXTRON reported a total of 5 accidents at work and 9 accidents on the way to work or during business trips in 2017 (disclosures based on requirements of BG ETEM employers' liability insurance association and the DGUV). Of these, 8 required reporting (more than 3 days' work lost). Overall, these accidents led to 177 calendar days of work lost. Based on 1,000 full-time employees, that corresponds to 12.9 work-related accidents, of which 5.1 required reporting.

AIXTRON fell significantly short of the average figure of 18.4 accidents requiring report at comparable companies, based on 1,000 full-time employees, as calculated by the employers' liability insurance association.

Innovation management

As part of its innovation management process, AIXTRON has introduced a company suggestion system. This is based on uniform principles worldwide and encourages and enables all employees to submit their ideas on how to improve processes, save costs, enhance products, etc. If the suggestions are accepted, then the company pays a reward to the employee. Since being introduced in the fall of 2014, large numbers of proposed improvements have been submitted and accepted, as is clear from the table and chart below:

Type of proposed improvement submitted	2015		2016		2017	
	submitted	accepted	submitted	accepted	submitted	accepted
Business process	36	13	35	7	38	9
Product	28	13	42	25	38	13
Application	13	3	8	5	10	2
Transformation	4	0	5	2	3	1
Other	34	13	39	12	49	10
Total	115	39	129	51	138	35

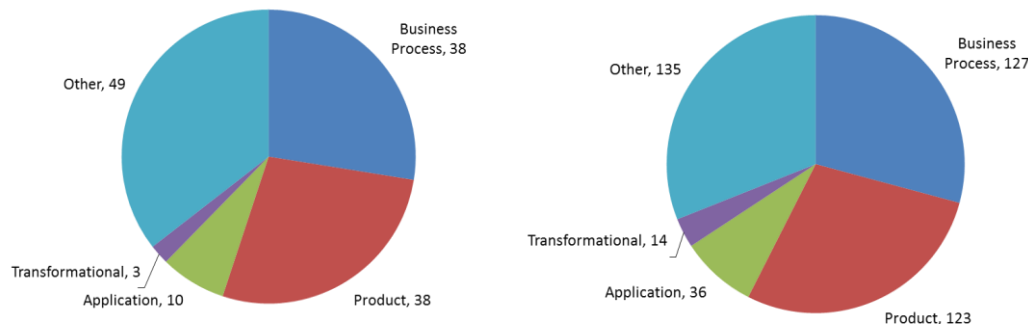


Chart 1: The pie charts show the type and frequency of proposed improvements submitted for 2017 and of all ideas submitted since the system was launched in 2014

Personnel development

Continuous learning is a key prerequisite for AIXTRON's success. Competent employees help AIXTRON to retain its power of innovation and uphold its competitiveness. By offering individual training and development programs, AIXTRON motivates its employees and promotes them in accordance with their potential and interests. In line with a companywide personnel development concept, AIXTRON will maintain its measures to offer continuous training to its employees and extend these in accordance with requirements.

Learning and further training

AIXTRON supports the development of its specialist and management staff. One foundation for this process is the annual appraisal meeting, at which the employee's training needs for current and future requirements are determined.

In 2017, AIXTRON invested an average of more than EUR 1,200 per employee in personnel development and further training measures. This was accompanied by a rise in the number of training measures performed.

Training measures

Year	(Hours) total	Number of employees	Average hours per employee	Number of hours for men	Average hours for men	Number of hours for women	Average hours for women
2016	7,864	420	19	6,216	18	1,648	23
2017	10,749	389	28	9,185	29	1,564	21

Table 12: Number of training hours at AIXTRON SE in Germany in 2016 and 2017, broken down by male and female employees. No figures are yet available for other sites. A corresponding reporting system is currently in development.

Management structure

Modern career management requires a continuous balance between the company's needs, the employee actively shaping his or her own development, and regular feedback from the manager to the employee with regard to his or her performance and strengths.

Career model

To facilitate structured and systematic career development alongside traditional management roles, a company-specific career model has been developed within a companywide project. Based on AIXTRON's requirements, three career paths have been defined: the expert, project, and management paths. Each path comprises several career stages.

