

SUSTAINABILITY REPORT 2022

Our values and our responsibility – for today and the future



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Foreword by the Chairman of the Supervisory Board

Dear shareholders, employees, customers and business partners of Basler AG,

We are pleased to present the first independent Sustainability Report of the Basler Group. Previously, this report was presented as part of our general corporate reporting. The relevance and regulatory requirements now demand a more comprehensive report on our activities and the status of their implementation.



As a listed family-owned company, social responsibility and sustainable management are a matter of course for us. These values have been embedded in the company in various ways for years. We are pleased to take this opportunity to provide a more comprehensive insight into our efforts with this stand-alone report.

Our company is a leading international manufacturer of computer vision components for applications in factory automation, in medical and life sciences, transportation and a variety of other markets. As a globally competitive supplier of capital goods, we are called upon - both as an enabler of technical solutions for a more sustainable world and at the operational level - to make our contribution to preserving the foundations of life on our planet.

With an export ratio of more than 80 % and strong international competition, we must balance the need to remain competitive on the one hand and the need to shift to a more sustainable economy on the other. The World Climate Conference in Egypt (COP27) delivered mixed results and a dire warning that with the 1.5 degree target probably no longer achievable, everything must be done to prevent a climate catastrophe; this makes clear our direct responsibility for the future.

Against this backdrop, increasing regulatory requirements and the desire of some stakeholders for deeper insight into non-financial (ESG/sustainability) performance are more than understandable. The desire for change and transparency is also driven by numerous regulations and an ambitious program by the EU institutions to achieve the goal of a climate-neutral circular economy by 2050.

As a result, expectations for information are increasing, and Basler Group's Sustainability Report provides a response to this development. This report represents an improvement in this respect, and will be further developed in the coming years.

Responsibility for sustainability is assumed at the level of the Management Board and Supervisory Board. A dedicated sustainability management ensures that sustainability is given high priority in all areas and activities of the company. The explicit integration of sustainability into the overall strategy ensures that a potential tension between financial, environmental and social goals can be balanced at all times. A particular focus here is on the transition to a climate neutral circular economy.

We are already embarked on the transformation, and we are proud of what we have achieved so far. But the pace of change must increase if we are to meet our responsibilities to all stakeholders and to future generations. This acceptance of responsibility fits seamlessly with the values that have shaped our corporate culture from the very beginning.

I hope you enjoy reading this report.

Yours

A handwritten signature in black ink, reading 'N. Basler'.

Norbert Basler
Founder & Chairman of the Supervisory Board

1. General information

1.1 About this Sustainability Report

The content of this Sustainability Report refers to the Basler Group according to the scope of consolidation presented in the Management Report, with the exception of the Polish and Japanese subsidiaries for the environmental and climate-related information. The integration of the Polish subsidiary, whose task is to support research and development, was not yet completed in the year under review (five employees at the end of the year). The Japanese subsidiary is a subsidiary that falls below the materiality threshold for the majority of the climate and environmental sustainability risks, opportunities and impacts considered material in this report. The defined materiality threshold for offices without significant environmental and emissions impacts is less than one percent of the Group's employees. Individual disclosures are limited to the parent company Basler AG or a part of the subsidiaries if a materiality threshold has not been reached or certain data points are not yet available in sufficient quality. In each of these cases, reference is made to the limited scope. The fundamental corporate policies, guidelines and material sustainability impacts and risks are not affected.

For the purposes of this report, the time horizons are defined as follows: "short term" refers to a period of one year, "medium term" refers to a period of one to five years, and "long term" refers to a period of five to ten years. For projections beyond ten years, "very long term" is used.

The requirements for sustainability reporting from the public, standard setters and EU institutions are changing rapidly and comprehensively. Basler observes the changing requirements very closely and has set itself the goal of increasing the quality and scope of reporting as part of its sustainability strategy. The present Sustainability Report fulfills the requirements for sustainability reporting according to § 289 HGB (German Commercial Code), but is also partially based on the published drafts of the extended sustainability reporting standard of the EFRAG within the scope of the EU Directive 2022/2464. Of central importance is the consistent application of the principle of dual materiality, i.e. risks and opportunities as well as the effects of the company's own activities are taken into account. As a result of the revolutionary changes, this report contains a large number of new key figures and information that were not previously recorded in this scope and quality. As a result, year-on-year comparisons are often not yet available. The same applies to changes in the calculation and formatting of key figures. These changes reflect the new requirements and will improve the quality of reporting. This report lays the foundation for the new structure. Where estimates were required, in whole or in part, for individual data points, this is explained together with comments on the quality of the estimates.

1.2 Leadership Responsibility and Sustainability Management at Basler

Information on the composition, remuneration, diversity, independence and expertise of the Supervisory Board and the compliance organization can be found in the Corporate Governance Report in the Annual Report. In addition, the organization, the roles of the Management Board and the Supervisory Board, and the information flows within the framework of sustainability management are described in more detail below.

In order to manage the material impacts, risks and opportunities related to sustainability issues, a dedicated position has been created within the COO/CFO's Administration area of responsibility. The responsibilities of this position include the identification of material sustainability issues, their reporting and communication to stakeholders and the public, the integration of sustainability issues into other management areas, and the management of specific projects to improve the Group's sustainability impacts, opportunities, risks and communication. Sustainability Management reports regularly on these matters and on the status of the measures and projects to the Management Board, Executive Committee, and directly to the COO/CFO, and once a year to the Supervisory Board as part of the preparation and review of the Sustainability Report, as well as on an ad hoc basis and upon request in between. All members of the Supervisory

Board understand sustainability reporting and its audit processes. In addition, Lennart Schulenburg, as a member of the Supervisory Board and the Audit Committee, has his own expertise in sustainability management and Mirja Steinkamp, as Chair of the Audit Committee and auditor, has expertise in the audit of sustainability reporting.

In 2022, the Management Board and Executive Committee declared climate and environmental sustainability to be a central part of the Group strategy in the form of a "strategic element" ([see Climate and Environment section](#)). Within this framework, individual projects and targets have been defined, the progress of which is recorded on a quarterly basis and reported to the Management Board and Executive Committee and senior executives. Sustainability management is also involved in the monthly approval of new and modified business processes, on an equal footing with quality, risk and compliance management. This ensures that sustainability aspects are taken into account in new and modified processes. At the end of the year, independent of the project, the materiality analysis and the preparation of the sustainability report are coordinated with the management of the foreign companies. In practice, there is also regular communication at this level during the year with regard to specific projects or the introduction of new policies.



1.3 Due diligence, internal control and risk management

Where due diligence obligations are associated with specific sustainability topics, these are mainly carried out by the respective specialist departments. The Human Resources department monitors and is responsible for impacts, risks and opportunities related to employees, the Purchasing department for those related to suppliers and arising along the supply chain, and the Sales department for those related to customers and downstream value creation. These departments assume Group-wide responsibility from the parent company in coordination with the subsidiaries. Individual implementation tasks may also be delegated to them. Local management is responsible for the safety, health, environmental and climate impacts or risks associated with the activities of the individual companies. They report to the Management Board and are involved in strategy development and regular Executive Committee meetings. The Sustainability Management, based at the parent company, advises and supports the data collection, analysis and management of the respective divisions with specialized analysis and expertise on implementation practices, particularly with regard to environmental, climate, human rights, diversity and cultural issues. Separate workshops were held in 2022 and early 2023 with all key functions and managers of the

parent company and all foreign subsidiaries to prepare the Sustainability Report and improve key sustainability issues. The only exception in fiscal 2022 was the Japanese subsidiary, which due to its limited size and responsibilities (sales) only implements the global guidelines and requirements of the parent company. In the foreign subsidiaries, the General Managers are responsible for the implementation of the central policies and guidelines and for the further development of sustainability issues.

The risk and opportunity analysis on which this report is based goes beyond the risk and opportunity report in the Management's Discussion and Analysis by providing a more detailed consideration of the most significant sustainability risks and opportunities. These are mostly indirect in nature, often have a longer time horizon than normal business risks and are subject to greater uncertainty. Both risk analyses are coordinated by risk management. In fiscal year 2023, Basler will fully integrate the special sustainability risks and opportunities into the general risk analysis process and record them even more precisely.

2. Sustainability, strategy and business model

The companies of the Basler Group develop, produce and market image processing components for professional users. The majority of sales are currently generated with digital cameras, which are used primarily in industrial mass production, medical applications, traffic and transportation, and logistics. In addition, the Basler Group is continuously expanding its product range and is thus gradually developing into a full-range supplier of image processing tools and components with solution expertise. Basler products are characterized by innovation, high reliability, easy integration, and a very attractive price/performance ratio. Target customers are national and international manufacturers of capital goods (OEM cus-

tomers) who integrate image processing components and solutions into their own systems and devices and market them to end users. Decisive factors in the company's 30-year success story are a value-oriented corporate culture, the courage to embrace change and the willingness to accept constant change as normal, as well as the passion to drive customer-oriented innovations in order to sustainably lead the company into the future. Reliability and trustworthiness are essential brand values that Basler stands for with customers, employees, suppliers, partners and other stakeholders. The company's vision/mission is to develop computer vision technology that is used in applications that improve the quality of life.

