SUSTAINABLE GROWTH – FOR MORE THAN 100 YEARS

Sustainability report 2016

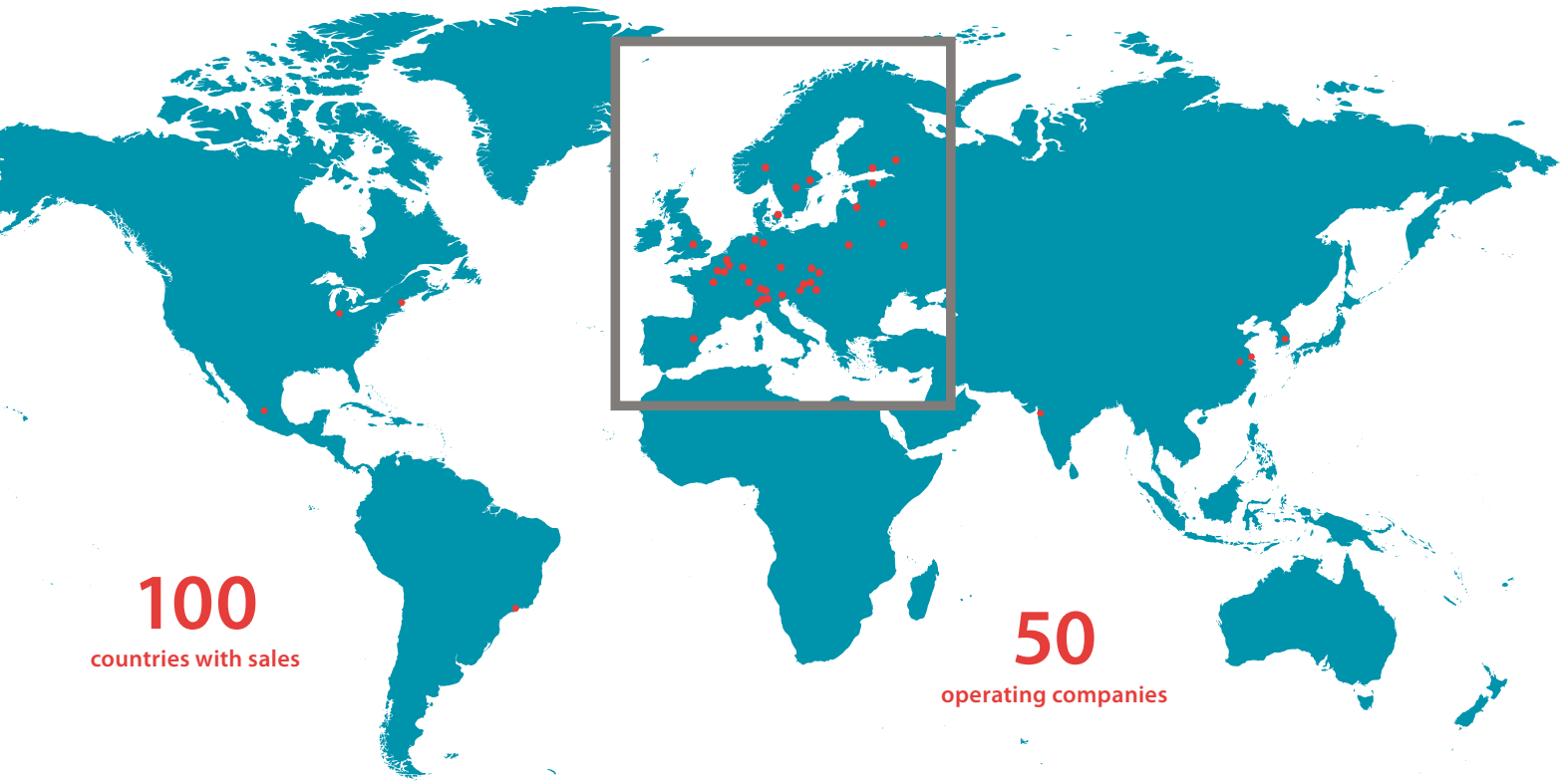
DÄTWYLER

DATWYLER GROUP
FOCUSED INDUSTRIAL SUPPLIER

The Datwyler Group is a focused industrial supplier with leading positions in global and regional market segments. With its technological leadership and bespoke solutions, the Group delivers added value to customers in the markets served. Datwyler concentrates on markets that offer opportunities to create more value and sustain profitable growth. With more than 50 operating companies, sales in over 100 countries and more than 7,000 employees, the Datwyler Group generates annual revenue of more than CHF 1,200 million.

1’200 million
Swiss francs in annual revenue

7’000
employees



100
countries with sales

50
operating companies

WORLDWIDE PRESENCE

The Datwyler Sealing Solutions division has a presence – with its own production facilities – in the three key business regions of Europe, Asia and the NAFTA area. The Technical Components division is focused on Europe and uses its local presence to stand out from the rest.

SEALING SOLUTIONS DIVISION		TECHNICAL COMPONENTS DIVISION
Development and production of system-critical and customer-specific sealing components	**BUSINESS MODEL**	High-service distribution for time-critical electronic components
Automotive, Health Care, Civil Engineering, Consumer Goods	**MARKET SEGMENTS**	Maintenance, Repair, Operations (MRO), Automation, Electronic Design Engineers (EDE), Wholesale consumer electronics
Datwyler sealing components are used worldwide in every second car, in billions of syringes and medicine bottles, and in over 650 tunnels. They help keep drivers, patients and railway passengers safe, wherever in the world they may be.	**APPLICATIONS**	The electronic components of the Datwyler distribution companies make digitalisation possible. Examples include the industrial internet of things (Industry 4.0), industrial robots and home automation (smart home, security)
Leading expertise in materials, engineering and manufacturing processes.	**CORE COMPETENCIES**	Up-to-date and comprehensive range of more than 250'000 electronic components, product management, competent technical advice, high availability and fast delivery.
Worldwide presence with its own manufacturing plants in Europe, Asia and the NAFTA area.	**GEOGRAPHY**	Europe, using its local presence to stand out
Datwyler	**BRANDS**	Distrelec, Reichelt, Nedis
750 million Swiss francs in annual revenue, 800 customers, 6'000 employees, 18 locations	**KEY FIGURES**	450 million Swiss francs in annual revenue, 650'000 customers, 1'200 employees, 30 locations, Future-proof

FUTURE-PROOF
FOR MORE THAN 100 YEARS

Healthy and sustainable growth for the benefit of our employees, customers and shareholders – this has distinguished Datwyler for more than 100 years. Our success story began with a small cable and rubber factory in Central Switzerland, which Adolf Dätwyler took over in 1915. With a visionary drive, he managed to expand his company and keep it aligned with the ever-changing market. Adolf Dätwyler took carefully considered, far-sighted management decisions. He placed great value on responsible business conduct. The values of our founder are the basis of our success to this day.

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This sustainability report can be downloaded at **www.datwyler.com**.

LONG-TERM VALUES

100 years of innovation for the benefit of our customers, employees, shareholders and the community – that is the hallmark of the Datwyler Group. Over this period, Datwyler has evolved from a family-owned Swiss company into an international group. Building on our strong roots, we have developed our own style with high standards and unique values:

– We are entrepreneurs.
– We bring value to our customers.
– We excel in what we do.
– We have respect for others.

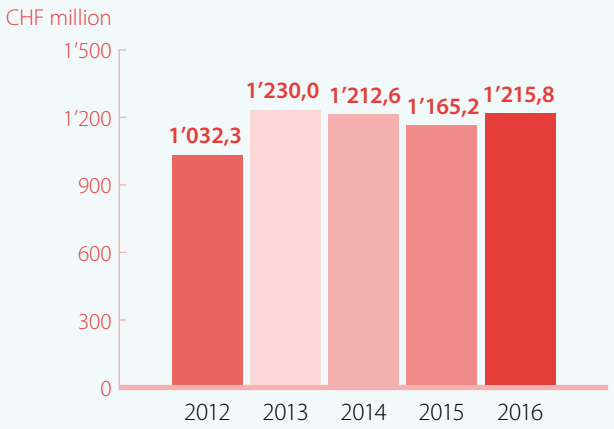
We strive to deliver sustainable profitable growth for the benefit of our stakeholders as the foundation for adding long-term value and preserving the corporate independence of the Datwyler Group. In our efforts, we are addressing the challenges of our times. As early as 2008, we voluntarily adopted the standards of the Global Reporting Initiative (GRI) for the sustainability section of our Annual Report, and in 2009 we joined the UN Global Compact. This is an initiative launched by the United Nations stating ten principles in the areas of human rights, labour, the environment and in combating corruption. As a UN Global Compact participant, Datwyler commits to follow the ten principles and to accept its responsibility within society. This endeavour is based on the Datwyler values and the Code of Conduct that lay down globally binding rules for all Datwyler Group employees.

As far as our suppliers are concerned, we have set out our requirements in a dedicated code of conduct based on the UN Global Compact since the beginning of 2014. The systematic customer and employee satisfaction surveys were continued in 2016. Since 2013, the Datwyler Group has also reported its greenhouse gas emissions to the Carbon Disclosure Project (CDP). In this way, we live up to our social responsibility every day as a reliable partner to our stakeholders and contribute to achieving the UN Sustainable Development Goals.