This model aims to reveal various options for developing employees and thus enhance employee motivation levels. Furthermore, it is intended to ensure that the right employees are available to the company in the right positions.

In the context of further development, AIXTRON offers various focuses for the expert, project manager, and manager careers with personnel responsibility. A total of 63 % of AIXTRON's employees are currently in one of these three career paths.

Leadership and team development

AIXTRON promotes the development of its managers and employees with individual coaching sessions based on management and team development techniques, as well as with individual coaching programs.

To sustainably boost the performance capacity of teams at AIXTRON, most company employees worldwide have received an individual strength-based team profile. Furthermore, employees are provided with important momentum for their own professional development. This instrument has been introduced on a companywide and permanent basis at AIXTRON.

Training young people

AIXTRON offers young women and men a variety of opportunities in terms of vocational training and dual study programs. These range from IT specialist, to industrial clerk and the Bachelor of Science, as well as from technical product designer through to mathematical/technical software developer. AIXTRON trainees are repeatedly singled out by the Aachen Chamber of Industry and Commerce in recognition of their outstanding performance.

In the 2017 financial year, AIXTRON employed a total of 15 trainees and dual study program students. The company accords priority to offering the young people perspectives for the future once they have successfully completed their training. Consistent with this approach, most of the trainees and dual study program students wishing to remain at the company were offered positions in recent years.

Year	IT specialist	Math/technical software developer (MATSE)	Technical product designer	Industrial clerk	Bachelor of Science (business administration +)	Total
2015	2	2	2	2	3	11
2016	2	3	2	2	3	12
2017	1	3	1	2	2	9

Table 13: Number of trainees per training program

In the course of expanding its training options, in 2018 AIXTRON will be offering two further technical training programs: mechatronic engineer and IT application development specialist.

Employee appraisal meetings

One key management instrument which AIXTRON has drawn on for many years is the regular employee appraisal meeting. The company's objective here is for an official meeting based on uniform standards to be held with each employee each year. At this meeting, managers and employees can offer mutual feedback and discuss measures to enhance their cooperation and underline the employee's strengths. A further major component of the employee appraisal meeting involves agreeing development targets. Since 2017, the employee appraisal meeting has been recorded electronically, which has helped to reduce paper consumption.

Temporary employment

AIXTRON has to be able to react with suitable flexibility to the sometimes substantial fluctuations in market demand for its products.

To this end, AIXTRON works with established engineering service providers and temporary employment agencies. The topic of equal pay (i.e. that temporary employees should receive the same pay for the duration of his/her employment as comparable employees at the hiring company) plays an important role in this respect.

Alongside equal pay, application is also made of the principle of equal treatment for temporary and permanent employees, e.g. in terms of bonuses, but also in terms of aspects such the right to use the canteen (with AIXTRON granting the lunch allowance) or participate in company events (employee and works council meetings, as well as Christmas and summer parties). In 2017, the company had an average of 28 temporary employees, with this figure ranging between a minimum of 21 and a maximum of 33 employees. Should the period for which the temporary employee is hired be required to last more than 12 months in individual cases, then the "temporary" status of employment is subject to a further review.

SOCIAL

AIXTRON also meets its responsibility towards society. For many years already, it has promoted the common good by supporting individual projects. The Group remains committed to pursuing these objectives and is developing a Group-wide concept to achieve them.

Financial support through public funds

For AIXTRON, proximity to research and science represents a key component of the company's business strategy of turning research results into marketable products. As a leading provider of deposition equipment to the semiconductor industry, AIXTRON therefore acts as a partner or participant in various major national and international subsidized projects, such as the EU's HORIZON 2020 program.

In thousand EUR	2015	2016	2017
Research and development grants received	3,006	2,126	3,165

Table 14: Overview of research funds received

Support for charitable organizations

AIXTRON each year supports a different selection of charitable and non-charitable organizations. In 2017, for example, the company donated an amount of EUR 2,000 to Philips University Marburg to support specific research tasks. This donation benefited the Structure and Technology Research Laboratory at the university's Material Sciences Center (WZMW).

