



INNOVATIONS IN PROCESS

COMMUNICATION ON PROGRESS

REPORT 2016



DRAHTZUG

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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

Since Drahtzug joined the United Nations Global Compact two years ago, we have been supporting the Global Compact's mission to turn business into a force for good. We share its commitment to sustainability and 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 achieves 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.

Ever since we made corporate compliance a focal point of our activities in 2015, we have taken action to spread the necessary knowledge and raise awareness within

our company and outside. In 2016, we established a corporate philosophy and code of conduct that are fully in line with the principles and goals of the Global Compact. For this reason, from our point of view, ensuring compliance with all legal regulations and our own ethical standards is the best way to promote human rights, children's rights and labor rights, as well as to fight corruption. Building on our well-established and comprehensive environmental management system, we not only ensure compliance with our own rules but constantly work to improve our environmental record by working towards achieving the environmental goals we have set ourselves.

In accordance with the spirit of the Global Compact, we hereby disclose our actions by submitting our annual Communication on Progress report. This report demonstrates 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 holding

Communication ON PROGRESS

HUMAN RIGHTS

PRINCIPLE 1:

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

PRINCIPLE 2:

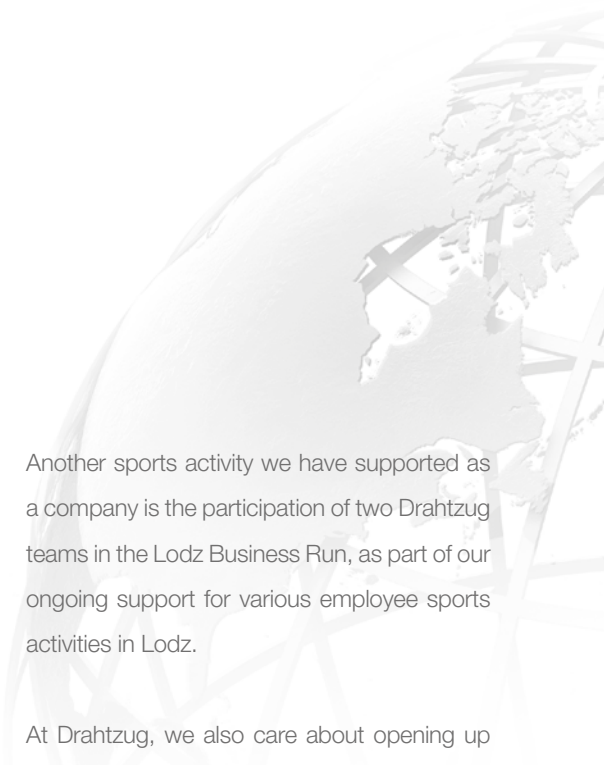
MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES.

Respect for human rights is unconditional throughout all the Drahtzug family of companies. At each location and as a group, we are committed to respecting and promoting human rights. We will not tolerate any infractions of human rights within our sphere of influence and will act accordingly.

Over and above ensuring human rights within our sphere of activity, we have set significantly higher ethical standards for ourselves. We treat each other with respect and acceptance, respect social manners and strive for polite cooperation. We are aware of our responsibility as role models and we act with integrity. We regard a pluralistic personnel structure as an enrichment. We condemn any form of discrimination. We respect all 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.

These standards have been laid down in our corporate guidelines. These values are at the heart and soul of our corporate philosophy and our code of conduct. The guidelines specify the ideals we adhere to and the qualities we strive to fulfill in our daily work. Furthermore, we regard the code of conduct as binding; not just for all our employees but for everyone involved with our company, including our customers and suppliers. These guidelines are mandatory reading for every employee. They are also publicly accessible via our website. This means that the values we stand for are clearly visible to any interested parties.

In 2016, we continued to work intensively on the development of our compliance management system and made great progress in establishing uniform standards of behavior in our company. The compliance management system helps us to protect our company and our employees against regulatory violations that can have serious consequences. By actively preventing illegal actions, such as violations of competition law or property rights, we also demonstrate to our employees, stakeholders and business partners that Drahtzug does not tolerate illegal business practices.




Without exception, we follow current legislation in all business transactions and respect our own principles of integrity and mutual respect. By making these standards the benchmark of our actions, we minimize the risk of endangering the future of our company through penalties resulting from dubious actions.