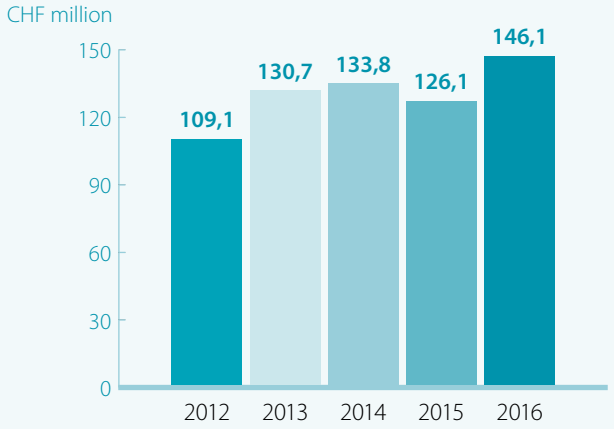
Dirk Lambrecht
Chief Executive Officer

FACTS **AND FIGURES**

NET REVENUE



OPERATING RESULT BEFORE INTEREST AND TAX (EBIT)

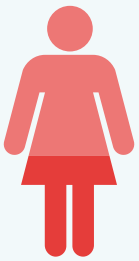


The figures for net revenue and operating result before interest and tax are based on continuing operations, excluding the Cabling Solutions division (sold at the end of 2012) and Maagtechnic (sold on 1 April 2014).

69.2 %
of Datwyler's waste is sent for recycling.

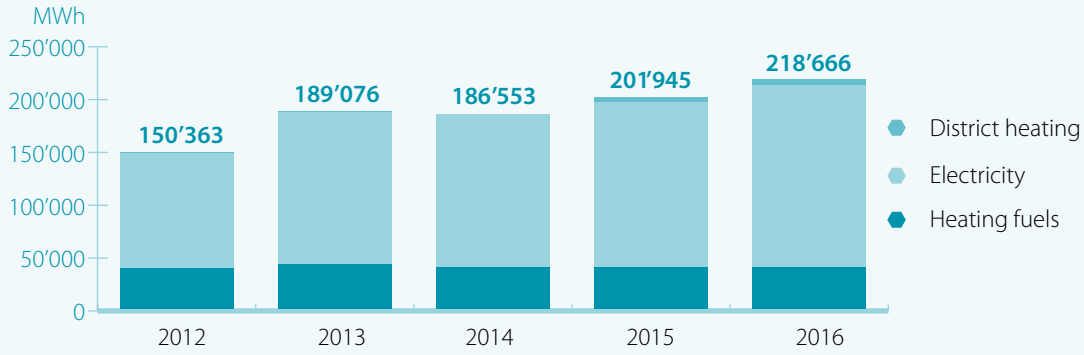
87'406 t
of CO_2 was produced by the Datwyler Group in the course of its activities in 2016.

59.8 %
of employees are men

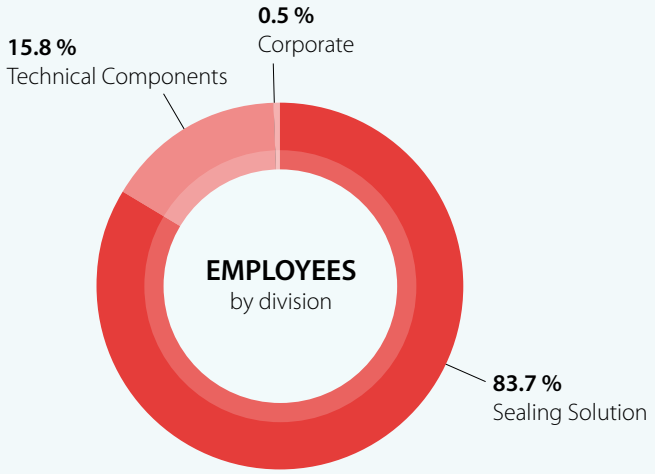


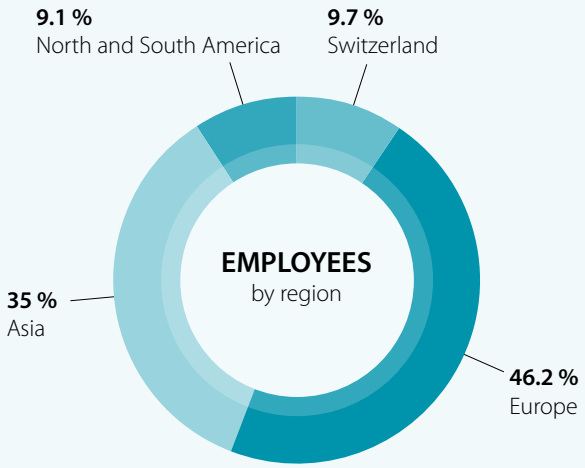
40.2 %
of employees are women

ENERGY CONSUMPTION

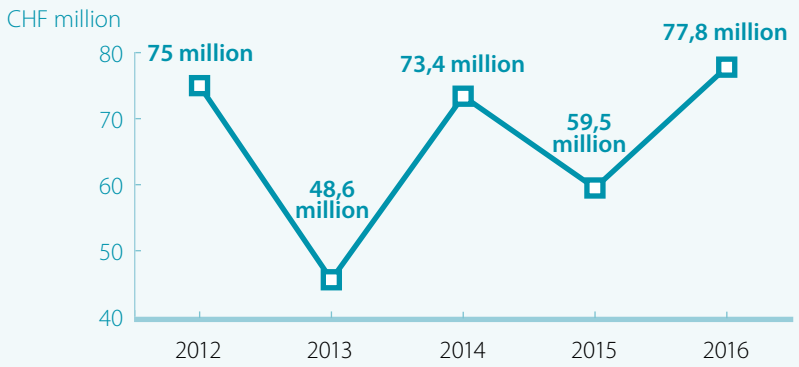


One reason for the increase in energy consumption is the inclusion of acquired companies in the figures for the first time: Zhongding, Hankook and Nedis in 2013, Columbia Engineered Rubber in 2015 and Origom in 2016.





CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT



250'000
products in the Technical Components division.

50'000 t
of raw materials are processed by the Sealing Solutions division each year.

WATER AND WASTE (PER YEAR)

2'123'961 m³
of water is used by the Datwyler Group

14'134 t
of waste is generated by the Datwyler Group

DAYS OF ABSENCE (PER YEAR)

1'744 Days
due to workplace accidents

44'104 Days
due to illness

WE SUPPORT

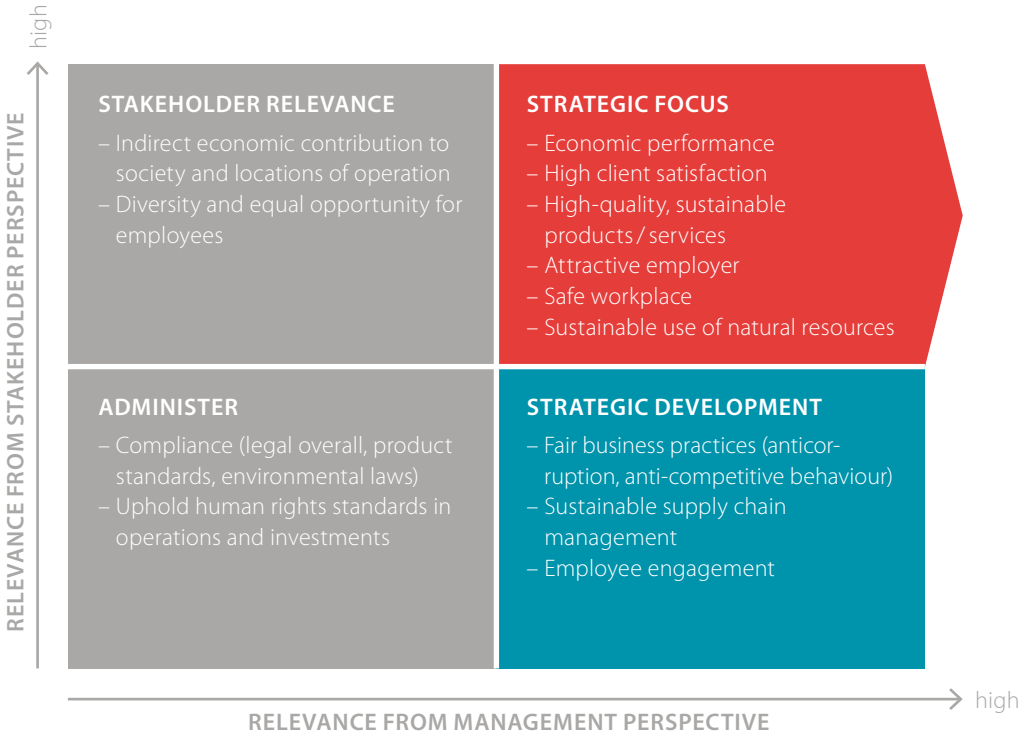
UN Global Compact
The Datwyler Group has been a member of the UN Global Compact since as far back as 2009. This means that it is committed to following the ten principles and taking its social responsibilities seriously.

