

# SUSTAINABILITY ACCOUNTING STANDARDS BOARD INDEX 2021

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Reporting Period: January 1 – December 31, 2020

TOPIC	SASB CODE	METRIC	IPG PHOTONICS CORPORATION RESPONSE
Greenhouse Gas Emissions	TC-SC-110a.1	(1) gross global Scope 1 emissions (2) amount of total emissions from perfluorinated compounds	(1) Scope 1 emissions: 14,011 Metric tons CO <sub>2</sub> e IPG reports on its GHG emissions for its primary manufacturing facilities in the US, Germany, Russia and Belarus, representing 84% of our total square footage which include the most significant resource consumers from manufacturing and R&D. (2) 30 Metric tons CO <sub>2</sub> e.
	TC-SC-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	<b>Ten-Year Target:</b> 10% reduction in Scope 1 and 2 GHG emissions per kilowatt of laser power produced assuming the current product mix (in CO <sub>2</sub> equivalent). In 2020 the CO <sub>2</sub> emissions per kilowatt of laser power reduced by 7%, compared to 2019 (base year). <b>During 2017-2020</b> IPG has reduced its total GHG emissions by 8%. Despite a 57% increase in optical power manufactured by IPG since 2017, we decreased CO <sub>2</sub> emissions per kilowatt of laser power by 41%. This demonstrates IPG's commitment to energy conservation and innovation. IPG utilizes LED fixtures, low water consumption plumbing, variable speed motors and tri-generation plants that reduce emissions. We use and implement additional tri-generation plants to ensure further energy conservation. Additionally, the use of IPG's energy-efficient fiber lasers reduced global CO <sub>2</sub> emissions worldwide by approximately 25 million metric tons compared to other competing laser technologies.
Energy Management in Manufacturing	TC-SC-130a.1	(1) total energy consumed, (2) percentage grid electricity, and (3) percentage renewable	(1) 629,640 GJ (2) 95% (3) 0% About 5% of the energy consumed by the company is self-generated with application of co-generation systems
Water Management	TC-SC-140a.1	(1) total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	(1) Total Withdrawal: 180,300 cubic meters (based on Oxford, California, Alabama, Marlboro, Michigan, New Hampshire and New Jersey, Genesis, Optigrate, IREP, RuchTech, IPG Laser). Less than 2% of total water withdrawn in regions with High or Extremely High Baseline Water Stress: - Moscow, Russia: 1.81% - Oviedo, Florida: <0.0001% (2) Water consumption data currently is not captured.
Waste Management	TC-SC-150a.1	(1) amount of hazardous waste from manufacturing, (2) percentage recycled	(1) 514 metric tons (2) 0% Hazardous waste is processed by external waste services. IPG will need to determine if it can obtain accurate data reporting by these services for the percent of hazardous waste that is recycled, reclaimed or remanufactured.

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Employee Health and Safety	TC-SC-320a.1	Description of efforts to assess, monitor and reduce exposure of employees to human health hazards	<p>In the US, IPG works with the globally recognized ANSI Z10 Management System. Our subsidiaries' EHS Management Systems are adjusted to comply with local laws and standards.</p> <p>Our global EHS Management System includes:</p> <ul style="list-style-type: none"> <li>- EHS Manual</li> <li>- Health and Safety Hazard Identification, Risk Assessment and Control</li> <li>- EHS Objective and Targets</li> <li>- EHS Management of Change and Equipment Sign Off</li> <li>- Health and Safety Performance Monitoring, Reporting and Compliance Evaluation</li> <li>- EHS Audit Global Work Process</li> <li>- EHS Management Review</li> <li>- Hazard Communication Program</li> <li>- Occupational Exposure Assessment for Airborne Contaminates</li> <li>- Emergency Preparedness and Response (Chemical, Spill, Fire, etc.)</li> <li>- Fire Protection Systems, Electrical Safety</li> <li>- Toxic, Flammable, Compressed Gases and Compressed Gas Cabinet</li> <li>- PPE</li> <li>- Preliminary medical examination and medical check-ups; Designated clinics, alternative transportation for non-emergency follow-ups and eye care clinics are available at specific site</li> </ul>
	TC-SC-320a.2	Total amount of monetary losses as a result of legal proceedings associated with employee health and safety violations (USD)	<p>\$0</p> <p>The Russian State Labor Agency performed inspection of our Russian subsidiary in 2020 for compliance with the Labor Code. Several violations were found related to the lack of psychological examination of some employees and insufficient training, information and testing of employees regarding the safety measures and potential risks. Our subsidiary paid a fine of approximately \$4,500 in local currency and implemented improvements to remediate conditions cited in the inspection.</p>

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Recruiting and Managing a Global and Skilled Workforce	TC-SC-330a.1	Percentage of employees that are: (1) foreign nationals and (2) located offshore	(1) Foreign employees: 6.54% (2) Offshore employees: USA (country of domicile): 35% Rest of North America: 0.6% EMEA: 53.7% APAC: 7.6% LATAM: 3.2% The company supports efforts to obtain permanent work status and/or naturalization to reduce risks associated with employment of foreign workers. It monitors immigration regulations and works with employees to manage issues they may face from time to time with working and traveling. We have increased efforts to develop local talent pools through apprenticeships and internships.
Product Lifecycle Management	TC-SC-410a.1	Percentage of products by revenue that contain IEC 62474 declarable substances (%)	0% IPG Photonics does not manufacture products that contain specific substances that cause harm to human health and/or the environment. IPG Laser complies with the REACH/RoHS regulation.
Product Lifecycle Management	TC-SC-410a.2	Processor energy efficiency at a system level for: (1) servers, (2) desktops, and (3) laptops	Not applicable for IPGP operations.
Materials Sourcing	TC-SC-440a.1	Description of the management of risks associated with the use of critical materials	IPGP discloses its management approach to their responsible minerals sourcing. We are aware of the potential supply shortage of rare earth elements and their use in the production of electronic components. Rare earths are used in our production process but we do not manufacture any of these materials and they are only added when needed. Through our enterprise-wide risk management and supply frameworks, tools and processes, we identify the loss of critical supplies as a risk that is managed, mitigated and is tracked within the supply chain planning. We evaluate critical material risks in our supply chain and build information from the evaluation into our business continuity plans. For rare earth materials we utilize mitigation plans to ensure continuity of supply (e.g., maintain safety stocks at our facilities worldwide, finding and continuously evaluating potential alternative sources, etc.) and procurement groups.

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IP Protection and Competitive Behavior	TC-SC-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations (USD)	In FY20, IPGP did not incur monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations. SEC Form 10-K
Product Safety	RT-EE-250a.1	Number of recalls issued, total units recalled	0
	RT-EE-250a.2	Total amount of monetary losses as a result of legal proceedings associated with product safety	0
Business Ethics	RT-EE-510a.2	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	0