In addition to preventing misconduct, we take action as a company to make a positive impact on the lives of our employees and other people in our surroundings. One way for us to promote the self-realization of our employees is to provide them with educational opportunities. At our site in Cusset, we continue to provide extensive English language training courses for 13 employees. All year long, participants took advantage of the opportunity and improved their language skills. At our Altleiningen facilities, we support our employees by offering health courses. Over the last year, we engaged a locally based trainer to conduct physical activity sessions during working hours. Once a week, every employee now has the opportunity to participate in a free training session during working hours and to discuss specific problems with the trainer. While earlier initiatives targeted at getting people moving after work achieved only moderate results, participation in this program has been overwhelming: more than 90 per cent of staff are taking part.

Another sports activity we have supported as a company is the participation of two Drahtzug teams in the Lodz Business Run, as part of our ongoing support for various employee sports activities in Lodz.

At Drahtzug, we also care about opening up opportunities for people in difficult situations, especially those who have been forced to flee their homes. Many of the Drahtzug employees in Altleiningen once left their homes abroad in search of a better life. Today, they have all become valued members not only of Drahtzug but of their communities as well. It is therefore hardly surprising that we strongly sympathize with the plight of today's refugees. So, partly because it is the right thing to do and partly shaped by our own experience, Drahtzug is actively supporting refugees in Altleiningen and the surrounding region. To enable them to integrate and help them in doing so is a task that affects everyone. Since 2015, especially for refugees, Drahtzug has been offering two internships each in our production and workshop facilities. If the necessary papers are available and they are appropriate to the respective tasks, they can also undertake training or take up regular employment. In this way, like many other companies in the region, we are making an active contribution to integration.



As well as improving the lives of the people involved with our company, Drahtzug is committed to helping less fortunate people. Since 2015, we have 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 third year in a row, we made a donation to support a vital expansion of their organic farm. Located less than a kilometer from the Altleiningen parent plant, the farm needs massive upgrading if it is to maintain its organic status. Without this, one of the most important pillars of the concept of respectful interaction with humans and nature that it embodies would disappear. The loss of bio-approval would be the end of the previous work there. Almost 30 years ago, the “Lebenshilfe Bad Dürkheim” organization bought the farm and made it a place where handicapped and non-disabled employees could work side by side, gaining both self-confidence and affirmation. The farm gives the people living there a home. In addition, it has developed into a forum where visitors, especially school classes, meet with the people living there and experience a respectful way of dealing with each other and with nature.

Another step to support entities that enable people with disabilities to lead as normal a life as possible was our decision to award the contract for cleaning the workwear of our Altleiningen employees to the “Ludwigshafener Werkstätten”. Like the “Lebenshilfe Bad Dürkheim” social organization, the Ludwigshafener Werkstätten offers people with disabilities the opportunity to undertake regular work. By switching from a commercial provider to a laundry service that explicitly helps disadvantaged people, we are strengthening our social commitment in the region.

At our US facility in New Bern, we established a new partnership that combined multiple benefits. Through our initiative to recycle aluminum beverage cans, we are not only protecting the environment but also supporting vulnerable women. All proceeds of the project go directly to the Coastal Women’s Shelter in New Bern.

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.

At Drahtzug, mutual trust and respect for each other are the cornerstones on which our relationship with our employees is based. We always behave towards each other with sincerity and care. Among other things, this means that we also assume responsibility for the social welfare and health of our employees. It goes without saying that we respect and abide by the statutory standards of employment protection and occupational safety, as well as the respective minimum wages, in all countries in which we are active and without exception. We regard these social achievements as something of great value.

We are constantly modernizing our production facilities, improving our business processes and structures, and thus creating the conditions that will enable us to remain a reliable employer and social partner in the future. Last year, we implemented a series of measures at all our sites that increased our competitiveness without placing a burden on our workforce. On the contrary: in many cases, we have improved working conditions at the same time.

At Drahtzug, 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. At the same time, we explicitly condemn any form of discrimination, regardless of whether it relates to 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 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.

Thanks to a new bonus system at our locations in Come and Omim, we are rewarding our employees more generously than before for the success achieved by their work. We coordinated the underlying model with the trade unions and introduced it in September at both locations. At the same time, with the aim of improving the compatibility of work and family life, we have made working hours more flexible for several employees at Come.

This makes it easier for these parents to balance the requirements of family life with small children with those of their work.

As part of our ongoing program to give our employees more autonomy in their field of work and thus more responsibility, we expanded our Total Productive Management (TPM) program in Altleiningen and introduced it at our facility in Cusset. 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 what 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.