Global Reporting Initiative
The Datwyler Group published its first sustainability report in accordance with the internationally recognised Global Reporting Initiative (GRI) standards as long ago as 2009.

CDP Standards
Since 2013, the Datwyler Group has reported its CO_2 emissions in accordance with the standards of the CDP, a global network of institutional investors.

RELEVANCE MATRIX FOR PRIORITISATION

Sustainability is about balancing economic, social and environmental responsibility. Within the Datwyler Group, sustainability is an important strategic objective, embedded in all we do from product development, customer support, human resources management and production to social engagement. Taking the issue's significant importance into account, Datwyler's sustainability report for the 2016 reporting year will be published as a separate document for the first time.



This document will meet the latest GRI standards on sustainability reporting. Datwyler launched a comprehensive process to this end in 2016, aimed at defining key sustainability topics for the company while determining objectives in each main area of focus.

Multi-stage process

As part of a multistage process, Datwyler first interviewed representatives of the management teams and experts from both divisions on the topic of sustainability. We also performed a benchmark analysis of peer companies. The Executive Management structured the identified key topics by order of strategic relevance, and approved them for the Group accordingly. In a workshop attended by over 70 managers from both divisions and all key subsidiaries, Datwyler subsequently drew up objectives, visions and priorities related to these topics in terms of strategic focus and strategic development. Datwyler will continue to develop the sustainability objectives over the next few years in addition to establishing and communicating quantitative goals.

Living up to its social responsibility

As a responsible company, Datwyler wants to contribute to achieving the UN Sustainable Development Goals. We still want to grow as a company, but we also want to reduce our consumption per revenue unit of resources such as heating energy, electricity and water. The same applies to the volume of waste produced at our plants. In future, the ideal of sustainable processes and products must be engrained in our mindset – just as innovation and quality have been for many years. Through a responsible management of resource use and other sustainability issues, Datwyler believes that it will create added value for its customers, stand out from its competitors, become more attractive to employees and meet societal requirements.

FINANCIAL **SUCCESS**

The Datwyler Group strives for sustainably profitable growth for the benefit of all stakeholders. This ambition, together with the unique shareholder structure, provides the basis for ensuring the Group's independence as a business and helping it assume its social and environmental responsibilities.

The Datwyler Group takes a long-term view of things, as evidenced by its successful history dating back over 100 years. Several production facilities of the Datwyler Group have been located at the same sites for decades. In many cases, Datwyler ranks among the larger employers in the regions where its sites are based. This means Datwyler sites generate considerable direct and indirect benefits for industry in the region. Local municipalities also benefit from this indirect economic impact through things like training places and both the tax paid directly by Datwyler companies and the tax paid indirectly by employees.

Further increase in operating profitability

In the 2016 reporting year, the Datwyler Group increased its revenue year-on-year by 4.3 % to CHF 1'215.8 million (previous year: CHF1'165.2 million). Adjusted for positive currency and acquisition effects, organic growth of 1.4 % was achieved. Various one-off situations across both divisions restricted organic growth to this level. Thanks to effective cost control, the adjusted operating result (EBIT) increased to CHF 157.6 million, giving a record-high adjusted EBIT margin of 13.0 %. Including one-off costs from the Technical Components division and costs relating to the attempted acquisition of Premier Farnell, the reported EBIT figure was CHF 146.1 million (previous year: CHF 126.1 million), which equates to a reported EBIT margin of 12.0 %. As such, Datwyler was comfortably inside the EBIT target range of 10 % to 13 %. With an adjusted value of CHF 116.9 million, Datwyler also managed to improve the net result significantly compared with the previous year (CHF 82.2 million; see the Annual Report 2016, particularly pp. 1-5 and pp. 50–57).

2.2 billion

CHF is the revenue target for 2020.

Growth target for 2020: CHF 2 billion in revenue and an EBIT margin of between 12 % and 15 %

Datwyler is optimistic that the Group can accelerate the profitable growth trajectory. The Sealing Solutions division is benefiting from its strong positions in growing global market segments. In the medium term, the recently acquired new technologies will open up additional potential for development. In the Technical Components division, Datwyler is confident the measures implemented and introduced will make it possible to improve competitiveness and thereby also increase revenue and margins. At Group level, Datwyler is expecting to achieve revenue of between CHF 1250 million and CHF 1'350 million. And based on the fact that operating profitability remains strong, the target range for the EBIT margin was increased to between 11 % and 14 %. Looking ahead to 2020, the Datwyler Group is still aims to achieve revenue of CHF 2 billion and an EBIT margin of 12 % to 15 % by this time. The Group intends to secure half of the shortfall in revenue (based on this target) via acquisitions. With liquidity reserves (cash and cash equivalents plus unused credit limits) worth over CHF 650 million, Datwyler has the potential to finance the acquisitions it aims to make (see the Annual Report 2016, pp. 3–5). With a view to aligning the financial interests of the management and shareholders, the variable element of annual salary and the long-term participation scheme are linked to clear performance indicators and reward both long-term performance and sustainable success (see the Annual Report 2016, pp. 36–47).

Datwyler has commissioned its own mixing facility at the existing Chinese plant.

KEY POINTS IN BRIEF

- **The** 2016 reporting year saw revenue increase by 4.3 % to CHF 1'215.8 million and the adjusted EBIT margin reach a record 13.0 %.
- **For** 2017, Datwyler is expecting to achieve revenue of between CHF 1'250 million and CHF 1'350 million, based on a target range for the EBIT margin of 11 % to 14 %.
- **Looking** ahead to 2020, the Datwyler Group aims to achieve revenue of CHF 2 billion and an EBIT margin of 12 % to 15 % by this time.

HIGH
CLIENT SATISFACTION

Customers and their needs and requirements are at the heart of everything the Datwyler Group does. The only way a business can enjoy sustainable success is to make sure its customers are really satisfied. In fact two of the four corporate values come into play here: 'We are entrepreneurs' and 'We bring value to our customers'.

The decentralised management style at Datwyler encourages an entrepreneurial culture associated with short response times and the ability to make decisions that reflect the situation in the relevant market. In addition to actual products, Datwyler's comprehensive solutions also incorporate advice, development work and logistics.

System-critical sealing components

Through its Sealing Solutions division, Datwyler is a recognised development partner whose expertise in materials, engineering and production processes helps customers succeed in their markets. The sealing components produced for specific customers are certainly system-critical parts. These make a decisive contribution to ensuring systems function properly for customers in the global Health Care, Automotive, Civil Engineering and Consumer Goods market segments. The fact that several renowned companies have crowned Datwyler 'supplier of the year' or made it their preferred supplier underlines just how closely the business works with its customers. The Sealing Solutions division has some 800 customers with whom Datwyler maintains a close working relationship via its key account management concept. The ten biggest customers accounted for just short of 50 % of the division's revenue of CHF 753.3 million in the 2016 reporting year.

650'000
customers in the Technical Components division.

Time-critical electronic components

At the Technical Components division, Datwyler distribution companies stock over 250'000 products from the latest electronics range for their professional business-to-business customers and offer them both expert technical advice and rapid delivery of small orders. Having mastered these core competencies, Datwyler high-service distributors offer their customers – from the maintenance, repair and operation (MRO), automation, and electronic design engineering (EDE) sectors across Europe – a degree of 'added value' by meeting spontaneous re-

Those responsible for production and maintenance across a wide variety of industries trust the reliable service provided by Datwyler distribution companies.

Every second car in the world contains system-critical Datwyler sealing components that help to increase safety.

quirements for time-critical electronic components. The Technical Components division has over 650'000 customers who are mainly in contact with Datwyler distribution companies via the various online shops in 16 different languages. The ten biggest customers accounted for just short of 6 % of the division's revenue of CHF 462.6 million in the 2016 reporting year.

50 %

of revenue in the Sealing Solutions division is generated by the ten biggest customers.

Regular customer surveys

Datwyler conducts regular customer surveys to assess customer needs and satisfaction levels. The response rate is between 7 % and 30 %, with the rate for the sealing business (which has a lot of key accounts) higher than for the online distribution business (where customers are effectively anonymous). The concept behind the survey is based on the notion of benchmarking. Customer representatives are asked to nominate a competitor and rate Datwyler against this benchmark. On a scale of 1.0 to 4.0, all Datwyler market units exceed the average score of 2.5. The aim, however, is to achieve a score of at least 3.0 on average, which represents 'Slightly better than the benchmark', for all 20 or so indicators. The maximum score of 4.0 represents 'Much better than the benchmark'. In the last customer survey from autumn 2016, the Sealing Solutions division achieved a consolidated score of 2.91 (2015: 3.01), while the Technical Components division achieved a consolidated score of 2.98 (2015: 2.93). This means both narrowly missed the target score. The annual assessment from customers helps determine the bonus paid to management and the sales departments. The Technical Components division also uses the Net Promoter Score concept. Customers are asked to state, on a scale of 1 to 10 after completing a purchase, whether they would recommend the Datwyler distribution company to a colleague.

