



WE SUPPORT



COMMUNICATION ON  
PROGRESS

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.

## *Communication on Progress 2018*



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### Legal notice

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# The Ten Principles of the United Nations Global Compact

## Human Rights principles

- 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*

## Labour principles

- 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 labour;*
- Principle 5. The effective abolition of child labour; and*
- Principle 6. The elimination of discrimination in respect to employment and occupation*

## Environmental principles

- 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 diffusion of environmentally friendly technologies;*

## Anti-corruption principles

- Principle 10. Businesses should work against corruption in all its forms. Including extortion and bribery*

## UN Global Compact

the UN Global Compact supports companies to:

Do business responsibly by aligning their strategies and operations with Ten Principles on human rights, labour, environment and anti-corruption; and

Take strategic actions to advance broader societal goals, such as the UN Sustainable Development Goals, with an emphasis on collaboration and innovation.

The UN Global Compact's Ten Principles are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.





## The 17 Sustainable Development Goals (SDGs)



On 1 January 2016, the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development — adopted by world leaders in September 2015 at an historic UN Summit — officially came into force. Over the next fifteen years, with these new goals that universally apply to all, countries will mobilize efforts to end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no one is left behind.

For more information see [www.unglobalcompact.org](http://www.unglobalcompact.org)





## Statement of continued support

### To our stakeholders:

I am pleased to confirm that CIREX since 2016 officially supports the *10 principles of the United Nations Global Compact* in the areas of Human rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we will describe the actions we have made 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,

Mr. J. I. G. Spoelder  
Managing Director

19<sup>th</sup> of March , 2019





## About CIREX

### What we do

CIREX is one of the largest steel-casting companies in the world using the “lost wax” method for over 50 years now. With this method, lost wax castings can be produced with a high degree of dimensional accuracy and complex shapes. This method also provides engineers with a significant degree of product design freedom and choice of materials. Specific desires and requirements can be incorporated in the cast pieces.

### Markets

We have an extensive portfolio of successful projects in the automotive and industrial markets worldwide.

### Team

CIREX's activities are spread across four locations. In addition to the headquarters in the Netherlands (Almelo, NL, approx. 140 employees), there are two locations in the Czech Republic (Kopřivnice, CZ approx. 250 employees) and one in the Slovak Republic (Stará Ľubovňa, SK approx. 40 employees).



### Mission Statement

The guiding principle is to unburden our customers completely by being the best development partner and producer of complex high-grade steel components – from product development to series production. The organisation's focus is therefore on high product quality, short development times (time to market) and a guaranteed low 'total cost of ownership'. In the long term, this offers customers product certainty and excellent delivery reliability for the lowest cost. We continually improve our high-tech casting process by continuing to invest in technology, people and company processes. Our greatest asset is our group of motivated and highly qualified employees. By daring to think out of the box and by always considering whether things can be done “technically better, differently, cheaper and/or more simply”, we arrive at the best solution for a competitive price.



## Vision



Worldwide demand is growing for new, lighter high-tech steel products with complex forms. The rate of product development is also accelerating: product cycles are becoming shorter and designs more complex. Sustainability is increasingly becoming a design requirement, such that “net shape” components are becoming increasingly important. Suppliers are expected to contribute their thoughts to the smartest design for a competitive price/quality ratio. This means that, as a supplier of complex steel components, we must improve continuously in terms of our organisation, technology, company and processes. Only in this manner we can continue to satisfy the high demands and conditions set by the international market and our stakeholders.



In this rapidly changing world we can only continue to improve our performance in the appropriate manner if we remain loyal to our core values. CIREX takes not only responsibility for the circumstances in our own company, but also at her suppliers and other stakeholders. That's why we have joined the UN Global Compact in March 2016 with a current status as signatory to emphasise our vision and act accordingly. We take our responsibility not to exhaust the world and its natural resources and fully respect the human rights of all its inhabitants.

At CIREX caring for the environment is just as important as the other organisational goals. Our focus on the environment is fully implemented in our daily operational processes. We focus on the reuse of raw materials within the process, limiting waste streams, energy management and reducing emissions.