2.1 Stakeholder management

As part of the materiality analysis, the interests and views of the company's stakeholders are gathered and recorded through the relevant functions and departments. It is updated every two years unless there are significant changes in the form of new impacts and risks. Information and inquiries from customers and the downstream value chain are collected by the Sales Back Office and the Customer Questionnaire Team, while those from suppliers and the upstream value chain are collected by Supplier Quality Management. Employee concerns are recorded by their managers, by the Human Resources department and, in the parent company, also by the General Works Council. Compliance-related sustainability aspects are also recorded by the whistleblower system and the Compliance Team, under the principle of multiple control. Local impacts, risks and opportunities in the foreign companies are the responsibility of the respective management teams and are also collected centrally as part of the materiality analysis. As in 2022, Supplier Qualification, the Legal Department, the Customer Questionnaire Team and the Human Resources Department carry out numerous ad hoc reconciliations with Sustainability Management. In addition to the whistleblower system, all stakeholders are encouraged to provide input and make inquiries on all sustainability topics via the sustainability website at

sustainability@baslerweb.com. Sustainability Management and the Director of Administration are responsible for collecting and responding to the input, and depending on the nature of the input, coordinating with the specialist departments, the Management Board and the Executive Committee. A global customer survey was also conducted in 2022 to gain a deeper understanding of the importance of sustainability issues and information from a customer perspective. Communication with investors and rating agencies on sustainability issues is handled by the CFO together with Investor Relations Management and Sustainability Management, and numerous discussions on sustainability were held with investor representatives and rating agencies in 2022. Sustainability Management also conducts analyses on specific topics, such as the treatment of human rights in the supply chain or the climate and environmental impact of activities at global sites. The key outcome of these efforts in 2022 is the recognition that increasing transparency about the company's overall sustainability measures is the most important concern of the company's stakeholders. This led to a significant expansion of the scope and depth of reporting content, which will be supported and enhanced by further digitization in 2023.

2.2 Key sustainability impacts and risks of the business model

As described above, the business model consists of the development and production of high-quality computer vision hardware and software and their global distribution, together with third-party products for industrial customers in various industries. Based on the business strategy, it can be assumed that the sales of the company's own products will continue to increase, while the share of the other revenue drivers, in particular software, will gain in importance. The most significant sustainability impacts, risks and opportunities are therefore primarily the following factors:

1. Technology and innovation orientation

This has significant implications, opportunities and risks for the company's own employees. Attracting and retaining highly qualified employees through a positive environment and corporate culture, flexible working conditions, plus opportunities for further development and qualification, has a significant impact on the well-being and prospects of employees. It is also crucial for the success of the company (see chapter 4). These factors, and a strong culture of innovation, can drive opportunities and positive effects for the transformation to a climate-neutral circular economy (see chapter 3).

2. Development, production and distribution of electronics

The nature of our product range and the high proportion of sales with electronic hardware mean that the sustainability strategies typical for the electronics industry also apply to Basler. On the environmental side, these include the transition to a circular economy, in particular the reduction of electronic waste, increased repairability and recyclability, the highest possible material efficiency, and the control of hazardous substances in purchased components. Another strategy is reducing emissions associated with the energy consumption of products (see chapter 3.3).

3. Global growth

The activities of the Basler Group represent only a limited part of a very long and complex global value chain. The entire processing from raw material to finished component, as well as the integration of Basler products into

the machines and systems of end customers worldwide, can only be monitored and influenced to a limited extent. Challenges include the possibility of negative social and environmental impacts in the supply chain, as well as the use of products for purposes that are not compatible with Basler's values and principles (insofar as products enter the market via distributors). Due to strong compliance management, no negative impacts or risks have been apparent as yet, but legislators and society continue to expand the due diligence requirements.

Climate change and its consequences are one of the greatest overarching challenges for mankind. They affect every human activity and every industry, albeit to varying degrees. The connections to Basler's business model and strategy are described in detail in the chapter Climate and Environment.

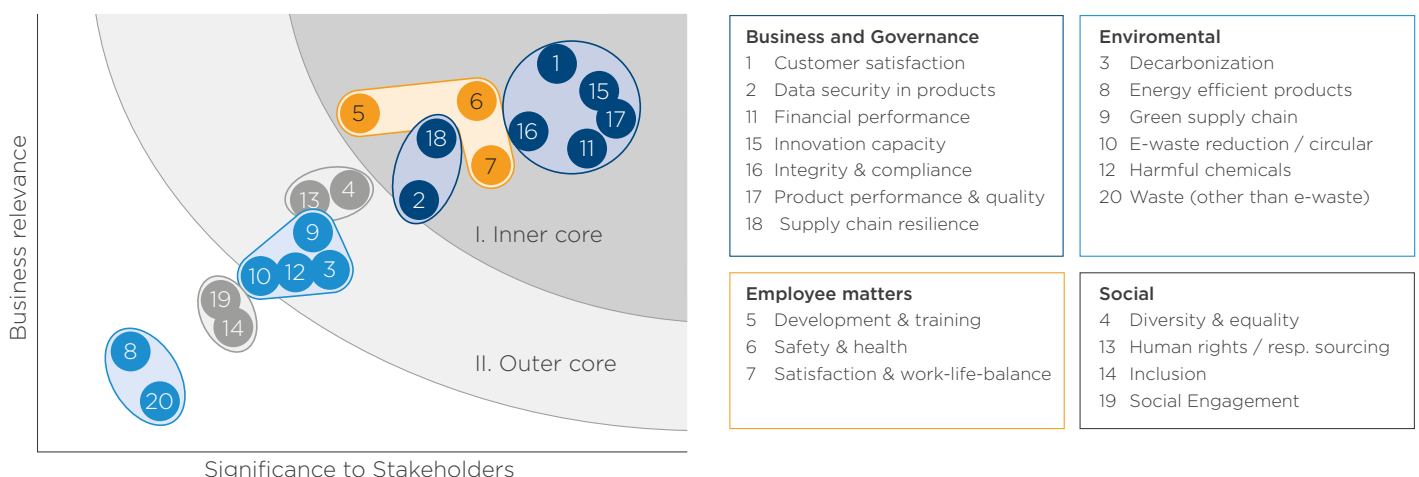
2.3 Materiality analysis

From an extensive collection of possible sustainability topics, a list of twenty relevant topics was developed, taking into account international reporting standards, regulatory and social trends, industry-specific requirements and an internal kick-off workshop. In a survey of top management and business functions with functional responsibility, the business relevance (opportunities and risks) and the significance for the assigned stakeholders (impact) were assessed according to the principle of "double materiality". The materiality analysis is updated every

two years; more often in the case of significant changes in the form of new impacts and risks. In fiscal 2023, the materiality analysis will be renewed, and the process and thematic categorization will be adapted again, also in preparation for the new reporting requirements of the European Union.

The following materiality matrix summarizes the results of the 2021 process:

Materiality matrix:



2.4 Basler's Sustainability Strategy

Improve the quality of life with computer vision

"Improving the quality of life with computer vision is not just a marketing slogan - it is what we do and how we see ourselves at Basler. We improve the quality of life with our products and their applications. We also take responsibility for how our products are made, for the people along our value chain, for the environment, and for how we leave our planet for future generations. We see the challenges and expectations for a more sustainable industry growing every year. But these challenges also represent an opportunity."

Hardy Mehl, COO/CFO

Basler's sustainability strategy aims to make effective use of these opportunities. To this end, Basler is guided by the following guidelines:

- **Transparency:** Basler is committed to open and honest communication with all stakeholders and the public. To this end, Basler provides comprehensive information about the ethical, social, and environmental impacts of its activities.
- **Stakeholder orientation:** Basler continuously improves stakeholder identification and dialogue in order to develop as an organization. In this way, impacts from the point of view of those affected, as well as opportunities and risks, are quickly identified.

- **Long-term orientation:** Economically, Basler prioritizes long-term growth and stable stakeholder relationships over short-term profit orientation, which is also reflected in the company's successful history. Social and environmental impacts are taken into account with foresight, to create positive effects and avoid damage before it occurs.

- **Shared value creation and innovation:** The combination of economic success with social and ecological sustainability defines the success of the company as a whole. Where this ideal reaches its limits in reality, Basler focuses on the company's innovative strength. New products and processes are designed to go beyond traditional boundaries to create value in all areas. To this end, the dimension of sustainability has been integrated into the innovation process in a variety of ways.

To put these guidelines into practice with the appropriate measures, the management has created a position for sustainability management in 2021 and will drive the integration of sustainability into the overall strategy in 2022. This includes a strategic initiative on environmental sustainability to continuously measure and improve Basler's climate and environmental impact in regular coordination with the Management Board and the Executive Committee. The following chapters reflect the most important results of these efforts in the past fiscal year and will be continued in future sustainability reports.





3. Climate and environment

3.1 Climate change

Basler's climate and environmental policy governs the handling of the positive and negative climate impacts of the Basler Group. Basler wants to make an effective, positive contribution to climate protection by maximizing customer benefits with decreasing emissions and without negative environmental impacts. The policy defines Basler's climate targets: net zero emissions in Scopes 1 and 2 by the end of 2030 and a significant reduction of Scope 3 emissions in relation to sales. These goals are to be achieved through extensive measures such as the renovation of buildings to reduce energy usage, the switch to genuine green electricity, and optimized products. Basler's climate policy also includes honest communication and transparency about its climate performance.