A systematic process of improvement

To ensure high levels of customer satisfaction for the future, Datwyler uses the results of customer surveys to devise and implement measures for improvement. These are part of the systematic management process and thereby help ensure the service customers receive keeps on getting better. It must be simple for existing and potential customers to do business with Datwyler. This is why the Group wants to develop an even better understanding of its markets' and customers' requirements and needs in future. The aim is to know what customers want from Datwyler before even they do. This kind of proactive approach will help Datwyler benefit from changes within the international supplier industry. Because customers in global market segments have been reducing the number of suppliers they use for some time now and tending to work more closely with those they retain.

KEY POINTS IN BRIEF

- **The** Sealing Solutions division, by providing system-critical and application-specific sealing components, helps its 800 or so customers worldwide enjoy success within their markets.
- **The** Technical Components division offers more than 650'000 customers a degree of 'added value' by meeting spontaneous requirements for time-critical electronic components.
- **An** annual standard customer survey provides the basis for continuous improvements to the service customers receive.
- **Regular** customer surveys provide a platform for ensuring high levels of customer satisfaction.

HIGH-QUALITY, SUSTAINABLE PRODUCTS AND SERVICES

The Datwyler Group stands for more than just its products. Across all parts of the business, the focus is on constantly improving the processes. The resulting expertise, which is growing all the time, is passed on to customers accordingly.

Top-quality standards and reliability represent significant success factors which clients really value in terms of their collaboration with Datwyler. This is also reflected in the corporate value of 'We excel in what we do'. The companies within the Datwyler Group are continuously investing in even better materials and process technologies, production equipment and testing methods.

Quality assurance through standardised processes

Corporate processes are based on the new production system at the Sealing Solutions division (see below) and the internationally recognised quality assurance systems. For example, all plants making products for the automotive industry are certified in accordance with ISO/TS 16949. The health care plants, with the exception of the US plant in Pennsauken, have ISO 15378 certification (Primary packaging materials for medicinal products). Automatic camera inspections and state-of-the-art clean room technologies, among other things, ensure impeccable quality for the billion plus components per year for the automotive industry and the 16 billion plus components for the health care industry. During development, certification and production, particular attention is paid to assessing the impact of all products on the health and safety of users. Standardised processes and specifications in line with industry standards, such as safety data sheets, are used in the procurement of new materials and substances. Again in the 2016 reporting year, the Datwyler Group did not record any incidents where provisions or voluntary rules of conduct relating to the impact of products and services on the health and safety of users were not complied with.

16 billion

components a year for the health care industry.

Statutory information obligations as minimum standards

Almost all Datwyler Group products are subject to statutory information obligations in the countries where they are used. Swiss and EU chemicals legislation and the EU REACH and RoHS regulations regarding the physical composition of products are of particular relevance. Laws and standards demand transparency regarding physical composition and also prohibit the use of certain materials. REACH (EU Regulation 1907/2006) governs the registration, assessment and approval of chemical substances within the European Union. REACH is important to both Datwyler divisions. RoHS (EC Directive 2002/95/EC) prohibits certain substances in the manufacture and processing of electrical and electronic devices and components. At Datwyler, RoHS is relevant to the Technical Components division. Datwyler high-service distributors are responsible for ensuring imported products comply with national laws and standards – while the range of over 250'000 products keeps changing and growing. They do this by issuing specifications and safety data sheets to suppliers and through product inspections. With Teco Asia, Datwyler has a procurement organisation – based in the Chinese city of Shenzhen – with around 40 of its own specialist employees. The Datwyler Sealing Solutions division satisfies the relevant statutory provisions and standards regarding the physical composition of products and transparency in the countries it serves by having standardised processes for the selection of raw materials and using safety data sheets for all products. Line functions involved in procurement and production are supported by a global quality assurance function with 17 employees and by a local team for each plant.

Datwyler production system for ensuring competitiveness

With a view to ensuring the business is competitive and equipped to cope with the increasing speed with which the requirements of global supply chains change, Datwyler started to introduce an integrated production system early in 2017. This is being used to develop uniform production processes for all plants in every continent. As a shared, long-term programme for continuous im-

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Awards for top quality and innovation

Datwyler picked up four awards for top quality and innovation during the 2016 reporting year. Pfizer, the renowned health care customer, recognised Datwyler with the 'Pfizer Quality Award 2015' for 'outstanding work, responsiveness and flexibility as regards quality and delivery'. Pfizer did not have a single complaint about any of the 997 deliveries made by Datwyler in 2015. As part of a new quality assurance programme, Pfizer conducts annual reviews of its main suppliers. Datwyler was declared to be the 'first-in-class supplier' in the category of packaging materials involving primary contact. ZF TRW and the South Korean automotive supplier Mobis also recognised Datwyler for its top quality. And the fourth award was the IQ Innovation Prize (Central Germany) for a new elastomer material with antimicrobial properties, making it possible to prevent the spread of bacteria and viruses in public buildings and public transport.

Production of high-quality health care components takes place under state-of-the-art clean room conditions.

provement, the Datwyler production system offers a framework for achieving operational excellence. For Datwyler, the quest for operational excellence means a safe workplace, no quality issues, deliveries on time, waste-free processes, environmental protection, and satisfied and empowered employees.

11'000

packages a day containing electronic components.

A vision of integrated product development

With a view to picking up on trends in technology and ensuring the business remains innovative, Datwyler also works with higher education institutions, international standardisation committees and independent testing bodies. And in future, Datwyler is keen to place more emphasis on 'Ecodesign' when developing products. This is particularly true of the Sealing Solutions division and includes developing environmentally friendly elastomer compounds, optimising design to save on materials, reducing process-related waste and using reusable or recyclable packaging and boxes. Currently, the types of pallets and boxes still varies significantly according to the industry of the customers. For example, while up to 50 % of pallets and boxes used for deliveries to automotive customers are already used several times, the figure for the health care sector remains below 10 %. It is also important to point out that non-reusable pallets and boxes are made of materials that customers can fully recycle (wood, cardboard, plastic). At the Technical Components division, Datwyler has identified the packaging of electronic components for delivery to customers as one of the core aspects of sustainability. Given that some components are very small and that more than 11'000 packages are sent every day, there is still significant room for improvement in this area.

KEY POINTS IN BRIEF

- → **Corporate** processes are based on the internationally recognised quality assurance systems and the new production system at the Sealing Solutions division.
- → **Thanks** to standardised processes and safety data sheets, Datwyler ensures its products comply with national laws and standards.
- → **In** future, Datwyler will be looking to promote 'Ecodesign' at the Sealing Solutions division and optimise packaging materials at the Technical Components division.
- → **Datwyler** picked up four awards for top quality and innovation during the 2016 reporting year.

Datwyler strives to define the most environmentally friendly materials possible when developing sealing components.

RESOURCE-FRIENDLY PRODUCTION

For the Datwyler Group, a responsible attitude to natural resources represents an important principle that is enshrined in both the corporate values and the Code of Conduct.

Most of the sealing and electronic components at the Datwyler Group are small parts used in clients' systems, products or equipment. For example, Datwyler sealing components are used in every second car worldwide or one in every five syringes. As for Datwyler electronic components, they can be found in, say, robots or control systems for smart home systems or production facilities.

Focus on own production plants

During their useful life, the direct environmental impact associated with Datwyler components is negligible. And even the environmental impact associated with the disposal of Datwyler components is negligible compared with our customers' systems, products or equipment. As such, it quickly became clear in the materiality analysis that, as regards responsible use of natural resources, the Datwyler Group's focus is on resource-friendly production. And while the Group still wants to keep growing of course, Datwyler also wants to reduce consumption of resources such as heating energy, electricity and water for each revenue unit at the same time. The same applies to the volume of waste produced at the plants. Unsurprisingly, the production-oriented Sealing Solutions division uses considerably more resources than the distribution business at the Technical Components division. Datwyler will continue to develop objectives for the use of resources over the next few years in addition to establishing and communicating quantitative goals. In doing so, the Group is making a contribution to achieving the UN Sustainable Development Goals.

77.8 million

CHF invested by the Datwyler Group in 2016.

Certified and integrated environmental management

The certified and integrated environmental management system provides the basis for optimising the use of resources. A number of Datwyler plants already have certification in accordance with the internationally recognised ISO 14001 standard. Other companies are striving to achieve ISO environmental certification. In Switzerland, the Sealing Solutions division plant has also been a member of the Energy Agency of the Swiss Private Sector (EnAW) since 2002. At the Sealing Solutions division, an overall Environment Health and Safety (EHS) Manager is responsible for coordinating issues relating to environmental management. This person is supported by a dedicated EHS officer at each plant. With the introduction of the integrated Datwyler Production System in spring 2017, environmental management will become an integral dimension of the drive for operational excellence. The other five dimensions are people, safety, quality, delivery and costs. The Production System enables Datwyler to develop uni-

KEY POINTS IN BRIEF

- **Environmental** management is focused on the business's own production plants.
- **Datwyler** environmental management is certified in accordance with ISO 14001 at the majority of plants and is integrated into the new production system.
- **Datwyler** is striving to reduce consumption per revenue unit of resources such as heating energy, electricity and water, as well as reducing the amount of waste.
- **In** the reporting year, Datwyler managed to reduce consumption of direct energy and water in both absolute and relative terms. It proved possible to keep the volume of waste per revenue unit constant, while electricity consumption increased.

form production processes for all plants in every continent (see also p. 12 'Sustainable quality products and services'). And even as part of its existing environmental management work, Datwyler is keen to optimise the use of resources and minimise any significant impact on the environment. The Group is constantly investing in the maintenance and modernisation of its production plants worldwide. In the reporting year, investments in property, plant and equipment amounted to CHF 77.8 million (previous year: CHF 59.5 million). The impact on the use of resources is also considered when any investments are made in equipment and buildings.

