



INNOVATIONS IN PROCESS

COMMUNICATION ON PROGRESS

REPORT 2017



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 three 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 have 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,

Dr. Matthias Grundmann
CEO
DRAHTZUG Holding GmbH & Co. KG

Communication ON PROGRESS

HUMAN RIGHTS

A business built on mutual trust and respect

Mutual trust and respect for one another are the cornerstones on which the relationship with all our partners and employees is built. We comply with all legal standards for occupational health and safety at all our sites. One example of this is our membership of the United Nations Global Compact, which we joined at the beginning of 2015. As part of this global corporate governance initiative we are committed, among other principles, to protecting human and children's rights and fighting corruption. Last year, we as a company once again implemented a whole series of actions and measures to ensure that we live up to our social responsibility.

Flexible requirements, flexible solutions

As a company, we try to respond as individually as possible to the wishes of our employees. That is why we reached a flexible compensation settlement in 2017 with four employees at our Come site who have health problems, enabling them to focus on their health.

Continuing this theme of proactive support, together with a number of companies from our region, we set up the "Leiningerland Training Association" with the aim of interesting young people in an occupational apprenticeship. For this purpose, the network makes information available via different channels. For example, representatives of the companies regularly go to parents' evenings to introduce parents and pupils to the opportunities offered by dual vocational training. The highlight of this initiative is the training fair, which takes place once a year towards the end of the summer holidays. At this event, the companies introduce themselves, give an overview of their training opportunities and explain the career prospects they can offer.

Education and training is another major theme at Drahtzug. Given the high level of interest and success we have experienced in recent years, we were more than happy to continue our English courses in Cusset in 2017. 18 employees are currently taking advantage of the foreign language offerings. Good English language skills promote integration into the Drahtzug Group and also make it easier to deal with international customers at all levels. The two double language lessons per week available to each employee are thus well invested.



Working to improve and maintain health

Since 2017, we have offered our employees the opportunity to participate in a health program. To support them in their health-promoting activities, they receive a free health and training card. This gives them free access to all fitness facilities, the public bike-sharing system and further medical advice throughout the country. Through regular small initiatives, we regularly remind our employees about the advantages of a healthy lifestyle.

As part of the healthcare program at our Cusset site, we once again conducted a free flu vaccination campaign for our employees last fall. With the vaccination, our employees not only protect themselves, but also their families, friends and colleagues. The high take-up rate and the success of the initiative has proved us right – we did not register a single case of flu. Employees were also able to refresh their tetanus protection on this occasion – also free of charge, of course.

Active support for good causes

Drahtzug is always keen to get involved in local charitable projects, such as collecting items that would otherwise go to waste and using them to generate money for good causes.

Numerous charitable organizations collect plastic closures from bottles to generate money for their charities. To support this activity, we set up collecting containers for the plastic closures next to the vending machines at the Omim plant. The campaign was very well received by employees.

As in previous years, our New Bern site continued its support of the YMCA's annual Thanksgiving charity run in 2017. The runners were not primarily focused on winning, but rather in participating in support of the Young Men's Christian Association. Via their "Turkey Trot" charity run, over a distance of five or ten kilometers, the Twin Rivers Section of the association collects donations to support the children of needy families.

Elsewhere, as in previous years, the Altleiningen site supported the Pfalz Trail in Carlsberg, which is a unique event in the walking sports scene. In this way, Drahtzug once again underlined its commitment in the region and not just as a donor of sponsorship money. This time, we also organized the shuttle service from the car parks to the starting and finishing points. This was very well received and greatly appreciated by the runners. It is gratifying to see just how many of our employees again competed in the various disciplines.



Promoting employee autonomy

We are firm believers in the value of choice and being able to make decisions that affect your own work and private life. With the aim of giving our industrial employees the opportunity to take advantage of tax-deductible social benefits, both our Come and Omim locations have taken part in the “Easy Welfare Program”. This involves company bonuses being converted into services that our employees can take advantage of without tax deductions. Because our company also participates in this savings program, we were able to give our employees a special bonus. They can easily use the benefits via a new intranet platform, which allows them to choose between personal services in the areas of family, childcare and school, sports, culture, leisure and work-life balance, or to boost their pension schemes.

LABOR

Making working life easier and more enjoyable

Following our excellent experience with camera-supported quality control at one of our production lines in the Altleiningen plant, we have installed this technology on other lines too. The camera monitoring system not only automatically ensures that all parts are correctly and fully mounted on the basket after assembly but also makes the work easier for our employees. In October 2017, we introduced this technology at the Lodz plant as well. Alongside greatly increased accuracy and quality, these measures enable more ergonomic assembly processes and have been very well received by our staff.