The physical risks associated with climate change as well as transition risks related to the business model, strategy and facilities of the Basler Group are limited, even in the long term. Stakeholder expectations regarding transparency and management of the transition to a climate-neutral industry are currently playing a greater role and are being proactively addressed by Basler. The same applies to the climate impact of the Basler Group's activities.

At our own sites, these are limited to building heating systems, a small number of company cars and electricity consumption. As is common in the industry, a much larger leverage effect is created by the indirect emissions that occur in the upstream and downstream value chain ("Scope 3" emissions).

Risk analysis is the joint responsibility of sustainability management and the risk management officer. For this report, analyses and projections on flood risks, heat and water stress, and known adaptation measures were used. The assessment of transformation risks is based on projections of potentially rising energy costs and their impact on the costs of Basler AG. The climate risk analysis will be expanded and deepened in the fiscal year 2023.

Physical risks: As the activities for the development, production and distribution of machine vision components and software are not directly dependent on changing climatic conditions or water and land use, the direct short, medium and long-term physical risks related to climate change are low. With the exception of the headquarters and the main production site in Ahrensburg, Germany, Basler's business model is not tied to specific locations or facilities. With the exception of Ahrensburg, Neumünster and Singapore, these are mainly office spaces. At these locations, no disruption of business operations due to the consequences of climate change is foreseeable, even in the long term. For the Basler production sites in Ahrensburg and Singapore, even in a worst-case scenario (+5 °C path), no long-term business risk can currently be derived with regard to sea level rise, flooding and extreme temperatures. The city of Hamburg, close to Basler's headquarters and main production site, is currently the most important business and transportation hub for Basler. Since 2013, the city of Hamburg has been implementing a strong action plan to adapt to the risks of rising temperatures and flooding, which includes structural and emergency measures as well as ongoing scientific monitoring of changing climate risks.

Basler is conducting an assessment of the water stress situation at Basler sites as part of its climate risk analysis. Sites with very high water stress are Beijing and Xi'an. In the long term, in a pessimistic scenario, the sites Shanghai, Suzhou, Seoul, Tokyo and Singapore could be exposed to very high water stress. As Basler's production and distribution activities do not require water, neither a significant impact nor a direct material risk can be derived from this. Indirect risks cannot be seriously quantified at this time. Basler AG's own water consumption together with the production site in Singapore amounts to 3,681 m³ in fiscal year 2022.

An indirect but limited long-term to very-long-term risk is the availability of electronic components related to increasingly extreme severe weather, water and heat stress along the supply chain in a business-as-usual scenario that cannot be precisely quantified at this time. Supply disruptions are an overarching risk common to the global electronics industry and other industries. Basler is not dependent on individual suppliers and has an established risk management process that allows for short-term adjustment to possible shortages and interruptions in the supply chain, taking into account different time horizons. Basler also considers itself to be resilient to possible sales risks that could result from climate-related cutbacks in other industries. On the sales side, Basler is well diversified, generating sales in 57 countries around the world and in a variety of industries, and is also highly innovative and flexible.

Transition risks: In the scenario of a delayed expansion of renewable energies with simultaneously rising CO₂ pricing and increased demand, energy costs could continue to rise in the long term instead of normalizing. However, even in 2022, rising energy costs do not have a significant impact on Basler AG's operating result. The share of energy costs in operating costs in 2022 is approximately 2.1 % (2021: 1.9 %). Looking to the future, Basler is currently planning energy-saving renovations to its headquarters building (see taxonomy disclosure). Overall, Basler considers itself to be largely resistant to the typical transformation risks.

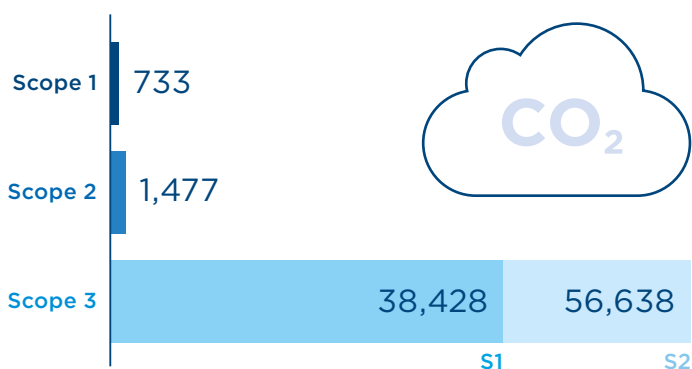
Opportunities: The transformation of the industry towards climate-friendly technologies and processes offers opportunities in the medium to long term, which Basler intends to exploit with a stronger focus on corresponding end customers, e.g. in the photovoltaic, battery or agricultural

industries. Another medium-to-long-term opportunity lies in the implementation of the strategy to reduce the energy consumption of Basler products, especially from a system perspective (see product highlight). A lower energy consumption of the entire vision system compared to the competition can be an additional purchase incentive for certain customers in the long term, if the trend towards sustainability in procurement takes hold. Here, too, Basler takes the path of honesty and works on measurable improvements within the scope of product development instead of advertising with offset certificates.

Impact: The emission impact of the Basler Group's own activities is rather low compared to other industries. The only direct sources of emissions at the Basler sites (Scope 1) are the company's own heating systems and leased company cars. Other indirect sources at the sites are electricity and district heating consumption (Scope 2). As is common in the industry, most of the emissions are indirect, i.e., they occur in the upstream and downstream value chain and outside the activities of the Basler Group (Scope 3). The following graphs represent the first comprehensive calculation of the Basler Group's carbon footprint for the year 2021, not 2022. The reason for this is the increased initial effort for the first-time preparation of a greenhouse gas footprint including all major subsidiaries in the course of 2022, as well as delayed cost settlements. In future sustainability reports of the Basler Group, the balance of the respective fiscal year will be published. The greenhouse gas balance was calculated according to the standard of the "Greenhouse Gas Protocol" of the World Resource Institute. Basler was advised by an environmental management company for the calculation of the greenhouse gas balance and for the verification of the emission reports of other business partners. All values are expressed in metric tons of CO₂ equivalents ("CO₂e").

GHG Emissions 2021:

CO₂e, in metric tons



Delimitation of Scope 1 and Scope 2 emissions: Includes all emissions from the use of company cars, heating, purchased electricity and district heating at the German sites in Ahrensburg, Mannheim, Neumünster and Hamburg, the production site in Singapore, the Chinese sites in Beijing, Shanghai, Shenzhen, Suzhou, Chengdu and Xi'an, as well as Hsinchu (Taiwan) and Exton (USA).

Scope 3 explanations: Two scenarios are compared for the largest item in the Scope 3 footprint: the energy consumption of the cameras and frame grabbers sold over their entire lifecycle. The optimistic scenario 1 ("S1") assumes an average of 5,600 operating hours and a lifetime of 5 years. The conservative scenario 2 ("S2") assumes an average of 6,000 hours of operation and a 7.5 year lifetime. Energy consumption was weighted by the emission values of the national electricity mix of the destination countries. Detailed explanations on Scope 3 emissions can be found in the graphic "Emissions and scenarios for the product use phase" on the following page.

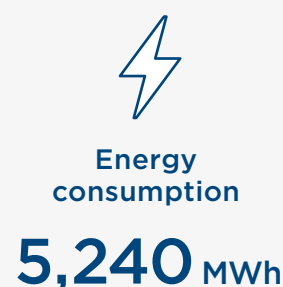
For Scope 2 emissions, Basler has opted for a location-based rather than a market-based calculation of electricity emissions. This means that the main polluter - the electricity consumed at the headquarters and main production site in Ahrensburg - was weighted with the national German emission factor, **although green electricity was purchased for 2022**. However, this still came from mainly older Norwegian hydropower plants via the system of guarantees of origin. Basler does not count this

as emission-free electricity, as guarantees of origin are viewed critically by experts and make little contribution to the energy transition. According to the GHG Protocol, this would have significantly minimized Scope 2 emissions. However, this step would have contradicted the Basler values and the principles of the sustainability strategy, namely honest and transparent communication without greenwashing.

Energy consumption and composition 2022*:

Consumption type	Consumption (in MWh)
Purchased energy	3,364
electricity as a portion of the total	3,024
district heating as a portion of the total	340
Natural gas	1,876
Total	5,240

*The figures include the total energy consumption of all sites and subsidiaries of the Basler Group with the exception of Krakow and Tokyo. It also includes the consumption of the Italian and Korean subsidiaries, which are not yet included in the carbon footprint for the year 2021 due to the group integration. The district heating consumption of the Chinese office locations amounting to 174 MWh is based on estimates using the number of employees and average temperatures of the year 2021. The electricity and district heating consumption of the Mannheim location refers to the year 2021 due to delayed billing. The share of district heating consumption at the Hamburg location was calculated using the total costs and the share of space of Basler AG.