69.2 %
of waste is recycled.

Environmentally friendly component design

In addition to resource-friendly production, Datwyler also strives to define the most environmentally friendly materials and processes possible when developing sealing components. The idea is to reduce to a minimum the environmental impact of manufacturing, using and subsequently disposing of products (see also p. 12 'Sustainable quality products and services'). In several cases, the use of Datwyler seal components makes a direct contribution to environmental protection. Examples include seals for environmentally friendly natural gas drives and for technologies associated with the reduction of nitrogen oxide emissions from diesel vehicles in the automotive industry or facades and window profiles for improving insulation in buildings.

Higher energy consumption

While currency-adjusted revenue increased by 3.4 %, absolute energy consumption at the Datwyler Group increased during the reporting year by 8.3 % to 218'666 MWh (previous year: 201'945 MWh). Some 179'584 MWh or 82.2 % of this relates to indirect energy such as electrical power or district heating. During 2016, absolute electricity consumption increased by 10.2 %. One reason for this is the acquisition in September 2015 of O-ring manufacturer Origom, which was included in the figures for the first time. This equates to an increase of 7.0 % for every million Swiss francs of currency-adjusted revenue. There are various reasons why Datwyler did not achieve the target reduction in relative electricity consumption per revenue unit for 2016. One such reason was the commissioning of a mixing facility (owned by the business) at the production site in China. Although this reduces the volume of elastomer compounds bought in, it also involves an appreciable increase in electricity consumption. It is worth noting, however, that the new, modern Datwyler mixing facility operates more efficiently than that of the previous Chinese supplier. As for the Czech plant, the improvement in air quality provided by a new cooling and ventilation system also means more electricity is consumed. Then there are changes in the product mix, with greater emphasis on more energy-intensive components such as health care components from clean rooms. At 39'082 MWh or 17.8 %, process and heating energy from the burning of fuels such as heating oil or natural gas at the business's own sites accounts for a much smaller share of energy consumption. This consumption declined by 1.2 % in absolute terms compared with the previous year. For every million francs of currency-adjusted revenue, Datwyler managed to reduce fuel consumption by 4.5 % in 2016. This was helped by the fact the heating needed to be turned on for fewer days and by energy optimisation measures adopted previously.

Increase in CO_2 emissions

With a view to reducing energy consumption per revenue unit, Datwyler is also striving to reduce CO_2 emissions per revenue unit. CO_2 emissions from direct and indirect energy consumption are calculated by an external specialist on the basis of recognised emission factors

Datwyler strives to define the most environmentally friendly materials possible when developing sealing components.

At the Czech plant, Datwyler has improved air quality with a new cooling and ventilation system.

derived from reported energy volumes. Similar to the trend for energy consumption, Datwyler managed to reduce Scope 1 emissions from direct energy consumption slightly to 8'073 tonnes, while Scope 2 emissions from indirect energy consumption (associated with electricity consumption) increased to 79'333 tonnes. Overall, absolute CO_2 emissions at the Datwyler Group increased by 13 % to 87'406 tonnes (previous year: 77'230 tonnes). The disproportionately high increase can be explained by the growing production capacity at plants in China and India, which increase the average CO_2-intensity associated with the electricity consumed.

218'666

was the amount of energy consumed in 2016.

Decline in water consumption

Absolute water consumption at the Datwyler Group declined compared with the previous year by 6.3 % to 2.1 million m³ (previous year: 2.3 million m³). The reduction for every million Swiss francs of currency-adjusted revenue was 9.4 %. The main reason for the reduction are changes in the product mix associated with the decline in revenue within the Civil Engineering market segment, where profiles are cooled in the water bath. Datwyler has also improved the cooling system at the Korean site. The high water consumption at the Sealing Solutions division reflects the specific requirements of production processes. Particularly water-intensive are the cooling of sealing profiles used for construction and civil engineering applications, the washing of health care components, and the cooling equipment used for manufacturing in the Consumer Goods segment. The water demand at the Swiss production site of over 900'000 m³ (accounting for over 40 % of water consumption across the Group) is largely covered by process water. In the reporting year, Datwyler invested CHF 3.7 million in a new, ecological cooling system at the Swiss site. The use of groundwater for air conditioning, ventilation and processes will reduce future electricity demand significantly compared with a conventional solution based on chillers.

i

Annual saving of 3'600 tonnes of CO_2

The Swiss production site of the Sealing Solutions division provides a good example of how to use natural resources responsibly. Since the end of 2012, Datwyler has only been sourcing environmentally friendly electricity for the site – generated entirely from hydropower and originating from power plants with 'naturemade basic' certification belonging to the local electricity provider. This means more than 10 % of the electricity consumed across the Group comes from environmentally friendly hydropower. The resulting reduction in CO_2 emissions amounts to around 2'300 tonnes a year. The Swiss production site has been sourcing process and heating energy from a nearby wood-fired heating plant since as long ago as 2008. This allows Datwyler to save around 500'000 litres of heating oil a year and reduce annual CO_2 emissions by another 1'300 tonnes or so a year.

Volume of waste per revenue unit remains constant

The volume of waste at Group level increased in the reporting year in line with currency-adjusted growth in revenue by 3.5 % to 14'133 tonnes (previous year: 13'661 tonnes). The increase in the volume of waste was disproportionately low at the Sealing Solutions division, but disproportionately high at the Technical Components division as a result of one-off inventory adjustments. The recycling rate for the Group increased from 64.2 % to 69.2 %. This is a consequence of the efforts made at the Sealing Solutions division to find buyers for the process-related elastomer waste. The elastomer material concerned, which is of perfectly good quality, is used, for example, to manufacture floor coverings for sports facilities. But Datwyler also has a vested interest in achieving ongoing reductions in process-related elastomer waste by continuously looking to improve both production processes and the way components are engineered. This can save both costs and resources. At the Technical Components division, the recycling rate was slightly down in the reporting year but remained high at over 90 %.

SUMMARY OF **RESOURCE CONSUMPTION** [1]

		SEALING SOLUTIONS			TECHNICAL COMPONENTS			GROUP		
	Unit	2016 [2]	2015		2016 [2]	2015		2016 [2]	2015	
Net revenue	million CHF	741,6	698,4	+ 6,2 %	455,6	459,3	– 0,8 %	1 197,2	1 157,6	+ 3,4 %
Energy										
Total energy consumption	MWh	212 890	196 771	+ 8,2 %	5 776	5 174	+ 11,6 %	218 666	201 945	+ 8,3 %
Heating fuels	MWh	37 287	37 861	– 1,5 %	1 795	1 708	+ 5,1 %	39 082	39 569	– 1,2 %
Energy generated externally	MWh	175 603	158 910	+ 10.5 %	3 981	3 466	+ 14.9 %	179 584	162 376	+ 10.6 %
of which electricity	MWh	170 700	154 426		3 981	3 466		174 681	157 892	
of which district heating	MWh	4 903	4 484		0	0		4 903	4 484	
Total energy consumption per net revenue	MWh / million CHF	287,1	281,8	+ 1,9 %	12,7	11,3	+ 12,5 %	182,6	174,5	+ 4,7 %
Greenhouse gas emissions CO_2 [3]										
Total emissions	tonnes	85 560	75 611	+ 13,2 %	1 847	1 619	+ 14,1 %	87 406	77 230	+ 13,2 %
of which Scope 1	tonnes	7 711	7 889		363	345		8 073	8 234	
of which Scope 2	tonnes	77 849	67 721		1 484	1 274		79 333	68 996	
Total emissions per net revenue	tonnes / million CHF	115,4	108,3	+ 6,6 %	4,1	3,5	+ 15,0 %	73,0	66,7	+ 9,4 %
Water										
Drinking / industrial water consumption	m³	2 117 336	2 260 017	– 6,3 %	6 625	5 607	+ 18,2 %	2 123 961	2 265 624	– 6,3 %
Water consumption per net revenue	m³ / million CHF	2 855,1	3 236,1	– 11,8 %	14,5	12,2	+ 19,1 %	1 774,1	1 957,2	– 9,4 %
Waste										
Total waste	tonnes	13 191	12 907	+ 2,2 %	943	754	+ 25,1 %	14 134	13 661	+ 3,5 %
of which regular waste	tonnes	12 416	12 244		943	754		13 359	12 998	
of which special waste	tonnes	775	663		0	0		775	663	
Proportion of waste sent for recycling	%	68 %	63 %	+ 8,1 %	91 %	93 %	– 2,4 %	69 %	64 %	+ 7,7 %
Total waste per net revenue	tonnes / million CHF	17,8	18,5	– 3,8 %	2,1	1,6	+ 26,1 %	11,8	11,8	+ 0,0 %

[1] The focus is on 17 plants of the Sealing Solutions division and three distribution centres of the Technical Components division. This enables Datwyler to cover, at Group level, more than 98 % of resource consumption and waste and more than 90 % of the workforce. For newly acquired companies, resource consumption and net revenue are taken into account in the first full calendar year.

