

Communication on Progress

UN Global Compact (COP) 2014



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1.	Statement of continued support by the Chief Operating Officer (COO)	3
2.	Human Rights Principles	4
3.	Labour	5
4.	Environment	6
5.	Anti-corruption	8

1. Statement of continued support by the Chief Operating Officer (COO)

To our stakeholders:

Over more than 80 years SFS has evolved from a family-owned Swiss company into an international group. Nevertheless the strong roots are still in the St. Gall Rhine valley and the SFS values are transferred to all sites within the group by an appropriate management model. Sustainability in its actions has been the core driver of SFS since its foundation. For SFS sustainability means partnership with

- customer
- employees
- community
- supplier

Therefore the Ten Principles of the United Nations Global Compact have been implicitly part of the SFS business model since its first days and have a tradition of decades.

I am pleased to confirm that SFS reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions and achievements to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,



Jens Breu
COO SFS Group AG

2. Human Rights Principles

Topic	Summary, actions, results	further information
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	<p>SFS defines in its Corporate Principles a clear statement towards the respect of the community regarding basic rights, protection of environment, safety of products as well as the support of free market and democracy as economical and political system.</p> <p>A Code of Conduct has been released in 2014 which covers the following topics:</p> <ul style="list-style-type: none"> • Legal compliance • Ethic standards • Open communication and confidentiality • Fair competition and anti-corruption • Personal responsibility <p>In addition there exists the International Quality Manual which covers basic rights and duties of our employees and the adherence of international conventions as well as national laws and provisions. Internal processes (so called Group Guidelines GGL) are established to certify the legal compliance and monitored yearly by the management at each site of SFS as well as internal and external audits.</p> <p>The Code of Conduct was implemented across the entire organization. Beside presentations and discussions with the employees, an e-training had to be completed individually.</p> <p>A compliance officer for the SFS Group has been appointed and is coordinating the compliance initiatives.</p> <p>Action planned 2015: After the initial implementation of the Code of Conduct, the focus 2015 is on establishing an effective reporting framework and to identify potential areas of risk. In addition various function-specific trainings will be scheduled.</p>	<p>SFS Corporate Principles</p> <p>SFS Code of Conduct</p> <p>Quality Manual V4 01/01/2014</p> <p>51 AGL 02 56 GGL 01</p>
Principle 2: Make sure that they are not complicit in human rights abuses	<p>SFS has to a certain extent an assertiveness and authority towards its vendors. The vendor base of SFS is very narrow because of the high value added within SFS and its technologies applied. Nevertheless for all strategic vendors exist contracts which govern the partnership with SFS and deal amongst others with environmental and safety aspects regarding the vendors employees as well as its products.</p> <p>All strategic vendors are monitored on a regular basis through audits performed by SFS employees. The SFS Code of Conduct has not yet been rolled out towards the suppliers.</p> <p>Action planned 2015: Define the concept to rollout the Code of Conduct towards our vendors.</p>	<p>74 GGL 01 74 GGL 02</p> <p>74 GGL 05 82 GGL 04</p>

3. Labour

Topic	Summary, actions, results	further information
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<p>SFS employees are entirely free to join labor unions and similar organizations in adherence to ILO core labor statements without consequences for them by the employer. In many countries of activities internal employee representative committees exist with which the local managements maintain a constructive and fruitful dialogue.</p> <p>Collective agreements (e.g. overall work contracts, tariff agreements) exist in countries where this is common practice (e.g. Germany, Austria, France).</p>	
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.	<p>The SFS Code of Conduct explicitly excludes forced labor.</p>	SFS Code of Conduct
Principle 5: Businesses should uphold the effective abolition of child labour.	<p>The SFS Code of Conduct explicitly excludes child labor. SFS strongly supports the education of young people through apprenticeship and provides adequate resources for the respective training programs at its local sites. The SFS Group employs approximately two hundred apprentices which corresponds to 2,4% of the global work force. In Switzerland more than 5% of the employees are apprentices. Hans Huber, the Co-Founder of SFS, nourishes the Hans Huber Foundation. The foundation supports and decorates persons and institution that have outstanding merits in regard to vocational training.</p>	SFS Code of Conduct
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.	<p>SFS has no personnel policy or employment practice to prefer or discriminate a person by his or her characteristic (i.e. gender, age, confession). The employment is purely based on professional knowledge, achievement and personality.</p> <p>For SFS fair and equal pay for men and women is matter of course. The proportion of female employees as of end of 2014 was 28%.</p> <p>Action planned 2015: After the initial implementation of the Code of Conduct, the focus 2015 is on establishing an effective reporting framework and on identifying potential areas of risk.</p>	SFS Code of Conduct SFS Condition of employment CH