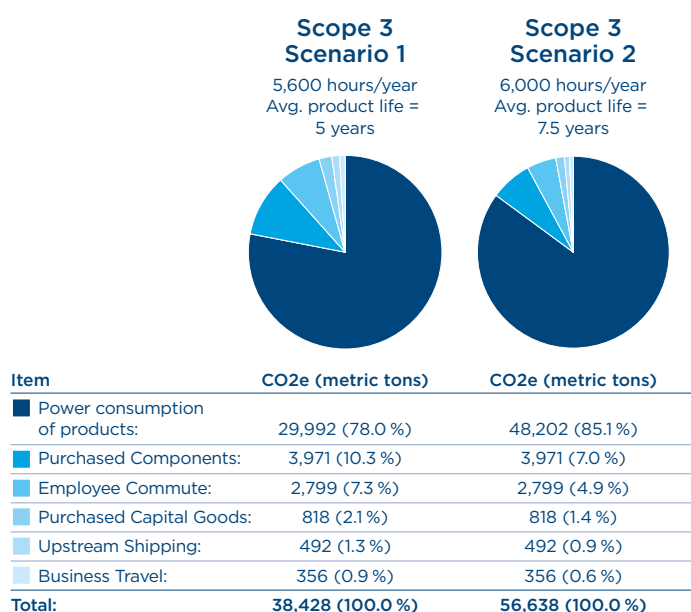


The Group's energy intensity, calculated as the ratio of total energy consumption (in MWh) to sales (in thousand €), thus amounted to 0.019 (MWh/T€). The value does not include the energy consumption and sales of the Japanese company (six employees) and the Polish company (five employees).

The energy consumption of Basler products, which refers to the cameras and frame grabbers sold in 2022, is particularly significant for Scope 3 emissions. The large share

comes about in spite of the low power consumption of the top-selling products, as the calculation is based on an average operating time of 6000 hours per year over a lifetime of approximately 7.5 years (scenario 2). These estimates are deliberately conservative so that, in case of doubt, the emissions effect is estimated to be slightly higher than it is. The following figure illustrates the breakdown of emissions, their absolute value and their respective share of total Scope 3 emissions, comparing the two scenarios for the product use phase:

Emissions and scenarios for the product use phase:



Notes: (1) Product energy consumption includes all cameras and frame grabbers sold in 2021 based on their average power consumption (weighted average) over their lifecycle, using two plausible scenarios and the respective emission factors of the target countries. (2) Purchased components include all electronic and mechanical components used in the production of all industrial cameras sold in 2021 (excluding frame grabbers) and an estimate of their implicit "CO2 backpack" based on emissions databases, minus transportation to the production sites of Basler (delineation to the item "upstream shipping"). (3) The estimate of emissions from employee commuting is based on a projection using a mobility survey with information on the frequency of chosen means of transport and routes, conducted in September-October 2022. The global response rate was approximately 46 %. (4) Purchased assets include additions of physical equipment such as servers and related IT equipment, computers and monitors, machinery and electronic equipment, furniture, and printers. Emission factors were calculated on a cost basis. (5) Upstream shipping includes all inbound and outbound transportation in 2021 for which Basler AG was the freight payer. The 5 most important transport service providers provided their own emission reports or transport statistics. (6) Business travel includes all flights, train rides, taxi rides, and private car rides paid or reimbursed by Basler AG in fiscal year 2021. The calculation is based on the emission reports of the air travel agent, DB AG, as well as cost and kilometer-based projections based on taxi receipts and reimbursements.

As a result of the carbon footprint assessment, the Board of Directors and the Executive Committee of the Basler Group have decided to reduce the energy consumption of the products developed in-house in line with customer requirements. Admittedly, this position in the Group's carbon footprint also depends on external factors, in particular the speed of decarbonization of the target countries. Nevertheless, until the global effort is completed, there is a great deal of leverage for reducing emissions in our own development. To this end, Sustainability Management has worked with R&D and Product Management to develop a strategy and initial measures that will be implemented in fiscal 2023. In second place is the so-called "CO2 backpack" of components purchased to produce industrial cameras. A more in-depth analysis of this portion is planned for fiscal 2023 in the form of a product-related

carbon footprint. This will provide the development team with valuable insights to significantly optimize the CO2 backpack of Basler products. In addition, Basler AG already offers its employees subsidies for the use of climate-friendly public transportation and bicycles and replaces business travel with online communication whenever possible and reasonable.

Basler attaches great importance to climate change and the reduction of emissions as a whole and takes responsibility for its own emissions impact with substantial measures in order to make a positive contribution to a future worth living. The continuous expansion and improvement of climate accounting and emission effects is a core component of the sustainability strategy in the long term.

3.2 Resource use and circular economy

No significant risks arise from the mere consumption of materials, although continuous efficiency improvements can help to further reduce material costs. In the long term, the transition to a circular economy offers opportunities for the Basler Group to test innovative business models and the use of computer vision for resource-saving processes as well as in the recycling industry. These long-term opportunities cannot be quantified at this time, but market developments will continue to be monitored as part of the product strategy.

Basler's climate and environmental policy defines the goals and approach to material consumption and the transition to a circular economy. It defines the decoupling of value creation from greenhouse gas emissions and the ecological footprint of material consumption as a long-term climate and environmental goal. Further material consumption and circular economy metrics will be developed in the course of fiscal year 2023.

The largest portion of Basler's material consumption is accounted for by production materials, which enter the production process in the form of electronic and mechanical components, cables, soldering paste, and other auxiliary materials and are sold as finished products. This is followed by accessories, which are sold slightly modified or unchanged. Other physical goods include water and food and beverages for employees, as well as office supplies, computers, or instruments that either remain in the company, are consumed, or are disposed of. To approximate material consumption, the number of the comparatively light-weight cameras and accessories sold in 2022 was multiplied by their average weight, including packaging ("gross weight"). In addition, all waste from Basler AG, the production site in Singapore, and the Chinese subsidiary was added as a significant portion of the employees work in China. Thus, material that remained in the company or was consumed as well as the material consumption of the smaller foreign sales companies, which is limited to office supplies and therefore considered insignificant, is not included.

Material consumption 2022:

Material consumption	Weight (in tons)
Products sold (incl. packaging)	112.2
cameras and frame grabbers as a portion of the total	72.1
accessories as a portion of the total	40.1
Total waste	91.2
electrical scrap as a portion of the total	3.3
Total	203.4

Data quality notes: For products, the average weights of the standard specifications were used for calculation; customer-specific adjustments may vary slightly up or down. Weighing records are available for the majority of waste; for the remainder, the most accurate estimates were made based on container sizes, fill levels, and collection intervals.



**Material
consumption**

203.4 t

Basler's goal is to further increase material efficiency and, in particular, to further reduce direct electrical scrap in relation to sales. In production, even minor defects are always reworked in order to achieve the highest quality with the least amount of rejects. For this purpose, Basler offers a

repair service both within and outside the warranty period, which keeps Basler products in service as long as possible. At the same time, Basler is working on innovations to further increase the circularity of its business model.

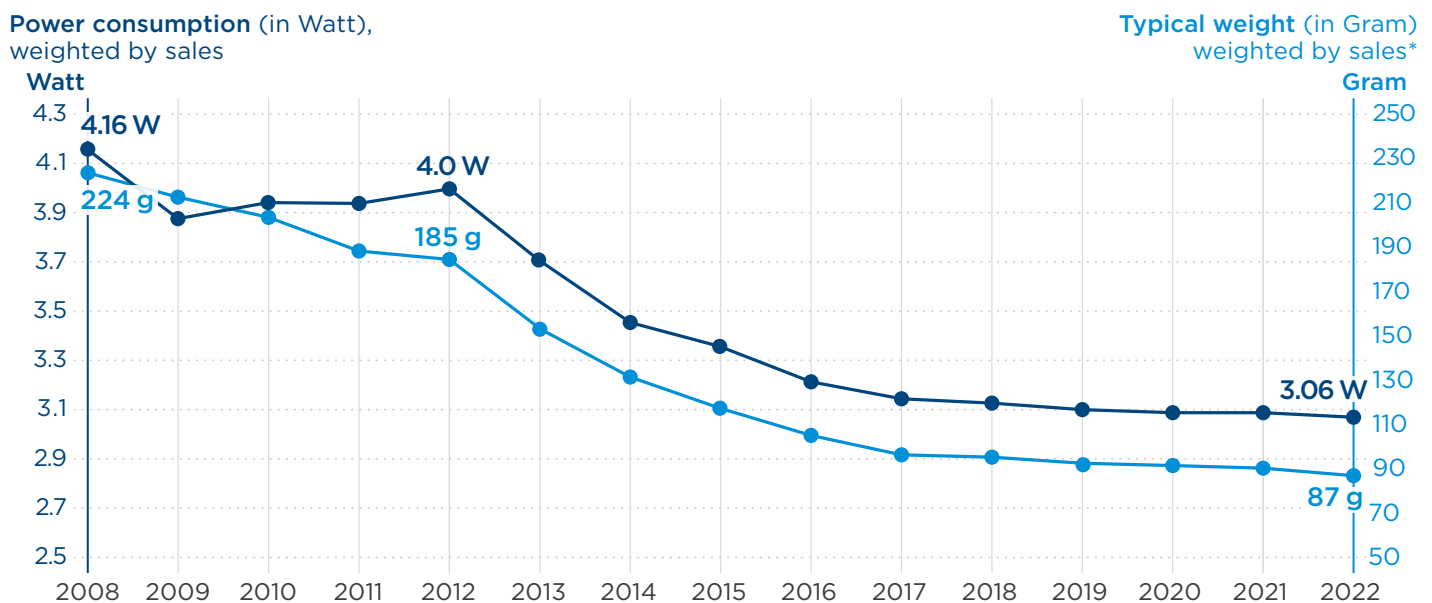
3.3 In Focus: Environmental and climate impacts of Basler products

Ecological footprint:

The sustainability of a company is closely related to its products. At Basler, high quality (ISO 9001 certified), innovative strength, and customer expectations of their computer vision systems and components are at the heart of everything they do. The sustainability impact of the company is therefore inextricably linked to the products and markets in which they are used.

