

INNOVATIONS IN PROCESS

COMMUNICATION ON PROGRESS

REPORT 2015



DRAHTZUG STEIN

CONTENTS

CHIEF EXECUTIVE'S STATEMENT	03
COMMUNICATION ON PROGRESS	
HUMAN RIGHTS	04
LABOR	06
ENVIRONMENT	09
ANTI-CORRUPTION	12



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

CHIEF EXECUTIVE'S STATEMENT

Drahtzug Stein joined the United Nations Global Compact in early 2015. We will continue to support the Global Compact's mission to turn business into a force for good. We share its commitment to sustainability and we share the belief that businesses can take responsibility for achieving a better world. In pursuance of the goal of creating a sustainable and inclusive economy that delivers lasting benefits for people, communities, and markets, we made the 10 universal principles of the Global Compact a guideline for everything we do.

By engaging in the Global Compact initiative, we are also publicly communicating our ongoing commitment to protect human rights, labor rights and the environment, as well as to fight corruption. We are proud to openly demonstrate the values we stand for and we hope to inspire others to join us.

In 2015, we made corporate compliance a focal point of our activities. We are in the process of establishing a corporate philosophy and a

code of conduct that are fully in line with the principles and the goals of the Global Compact. Therefore, from our point of view, ensuring compliance with all legal regulations and our own set of ethical standards is the best way to further human rights, children's rights and labor rights, as well as to fight corruption. Since we already have established a comprehensive environmental management system at all our locations, ensuring compliance with our own rules and working towards achieving the environmental goals we have set for ourselves is our most effective way of protecting the environment.

In accordance with the spirit of the Global Compact, we hereby disclose our actions by submitting our annual Communication on Progress Report. This report shows our continued support for the goals of the Global Compact and provides a good overall sense of our activities and their results. Our support will continue.

Sincerely,



Wolfgang Stein

President and CEO
DRAHTZUG STEIN holding

Communication ON PROGRESS

HUMAN RIGHTS

PRINCIPLE 1:
BUSINESSES SHOULD
SUPPORT AND RESPECT
THE PROTECTION OF
INTERNATIONALLY
PROCLAIMED HUMAN
RIGHTS; AND

PRINCIPLE 2:
MAKE SURE THAT THEY
ARE NOT COMPLICIT IN
HUMAN RIGHTS ABUSES.

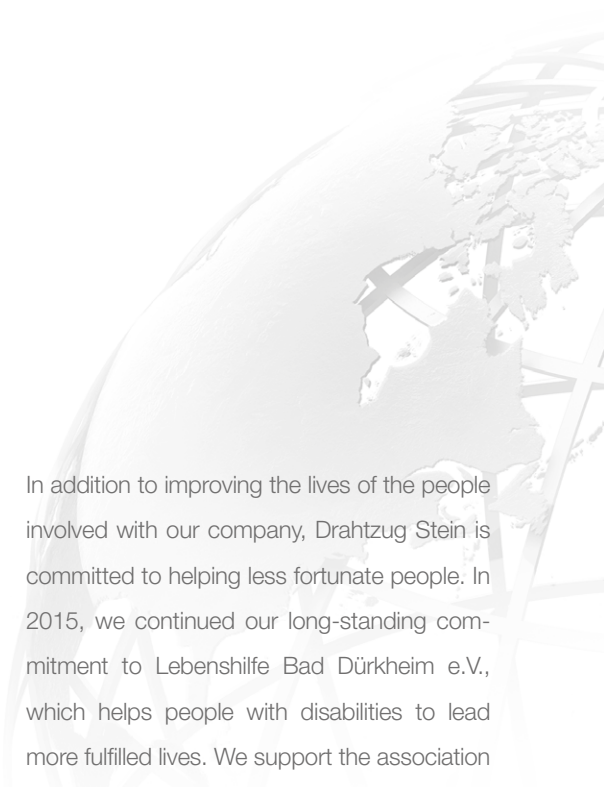
Drahtzug Stein is unconditionally committed to respecting and promoting human rights. As a company, we will not tolerate any infraction of human rights in our sphere of influence and will act appropriately if informed about any such violations.