Automation boosts productivity and reduces stress

By automating a bending process at the Come plant, we were able to increase productivity by 30%. For this purpose, we integrated a new machine that bends parts fully automatically and significantly reduces manual handling processes.

At Drahtzug USA last year, we invested heavily in improving production processes and expanding capacity. A production line for dishwasher baskets was expanded and converted using the latest machinery and equipment. This not only increased capacity

but also gained flexibility, minimized interfaces and, last but not least, relieved the workload on our employees. The result was a 25% increase in productivity. In this way, we are also ideally positioned to meet customer requirements in terms of quality and adherence to delivery dates at the highest level.

Constantly increasing occupational safety

Occupational safety remains a core focus of our activities at Drahtzug. Among numerous other initiatives, our Saprofil site again paid great attention to occupational safety last year. In December 2017, the Quality, Health, Safety and Environment unit launched a communications initiative to further reduce the number of accidents at work. Monthly accident statistics now provide ongoing information on the current status. In addition, new educational material is being produced and there is regular personal training on occupational safety.

Continuing this theme, we again invested in our machinery park in Lodz in 2017, whereby older machines were either modernized or replaced. This also applies to the electroplating process. The best example is a new eccentric press, which has been in operation since March 2017. This enabled us both to significantly increase efficiency and also improve occupational safety.

Concrete solutions to specific challenges

One specific measure in the area of occupational safety concerned hearing protection. Durable personal protective equipment has been introduced in specific areas of high noise exposure. This took place at the turn of the year 2017/2018. The higher costs will be offset by increased acceptance and more effective protection.

As part of our commitment to continuously optimize occupational safety, we have improved the safety grids in the automated areas of the hydraulic line at the Cusset plant. This has further minimized the risk of injury as a result of accidentally entering the safety areas.

We are also improving our processes to both improve productivity and reduce the workload on our employees. In the past, our team in Altleiningen had to take a new pallet from a pallet stack, which also involved handling and the risk of accidents. At the same time, a forklift truck needed to be on hand to immediately transfer packed pallets to the packing station. Any delay risked interrupting the assembly process. To alleviate this situation, our engineering team developed and implemented a new, semi-automatic pallet magazine.

This has made it possible to decouple the supply of goods pallets from their supply to the packing station, with the result that stacker movements have been reduced by 30 %.

Increased flexibility and improved ergonomics

In the summer of 2017, we set up new work processes and requirements in the final assembly area at our main plant in Altleiningen. The disadvantages of rigid assembly line work have been overcome by the use of flexible working methods. The integration of efficient storage and buffer systems not only makes production more efficient but also improves ergonomics.

In September, together with an expert in work ergonomics, we carefully examined the workflows in the area of dispatch preparation and at the welding stations at our Cusset plant. Working conditions have improved considerably as a result. Just a short time later, our employees were already reporting a reduction in workload and fatigue.

ENVIRONMENT

Living our commitment to responsible action


We regard our efforts to save energy as a process that we are continually updating, which is why we constantly work on this topic at our Altleiningen plant. Monthly meetings are held to examine whether and how measures already implemented are proving their worth and whether further innovative solutions are emerging, which will further improve the carbon footprint of our production processes. An important task is to maintain our ISO 50001 certification on a permanent basis. At present, the use of new, more efficient electric drives and energy-saving potentials in our lighting systems and heat supply are being investigated and appropriate measures planned.

Since September 2017, we have also been working with testing specialists DEKRA to ensure compliance with all environmental regulations. Alongside our internal environmental management system, an external expert now tests all environmental aspects associated with production. As a result, we have initiated an additional safety layer, which ensures that we comply with all requirements.

Protecting people and the environment is a global task and the sum of many successes that we can achieve every day. For example, the roofing of the bicycle parking spaces in our Omim plant still consisted of asbestos panels. During the refurbishment of the entire plant, these asbestos panels were dismantled and disposed of in a professional and environmentally friendly manner. The bicycles of employees who choose this environmentally friendly way of getting to work – and thereby reduce environmental stress – are now protected by durable, galvanized trapezoidal sheets.

Active energy-reduction measures

In early 2017, we equipped the entire prefabrication hall at our Come plant with LED lights. The switch from conventional lighting to LEDs noticeably reduced electricity consumption (-10%) and thus also CO₂ emissions. Not only that, but the illumination of the hall and the workplaces has also improved significantly. Everyone wins: better light at lower costs.