The following figure shows the development over time of the average material weight and energy consumption of Basler cameras, the largest revenue generator, over the last 14 years (weighted by units sold):

Evolution of Basler cameras sold in a given year, from 2008 - 2022:



Typical power consumption and typical weight are the weighted averages of the respective best-selling standard versions of all models.

*weight incl. mount

Examples:

Basler A400 (500g, ~9W)

Sales peak in 2012 and phased-out by 2016

Basler Sprint (360g, ~6W)

Sales peak in 2014 and discontinued 2022

Basler ace (90g, ~3.1W)

Introduced in 2010, 81% of sales in 2022

Basler dart (15g, ~1.9W)

Introduced in 2014, surpassing 11% in 2022



The ecological footprint of Basler cameras has improved significantly during this period in terms of average material consumption as well as energy requirements. At the same time, performance has increased similarly. So far, this development was mainly the result of technological developments and customer requirements. **Within the framework of the sustainability strategy, Basler has set itself the goal to further reduce the energy consumption of the products developed in-house.** Towards this purpose, benchmarking will be carried out in fiscal year 2023 and first measures will be taken. Basler products fulfill all requirements of the RoHS 3.0 and REACH regulations in order to minimize the exposure to possible pollutants.

Application effects:

The sustainability impacts of Basler products depend not only on their own environmental footprint, but also on how they are used. The following chart breaks down the Basler Group's revenues in 2022 by the industries of the known end customers accompanied by examples for typical sustainable impacts*:

Breakdown of revenues 2022:

Agriculture

Precision Farming: Plant growth is monitored by machine. Through complete inspection, fungi and pests can be detected, growth conditions can be optimized and fertilizer and pesticide use can be reduced.

Retail

Automotive / Driver assistance / Automated driving

Pharma / Cosmetics / Medical Devices

Active ingredient dosing of drugs: Enrichment with active ingredients is carried out with the aid of image processing (e.g. application of an active ingredient film), so that drug dosing is reliable and accurate.

Food / Beverage

Avoiding food waste: Precise image processing is used to reduce waste, e.g. by making exact cuts between meat and fat or by precisely cutting vegetables.

Traffic

Traffic: Monitoring and regulating traffic flow ensures even distribution, less congestion and lower CO₂ emissions.

Logistics

Volume Inspection: Pallets are fully and optimally loaded and utilized using computer vision to reduce storage and transportation capacity requirements.

Semiconductor Industry

Efficient production: The density and complexity of the structures on a wafer increase from year to year. This creates a need for highest quality control and camera systems. Computer vision helps to reduce scrap on valuable semiconductors.

Electronics Manufacturing

(incl. Flat Displays & Consumer)

Electronics Manufacturing: Visual inspection ensures that defective parts are sorted out at an early stage and not further processed. This means that discovery of faulty devices is not left to the end of the manufacturing process, preventing the waste incurred by disposing of the entire item, which saves resources.

General Manufacturing and Robots

(incl. PV & Battery)

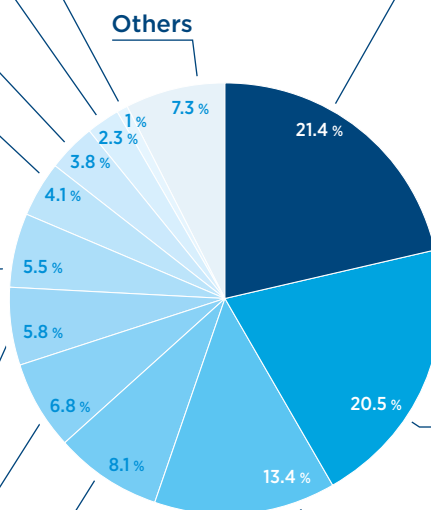
Photovoltaics: Basler Cameras support thin-film and electroluminescence inspection to help PV manufacturers meet the highest quality demands in the face of increasing cost pressure.

Battery Production: Inspection of manufactured fuel cells and batteries

Medical & Life Science

Diagnostics: Blood, urine samples or tissue sections can be reliably evaluated visually. This increases safety in diagnostics. Computer vision supports doctors in diagnosing diseases by analyzing medical images such as X-rays, CT scans and MRI images.

Surgical support: Image processing provides surgeons with visual assistance in real time, improving the accuracy of surgical procedures.



Computer vision, as a universally applicable technology, can contribute decisively to making processes in other industries more efficient, reducing resource use and energy demand, or improving working conditions or quality of life. The transformation of the industry to more sustainable technologies and processes offers opportunities in the medium to long term, which Basler intends to exploit with a stronger focus on corresponding end customers, e.g. in the photovoltaic (2022: 4 %), battery (2022: 3.2 %), or agricultural industry (2022: 1 %).

*End customers are not always known or clearly attributable to an industry, such as when distributors, resellers and system integrators are the direct customers. About half of revenues can be clearly allocated, and the breakdown shown here provides the best possible approximation of the actual breakdown by industry.

3.4 Disclosures according to Regulation (EU) 2020/852

In accordance with Regulation (EU) 2020/852 and the relevant provisions of the delegated Regulation (EU) 2021/2178, Basler Group publishes the shares of taxonomy eligible and taxonomy aligned economic activities at Group level.

Group-wide, absolute values for 2022:

Activities	Sales		Investments		Operating expenses	
	(in € thousand)	(in %)	(in € thousand)	(in %)	(in € thousand)	(in %)
A. Taxonomy eligible	0	0 %	0	0 %	27	0.03 %
A.1 Taxonomy aligned portion	0	0 %	0	0 %	27	0.03 %
A.2 Taxonomy eligible but not aligned	0	0 %	0	0 %	0	0 %
B. Not eligible for taxonomy	272,203	100 %	8,598	100 %	106,485	99.97 %
Total (A. + B.)	272,203	100 %	8,598	100 %	106,512	100 %

Explanation of the reference values:

The totals for sales, capital expenditures and operating expenses have been calculated in accordance with the Regulation. Reference is also made to the explanations in the published IFRS notes under Note 3 "Accounting Policies".

Operating expenses:

Taxonomy eligible and aligned activities in operating expenses are activities with NACE code M71, consulting and planning services to refurbish the Ahrensburg headquarters with the goal of climate neutrality.

Explanations on the assessment of taxonomy eligibility:

Revenues: Due to its product range - as a manufacturer of industrial cameras and as a provider of machine vision solutions - the Basler Group did not generate any sales from the economic activities listed in Annex I and II of Delegated Regulation (EU) 2021/2139 in fiscal year 2022.





4. Social engagement and employees

4.1 Significant effects, risks and opportunities in connection with employment

Qualified, motivated and healthy employees are the basis for the success of the Basler Group. Under Basler's business model, which focuses on the development and production of high-quality technology products and on highly qualified employees, the main opportunities and risks arise primarily from the recruitment and retention of well-trained and capable employees. The Company's favorable location and the growth prospects of the computer vision market offer opportunities for further growth.

To make the most of these opportunities, management attaches particular importance to offering employees a attractive working environment and to ensuring that they are appropriately qualified for the requirements of their work at Basler through training and further education. Health, job satisfaction and the promotion of further development have a significant positive impact on the employees themselves as well as on the long-term success of the company.

4.2 Employment structure

Due to the business model and the positioning of the Basler Group, the employment structure is characterized by a high degree of job security and a high share of permanent employees. The following breakdown is based on the number of employees, not on full-time equivalents.

All employees, including the Management Board, are included, excluding trainees, interns, non-employee workers and those with dormant employment contracts. The presentation by headcount as of end of the year deviates from the methodology used in the management report, for a clearer breakdown of contract types.

Breakdown by gender and type of employment:

	Female	Male	Other / unnamed	Total
Number of employees (total)	430	777	0	1,207
Number of permanent employees	416	762	0	1.178
Number of temporary workers	14	15	0	29
Number of full-time employees	285	654	0	939
Number of part-time employees	145	123	0	268

(head count as of 31.12.2022)

Breakdown by country :

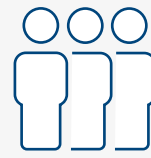
Country	Number of employees	Country	Number of employees
Germany	832	Taiwan	27
China	166	Italy	23
Korea	62	Japan	6
Singapore	46	Poland	5
USA	40	Total	1,207

(head count as of 31.12.2022)

Basler offers all employees the opportunity to work part-time to enable people in all life situations to participate in their professional lives in a flexible manner - this also applies to managers. In addition, Basler offers remote work, sabbaticals, and, in a pilot project, "workation" for flexible work arrangements.