At our company, we hold ourselves to high ethical standards. The way we treat each other is characterized by respect and acceptance. We respect social manners and strive for polite cooperation. We always act with integrity and are aware of our responsibility as role models. We consider a pluralistic personnel structure to be an enrichment. We explicitly condemn any form of discrimination, regardless of whether it is because of the person, his or her behavior or his or her actions. We respect the legal rights of our employees. Throughout our company, we communicate in an open, goal-oriented and clear manner. We encourage the open exchange of opinions, criticism and ideas. Conflicts help us to look at our positions critically and to learn from them. We encourage all colleagues to act on their own initiative. At the same time, we expect them to observe the responsibility that comes with this and to work towards our common goals. We have laid down these standards in our soon-to-be-published corporate philosophy and code of conduct. These guidelines specify the ideals we adhere to and the values we strive to fulfill in our daily work. Furthermore, we regard the

code of conduct as binding; not only for all of our employees but for everyone involved with our company, including our customers and suppliers. Our corporate philosophy and code of conduct will constitute the main documents for our corporate guidelines. These guidelines will be publicly accessible via our website when they are released later this year. This means that the values we stand for are clearly visible to any interested parties.

The introduction of a code of conduct is part of a wider effort to establish a compliance management system at Drahtzug Stein. By providing our staff with reliable guidelines, we give them a point of reference in their everyday business and reduce the risk of involuntary and deliberate misconduct. All employees receive special training concerning the laws, rules and pitfalls in areas we have identified as especially vulnerable to compliance risks. This way, we ensure the well-being of our employees and ensure to the best of our abilities that no member of Drahtzug Stein takes part in actions that violate any of the ten principles.

Another way for us to open up opportunities for self-realization for our employees is to provide educational offerings. At our site in Cusset, we provided extensive English language training courses for 13 employees. Every week, for seven months, participants had the opportunity to improve their language skills. In Lodz,



we offer our employees the opportunity to take language courses in English or German. We subsidize the courses and provide rooms for the learning groups. At our Altleiningen facilities, we support our employees by providing foreign language training and also offer various health courses, including an anti-stress seminar and a back pain prevention program. In addition, we promote a health-conscious lifestyle with campaigns such as fruit and juice days or by organizing health screenings and educational seminars.

We also care deeply about the social security of our employees. In Western European countries the level of social security is comparatively high. This is not really the case in the USA and Poland. At our two locations in these countries, we have negotiated a group insurance policy that allows our employees to profit from our bargaining power and benefit from better coverage at a better price. At our location in New Bern, NC, USA, we also provide different employee-friendly payment models, which make it possible for them to afford insurance cover that would normally be out of their reach. Also in 2015 in New Bern, we started offering free flu shots to all employees with a valid insurance policy. Around 20 percent of staff took the opportunity to get vaccinated.

In addition to improving the lives of the people involved with our company, Drahtzug Stein is committed to helping less fortunate people. In 2015, we continued our long-standing commitment to Lebenshilfe Bad Dürkheim e.V., which helps people with disabilities to lead more fulfilled lives. We support the association financially and are also a partner of the workshops they operate. For the second year in a row, we also made a donation to support a vital expansion of their organic farm, which had already reached its capacity limits. With new EU regulations threatening its status as an organic farm, Lebenshilfe either had to shut down the project or expand the farm. The farm, which occupies land less than one kilometer from our Altleiningen facilities, was purchased by Lebenshilfe nearly 30 years ago. Over the years, they have made it a place where able-bodied staff and people with disabilities work side-by-side, building confidence and earning recognition. The farm gives everyone who works and lives there a place they can call home. It has also become a place where people meet and exchange experiences. Visitors to the farm, many of them from schools, get the chance to come into contact with people with disabilities and experience what it means to treat nature and each other respectfully. This project has become very dear to us, in part because of its proximity to our site.

LABOR

PRINCIPLE 3:
BUSINESSES SHOULD
UPHOLD THE FREEDOM OF
ASSOCIATION AND THE
EFFECTIVE RECOGNITION OF
THE RIGHT TO COLLECTIVE
BARGAINING;

PRINCIPLE 4:
THE ELIMINATION OF ALL
FORMS OF FORCED AND
COMPULSORY LABOR;

PRINCIPLE 5:
THE EFFECTIVE ABOLITION
OF CHILD LABOR; AND

PRINCIPLE 6:
THE ELIMINATION OF
DISCRIMINATION IN
RESPECT TO EMPLOYMENT
AND OCCUPATION.