4. Environment

Topic	Summary, actions, results	further information
Principle 7: Businesses should support a precautionary approach to environmental challenges.	<p>SFS has a long tradition regarding sustainable business execution towards environmental challenges. The headquarter in Switzerland is certified according to the international standard ISO 14001 since 1996, the year of the first issue of this standard. Twelve sites followed since.</p> <p>The company wide applied Business Management System (process descriptions regarding quality, environment and safety) fulfils the requirements of the ISO 14001 standard.</p> <p>The environmental and safety policy clearly states that all actions of SFS must be in harmony with economics, ecology and with the responsibilities to the community, particularly looking forward to future generations.</p> <p>Environmental Management System at the sites in CZ-Tnv and CN-Nansha have been implemented and passed the certification according to ISO 14001.</p> <p>At the major manufacturing site in Heerbrugg (CH) the existing photovoltaic plant was substantially extended and has a total performance of 1.2 GW (7400m²). This solar plant could deliver the energy for 145 family homes.</p> <p>Actions planned 2015/2016: All material sites to elaborate a Quality, Environment and Safety Report (QES) according to a standard reporting framework and KPIs. US-Medina is scheduled to pass ISO 14001 certification in 2016.</p>	<p>ISO 14001 Certificates http://www.sfsintec.biz follow "Quality Management" and "Certification"</p> <p>http://www.unisteeltech.com/our-company/corporate-citizenship.html</p> <p>http://www.gesipa.com/en/company/quality/certification.html</p> <p>Different Group Guidelines (GGL)</p> <p>International Quality V4, 01/01/2014 http://www.sfsintec.biz follow "Quality Management" and "Quality, environmental and safety reporting"</p>
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.	<p>SFS measures the ecological impact by so called eco-balances. The main aspects and key figures regard the consumption of energy, water and air, the generation of waste and the emission of green house relevant gaseous substances.</p> <p>Every year goals for the relevant key figures are set and actions defined. Over the years substantial improvements in absolute values and even more in relative values (in proportion to produced parts) have been achieved.</p> <p>Actions planned 2015: All material sites to elaborate a Quality, Environment and Safety Report (QES) according to a standard reporting framework and KPIs.</p>	<p>http://www.sfsintec.biz follow "Quality Management" and "Quality, environmental and safety reporting"</p>

<p>Principle 9:</p> <p>Businesses should encourage the development and diffusion of environmentally friendly technologies.</p>	<p>SFS's business consists to roughly 50% percent of subcontracting to the automotive and other industries without development of products. However, SFS searches explicitly for business partners which develop environmentally friendly products. Depending on the application, SFS products contribute to weight savings, efficiency gains or other product improvements in order to create additional value for our customers and end customers. E.g. our application for fastening cabin interior panels in the Airbus A350 XWB and A380 contribute to weight savings which result in reduced emissions.</p> <p>SFS screens the market for environmental friendly production equipment and resources in its applied technologies, i. e. all investments into new machinery for injection moulding are electrically driven machines which reduce the consumption of electricity by up to 40%. The portion of such machines has reached 45% over the last five years.</p> <p>In the area of mechanical fastening system, where SFS develops and distributes products, several innovations were introduced to the market. After the launch of a new fixing system for photovoltaic panels in 2012 (the product improves cost, time to install, static, etc.), a new system for the installation of windows in energy efficient buildings (thick insulation) has been introduced in 2014.</p> <p>Actions planned 2015:</p> <p>Continue to develop and launch innovative and environment friendly products according to the product development road map (e.g. ramp-up of a customer specific precision component to improve energy efficiency through optimized valve control).</p>	
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5. Anti-corruption

Topic	Summary, actions, results	further information
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	<p>The SFS Code of Conduct excludes all forms of corruption and is enforced regularly through the local management. Any case of corruptive behavior known to SFS will be consequently sanctioned.</p> <p>Action planned 2015: After the initial implementation of the Code of Conduct, the focus 2015 is on establishing an effective reporting framework and to identify potential areas of risk. In addition various function-specific trainings will be scheduled.</p>	SFS Code of Conduct