[2] Net revenue for 2016 is adjusted for currency effects at 2015 exchange rates. Internal revenue between the two divisions is eliminated at Group level.

[3] The CO_2 emissions are reported as direct (Scope 1) emissions, resulting from the combustion of fossil fuels at the Group's own facilities, and indirect (Scope 2) emissions, caused for example by the consumption of electricity and district heating. The CO_2 emissions from electricity consumption have been calculated using the so-called market-based approach. This value is also similar to those generated using a location-based approach.

SAFE WORKPLACE

Employee health and safety are key concerns for Datwyler. This is why the management assigned a high level of importance to this topic in the materiality analysis and placed it in the 'Strategic focus' category accordingly.

Datwyler is pursuing a vision of accident- and injury-free production plants and distribution centres. This is why the Group and those responsible under the Code of Conduct are committed to ensuring a safe and healthy working environment and providing employees with regular training. This applies to the technical planning of workplaces, facilities, and processes, and also to safety management and people's individual behaviour as they go about their day-to-day work.

Accident-related absences within 'good practice' standards
Given that the Sealing Solutions division is involved in the industrial manufacture of elastomer seals, the risk of accidents is higher than at the Technical Components division, which operates as a high-service distributor. This difference in the potential risk was also evident in the 2016 reporting year, with the trade-based side of the business recording no days of absence due to workplace accidents. The equivalent figure for the Sealing Solutions division was 1'744 days' absence. Expressed per full-time equivalent, this figure equates to 0.25 days' absence for the year as a whole at Group level. This figure is exactly equal to the 'Good Practice' figure quoted by SUVA, the Swiss Accident Insurance Fund. A bigger concern than accident-related absence is absence due to illness. Days of absence due to illness for the Sealing Solutions division amounted to 33'301 in the reporting year, with the Technical Components division clocking up 10'754 days. At Group level, this equates to 6.25 days' illness per full-time equivalent. This figure is negatively affected by longer periods of absence. The data covers all Datwyler Group employees at all sites, including temporary staff.

KEY POINTS IN BRIEF

- → **Regular** audits and training courses help raise awareness of workplace safety among the management and employees.
- → **In** the reporting year, Datwyler recorded 6.25 days' absence per full-time equivalent due to illness and 0.25 days' absence per full-time equivalent due to workplace accidents.

Audit and production system at Sealing Solutions
At the Sealing Solutions division, an overall Environment Health and Safety (EHS) Manager is responsible for coordinating issues relating to workplace safety. This person is supported by a dedicated EHS officer at each plant. Regular audits at the 18 production plants help raise awareness among the management and employees. The overall EHS Manager also records the findings from audits and individual accidents in a central database so all plants can learn from each other. With the introduction of the integrated Datwyler Production System in spring 2017, workplace safety will become an integral dimension of the drive for operational excellence. The other five dimensions are people, safety, quality, delivery and costs. The Production System enables Datwyler to develop uniform production processes for all plants in every continent (see also p. 12 of the 'Sustainable quality products' text).

There are clear safety regulations for workplaces with potential risks.

The decentralised management style at Datwyler encourages employees to show entrepreneurial initiative.

ATTRACTIVE EMPLOYER AND EMPLOYEE ENGAGEMENT

For the Datwyler Group to enjoy future success in international industrial markets, it is particularly important to have a staff of qualified and committed employees. This is why the business places special emphasis on fair and secure working conditions, on in-depth training and development, and on a corporate culture that people can really identify with. All of this is based on the corporate values of 'We are entrepreneurs' and 'We have respect for others'.

The companies within the Datwyler Group are keen to promote equal opportunities, equality of treatment, and fair conditions of employment, as well as paying fair wages and offering social security benefits in line with the relevant country and sector.

Fair conditions of employment

Personnel costs, including social security benefits, amounted to CHF 311.9 million in the reporting year. Operational measures take account of employees' needs, with efforts made to maintain a constructive dialogue with staff representatives within the business. Datwyler does not tolerate any discrimination, humiliation, oppression, harassment or insults relating to anyone's gender, origins, nationality, culture, religion or colour. This is clearly laid down in the Code of Conduct, with punishments ranging from sanctions to dismissal. Again in 2016, the Compliance Officer (currently the CFO) received no reports of alleged discrimination within Datwyler companies. And by continually supporting and raising awareness among managers, Datwyler is playing its part in furthering gender equality at work.

312 million

CHF were spent on personnel costs in 2016, including social security benefits.

Promoting entrepreneurial initiative

Management at the Datwyler Group takes the form of objectives, which are broken down and assigned to the various levels within the hierarchy. This ensures responsibility for achieving objectives is delegated down to the lowest possible level, as well as allowing Datwyler to promote entrepreneurial initiative and customer focus right across the business. This delegation of responsibility for management includes a feedback circuit to measure whether and to what extent objectives are being met. Important tools for this purpose are regular surveys of both customers and employees. At an individual level, the systematic performance review process constitutes an im-

portant aspect of management. One of Datwyler's stated objectives is for all employees – in addition to any regular dialogue – to have an official progress appraisal with their line manager at least once a year. This involves assessing past performance and setting objectives for the future working relationship. A software solution ensures discussions with employees are prepared, conducted and documented with a degree of structure. Around 50 % of employees receive part of their salary as a variable amount that depends on defined personal and corporate objectives being met. Line functions are supported, in terms of staff management, by a personnel function based on a local team for each site. Coordination at Group level is ensured by the Corporate HR function. In order to support the growth strategy, Datwyler is looking to introduce a Group-wide standard software for uniform execution of all personnel functions. Among other things, this includes recruitment, onboarding, development, talent management, succession planning, objective setting, performance appraisal, and personnel administration using standard data.

KEY POINTS IN BRIEF

Datwyler does not tolerate any form of discrimination, and this is laid out and made binding in the Code of Conduct.

- → **The** decentralised management style at Datwyler encourages an entrepreneurial culture.
- → **With** a view to bringing on tomorrow's managers, Datwyler adopts a systematic approach to talent management and runs an internal development programme.
- → **Datwyler** conducts a standard Group-wide employee survey every other year.
- → **The** headcount increased to 7'312 people in the reporting year, 36 % of whom live in Asia.

Competence driven by development

The markets in which the Datwyler Group is active require employees with in-depth training who also have access to continuous development. Development programmes designed to bring on employees' technical and social skills are supported down the various levels of the hierarchy. The 80 plus apprenticeships offered by Datwyler Group companies are just one example of the efforts made to train young professionals. The top rankings regularly achieved by apprentices in national competitions are testament to the high level of technical training provided. With a view to bringing on tomorrow's managers, the Datwyler Group adopts a systematic approach to talent management and a runs a Group-wide development programme with three levels (Basic, Advanced and Strategic Leadership). The focus of Basic Leadership programmes, which are held locally, is the development of self-competence and competence as an employee. The Advanced Leadership programme sees future managers focus on various management skills and learn how to encourage a team and shape it to reflect shared objectives. The Strategic Leadership programme gives those taking part a better grasp of business – through case studies and simulated business scenarios among other things – and equips them to lead strategic decision-making processes at the very highest level of an organisation.

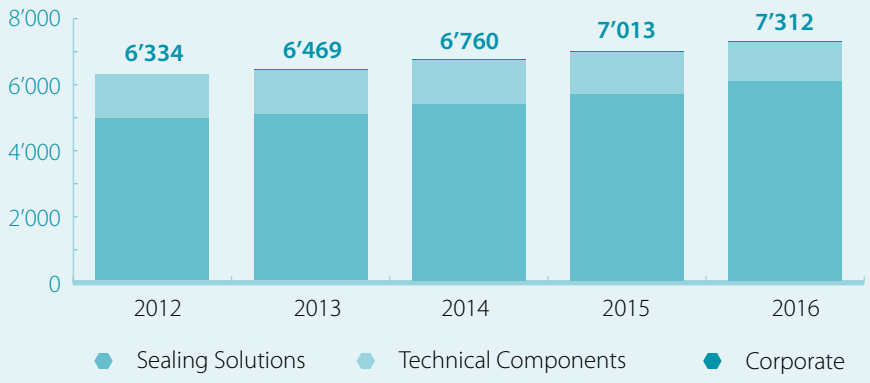
78 %

of employees have a high level of commitment.