Employees are aware of the importance of working in accordance with the requirements and desires of stakeholders and are informed about the relevant legal requirements and regulations.

## Code of Conduct

In 2016 we have introduced for the first time a Code of Conduct and a Suppliers' Code of Conduct based upon The Ten Principles.

The Code of Conduct contains the rules, core values and the most important policy principles of our company. These rules, values and standards form the common theme throughout our business practices and are always applicable. The Code of Conduct is available through our website.

This Code of Conduct is not just a guideline for our daily actions but also a guideline for our relationships with each other and with customers, suppliers, stakeholders and our immediate environment.

The Code of Conduct forms a guideline for the management, supervisors and employees for acting appropriately within the company and should be complied with at all times so that we can continue to be a successful company, to prevent incidents and continuously improve ourselves. Everybody who enters employment at CIREX must commit themselves to the Code of Conduct as part of the introduction programme. By signing the document the employee declares he/she will respect the Ten principles and promises not to act contrary to these principles. Our HR department oversees the principles in our day-to-day behavior and processes.



CIREX aims to solely collaborate with external parties and suppliers that act in line with the rules, values and standards as stated in the Code of Conduct or which at the very least do not conflict with this Code of Conduct.

After introducing in 2016 the Suppliers' Code of Conduct we have embedded this Code more strongly in our procedures and processes and all our main suppliers of raw materials and auxiliary goods have signed this Code over the last few years. During 2018 we have extended our policy also towards our subcontractors and we are happy to announce all our main subcontractors now have committed themselves.

### Whistleblowing policy

In 2017 a full whistleblowing policy has been introduced for the Dutch production site. For the production sites in the Czech Republic and Slovak Republic a full revised whistleblowing policy is foreseen for 2019.

### Assurance

Every year an ESG-report is drafted in addition to this COP. In this comprehensive report all main environmental, social and governance aspects are analysed and evaluated. The results from the last years are evaluated and new targets are set for the coming years.

The ESG and COP are used to report to our shareholders and other stakeholders i.e. customers, local government and employees and are as such part of the overall management review. The ESG and COP are both published on the company's network and made available to the Workers Council.

### Other

We were proud we have been nominated for the Koning Willem I Prize in 2018. Together with 11 other companies we were in the race for this prestigious Dutch business prize. The King William I Prize is a prestigious and independent company prize that is awarded every two years by the King William I Foundation. Companies that have shown courage, decisiveness, sustainability, perseverance and good entrepreneurship in recent years are eligible. The Koning Willem I Plaque for Sustainable Entrepreneurship rewards sustainable innovations from small or large organisations. Organisations with sustainable management, a sustainable product or service, sustainable international cooperation or sustainable production can be nominated. Unfortunately at the end the prize was awarded to another nominated company.

## HUMAN RIGHTS principles

- Principle 1. Businesses should be support and respect the protection of internationally proclaimed human rights; and
- Principle 2. Make sure that they are not complicit in human rights abuses







## Assessment, policy and targets

The Human Rights are obvious to us. We respect the Human Rights and will always endorse and maintain them. Some of the most important Human Rights, but not limited to, are freedom of religion, freedom of speech, non-discrimination, a safe and healthy work environment, equal pay for equal work, freedom of association and education.

We owe our success to our people. To hold on to this success we aim to keep the work environment a safe place where everybody respects each other, where everybody is equal and where there are always good opportunities for personal development.

CIREX works together with many business partners, located in countries worldwide. We aim to cooperate with partners, suppliers and other stakeholders who support our principles. CIREX and its shareholders believe it is important to stimulate good behavior to others by setting the right example.

## Assurance

The Ten Principles of the UN Global Compact are included and emphasised in the CIREX Code of Conduct.

We ask our suppliers to declare the raw materials delivered to us are DRC-free (3TG-conflict materials, tin, tantalum, tungsten and gold), originating from reliable sources and are in accordance with the Dodd-Frank Act.