	Recipient	Recipient	Recipient	Total
2015	Förderkreis Hilfe für krebskranke Kinder e. V. (<i>charity helping children living with cancer</i>) RWTH Aachen University Hospital	proRWTH; Förderverein der RWTH Aachen (<i>group promoting the development of RWTH Aachen University</i>)	Rotary Hilfe	EUR 6,000
2016	Förderkreis Hilfe für krebskranke Kinder e. V. (<i>charity helping children living with cancer</i>) RWTH Aachen University Hospital	proRWTH; Förderverein der RWTH Aachen (<i>group promoting the development of RWTH Aachen University</i>) Duisburg University	Haus der Technik; Donation to Misereor	EUR 8,800
2017	Aachen University Hospital	Philips University Marburg	---	EUR 2,600

Table 15: Overview of the recipients of donations since 2015 for the location in Germany. No corresponding data could be collected for other sites, as their reporting is currently still in development.

“Chariots of Fire” - Relay in Cambridge

Each year, more than two thousand runners participate in the 'Chariots of Fire' relay race in Cambridge. In 2017, a team from AIXTRON Ltd took part in the race, which was already being held for the 26th time. Since its launch, the event has donated a total of more than £ 1.1 million to charities.

Blood donation

AIXTRON employees in Herzogenrath each year donate blood in cooperation with the Institute of Transfusion Medicine (central facility at RWTH Aachen University Hospital) and support medical care in the region, e.g. for the production of blood reserves. Most of the expenses paid for the blood donations are themselves donated to charity. The donation made by AIXTRON employees is then doubled in each case by the company.

Aachen Company Run

By helping to organize and participating in the annual Aachen Company Run, AIXTRON motivates its employees to take exercise and improve their health. At the same time, the company covers the entry fees for the participating employees. These fees are then donated to several charities in the region. In 2017, this resulted in a total donation of EUR 30,000, which was forwarded by the event organizers to various charitable organizations. Further information can be found at: <https://www.aachener-firmenlauf.de/die-bequengstigten>

RESPECTING HUMAN RIGHTS

Every human being has the same, inalienable rights. AIXTRON attaches very great value to respecting these human rights. That applies both to the company's own employees and to employees at its suppliers and service providers. AIXTRON aims to avoid any infringement whatsoever of human rights both at the company itself and throughout the entire value chain. To help avoid any such infringements, the company requires its suppliers to comply with environmental and social standards and to ensure the utmost transparency. AIXTRON expects its business partners to respect human rights. This expectation forms the basis for any continued business relationship. Purchasing is centrally managed by the AIXTRON Group. Smaller volumes are purchased on location by the local subsidiaries.

Selection of suppliers

AIXTRON does not manufacture any mechanical and electrical systems and components, but rather focuses on the configuration and final assembly stages and on testing and qualifying the end products. This form of system engineering is based on a highly complex supply chain. Most of the value added at AIXTRON is performed by suppliers, from which the company procures highly integrated components for its systems.

Procurement plays a key role in asserting environmental and social standards throughout the value chain, as the selection of suppliers can also ensure the avoidance of any infringements of human rights. Compliance with environmental and social standards at all suppliers is audited by way of an obligatory questionnaire. In this, suppliers are required to declare whether an established process is in place at their companies to ensure compliance with internationally recognized human rights and conventions (e.g. ILO standards). All documents relevant to existing and potential suppliers are made available online.

Code of Conduct for suppliers

AIXTRON imposes the same conditions on its suppliers which itself complies with. For suppliers, these are set out in a mandatory Code of Conduct. This defines the ethical and legal standards relating to the sale and use of conflict minerals, i.e. commodities, raw materials, and other natural resources mined or produced in conflict areas where systematic violations of human rights and international law are tolerated. AIXTRON naturally cannot condone any such systematic infringements of human rights.

To enable individuals within and outside the company to report any concerns and complaints in connection with conflict minerals on an anonymous basis, AIXTRON has set up a complaints mechanism. In 2017, AIXTRON was notified by a non-profit organization that minerals resulting from a raw materials supplier associated with infringements of human rights and environmental pollution had potentially be used within AIXTRON's supply chain and were therefore possibly contained in AIXTRON products. AIXTRON is currently investigating this suspicion. Should it turn out to be correct, then AIXTRON will inform its direct suppliers and request them to remove the melt in question from the supply chain.