The Group-wide fluctuation rate in the Basler Group amounted to approximately 3.2 % in fiscal year 2022. The employee turnover rate is calculated by dividing the number of employees who voluntarily left the company during the year by the total number of employees as of December 31, 2022, excluding trainees, temporary employees, interns and members of the Management Board. During 2022, a sum total of 20 trainees and dual students were employed in the Basler group. Six trainees completed their training in 2022, all six were hired for a permanent position.

Basler uses non-employee work contracts to a limited extent, mainly in manufacturing, in order to cushion order peaks. In fiscal year 2022, a total of 69 non-employee workers were employed. The average duration of employment was seven months. Of these non-employee workers, 13 persons were taken over into a permanent employment relationship at Basler in the course of the year. At the end of fiscal year 2022, 30 non-employee workers were employed at Basler, 29 of them in Germany and one person in China.



**Head count
as of 31.12.2022**

1,207



**Employee turnover
rate in 2022**

3.2 %



**Apprentices and
dual students
graduating
in 2022**

20



**Non-employee
workers
in 2022**

69

4.3 Basic corporate policy for employment

The principles set out in the Basler Code of Conduct and in other corporate guidelines and policies apply throughout the entire Group, above and beyond the respective minimum legal requirements. These include:

- compliance with employment laws and regulations as a minimum standard,
- respect for human rights based on the UN Charter
- the full right to freedom of association and collective bargaining
- effective occupational health and safety
- ILO core labor standards
- fair treatment and protection from discrimination on the basis of gender, age, color, race, nationality, religion, sexual orientation, disability, political opinion or trade union activity,
- protection from harassment,
- valuing and embracing diversity (Diversity Charter); and
- a culture of appreciation and mutual respect

Employees can report violations of these principles either anonymously, through the internal whistleblower system or an external body, or directly to their supervisor, human resources manager or the Compliance Team. Employees can find information on the company intranet.

Based on these principles, the management of each individual company in the Group may enter into further agreements with its employees to regulate cooperation. For the employees of Basler AG, as the largest individual company and parent company of the Group, the company agreements concluded with the works councils at the locations and the central works council apply. These include agreements on vacation and working hours, IT use and data protection, personnel development, compensation, profit sharing and special payments, sabbaticals, and other matters. In the event of conflicts at the workplace, employees of Basler AG can also take advantage of the free and, if desired, anonymous counseling services.

4.4 Occupational safety and health management

The safety and health of all employees is a top priority at Basler, without exception, in all activities and in all areas of the company. The highest standards are maintained, and legal requirements are consistently implemented. Basler has a culture of foresight and elimination of potential hazards before new equipment, workplaces, or supplies are used. These principles apply throughout the Group.

Situation by location: Different health and safety requirements apply at Basler's various locations worldwide, depending on the type of activities and national laws. In Ahrensburg and Singapore, special regulations and measures are in place, as these sites have both office and production activities. The Neumünster site has a job shop where electronic and mechanical equipment and prototypes are manufactured on a small scale at special workstations. At all other sites, either office work is performed, in addition to light warehouse work (goods receipt and preparation for dispatch) and, to a small extent, work on equipment such as test stations. At none of the Basler Group's locations are any activities carried out that are particularly hazardous to health; the use of hazardous substances at the production sites is essentially limited to cleaning agents, soldering paste and lubricants.

At the Ahrensburg and Singapore production sites, a separate manual or guideline regulates the roles, responsibilities and rules for occupational safety. Regular risk assessments are carried out at both sites and the documented results are reported to the Management Board and local management. Among other things, the storage of hazardous materials, emissions and particulate matter in buildings, and other hazards to employees' health are reviewed. All employees receive regular instruction and training in occupational safety, including ESD protection and maintaining cleanroom conditions at the production sites. In Ahrensburg, occupational safety is regularly assessed by the professional association and in Singapore by a government agency. In addition to the usual fire alarm systems, sprinkler systems and fire extinguishers, safety equipment also includes smoke vents and special air circulation systems. Protective equipment is provided based on a risk assessment; in manufacturing, this includes safety shoes, gloves, respirators, goggles or hearing protection, depending on the activity. The guideline for handling hazardous substances is to use the least harmful option for each purpose (substitution test). At the main production site in Ahrensburg, a Hazardous Materials Officer is responsible for the approval of hazardous materials. For



each approved hazardous substance, this officer prepares operating instructions for handling, protective measures and information on potential health hazards. Like all safety instructions, these are subject to managerial approval and are available to all employees on the intranet.

There were no work-related fatalities or serious injuries in the Basler Group in the year under review. In total, there were three work-related injuries in the Group. The work-related injury rate, calculated as the number of work-related injuries per 1,000,000 hours worked, was 1.44. The number of working days lost due to work-related illnesses and injuries was 67.

Basler AG's annual occupational safety training is offered as an e-learning course, and 93 % of employees have completed this e-learning course. In addition, first aid (63 employees), fire protection (29), floor managers (24), and safety officers (6) were trained or re-trained.

In addition to occupational safety, physical and mental health is a top priority at Basler. At the Ahrensburg site, the company physician offers regular vaccinations and medical check-ups. At the smaller production site in Singapore, Basler also supports medical check-ups and treatments that are not covered by health insurance with up to € 700 per year. Basler AG also cooperates with an external service provider, which supports the company in the area of health management. The focus here is on psychological counseling to prevent stress factors. This service is free of charge for Basler AG employees.

4.5 Representation of interests, social security and remuneration

The Basler Group fully supports the right of all employees worldwide to freedom of association and collective bargaining within the framework of local legislation. All Basler managers are called upon not to undermine these rights - in particular, the practice of so-called "union busting" is rejected. Such behavior is a violation of Basler's Code of Conduct (see "Working Conditions") and employees can report violations through the anonymous whistleblower system. No such violations were reported or became known in the year under review.

The parent company, Basler AG, is fully subject to European and German legislation with its high standards of employee rights and employment. There, 100 % of permanent employees (excluding management) are represented by a central works council, including representation by significantly disabled employees, as well as youth and trainee representatives and other bodies. In total, 67.7 % of the Group's employees are represented by a works council. The management has traditionally maintained a

very good and cooperative relationship with the elected employee representatives. Basler sees self-organized employee representation as an opportunity for better and more productive work, not as a contradiction.

Currently, all employees of the Basler Group are covered by social security in the event of illness, unemployment, occupational accidents, acquired disability, maternity leave, and retirement.

The compensation ratio in the Basler Group, calculated as the ratio of the highest annual salary to the median of all annual salaries of all other employees, was 8.27 in fiscal year 2022. The calculation is based on gross salaries and includes all compensation components, including special payments and bonuses as well as share awards under the share plan. As a technology company with a high proportion of highly qualified employees, the median salary is correspondingly high.

4.6 Equal treatment, diversity and inclusion

Basler sees diversity as an opportunity for the company's sustainability, resilience and innovative strength. The economic environment is increasingly characterized by globalization as well as demographic and social change. As an internationally active company that is particularly dependent on its own innovative strength and attractiveness as an employer for talented specialists, openness to other cultures and the diversity of people is also a success factor. At the same time, companies have a role to play in ensuring that people of all genders, backgrounds and personal lifestyles are equally valued and can play an active role in shaping society. We can only be successful as a business and a society if we recognize, promote and leverage the diversity that exists.

The Basler Code of Conduct establishes a minimum standard of fair treatment and protection against discrimination and harassment based on gender, age, race, color, national origin, religion, sexual orientation, disability, political beliefs or union activity.

Basler has committed itself to the "Diversity Charter" in order to

document the far-reaching demands placed on the company and its employees, both internally and externally. The Diversity Charter is an initiative to promote diversity in companies and institutions. Since 2010, the initiative has been supported by the Charta der Vielfalt e.V., a non-profit organization, and is currently under the patronage of German Chancellor Olaf Scholz. The aim of the initiative is to promote the recognition, appreciation and inclusion of diversity in the world of work in Germany. Organizations should create a work environment free of prejudice.

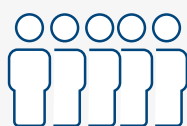


charta der vielfalt
Für Diversity in der Arbeitswelt



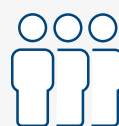
**Employees
in the under-30
age group**

161



**Employees
30-50 years
of age**

787



**Employees
over 50**

259

(number of persons
as of Dec. 31, 2022)

By signing the Diversity Charter, Basler has committed to the following diversity policies:

- Cultivate an organizational culture of mutual respect and appreciation. Create the conditions for managers and employees to recognize, share and live these values.
- Review HR processes to ensure they reflect the diverse skills and talents of all employees, as well as performance expectations.
- Recognize diversity within and outside the organization, value the potential it holds, and leverage it for the benefit of the company.
- Make the content of the charter the subject of internal and external dialogue.
- Inform employees about the added value of diversity and involve them in the implementation of the Charter.
- Report annually to the public on activities and progress in promoting and valuing diversity.