Just as a company relies on its employees, those employees must be able to trust their employer. To promote and protect this mutual trust, we make every effort to ensure that all our employees are treated with respect and honesty. For us, this also means ensuring their social and health security. Naturally, we comply with the statutory employment protection guaranteed by law in all countries we operate in. We regard these social achievements as something of great value. But we have set our goals even higher. We do everything we can to avoid redundancies, even in tough economic situations.

Naturally, ensuring the economic welfare of our company is fundamental to meeting our social responsibility towards our employees and the community. Most of our employees have been with us for many years; some even for their entire working lives. We can only continue to provide them with secure long-term jobs if we are successful as a company. To protect the trust placed in us by our employees – and to ensure that we remain a reliable employer and social partner in the future – we constantly update our production and business processes, and corporate structures. These measures have made both our individual sites and the Drahtzug Stein family of companies as a whole more productive and more competitive – without placing added pressure on our staff.

In fact, the opposite effect has been achieved: these measures have meant we have been successful in permanently securing their jobs.

At Drahtzug Stein, we strive in all areas to create a work environment that enables every employee to produce his or her best performance. We support the personal development of all employees, in particular, the expansion of their expertise through training. We thereby explicitly condemn any form of discrimination, regardless of whether it is because of the person, his or her behavior, or his or her actions. Naturally, we respect the legal rights of our employees. We pay fair wages – at least the statutory and collectively agreed minimum standards – and respect the statutory and collectively agreed standards on working hours, holidays and public holidays. We respect the legal rights of co-determination and we observe all legal, trade association and occupational safety regulations at all times. We rigorously reject any form of child labor or forced labor.

During the past year, we have carried out several activities to promote these values. The following examples showcase some of our efforts to put these aspirations into practice.




In 2015, we expanded our Total Productive Management (TPM) program at our Altleiningen facilities. TPM gives employees more autonomy in their field of work and thus more responsibility. TPM also enables us to sustainably increase productivity while improving transparency. For example, production targets can be broken down to show exactly which workstation needs to generate which output to meet the target. This makes it easier to detect bottlenecks and identify issues that are impeding production. As our employees are the ones manning the machines, they are the ones most familiar with the procedures. TPM gives them the opportunity to optimize processes and provides them with the resources to improve their workplace environment and working conditions. To enable our employees to leverage this opportunity, we first and foremost invested in education, with several employees receiving special training. Some even earned certificates from Ansbach University, our academic partner. We have now successfully introduced TPM in three production areas overall.

The safety of our employees is, of course, important to us. In addition to mandatory work safety training courses, we provide regular emergency training for all employees at our omim facility in cooperation with

an external partner and the local fire department. Production staff receive at least two hours of training four times a year, while office staff receive at least two hours every six months. During these sessions, they learn how to handle and transport dangerous substances correctly and what to do in the event of an emergency or accident. A number of employees have also received special training as members of a fire prevention and first-aid team.

To increase safety at our saprofil facility, we have updated our fire alarm and put up a number of additional visual markings. In the event of an emergency, it is now easier for employees to identify and follow the escape routes. We have also provided our employees at saprofil with custom-made ear protection. The specially molded earplugs are more comfortable than standard models and last longer.

At our facility in Lodz, we organized a safety-training day in cooperation with an external provider. The event was designed to raise overall awareness of everyday dangers inside and outside the factory. At one station, for example, participants could experience the effects of intoxication: slower reactions, impaired eyesight and so on. The knowledge acquired is beneficial both



at work and at home. We also had a station where employees' children could dress up in the work safety equipment usually used by their parents. We then took photos of the kids and used the images to produce posters. Displayed in the workplace, these posters provide a constant reminder to their parents and everyone else of the importance of following safety instructions and wearing protective equipment.

Last but not least, in Lodz, we support our employees' sports activities. Having formed a football team, our employees in Lodz have also founded running and biking teams. As a company, we encourage our colleagues to take part in different races, where we can cheer them on. We already provide a sports hall for the football team, where they can practice during the cold months.

ENVIRONMENT

PRINCIPLE 7:

BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES;

PRINCIPLE 8:

UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY; AND

PRINCIPLE 9:

ENCOURAGE THE DEVELOPMENT AND PROLIFERATION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES.