Employee survey to increase engagement

The Datwyler Group conducts a standard Group-wide employee survey every other year. This takes the form of a questionnaire in 19 languages and is rolled out in collaboration with an external specialist, which ensures the identity of employees remains anonymous. For the last survey in autumn 2016, the response rate was 89 % for the Sealing Solutions division and 79 % for the Technical Components division. The target is 80 %. In addition to the detailed results for the 50 or so questions, the survey also provides an overview of employee commitment levels through a representative statistical analysis. For example, as of autumn 2016, 78 % of employees in the Sealing Solutions division (2014: 72 %) and 79 % of those in the Technical Components division (2014: 79 %) were found to have a high level of commitment. These values are close to the target of 80 %, which is also considered 'good' when benchmarked against other international industrial concerns. The score for whether staff would recommend Datwyler as an employer to others – at 68 % (2014: 70 %) for the Sealing Solutions division and 62 % (2014: 70 %) for the Technical Components division –

HEADCOUNT



The number of employees has continually increased as a result of acquisitions and an increase in the number of sites in low-wage countries.

Datwyler used its centenary in 2015 as an opportunity to advertise worldwide the values it has developed throughout its history.

remains below the target of 73 %. The sharp drop for the Technical Components division must be seen against the background of two national warehouses being relocated to a central distribution centre for the European market towards the end of 2014 and the end of 2015. The survey results provide a valuable platform for devising and implementing measures to improve the situation. Measures to increase employee commitment are part of the systematic management process. The employee commitment figure, surveyed every two years, helps determine the bonus paid to senior management.

40.2 %

is the proportion of women in the Datwyler workforce.

Composition of the workforce

The workforce at the Datwyler Group continued to grow in the 2016 reporting year. This was partly due to an increase in the headcount at sites located abroad as a result of organic growth within the Sealing Solutions division. Another factor was the 227 German employees joining the Sealing Solutions division at the start of October 2016 with the purchase of Ott. Overall, the Datwyler Group employed 7'312 employees (previous year: 7'013 employees) in 28 countries at the end of the year – including those on fixed-term employment contracts – with 36 % in Asia, 10 % in North and South America, and 54 % in Europe. This equates to 7'068 full-time equivalents (previous year: 6'773 full-time equivalents) at the end of the year. Expressed as an annual average, 381 employees or 5.2 % were employed on a part-time basis. The number of employees on fixed-term employment contracts was 632 or 8.7 % of the workforce. The proportion of women in the overall workforce was 40.2 %, while the proportion of women in senior positions was 16.6 %. Based on 7'056 people, the average number of full-time equivalents for the year, revenue per full-time equivalent was CHF 172'309 in 2016. This figure is influenced by the fact that the Sealing Solutions division continues to step up its use of production plants in Asia, where revenue per employee is lower than in Western countries. The staff turnover rate for the Datwyler Group was 16.2 % in the reporting year. This too is significantly influenced by the setting up and expansion of production sites in low-wage countries, where staff turnover tends to be higher generally. Turnover is calculated by dividing the number of those leaving voluntarily by the average headcount for the year (not including fixed-term employment contracts). In future, Datwyler will be recording, at all sites, the gender, age and job category of any employee leaving as a matter of course.

i

A responsible employer

At the Silao site in Mexico, Datwyler is taking part in a regional initiative to integrate people with disabilities into the world of work. This project promotes a feeling of belonging at the departments concerned and provides all employees – whether disabled or not – with enriching experiences. In Korea, Datwyler is offering students from low-income families the chance of a placement. This practical experience will improve the students' prospects in the employment market. At the Kesurdi site in India, Datwyler funded renovation work at the local nursery in the reporting year. As well as the classrooms, the sanitary facilities and drinking water supply in particular were also significantly improved.

SUSTAINABLE **SUPPLY CHAINS**

The two Datwyler divisions have very different business models. At the Sealing Solutions division, Datwyler develops and produces application-specific seal components for 800 or so customers. At the Technical Components division, Datwyler acts as a high-service distributor of electronic components for more than 650'000 anonymous customers (see also p. 10 of the text on strong customer satisfaction).

The differences between the respective business models and customer structures are mirrored by differences in supplier structures and procurement processes at the two divisions. But when it comes to ethical business practices, the different business models and procurement processes at the two divisions are pretty much irrelevant.

Standard Supplier Code of Conduct

The Datwyler Group has had a standard code of conduct for suppliers since early 2014 (www.datwyler.com/en/governance/code-of-conduct). This is largely based on the globally accepted principles set out in the UN Global Compact and applies to all suppliers, advisors, representatives and partners of the Datwyler Group. Datwyler does not tolerate any kind of arrangements, bribery or corruption (see also p. 24 of the text on ethical business practices). To promote ethically sound collaboration, Datwyler offers its suppliers an email address for compliance issues, which is managed by the internal audit department. No reports were received during the reporting year. The Supplier Code of Conduct is monitored as part of the quality assurance systems. Datwyler also checks up on sustainability issues during the regular assessments of suppliers, with the focus on suppliers from regions or sectors that represent more of a risk or whose size means they do not have their own sustainability management programme or related reporting. Datwyler expects all suppliers to sign up to the Supplier Code of Conduct as a matter of course. Exemptions are only allowed if suppliers are members of the UN Global Compact or have their own official code of conduct which incorporates the principles of the UN Global Compact.

50'000

tonnes of raw materials at the Sealing Solutions division.

Raw materials at the Sealing Solutions division

At the Sealing Solutions division, Datwyler mainly buys raw materials such as elastomer materials, plastics, metals and operating materials. These 50'000 plus tonnes of raw materials a year are turned into customer-specific sealing components at 18 of the business's own production plants in Europe, Asia and the NAFTA area. In order to keep providing its customers with supplies, Datwyler relies in turn on a dependable supply of raw materials. With this in mind, the Sealing Solutions division works with around 400 suppliers of raw materials worldwide. A good 40 % of the CHF 244.6 million worth of material the business bought in during the 2016 reporting year was sourced from the ten biggest suppliers. These and other important suppliers of raw materials are major international companies which manage their own supply chains

Datwyler distribution companies give around 2'000 suppliers access to over 650'000 customers.

Whenever practical and possible, Datwyler buys in bulk and uses environmentally friendly means of transport.

in a professional manner. Some also compile their own sustainability reports and are members of the UN Global Compact. Geographically speaking, some 70 % of raw materials come from Europe, while 20 % and 10 % come from Asia and the USA respectively. Overall, 1'800 or so suppliers and service providers invoice the Sealing Solutions division for more than CHF 10'000 a year. The procurement function is divided into a global team with seven employees and a local team at each plant. Datwyler takes action at various levels to reduce the environmental impact from the procurement of raw materials. Whenever practical and possible, the company has raw materials delivered in large volumes by dry-bulk tankers, which cuts down on packaging materials significantly. About a third of raw materials are delivered in boxes on pallets, which suppliers reclaim and use again. There are also non-reusable pallets and boxes made of materials sent for full recycling via disposal companies (wood, cardboard, plastic).

3'600

companies act as suppliers to the Datwyler Group.

Electronic components at the Technical Components division

At the Technical Components division, Datwyler distribution companies procure high volumes of components and accessories for maintenance, automation, electronics and ICT applications and offer their customers a range of articles that currently exceeds 250'000 items. This means the Technical Components division has to work with around 2'000 suppliers worldwide. Around 14 % of the CHF 319.1 million worth of material bought in during the 2016 reporting year was sourced from the ten biggest suppliers. The suppliers constitute a diverse group consisting of product manufacturers, wholesalers and service providers. Some of these are renowned international companies which manage their own supply chains in a professional manner. Some also compile their own sustainability reports and are members of the UN Global Compact. Product manufacturers benefit from working with Datwyler distribution companies in the form of fast access to markets and a large pool of customers. The two Datwyler high-service distributors known as Distrelec and Reichelt source around two-thirds of everything they buy in from product manufacturers directly. They procure about 95 % of what they buy in from within Europe. By contrast, the Datwyler company Nedis, a consumer electronics wholesaler, procures about two-thirds of its requirements from Asian suppliers. Product manufacturers account for about 80 % of procurement at Nedis. This is due to the fact that Nedis outsources the manufacture of its own brands to Asia. With Teco Asia, Datwyler has a procurement organisation – based in the Chinese city of Shenzhen – with around 40 of its own specialist employees. Working locally, they ensure the Chinese contract manufacturers comply with the relevant specifications and quality requirements.

KEY POINTS IN BRIEF

- → **Datwyler** has a standard, binding code of conduct for suppliers which is monitored as part of the quality assurance systems.
- → **Datwyler** does not tolerate any kind of arrangements, bribery or corruption.
- → **At** the Sealing Solutions division, Datwyler procures over 50'000 tonnes of raw materials a year from around 400 suppliers, around 70 % of whom are based in Europe.
- → **At** the Technical Components division, Datwyler distribution companies procure electronic components from some 2'000 product manufacturers and wholesalers, around 80 % of whom are based in Europe.

As a listed company, Datwyler is transparent about its business and makes information public.

a copy of the Code of Conduct and understand the principles involved, that any violations of the Code of Conduct have been reported, that the processes and procedures for ensuring compliance with the Code of Conduct are regularly reviewed and adapted, and that they are aware of the main risks for their area of responsibility as regards 'compliance and fraud' and monitor these via suitable processes and checks. Based on the compliance reporting process, no complaints relating to anti-competitive conduct or the forming of anti-competitive cartels or monopolies were filed against Datwyler in 2016 either. And no significant fines or non-monetary penalties for infringements of legal provisions were imposed on Datwyler in the reporting year. The confirmation of compliance from subsidiaries is checked for accuracy by the internal audit department as part of its inspection work (for information on the internal audit department, see also p. 26 of the Annual Report 2016).