If an employee notices any form of violation of Human Rights or if they strongly suspect any form of violation of Human Rights, the employee is encouraged to inform their team supervisor, the management or confidant, immunity is guaranteed for the employee by our whistleblowing policy. The HR department reports to the MT in a weekly MT-meeting. Records are kept of all incidents.

Infringements of the rules, violation of laws and regulations and violation of privacy rights are not acceptable and will result in disciplinary actions by the management.

## Education

We are a certified company for training and education and provide internships for students and workplaces for trainees in collaboration with educational institutions. All our facilities and production lines can be visited by stakeholders on request. Tours for interested parties such as schools are given on a regular base.



Open days are organised and we support initiatives to get young people interested in technology and science.

Further developments in technology requires employees are well educated, to ensure we can face the challenges in the world of the tomorrow. Being well educated also means job security, job career possibilities, satisfaction in work, opportunity to improve yourself and it inspires creativity. We have drafted a companywide strategic education plan, covering several years, for all employees to meet future requirements and to reach a higher level in all aspects of our business. This education plan has been executed according plan. Additional there is a standard annual education plan to meet short term demands.



## Social accountability

Since many years a partnership exist between CIREX NL and The Twentse Zorgcentra. In 2018 the first anniversary was celebrated as this partnership started 12,5 years ago. We provide an in-house workspace and learning facility in a professional work environment for about 15 people with mental disabilities or a lasting distance to a regular job position. The participants are supervised by employees of the Twentse Zorgcentra. This guarantees meaningful daily activities and improved social contacts for the participants.



We also support and encourage various social community activities through sponsorships, active involvement by the employees (i.e. volunteers), support of non-governmental organisations, sport events, etc.

## Summary main new developments and targets Human Rights 2018 – 2023

- No incidents regarding human rights were reported in 2018;
- Target: Improve awareness within the supply chain based on current level of compliance.



## LABOUR principles

- 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 labour;
- Principle 5. The effective abolition of child labour; and
- Principle 6. The elimination of discrimination in respect to employment and occupation





## Assessment, policy and targets

CIREX is against discrimination and exploitation of vulnerable people. Within CIREX there is a great diversity of nationalities. Everybody has equal opportunities. We as CIREX aim to keep the work environment a safe place where everybody respects each other, everybody is equal and where personal development is encouraged.

At CIREX the safety, health and welfare of our employees is just as important as the other organisational goals. Assuring proper working conditions is a joint responsibility of management, supervisors and employees.

All rights and responsibilities of the employees are written down in the employee handbook.

## Assurance

Good communication is the key to a good work environment, is very important for achieving the best business results and is crucial for the productivity and satisfaction of the employees. CIREX has many channels of communication within the company. Some examples are:

- Newsletters;
- Emails;
- Information screens;
- Team meetings;
- Informal and formal meetings;
- Periodic canteen meetings with all the employees;
- Job control meetings;
- Toolboxes etc.



CIREX is a company with an open and informal communication structure. If anyone has any questions they always can be asked. If there are any issues in relation to labour everybody can, and should, inform their supervisor, HR or the confidant/counselor. CIREX has also several employees with specialised knowledge about health and safety aspects, for supporting and advising the management and employees, and to identify and fulfill legal requirements.

Daily formal and informal meetings for supervisors and management are held focusing on production scheduling, new developments, health & safety issues and opportunities for improvement.

Within CIREX there is a confidant/counselor for the employees which they can consult or can report to in case of sexual intimidation, discrimination, aggression, harassment, violence or any other unacceptable behavior. Immunity and privacy for the employee is guaranteed by our whistleblowing policy.

Infringements of the safety rules, violation of laws and regulations or unacceptable behavior, will result in disciplinary actions by the management.

Within CIREX there are also employee councils representing the employees. All employees have the right to stand candidate for election and have the right to vote for the employee council candidates. Access for union members is granted by national laws. It is mandatory for the management to inform the employee council and ask advice or approval for subjects in relation to occupational health, safety and social aspects.