The safety of our employees is, of course, very important to us. That is why we renewed the production area floor markings at Drahtzug Stein Cusset in 2016. We took the opportunity to redefine the dimensions of the transport routes in some areas to reduce hazard risks and

further increase safety for our employees. In Lodz, almost 50 employees from different departments have completed a first aid course and have learned how to react as first responders in the event of an accident or other incident. Among other things, they also learned how to use the newly acquired defibrillators correctly.

To improve the working environment, we completely renovated the canteen at Drahtzug Stein Omim. Among other things, we replaced the cookers, installed a new lighting system and created opportunities for people to sit together in smaller groups. Alongside a more modern and friendly overall design, our employees can now spend their breaks in the welcoming ambience of the new canteen. In addition to the conversion work, we also agreed upon changes to the menu with our local caterer. Because healthy nutrition for our employees is very important to us, we arranged for more regional dishes, more seasonal dishes and generally more variety on the menu. For the same reason, we once again held a fruit day every week at our plant in New Bern. On one day a week, we provided our employees with delicious free apples, pears, bananas, oranges and other fruits.

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 DEVELOP-
MENT AND PROLIFERATION OF
ENVIRONMENTALLY FRIENDLY
TECHNOLOGIES.

Anyone leaving the Altleiningen parent plant can immediately sense the proximity of nature – just a few steps further and you are surrounded by it. Due to this physical closeness, a respect for nature has always been felt throughout the company. For this reason, environmental awareness and environmental protection are deeply rooted at Drahtzug.

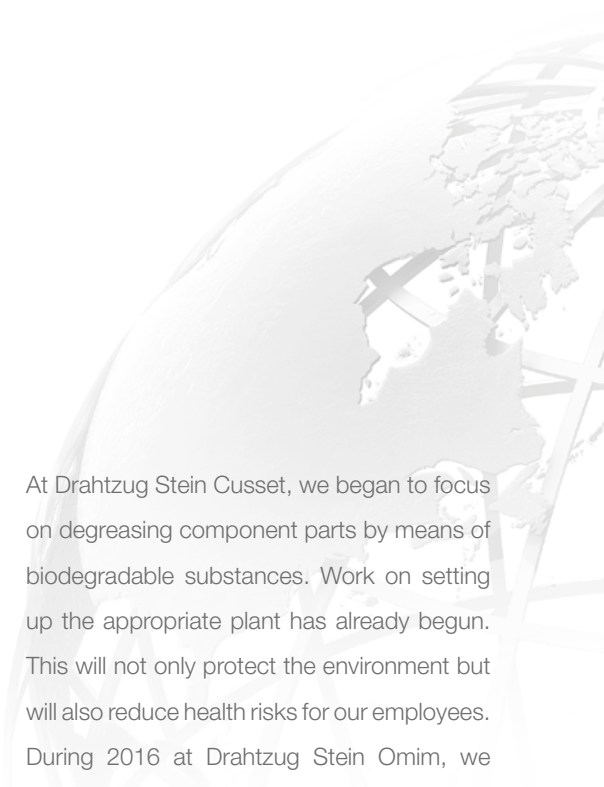
As far back as the 1950s, long before environmental protection was even an issue at all, Drahtzug descaled its rolled wire using a purely mechanical process, thus avoiding the commonly used acids and other environmentally harmful chemicals. Even in the rest of the production process, the avoidance of unnecessary environmental pollution has always been an important criterion. Furthermore, we optimize our production processes from the very beginning to use as few resources as possible. Our experiences show that eco-friendly business practices have made economic sense as well, for a long time.

With the implementation of the ISO 14001 environmental management standard in recent years, we have given our operational environmental protection management system a structured framework that now applies across all Drahtzug sites.

In addition, the entire company family follows the maxim that every investment must be tested for its environmental impact before a decision is made. Within the framework of economic efficiency, the most environmentally friendly variant will then be chosen. In 2015, the Altleiningen site finally achieved energy management certification according to ISO 50001, marking a further step down the road towards more institutionalized environmental protection. We are currently looking into measures that will allow us to transfer our experiences with ISO 50001 at Altleiningen to other locations.

With the combination of the most resource-saving production methods possible and clearly defined environmental targets, we are pursuing a clear goal: to move away from purely resource-driven growth towards sustainable growth based on the knowledge and innovation power of our employees.

Following the positive experiences of recent years, we continued the modernization of our lighting in Altleiningen. In the goods dispatch area, the old lamps were replaced by LED lamps. We also optimized illumination with a variety of measures and equipped the area with motion sensors, so that the lighting only comes on when someone is actually in the area.