For far too long, resource consumption and environmental impact have been an afterthought in manufacturing industries. Only in the last two decades has sustainability become a factor in business decisions on a wider scale. For years, we at the Drahtzug Stein Group have been campaigning for a more environmentally friendly approach to production and other areas of business. We have backed this commitment with action.

We have already made significant steps in this direction with the introduction of new manufacturing techniques, advanced equipment and environmentally friendly building services. For example, all our facilities are now certified in accordance with the international environmental management standard ISO 14001. We also strive to make more efficient use of available resources through more effective management of our business processes.


These measures represent important progress in moving away from purely resource-driven growth and towards creating growth that draws on the knowledge and skills of our employees. We are convinced that sustainable growth can only be realized in a way that does not come at the expense of future generations.

We make every effort to remodel our production and manufacturing processes to ensure that their impact on the environment and use

of natural resources is as limited as possible. That is why we have made the environment a cornerstone of our corporate guidelines. Every new measure must now be checked for its environmental impact before being implemented. Furthermore, each new capital purchase must improve our energy efficiency. This is because in today's world environmentally conscious practices are simply good business sense.

In 2015, our cusset site successfully passed the ISO 14001 environmental management follow-up audit. As cusset was the last Group site to achieve this distinction, the entire Drahtzug Stein family of companies is now ISO 14001 group-certified. Because we recognize the value of this ISO standard, we have audited all suppliers to our Italian plants with regard to their environmental standards. We are pleased to report that none of them failed. All existing suppliers have implemented environmental management systems according to ISO 14001. From now onwards, this will be a non-negotiable criterion for companies wishing to become a supplier to either Drahtzug Stein come or Drahtzug Stein omim.

Also in 2015, we successfully completed the ISO 50001 certification of our energy management system in Altleiningen. This system supports us by providing a robust framework for monitoring energy consumption, and enables us to identify optimization potential.



The main target for our Corporate Environment Manager Thorsten Adam is to translate all the lessons learned during the Altleiningen pilot project into guidelines for our other locations. Our next milestone is to introduce an energy management system according to ISO 50001 at our facility in Lodz by the end of 2016.

Because saving energy is one of our primary ambitions in becoming more environmentally friendly, we have realized several measures to increase energy efficiency during the past year. Following a series of positive results from replacing conventional lighting with LED lights, we decided to refit more facilities. In Altleiningen, we replaced all the lights in the production areas, saving 300,000 kWh per year. At Drahtzug Stein cusset, replacing half the lights in one workshop means that we now save 15,000 kWh per year. We are planning to complete the refit of all 450 neon lights in the factory by the end of 2017 at the latest. This will achieve annual savings of 210,000 kWh. In Lodz, alongside replacing conventional lights, we have begun installing an intelligent lighting system that connects the lights to motion sensors. In addition to more energy-efficient LED lamps, we are saving energy by only turning lights on where they are needed. One building was retrofitted in 2015; the other three will be completed by 2017. The planned overall savings are 120,000 kWh per year.

Another major project to improve our energy efficiency is underway in Italy. We have performed energy audits at all our Italian facilities. The findings will guide our efforts to increase energy efficiency at our come and omim sites for years to come. The measures include replacing conventional lighting with more energy-efficient LED systems and will establish energy consumption measurement systems at both sites. We also intend to start producing our own electric energy by installing photovoltaic systems. While the order of implementation has yet to be decided, we intend to have all these measures in place by 2018.

A major investment at several of our locations in 2015 was the renewal of air pressure systems and the commissioning of new, more energy-efficient air compressors. We replaced three air compressors at drahtwaren, one at saprofil and two at our site in Cusset. Variable speed means that they can adjust to changing load better and consume significantly less energy. We are also able to recover the waste heat from the compressors. Furthermore, we replaced the old cooling unit at cusset with a more energy-efficient system. Besides consuming ten percent less energy, the new unit uses a more environmentally friendly refrigerant.

In New Bern, we installed a new burner in the oven of one of our coating lines. The new burner gives us more control, resulting in lower gas consumption, a reduction in scrap parts and a cleaner, more efficient, burning process.

Aside from employing more energy efficient technology, our employees are an important element in achieving our environmental goals. This is why we have organized several training courses at our saprofil site in France to teach our employees how to save energy. For example, consistently closing doors and curtains that separate different compartments in the facility prevents warmth from escaping and saves a lot of heating energy.