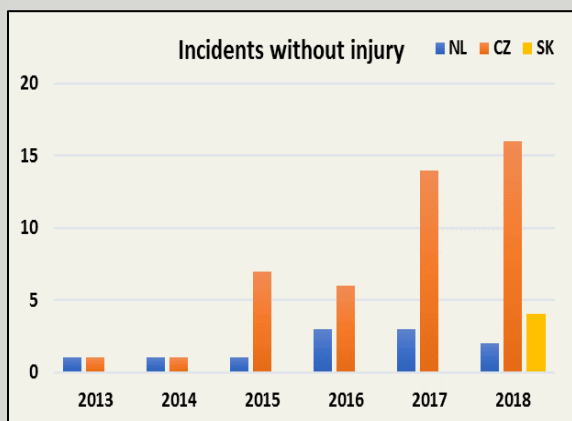
Incidents and opportunities for improvement can be reported to our HR department. The HR department reports to the MT in the weekly MT-meeting. Records are kept of all incidents.

The taskforce Health and Safety, existing of Management, HR, QSHE and members of the employee council meet regularly to discuss open issues, incidents, accidents and the input of employees and stakeholders to improve the work environment, safety-, health- and social aspects. Minutes of the meeting are taken, actions defined, implemented and evaluated. Safety & Health audits are an integrated part of the management system and are executed according an annual planning.

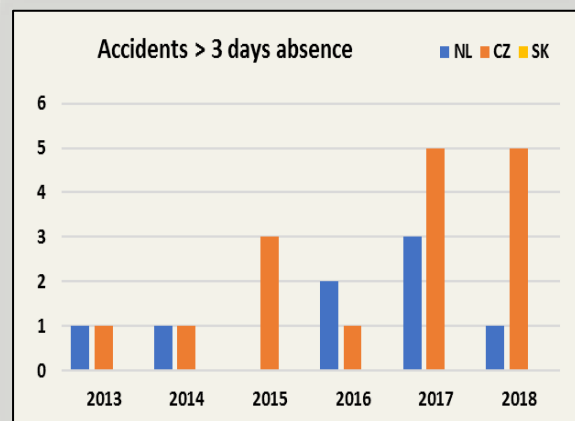
Results of safety audits are lead back to the Management Review, actions and new goals are being set.

### Summary main developments and targets Labour 2018 - 2023

- One accident with injury happened at the Dutch production site in 2018 that had to be reported to authorities. Measures were taken in cooperation with the Dutch authorities to prevent recurrence.
- Evaluation of the accidents show no trend in the types of accidents or similar root causes. Also the majority of accidents inflicts only minor injuries not leading to long absenteeism. Therefore no KPI is set currently to lower the LTIF-rate;
- Certification for ISO 45001:2018 certification was initially foreseen for 2018 but has been rescheduled for 2019.
- In 2016 the construction of the new ceramic mould production facility in Almelo (The Netherlands) replacing the old facilities and several production rooms started. In 2018 the first production has been transferred to the new department. It is expected the new department will be fully operational in 2020.
  - The main benefits for the employees are:
  - The ceramic used is water-based, replacing the current alcohol-based ceramic;
  - The elimination of occupational risks including exposure to hazardous substances as a result of the elimination of the use of isopropanol, ammoniac, hydrochloric acid and ethyl silicate in the ceramic process;
  - Elimination of all ATEX-areas as result of phasing out the application of volatile organic substances. The first ATEX-application has been phased out by the end of 2018.
  - Due to the extended automation of the process a significant reduction of physical strain (lifting, pulling) for the employees has been achieved;