In this way, we were able to replace several large case lights and save 10,000 kWh of electricity per year. Likewise in Cusset, we are continuing with the conversion of lighting to LED systems.


This will enable us to save around 60 percent of the energy currently required for lighting. In the coating area and in the raw basket assembly area at Drahtzug Stein Come, we have converted the lighting to LED lamps as well. At the same time, we have improved the lighting of the working areas so that we have saved energy while simultaneously improving working conditions. In the office areas and in parts of the warehouse, we have coupled the lighting to motion sensors so that it is only activated when needed.

To reduce energy consumption during production, we ran a series of tests together with the supplier of the coating material for our dishwasher baskets at the coating plant in Altleiningen to optimize temperature management. This was only possible with the latest technology. Nevertheless, we were able to precisely measure the temperature profile for each cycle that the product runs through and to use this data to optimize energy consumption and the quality of the coating. This has not only resulted in energy savings but has also given us the ability to manufacture a better product.

At Drahtzug Stein Cusset, we began to focus on degreasing component parts by means of biodegradable substances. Work on setting up the appropriate plant has already begun.

This will not only protect the environment but will also reduce health risks for our employees.

During 2016 at Drahtzug Stein Omim, we ran a major project to test the entire machine park for safety defects. Any problems identified were dealt with and the success of this measure has now been certified by an external auditor. We also optimized the arrangement of the machines at many workstations to enable our employees to work more ergonomically. The result of this major initiative has been increased safety for both people and the environment. Even more critical was the replacement of the old pipeline that supplied the electroplating plant with sulfuric acid, for safety reasons. Deposits had formed in the pipe over the years, which had increasingly jeopardized the safe operation of the plant. The old pipe was exchanged for a new, safe pipe that complies with all environmental requirements. Likewise at Drahtzug Stein Omim, we replaced an outdated gas control cabinet from the 1960s with a new model. This enabled us to eliminate the risk of leakage while also providing a museum with a new exhibit.



In the course of extensive improvements to the electroplating line in Lodz, we were able to implement several improvements at once. We made the existing cooling system for the chromium bath superfluous by means of a simple measure: the tap water that we use as a matter of course in the electroplating process is simply redirected in advance to the cooling of the chromium bath. The quality of the water remains unaffected while eliminating the cooling system saves energy. In addition, we have combined the air extraction systems of the electroplating line and the water treatment plant and significantly increased their performance. As a result, we have been able to almost completely remove the odor nuisance for employees. At the droplet separator of the electroplating line, we have also installed a chromium VI reduction reactor, which prevents chromium VI emissions into the air. We also installed an analytical filter water monitor that prevents contamination of the rainwater. We can now better monitor the condition of the droplet separator and thus prevent contamination from the filter ventilation system from spreading.

ANTI-CORRUPTION

PRINCIPLE 10:
BUSINESSES SHOULD WORK
AGAINST CORRUPTION IN
ALL ITS FORMS, INCLUDING
EXTORTION AND BRIBERY

Compliance with all applicable law is a mainstay of Drahtzug business conduct. We adhere to all relevant national and international law at all times, regardless of our location or the location of the business. Furthermore, we also respect several international conventions that we have chosen to recognize.

To assist our employees in complying with these legal standards and the ethical standards we have set ourselves, we introduced a company-wide compliance management system in 2016. This system also serves 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, stakeholders and business partners that Drahtzug 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.

In 2016, we made great progress in establishing uniform standards of behavior in our company. An important milestone in this direction was the introduction of our company guidelines. These include our

company philosophy and Code of Conduct, which is binding for all our employees. We have also run training courses to raise awareness of critical issues among our employees. At the same time, these courses provided them with the necessary knowledge to act in accordance with the law and with our own values. At each of our locations, our employees have access to at least one compliance coordinator as an on-site contact person for questions surrounding compliance issues.

Furthermore, to support our employees in their decision-making during their everyday work, we issued materials that summarize the most important facts. For example, we developed a comprehensive guideline detailing the circumstances under which employees can offer or accept gifts or invitations without running any risk and when to seek counsel. To make this guideline even easier to follow during everyday work, we issued a simple one-sheet decision-making aid that details all restrictions and guides employees through the decision-making process. Additionally, the local compliance coordinators will follow up with training courses on the topic. On the basis of these measures, we will continue to expand our compliance management system, which is continually addressing new challenges and improving processes.



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