To preserve natural resources, we have increased our efforts to recycle materials that would otherwise be wasted at our site in New Bern. We have begun a collaboration with a local scrap recycling company to repurpose pallets and powder octabins. In addition to our ongoing recycling effort to collect PE bottles, we have extended the recycling program to include aluminum cans.

Protecting the environment from hazardous materials we use in our production is another focal point of our activities. At our omim site, we have implemented several measures aimed at reducing risks from hazardous mate-

rials used for plating, and the amount of toxic waste we create. We have arranged for special training courses on how to safely handle hazardous materials and have also ensured the proper handling and disposal of toxic waste resulting from shutting down one of the nickel-chromium baths at the site. Although reducing waste by decreasing production is quite simple, reducing waste in relation to the hours the plant is running is a challenge. In 2015, we were able to reduce the total amount of toxic waste generated by our production processes at omim by roughly four percent. This is a significant improvement and one of which we are rather proud.

ANTI-CORRUPTION

PRINCIPLE 10:

BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY

Naturally, we comply with applicable law. We respect the relevant national and international law regardless of our location or the location of the business. We also respect several international conventions that we have chosen to recognize, such as the Global Compact.

At Drahtzug Stein, we condemn corruption, taking advantage and bribery. We respect the relevant laws and conventions. We neither offer business partners gifts or benefits with the aim of influencing a business decision, nor do we accept such gifts or benefits. We aim to prevent even the appearance of such influence and will not tolerate application of unfair means. Furthermore, we do not accept any benefits, gifts or entertainment that could lead to a conflict of interest. We avoid situations that could lead to conflicts of interest between our personal or financial interests and the interests of Drahtzug Stein.

To assist our employees in complying with these standards, we began emphasizing compliant behavior throughout our company in 2015. We started preparations for implementing a company-wide compliance management system to protect the company and our employees from the fallout of any misconduct. By taking an active stance against illegal actions such as corruption, infringements of antitrust law or acts of fraud, we communicate to our employees, our stakeholders, and

our business partners that Drahtzug Stein will have no part in illegal business practices. We do business only in accordance with the law and with our own principles of integrity and mutual respect. By complying with these standards, we minimize any risk of illegal business transactions that could result in severe fines, jeopardizing the future of our company. While there is still much to be done in the future, in 2015 we took significant first steps. But, as is customary with such a system, monitoring and improving it will be an open-ended process.

By providing our staff with reliable guidelines, we give them a point of reference in their everyday business and reduce their risk of involuntary misconduct or committing acts for which they could be prosecuted. All employees will receive special training concerning the laws, rules and pitfalls in areas we have identified as especially vulnerable to compliance risks.



DRAHTZUG STEIN drahtwaren

Talstraße 2

67317 Altleiningen

Germany

Tel: +49 6356 966-0

Fax: +49 6356 966-118



DRAHTZUG STEIN service

Talstraße 2

67317 Altleiningen

Germany

Tel: +49 6356 966-0

Fax: +49 6356 966-118



DRAHTZUG STEIN cusset

12, Boulevard Alsace Lorraine

BP 20045

03300 Cusset Cedex

France

Tel: +33 4 70 30 97 60

Fax: +33 4 70 30 97 69



DRAHTZUG STEIN saprofil

Z. I. des Fruchardières

5, rue Clément Ader

85340 Olonne-sur-Mer

France

Tel: +33 251 211309

Fax: +33 251 957410



DRAHTZUG STEIN come

Via Monferrato, 4

15030 Conzano (AL)

Italy

P.I. 02106020064

Tel: +39 0142 925545

Fax: +39 0142 924211



DRAHTZUG STEIN omim

Via J.F. Kennedy, 8

30027 San Donà di Piave (VE)

Italy

P.I. 02106020064

Tel: +39 0421 497511

Fax: +39 0421 497598



DRAHTZUG STEIN łódź

ul. Techniczna 8/10

92-518 Łódź

Poland

Tel: +48 4225 42000

Fax: +48 4225 42020



DRAHTZUG STEIN usa

197 Bosch Blvd.

New Bern NC 28562

USA

Tel: +1 252 637-9660

Fax: +1 252 635-9473