Zero tolerance objectives

Datwyler underlines its high standards in terms of ethically sound business practices with its zero tolerance objectives. The Group does not wish to be involved in any cases of corruption and is keen to avoid any justified legal action against Group companies. The Code of Conduct should also form an integral part of every person's employment contract, and each employee should be familiar with its content. Each employee is obliged to report any circumstances that suggest a violation of the Code of Conduct. The points of contact for this purpose are an employee's direct line manager, the manager responsible, the personnel department responsible or the Group Compliance Officer (currently the Group Chief Financial Officer). The Datwyler Group also offers its employees a free worldwide whistle blower hotline for reporting violations of the Code of Conduct. Details of the whistle blower hotline are displayed at all sites, and the facility itself is well established. Reports are forwarded directly to the internal audit department. Each report is treated as confidential in accordance with the relevant data protection provisions and investigated conscientiously. Most reports do not stand up to detailed scrutiny or can be resolved locally with the Group Compliance Officer acting as intermediary. In the reporting year, six reports contained concrete evidence of potential irregular conduct, with one report leading to consequences for certain personnel. Datwyler uses the findings of these incidents to improve and further develop its processes and guidelines. To help promote ethically sound collaboration, Datwyler also offers its suppliers an email address for compliance issues, which is also managed by the Group's internal audit department. No reports were made during the reporting year.

KEY POINTS IN BRIEF

- → **Datwyler** has been a member of the UN Global Compact since as early as 2009 and has a Group-wide binding code of conduct for employees and suppliers.
- → **Any** kind of discrimination, bribery or corruption is strictly forbidden.
- → **A** standardised compliance reporting process ensures the individual subsidiaries implement the Code of Conduct.
- → **Whistle** blower hotlines are available for employees and suppliers to report improper conduct.

GRI **CONTENT INDEX**

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2. Strategy		
102-14	Statement by the CEO regarding the importance of sustainability Letter to the shareholders in the Annual Report	p. 5 AR S. 3–5
3.Ethics and integrity		
102-16	Values, principles, standards and norms of behaviour Our values are based on 100 years of success as a company, see also http://www.datwyler.com/en/governance/values There has been a binding code of conduct for employees since 2008 and one for suppliers since early 2014. The Datwyler Group has been a member of the UN Global Compact since 2009 and has been reporting in line with the GRI (Global Reporting Initiative) since 2009 and the CDP (Carbon Disclosure Project) since 2013. There is also an annual compliance reporting process.	p. 3, 5, 24–25
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102-18	Governance structure	AR p. 22–33

5. Stakeholder engagement		
102-40	List of stakeholder groups Customers, the environment, employees, shareholders, suppliers and the communities in which the Datwyler Group companies have often been long established and promote regional development as reliable employers and partners.	
102-41	Collective bargaining agreements 72.7 % of all employees are covered by collective agreements (or collective bargaining agreements)	
102-42	Identifying and selecting stakeholders The Datwyler Group places great emphasis on respecting and engaging in an open and honest dialogue with all stakeholders who play a role in our business success and who are significantly affected by our business operations.	
102-43	Approach to stakeholder engagement The following regular processes are intended to improve stakeholder engagement: supplier evaluations, customer surveys, employee surveys. The various sites also maintain regular contact with representatives from local authorities and the government.	
102-44	Key topics and concerns raised Price, quality, delivery times, conditions of employment, wages and increasingly the environment and social aspects too (compliance) by shareholders/investors and customers. Concerns are addressed and action taken accordingly where this makes sense.	

6. Reporting practice		
102-45	Entities included in the consolidated financial statements If not stated otherwise, all entities in the Datwyler Group, incl. Technical Components and Sealing Solutions	
102-46	Defining report content and topic boundaries	p. 8
102-47	List of key topics	p. 8
102-48	Restatements of information None	
102-49	Changes in reporting This was the first time Origom (acquired in September 2015) was taken into account for the full calendar year. Ott (acquired in October 2016) was not taken into account for the purpose of resource consumption.	p. 17
102-50	Reporting period 1.1.2016 – 31.12.2016	
102-51	Date of most recent report 21.3.2016	
102-52	Reporting cycle Annually	
102-53	Contact point for questions regarding the report	p. 32
102-54	Claims of reporting in accordance with the GRI Standards This report has been prepared in accordance with the GRI Standards: core option	
102-55	GRI Content Index	p. 26
102-56	External assurance No external assurance	

MATERIAL TOPICS

Disclosure	Content/Reference	Page*	Reasons for omission
Economic Topics			
Economic Performance			
103	Management Approach	p. 9	n/a
201-1	Direct economic value generated and distributed	AR cover	
201-3	Defined benefit plan obligations and other retirement plans	AR p. 67–68	
Indirect Economic Impacts			
103	Management Approach	p. 9	n/a
203-2	Significant indirect economic impacts	p. 9	
Anti-Corruption			
103	Management Approach	p. 22–23	n/a
205-2	Communication and training about anti-corruption policies and procedures	p. 22–23	
205-3	Confirmed incidents of corruption and actions taken No incidents in the reporting year	p. 22–23	
Anti-Competitive Behaviour			
103	Management Approach	p. 22–23	n/a
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	p. 22–23	
Environmental Topics			
Energy			
103	Management Approach	p. 15	n/a
302-1	Energy consumption within the organisation	p. 17	
302-3	Energy intensity	p. 17	
302-4	Reduction of energy consumption	p. 15	
Water			
103	Management Approach	p. 16	n/a
303-1	Water withdrawal by source	p. 16–17	
Emissions			
103	Management Approach	p. 15–16	n/a
305-1	Direct (Scope 1) GHG emissions	p. 17	
305-2	Indirect energy-related (Scope 2) GHG emissions	p. 17	
305-4	GHG emissions intensity	p. 17	
305-5	Reduction of GHG emissions	p. 16	
Effluents and Waste			
103	Management Approach	p. 16	n/a
306-2	Waste by type and disposal method	p. 16–17	
Environmental Compliance			
103	Management Approach	p. 23	n/a
307-1	Non-compliance with environmental laws and regulations No significant fines or non-monetary penalties for infringements of legal provisions were imposed on Datwyler in the reporting year.	p. 23	

Social Topics			
Employment			
103	Management Approach	p. 21	n/a
401-1	New employee hires and employee turnover	p. 21	Subdivision by gender, age group and employee category not currently possible
Occupational Health and Safety			
103	Management Approach	p. 18	n/a
403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	p. 18	
Training and Education			
103	Management Approach	p. 19–20	n/a
404-2	Programmes for upgrading employee skills and transition assistance programmes	p. 19–20	
404-3	Percentage of employees receiving regular performance and career development reviews	p. 19–20	
Diversity and Equal Opportunity			
103	Management Approach	p. 21	n/a
405-1	Diversity of governance bodies and employees	p. 21	Subdivision by age group not currently possible
Non-Discrimination			
103	Management Approach	p. 19	n/a
406-1	Incidents of discrimination and corrective actions taken No incidents in the reporting year	p. 19	
Child Labour			
103	Management Approach	p. 22–23	n/a
408-1	Operations and suppliers at significant risk of incidents of child labour In its Code of Conduct established in 2008 and with its participation in the UN Global Compact, the Datwyler Group has committed itself to protecting human rights. This means that all legal entities categorically reject the use of child labour. In the reporting year, no sites or suppliers were identified where child labour represents a significant risk.		
Forced or Compulsory Labour			
103	Management Approach	p. 22–23	n/a
409-1	Operations and suppliers at significant risk of incidents of forced or compulsory labour In its Code of Conduct established in 2008 and with its participation in the UN Global Compact, the Datwyler Group has committed itself to protecting human rights. This means that all legal entities categorically reject the use of forced or compulsory labour. In the reporting year, no sites or suppliers were identified where forced or compulsory labour represents a significant risk.		

Human Rights Assessment			
103	Management Approach	p. 22–23	n/a
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	p. 22–23	
Supplier Social Assessment			
103	Management Approach	p. 24–25	n/a
414-1	New suppliers that were screened using social criteria	p. 24–25	
Customer Health and Safety			
103	Management Approach	p. 12–13	n/a
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	p. 12–13	
Marketing and Labelling			
103	Management Approach	p. 12–13	n/a
417-1	Requirements for product and service information and labelling	p. 12–13	
Compliance			
103	Management Approach	p. 22–23	n/a
419-1	Non-compliance with laws and regulations No significant fines or non-monetary penalties for infringements of legal provisions were imposed on Datwyler in the reporting year.	p. 23	
Company-Specific Topics			
103	Management Approach	p. 10–11	n/a
	Strong customer satisfaction	p. 10–11	n/a

* Page(s) in this report or in the Annual Report (AR = Datwyler Annual Report 2016)

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