The production hall itself was fully equipped with LED lights in 2017. This reduces energy costs and improves the illumination of the hall and the working conditions of our employees. We expect to save more than 120,000 kilowatt hours of electricity per year across the entire plant.

To save even more energy, the gas burners of the kiln in the coating area were replaced by more modern versions in December 2017. In addition to reduced environmental impact as a result of lower emissions, we were able to significantly reduce interruptions to the production process.


We also replaced the gas burner in our electroplating facility at the Omim plant in 2017. This investment has seen a considerable reduction in gas consumption (-15 %) and the associated energy costs. The measure has also resulted in a corresponding reduction in CO₂ emissions.

Improved heating and air-management systems

In the heating plant at the Cusset site, the burner and boiler for the central heat supply were both replaced. To ensure more efficient temperature management and a more uniform heat level, the temperature sensors in the factory were replaced as well. The new technology saves energy and costs while the reduced CO₂ emissions relieve the burden on the environment.

To save heating energy, modern radiators were installed in part of the office space in Come in spring 2017, saving energy and reducing CO₂ emissions. The people who work in these offices are also delighted with the more pleasant room climate.

Generating compressed air requires a comparatively large amount of energy. At our Altleiningen plant, we installed a measuring device that records the compressed air consumption of individual production lines. This enables us to measure fluctuations in compressed air requirements and gives us clear indications of possible savings potential. This is the prerequisite to being able to intervene and increase these potentials, and enables us to quickly achieve sustainable savings in energy consumption.



Avoiding emissions and conserving resources

The new filter system installed in Come in 2017 for the heating system of the coating furnace has led to a verifiable improvement in the environmental balance. The filters prevent unburned oil residues from entering the air with the exhaust gases. At the end of their working lives, the filters are collected and disposed of safely.

Using toxic substances is unavoidable in many galvanic processes. That is why we are constantly upgrading our protective measures to the current state of the art. We have taken additional measures to prevent the escape of toxic vapors in the chrome bath of the electroplating shop at the Omim plant. This has been achieved by building up an additional foam barrier.

At our Omim plant, a straightening and cutting machine has been adapted to meet the latest environmental protection and occupational safety standards. As well as eliminating leaks in the oil circuit, we have above all been able to achieve efficient sound insulation by installing suitable insulation mats.

The renovation of this machine was the prelude to a larger program to adapt older, fundamentally sound machines, piece by piece, to today's requirements in terms of environment, occupational safety and ergonomics.

Recycling for a good cause

At Drahtzug USA, wooden pallets, beverage cans and copper and stainless steel waste are collected throughout the plant and disposed of centrally. In 2017, we collected a total of 840 pallets that were then sold to a local company. 15,717 beverage cans yielded 230 kilograms of aluminum, from which we raised 500 dollars. Once again this year, the proceeds were donated to the nearby "Coastal Women's Shelter" organization.

In total, we also collected 377 kilograms of copper and 73 kilograms of stainless steel. This scrap metal was sold to recycling companies and the proceeds were fed into social projects. Through consistent recycling, we have reduced our waste volumes, made a positive contribution to our environmental performance and supported charitable causes.

ANTI-CORRUPTION

Our commitment to ethical business practices

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. We also respect several international conventions that we have chosen to recognize.

To help our employees comply 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 inform all our employees, stakeholders and business partners that Drahtzug will have nothing to do with any illegal business practices. We do business strictly in accordance with the law and with our own principles of integrity and mutual respect. Complying with these standards ensures that we minimize any risk of illegal business transactions that could result in fines or sanctions that might jeopardize the future of our company.

Since 2016, we have been actively promoting clear and uniform standards of behavior in our company. An important milestone in this direction was the introduction of our company guidelines. These include our philosophy and Code of Conduct, which is binding for all our employees. We also run training courses to raise awareness of critical issues among our employees. These courses provide 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 direct access to at least one compliance coordinator as an on-site contact person for all questions relating to compliance issues.

As a further step to support our employees in their decision-making during their everyday work, we issue information materials summarizing the most important facts. For example, we have developed a comprehensive guideline detailing the circumstances under which employees can offer or accept gifts or invitations without running any risk. By the same token, we ensure that they are absolutely clear about when they need to seek qualified advice. To make this guideline even easier to follow during everyday work, we compiled and published a simple one-sheet decision-making aid that details all restrictions and guides employees through the decision-making process.

Additionally, our local compliance coordinators support these measures through compliance training courses on site. Building on our established track record, we will continue to expand our compliance management system to ensure that it takes into account any regulatory changes while helping us to continually improve our processes.





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