At Basler, the principle of "equal pay for equal work" applies. The genders are not equally represented in all functions. The unadjusted gender pay gap across the Group was approximately 20.6 % at the end of the year. The unadjusted gender pay gap is defined as the difference between the average gross hourly earnings of male and female employees expressed as a percentage of the average gross hourly earnings of male employees, excluding Executive Committee members and temporary employees. The unadjusted pay gap is almost entirely due to the fact that more men than women are employed in managerial positions or in research and development. The compensation scheme of the parent company Basler AG is fully transparent to all employees. The adjusted pay gap

for the parent company Basler AG is 0.17 %. The same methodology was used for the adjustment as for the unadjusted pay gap, whereby only the salary differences for the same positions were compared. The remaining pay gap can only be attributed to random fluctuations, but is not systematic. At the time of reporting, no overarching system was yet available that would allow meaningful Group-wide comparability. This will be included in upcoming reports. In January 2022, the Supervisory Board and the Management Board decided that by the end of 2025, the Basler Group should achieve a female quota of 30 % in senior management and at the level of department heads. The first management level below the Management Board is divisional management or senior management, followed by departmental management. At the end of the 2022 financial year, 28.6 % of Basler Group employees will be female executives and 27.5 % will be female department heads.

People with disabilities can contact us at any time, electronically or in person, anonymously if they wish, with concerns about the application process, working conditions, and for assistance in obtaining a disability accommodation. Basler maintains an inclusive culture and enables all significantly disabled persons to work without discrimination or barriers in everyday life. In fiscal year 2022, a total of 2.1 % of the Group's employees had a severe disability. Typically, not all employees with disabilities report their disabilities to their employer or are aware of the options available to accommodate their disability. The representative of Basler AG's severely disabled employees therefore actively communicates with the company about these options.

In addition to its efforts to promote integration within its own company, Basler AG regularly places smaller orders with the Ahrensburg workshops, which enable people with various disabilities to participate in working life. In fiscal year 2022, the order volume amounted to € 14.7 thousand net.

4.7 Development and training

In a technology and innovation-driven company, the skills of its employees are of particular importance to its success. For the implementation of Basler's growth strategy in a dynamically developing market, ongoing development of employees is an important component in addition to the recruitment of additional specialists. A great opportunity for internal development lies in covering the shortage of specialists on the targeted growth path. In addition, the transfer and documentation of knowledge is an important factor in retaining know-how within the company. As a result of digital transformation, there will be areas of work

in which automation will prevail and employees will have to use their skills to open new areas of work. There is a risk here if the existing workforce is not upskilled in time. At the same time, development and training have an important positive impact on employees' job satisfaction and their future prospects as skilled professionals.

The goal of the development strategy is therefore to have the right skills available at the right time and to ensure that employees feel up to the demands of new roles and expanded areas of expertise.

Basler offers its employees a wide range of individual training and development opportunities, which are also defined in the company agreement on employee development. The rapid pace of change, e.g. in the introduction of new working methods and tools, requires a good network between the functional areas and Learning & Development, so that the required learning topics are also available "on demand".

Parallel to the pandemic period, Basler introduced a learning management system to enrich the learning culture and to make learning content available not only face-to-face but also in digital form. The transition to this type of online learning requires flexibility across the entire workforce and the creation of appropriate learning environments. Worldwide, Basler has been able to support onboarding with automated introductory training, make learning available

via a streaming view, and enable employees to create their own learning content with the help of an authoring tool. In the area of training young talents, a regular needs assessment is conducted to determine where initial vocational training can be used to build up the next generation. Basler also uses university partnerships and new dual study programs to build up young talent and to adapt to the future needs of the company.

In fiscal 2022, all active Basler Group employees participated in regular performance and development reviews.

On average, employees completed 14.7 hours of training using only the internal training courses offered by the Basler Academy, and € 913.92 was spent on training per employee.

4.8 Work-life balance

A good work-life balance is an important factor for the well-being and performance of employees as well as for the attractiveness of Basler as an employer in a dynamically changing labor market. Basler places a high priority on general job satisfaction and the compatibility of work and family life.

Against this background, the Basler Group conducts a weekly measurement of employee satisfaction in order to identify fluctuations at an early stage and take countermeasures if necessary. The corresponding catalogue of questions comprises four categories: enjoyment of work, level of information, resilience, and leadership behavior. The average of all categories forms the overall satisfaction score. This value is part of the Group's Balance Scorecard and thus a key optimization parameter.

The changeover to a new ERP system, the completion of the extension to the headquarters in Ahrensburg and the integration of new foreign companies (Korea and Italy) posed a particular challenge for our employees in the year under review. Even though this meant that some departments had to cope with additional tasks in the short term, these and other digitization projects are the building blocks of a long-term strategy to diversify the business model and work more flexibly and effectively in the future, with a well-balanced workload and in a pleasant working environment. Thanks to the good corporate culture and strong team spirit at Basler, all these projects were successfully completed.

In this context, management and the General Works Council closely monitor the distribution of workload, including through additional anonymous surveys in addition to weekly surveys on the work situation and satisfaction. Short-term overtime is always compensated and, as a "tone from the top," appointments and emails outside of core working hours have been prohibited. Additional measures to reduce and better distribute the workload included reprioritizing some projects, enabling flexible work models such as remote working and "workation", and offering resilience training. As part of the company's health management, Basler also offers its employees free advice on all types of work-related psychological stress via the Fürstenberg Institute.

Throughout the Basler Group, a total of 1,163 employees were entitled to take family-related leave for pregnancy, parental leave or to care for family members. A total of 67 employees took advantage of this opportunity, of which 5.8 % were female and 5.5 % male.

Since 2011, Basler AG has also been consistently certified as a family-friendly company in regular audits by the "Beruf und Familie" initiative. The services offered include emergency care for children or seniors with dependents, as well as counseling in the family assistance network.



4.9 Responsibility in the supply chain

Respect for human rights, International Labour Organization (ILO) labor standards, occupational safety and employee rights are non-negotiable principles for the Basler Group. To ensure that the Basler Group does not allow any form of violation in its business relationships, internal and external communication as well as the corresponding due diligence processes are continuously expanded and improved.

Basler considers possible violations of these principles to be a general reputational risk. The probability and extent of such violations among direct suppliers is considered to be very low. In the past, above-average high labor standards have always been determined within the framework of supplier qualification and regular audits at the (mainly European and Asian) suppliers, and in the case of rare, non-significant violations, these were corrected quickly within the framework of measures. Basler's supplier structure is essentially characterized by a division into large, internationally operating suppliers, who have to comply with the strictest specifications of their worldwide and well-known customers, and some smaller regional suppliers, who are mostly subject to the high European legal labor protection standards as well as employee protection laws. Due to its size, Basler, in its role as a customer, can exert significant influence on the latter if violations of the standards described above become known.

The principles and standards for working with suppliers are set out in the Basler Code of Conduct and the Basler Conflict Minerals Policy. The content of the Basler Code of Conduct includes:

- compliance with employment laws and policies as a minimum standard,
- respect for human rights based on the UN Charter,
- effective occupational health and safety,
- ILO core labor standards, including the right to freedom of association and collective bargaining,
- fair treatment and protection from discrimination based on gender, age, color, race, nationality, religion, sexual orientation, disability, political beliefs or trade union activities,
- protection from harassment,
- freedom of expression,
- compliance with competition and antitrust laws,

- prevention of corruption, bribery and venality,
- handling of personal data,
- sustainable environmental and climate protection

Together with the Basler Corporate Policy on Conflict Minerals, compliance with Directive 2015/863 ("RoHS-3") and Regulation 1907/2006 ("REACH"), they are the subject of supplier selection, supplier audits, and risk analysis by the purchasing organization. For audits and supplier visits, key suppliers are defined based on purchasing volume and importance to Basler. These are audited before each contract is signed and one to two supplier visits are carried out per year. Existing suppliers are audited every two years or more often if necessary.

Conflict minerals due diligence is performed throughout the value chain by comparing reported smelters using the Responsible Minerals Initiative's Conflict Minerals Reporting Template (CMRT) and Extended Minerals Reporting Template (EMRT). A separate risk analysis has been developed, taking into account product compliance and sustainability management. In fiscal year 2022, all suppliers with existing contracts above a materiality threshold, based on purchase volume and relevance to the upstream supply chain, were committed to the extended supplier standard. The suppliers classified as material cover approximately 45% of the total purchasing volume in fiscal 2022. At the time of this report, 62.5 % of material suppliers have already confirmed full or partial compliance with the Basler Guidelines. In 2023, this rate will be further increased, and the due diligence process will be deepened.

Employees of suppliers as well as external whistleblowers can also anonymously and directly report indications of violations of these principles to the supplier qualification, the management, the compliance team (compliance@baslerweb.com) or the sustainability management of Basler (sustainability@baslerweb.com). Information about violations will be included in the risk analysis of the purchasing organization and in the materiality analysis of the sustainability management. The Basler Group reports on violations as well as measures taken in the context of the Sustainability Report.

The Basler Group did not become aware of any violations of human rights, labor rights, environmental protection, or other principles of the Basler Group by direct suppliers in the fiscal year 2022, neither through audits nor through other channels.

4.10 Social commitment

As a company, Basler is involved in many ways in society and social contexts, and thus also has a broader social responsibility. This applies in particular to the location of the Group's headquarters in Ahrensburg, where Basler AG is one of the largest employers and where the majority of the employees work. The goal of Basler's social commitment is to promote local economic and social development and to take into account the interests of local stakeholders. In addition to charitable donations and involvement in associations (see [Associations and Donations](#)), a particular focus of the company's social commitment is educational cooperation. Young people should develop an understanding of technology at an early age and become enthusiastic about technical professions.