Key figures on supplier relationships at AIXTRON

Today's supply chains are global and highly diversified. AIXTRON too has a highly heterogeneous and in some cases highly specialized supply chain around the world, but nevertheless maintains a strong local reference. The key factors determining the company's cooperation with suppliers are quality, production competence, supply reliability, and prices. The company sets great store by working together with its suppliers on a basis of partnership. This approach is exemplified by the development partnerships in which the company jointly develops components and modules with its suppliers.

2017 reporting year	Europe	North/South America	Asia	Total
Number of principal suppliers ¹⁾	1,282	68	34	1,384
Distribution by procurement volume (in %)	91.56 %	6.37 %	2.07 %	100 %
Distribution by procurement volume (in EUR)	134,301,916	9,335,837	3,036,743	146,674,496

Table 16: ¹⁾ Overview of suppliers to German + UK locations and procurement distribution by region

This cooperation extends to suppliers in the fields of mechanical and plant engineering and electrical technology, as well as of engineering services, suppliers of technical gases, and energy suppliers. AIXTRON is an international company but nevertheless has local roots. Despite its global procurement, due to the high technical requirements the company places in its suppliers local value creation also plays a very important role. In Germany, more than 70 percent of procurement is local, while in the UK this share even reaches 85 percent. The precondition for cooperation is compliance the company's high quality standards and the supplier's ability to ensure the necessary production competence at a comparable price. AIXTRON procures its production and non-production materials predominantly in those regions in which it operates.

There were no substantial changes in the company's cooperation with suppliers in the year under report.

COMBATING CORRUPTION AND BRIBERY

AIXTRON's guidelines set out the company's standards in terms of the conduct it expects of its employees and business partners. Integrity of conduct plays a crucial role. The company does not tolerate and consistently investigates any conduct which infringes the relevant laws and regulations.

These principles are laid down in the Ethics Code introduced in 2006 and in AIXTRON's Compliance Code of Conduct, which are both applicable to the Executive and Supervisory Boards, as well as to managers and all employees worldwide. The Compliance Handbook, which has been binding for all executives since 2011, also draws extensively on these principles, with separate chapters each being dedicated to the topics of "Accepting/Granting Benefits, Money Laundering, and Product Diversion".

In addition to these regulations, regular training sessions for all executives, managers, and employees worldwide reinforce and consolidate the necessary skills with regard to preventive measures aimed at combating corruption and bribery. The respective contents are communicated at in-class training events and in e-learning modules. Participation in compliance training is compulsory for all AIXTRON executives and managers and is evaluated by AIXTRON's Compliance Office. Furthermore, employees in exposed functions and country companies are provided with training based on a relevant risk assessment.

AIXTRON has a separate handbook for its suppliers, which lays down binding regulations governing the respective business dealings. These regulations range from the definition of basic preconditions to detailed descriptions of qualifying and monitoring processes to regulations concerning the sharing of information and logistics.

In 2015, AIXTRON compiled an extensive Anticorruption Policy and published this throughout the Group. It sets out specific requirements for combating corruption and bribery to ensure that the company and its employees are always viewed as business partners of integrity. All members of the Executive and Supervisory Boards, executives, managers, and employees of the company are obliged to strictly comply with the regulations set out in the policy and adhere to all applicable laws and ordinances in respect of corruption or bribery, as are any third parties who represent the company.

In the 2017 financial year, there were no events across the Group which required report in this respect.

REPORTING APPROACH

Reporting period

The period under report is the 2017 calendar year, which corresponds to the period covered by the Annual Report.

Date of latest report

As an integrated report, AIXTRON's first Sustainability Report was published together with the Annual Report on February 23, 2017.

Reporting cycle

The Sustainability Report will be compiled and published each year together with the company's Annual Report.

Contact details for questions about report

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Reference framework used

In reporting specific information, reference has been made to select GRI Standards, or sections thereof. The report does not meet the "core" requirements of GRI reporting.

Independent auditor's note

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