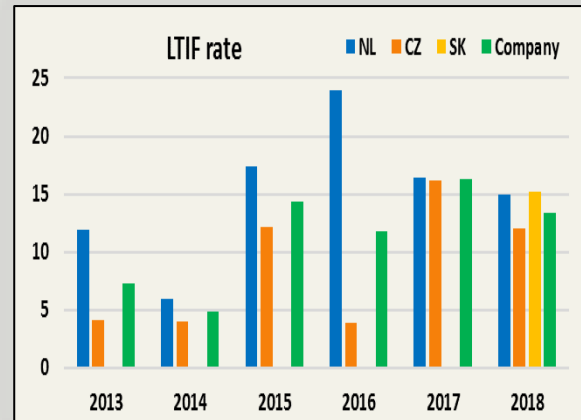
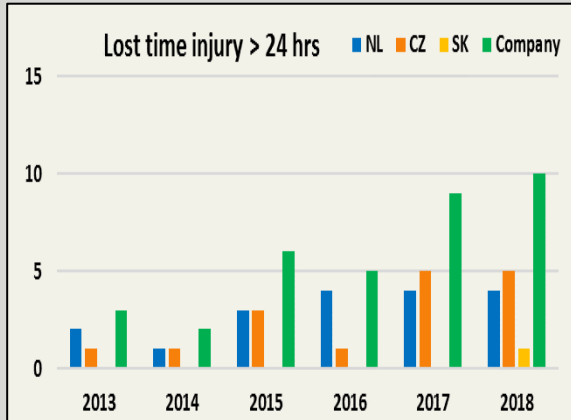


Incidents: reported main safety incident without personal injury



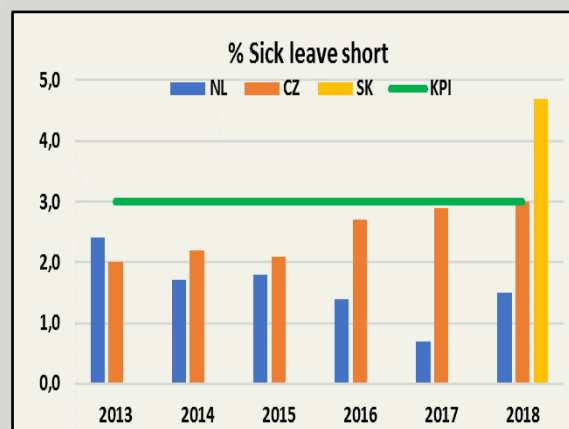
Accidents: with personal injury leading to absence > 3 days





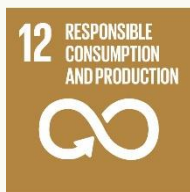
LTI = Number of accidents leading to absence > 24 hrs

LTIF rate = Total LTI x 1,000,000 / total man hours



## ENVIRONMENTAL principles

- 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 diffusion of environmentally friendly technologies;



### Assessment, policy and targets

CIREX and his shareholders are committed to protect the environment and act as responsible corporate citizens. CIREX aims to have as little impact as possible with our products and processes on the environment.

At CIREX caring for the environment is just as important as the other organisational goals. Our focus on the environment is fully implemented in our daily operational processes.

Employees are aware of the importance of working in accordance with the requirements and desires of our stakeholders and are informed about the relevant legal requirements and regulations. At



CIREX, we focus on the reuse of raw materials within the process, limiting waste streams, energy management and reducing emissions.

At all locations we try to create awareness for the environment with our Code of Conduct, providing tools, education and training. We stimulate employees to take responsibility for their behaviour and that of others. If someone is acting contrary to the Ten Principles, we make each other aware of their behavior and the impact it has on the environment.

We try to create awareness amongst our suppliers and other business partners with our Suppliers' Code of Conduct.

Infringements of the rules, violation of laws and regulations, are not acceptable and will result in disciplinary actions by the management.



### Assurance

CIREX values the environment and is certified for the ISO-14001 – environmental management system. Per October 2017 we are certified according ISO14001:2015 for the production locations in the Netherlands and the Czech Republic. Periodic there are internal audits and audits by external experts, customers and authorities. The QSHE department monitors the impact of all aspects on the environment. Incidents can be reported to the QSHE department directly. Environmental audits are an integrated part of the management system and are executed according an annual planning. Results of audits are lead back to the Management Review , actions and new goals are being set.

The ESG and COP are also used to report to the local or regional authorities.

Every year we report to the national authorities all aspects in relation to waste management (costs related to waste disposal and the amount of waste produced) and energy consumption.