In 2022, there were a total of ten ongoing school partnerships in the region of Northern Germany. Basler supports eight of them in the area of career orientation with interactive workshops on current topics such as e-commerce, product development, or electronics. This includes the annual Girls' and Boys' Day, which takes place in Ahrensburg. Here, the participating children from grades 5 and 6 have the opportunity to gain their first experience in the field of technology by tinkering and soldering themselves.

Basler supports the "KiTec" and "IT2 School" programs financially and in terms of content through a cooperation with Wissensfabrik e.V.. The goal of both projects is to promote STEM education. Since 2016, Basler has been working with the "Hacker School" initiative to offer young people courses in robotics programming. For this purpose, Basler has developed its own training robot, "HuCon", which is used to teach both software and hardware skills in a playful and creative way. In the "lüttlING - Technology Meets School" project, Basler supports a local school with equipment and expertise. The program also includes active involvement in social projects such as "Wi mook dat" at the Arche in Billstedt.

As in previous years, Basler joined with almost 40 colleagues at the HafenCityRun in Hamburg for a good cause. Together they ran for the Hamburger Abendblatt hilft e.V. charity. The charity uses the money raised to pay for "therapies, sports and leisure activities and other assistance for needy and disabled children and young people in the metropolitan region".

Basler's Policy for Donations and External Engagements governs the ethical guidelines for these engagements and continues to focus on educational cooperation and regional focus.





5. Business and governance

The goal of Basler's corporate management is the sustainable success of the business model. This means the combination of long-term economic success according to the growth strategy with positive social and ecological effects on quality of life for all the company's stakeholders. To this end, Basler is committed to the ethical principles laid down in the Code of Conduct, such as the Basler Family Charter. The Supervisory Board and the Management Board attach great importance to maintaining a good corporate culture characterized by a strong team spirit. The company has an "open door" policy, and the Board of Directors and management are always available

to address the concerns of employees. For entrepreneurial excellence in the areas of Strategy, Productivity and Innovation, Culture and Commitment as well as Corporate Governance and Finance, Basler was awarded the Axia Award for Corporate Governance Excellence for the second time in 2022. After the re-audit in 2022, Basler continues to be certified according to the quality management standard ISO 9001, which underlines Basler's commitment to quality. In the coming years, the sustainability strategy will continue to be developed and refined.



5.1 Compliance and business practices

The compliance of business activities with all relevant laws and the Basler values and principles is a basic prerequisite for sustainable business success. The principles and compliance management of the Basler Group are designed to prevent damage to those potentially affected and to ensure ethical business practices. Violations of legal regulations or business ethics are always associated with legal, financial, and reputational risks. The success of the Basler Group is based not only on good business policies, but also on business integrity, trust, and open and fair dealings with employees, customers, business partners, shareholders, and other stakeholders.

The Basler Code of Conduct therefore provides clear guidance on legal compliance, human rights, employment protection, fair competition practices and antitrust law, corruption and bribery, selection of business partners, protection of personal data, trade controls, protection of business and trade secrets, and insider information. The Basler Code of Conduct is publicly available to all employees internally and on the company's website.

In addition to the whistleblower system, the most important measures to limit compliance risks include regular mandatory training on various compliance topics. Voluntary e-learning is also offered on corporate culture; in

2022, a focus was placed on discrimination, with a lecture and a practical workshop. A new compliance e-learning package will be rolled out globally in 2023.

Both internal and external whistleblowers may report violations of these principles anonymously and directly to the Compliance Team (electronically or through a mailbox) or to an external ombudsman office identified in the Code of Conduct. When violations are reported, the Compliance Team will investigate the facts and take the appropriate action under employment law, as well as measures to prevent further incidents. In order to ensure an appropriate handling of the reports, the committee is composed of representatives of the Human Resources Department, the Legal Department, a representative of the Management Board and a representative of the Works Council. The Basler Group reports on incidents as part of the Sustainability Report. In the case of increased risks of violations, the legal department of the parent company must be consulted.

Each department also has its own compliance officer for specific issues, such as supplier qualification, foreign trade control and product compliance. The Legal Department plays an advisory role.

Two cases of discriminatory harassment became known in fiscal 2022.

Both cases were fully investigated by the compliance team, and in both cases the employees faced employment consequences for their misconduct. The aggrieved parties did not pursue legal action or seek assistance.

In addition, no violations of the Code of Conduct or human rights were reported or otherwise brought to light in fiscal 2022. In fiscal 2022, no legal proceedings were pending in connection with such violations, and no penalties or damages were paid.

Basler AG is registered in the German Transparency Register; relevant register information: Lübeck, HRB, 4090.

5.2 Innovation, research and development

For Basler, its own innovative strength represents a significant opportunity to contribute to sustainable business success. Computer Vision is a growth market that can benefit from increasing automation and technological developments in other industries. For Basler, this change means that new technologies must be continuously adapted in order to match the product offering. The company's ability to innovate plays a key role in this challenge.

On the other hand, Basler's successful investments in research and development of future-oriented technologies make a significant contribution to the region. This attracts technological know-how and talented employees and keeps them in the region.

In 2021, the structured innovation process was implemented as a separate macro process within the Group. The focus in redefining the process was on early identification of relevant technology trends, identification of customer and market problems, and increasing the speed of innovation. In addition, an innovation team was defined for the first time and given its own R&D budget.

R&D expenses (full costs) increased significantly year-on-year from € 28.3 million to € 33.5 million, representing 12.3 % of revenue. As a result of new hires, the number of full-time equivalents in R&D increased from 221 as of December 31, 2021, to 286 as of December 31, 2022.

BASLER
INNOVATION



In addition, Basler continuously measures the revenue resulting from dedicated innovation projects outside of the normal product development process. In fiscal year 2022, innovation revenues amounted to approximately € 15.9 million (2021: approximately € 10.2 million). This represents an absolute growth of approximately 55 % as well as a strong relative growth of innovation revenues in relation to total revenues.

Sustainability was further integrated into the innovation process as a separate topic in fiscal year 2022: as a trend in the Trend Radar, through presentations and workshops in idea development and validation, and through collaboration between sustainability management and innovators.



**Innovation
revenues
in 2022**

**€ 15.9
million**



**R&D
expenditure
in 2022**

**€ 33.5
million**



**Head count
in R&D
in 2022**

286

5.3 Data security in the products

In the context of software development, the security of our customers' data and the operability of machines with Basler software and hardware components are of the utmost importance. The high level of security and reliability of the hardware and software developed by Basler goes hand in hand with Basler's good reputation with customers worldwide. A possible data leakage or sabotage of or with the help of Basler products is therefore also associated with a significant reputational risk which, however, is associated with an extremely low probability of occurrence. Typically, Basler products are used in isolated systems, but this may change in the future due to developments towards regular software updates and cloud services.

For this reason, Basler relies on a sustainable and multiply-secured release process that ensures high quality and reliability of the software components and minimizes the risk of data leakage and vulnerability of Basler components.

Special processes such as pair programming, review processes, and continuous integration with high unit test

and automated test coverage are used in development. Secure signatures in the build and release processes also ensure tamper resistance, so that customers can always rely on Basler as a source of original software.

With the expansion of software and cloud offerings, data security will become increasingly important. In this context, additional, thorough testing procedures (e.g., penetration testing) will be introduced to ensure the highest possible level of data security.

In the wake of the 2021 cyber-attack, longer-term measures have also been taken to further improve data security and the resilience of the company. Ongoing employee training and the use of up-to-date libraries, tools, and frameworks also contribute to a modern and secure software product.

In fiscal year 2022, no cases of data leakage or sabotage at customers were reported to the Basler Group or became known through other channels.

5.4 Associations and donations

Basler's Policy for Donations and External Engagements regulates the conditions under which the Basler Group supports political and social causes. It stipulates that such sponsorship, which includes membership of associations, is only possible if it is in line with Basler's values and ethical requirements such as transparency and party-political neutrality.

In fiscal year 2022, Basler did not make any donations to politicians or political parties.

Basler AG is a member of the Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA) and paid membership fees in the total amount of € 478 thousand in the fiscal year.

Dr. Dietmar Ley, CEO of the company, serves on the board of the Robotics and Automation Association of the German Engineering Federation (VDMA).

Furthermore, Hardy Mehl is involved as a member of the board of the VDMA's Machine Vision Division and Arndt Bake as a member of the board of the European Machine Vision Association (EMVA).

Basler AG is a member of the Schleswig-Holstein Chamber of Industry and Commerce (IHK) and has paid basic membership fees of approximately € 2,000 for the fiscal year 2022, as well as an additional € 2,000 in support of Hansebelt e.V.

Basler AG's other donations in fiscal year 2022 amounted to € 39.5 thousand. Of this amount, € 15 thousand was donated to the non-partisan Foundation Family Business and Politics, which supports family businesses in transformation issues such as digitization and sustainability and makes their challenges heard in the media and in politics. The greater part of the € 24.5 million is distributed to charitable causes such as educational partnerships and emergency aid for Ukrainian refugees.



**VDMA
membership fees
in 2022**

**€ 478
thousand**



**Donations
in 2022**

**€ 39.5
thousand**

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