### Summary main developments and goals environment 2018 - 2023

- At the end of 2018 a climate agreement between 100 organisations in the Netherlands has been drafted. This resulted in a comprehensive package of agreements, measures and instruments to reduce the Dutch CO<sub>2</sub> emissions by at least 49 percent by 2030. The selection of measures and instruments to be implemented in upcoming legislation is under review by the Dutch government at the moment. Our main interests as a company in these new developments are primarily handled through several employer associations in which we participate;
- No environmental calamities occurred that required immediate action or had to be reported to the authorities;
- Several energy saving projects were carried out resulting in a projected reduction of approximately 200.000 kWh in 2018;
- Survey planned in 2019 for modification firing furnace casting hall 2 in NL. Reduction of natural gas projected max. 20%. (approx. 75.000 m<sup>3</sup> equals approx. 141 tons CO<sub>2</sub>)
- First successful trial runs were made with water-based ceramics in 2018 in the new ceramic mould production facility in Almelo (The Netherlands) replacing the alcohol-based ceramics within a few years as planned. The main benefits for the environment will be:
  - \* The elimination of emissions to the air of isopropanol, ammoniac, hydrochloric acid and ethyl silicate (ethanol) in the future as these substances will no longer be applied in the process. The emission of volatile substances will be reduced by approx. 200 metric tons (based



upon 2018 data);

- \* Reducing the amount of hazardous waste as less chemicals are necessary in the process;
- \* The new production facility in NL is replacing several old air-condition installations and machinery dating from the 80's and therefore more energy efficient.
- Per January 1<sup>st</sup> 2017 natural gas consumption in the Netherlands is covered by certificates (Gas neutral Verified Carbon Standard, VCS) to compensate the CO<sub>2</sub>-footprint and the electricity used is CO<sub>2</sub>-neutral as it is generated sustainable. Per January 1<sup>st</sup> 2018 this also applies to our Czech production facilities. This has resulted in a reduction of the CO<sub>2</sub>-footprint by approx. 5700 metric tons of CO<sub>2</sub> for the Dutch plant and approx. 5200 metric tons for the Czech plant in 2018.
- As the energy consumption by CIREX SK is very limited there are currently no plans to obtain CO<sub>2</sub>-neutral certificates on short notice for this production site.



## ANTI – CORRUPTION principles

Principle 10. Businesses should work against corruption in all its forms. Including extortion and bribery



### Assessment, policy and targets

CIREX does not accept any form of corruption, bribery or extortion as stated in the Code of Conduct and a *zero tolerance policy* is upheld.

CIREX prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement to or from any person or company by any individual employee, in order to gain any commercial, personal or contractual advantage.

### Assurance

The Code of Conduct CIREX describes the responsibilities of the employees regarding anti-corruption and what the consequences are when they don't take their responsibility. In the Suppliers Code of Conduct we emphasise CIREX will not do any business with suppliers, partners of other companies that don't respect the Ten Principles of the UN Global Compact.



Our financial statement and corresponding processes and policies are independently audited by independent accountants resulting in a financial statement report.

Our actions are completely transparent. All payments are done by bank transfers.

We ask our suppliers to declare the raw materials delivered to us are DRC-free (3TG-conflict materials, tin, tantalum, tungsten and gold) and originate from reliable sources and therefore in accordance with the Dodd-Frank Act. We also ask all our main suppliers to sign the Suppliers' code of conduct.

There have been no known cases of corruption in the line of work over the course of the organisation's existence. When CIREX notices any form of corruption, inside the company or by another suppliers, business partner or any other stakeholder CIREX will try to make things right. If this isn't possible, CIREX' working agreement ends.

If an employee notices any form of corruption or they strongly suspect any form of corruption, bribery or extortion, the employee is encouraged to inform their team supervisor or management, immunity is guaranteed by our whistleblowing policy.

Infringements of the rules, such as passive and active corruption and violation of laws and regulations, are not acceptable and will result in disciplinary actions by the management.

### Summary main new developments and goals anti-corruption 2018 - 2023

- No issues regarding corruption, bribery or extortion were reported in 2018;
- Target: maintain current level of compliance.



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