



# **SUSTAINABLE GROWTH – FOR MORE THAN 100 YEARS**

Sustainability Report 2017

# 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 some CHF 1'300 million.

**1'300 million**

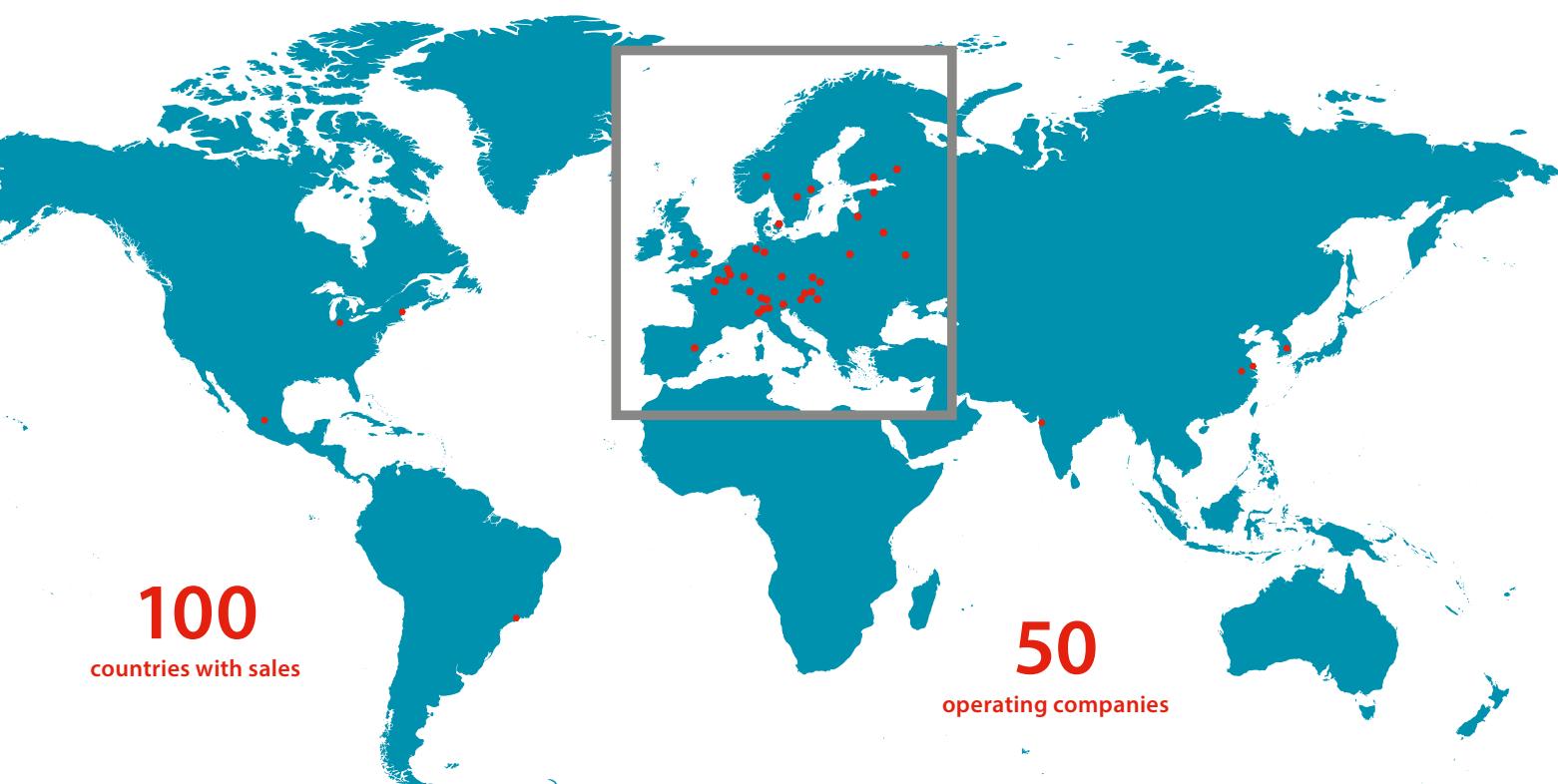
Swiss francs in annual revenue

**7'600**

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

Development and production of system-critical and customer-specific sealing components

Automotive, Health Care, Civil Engineering, Consumer Goods

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.

Leading expertise in materials, engineering and manufacturing processes.

Worldwide presence with its own manufacturing plants in Europe, Asia and the NAFTA area.

Datwyler

833 million Swiss francs in annual revenue, 800 customers, 6'300 employees, 18 locations

### BUSINESS MODEL

## TECHNICAL COMPONENTS DIVISION

High-service distribution for time-critical electronic components

### MARKET SEGMENTS

Maintenance, Repair, Operations (MRO), Automation, Electronic Design Engineers (EDE), Wholesale consumer electronics

### 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)

### 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.

### GEOGRAPHY

Europe, using its local presence to stand out

### BRANDS

Distrelec, Reichelt, Nedis

### KEY FIGURES

459 million Swiss francs in annual revenue, 650'000 customers, 1'100 employees, 30 locations



## 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](http://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.

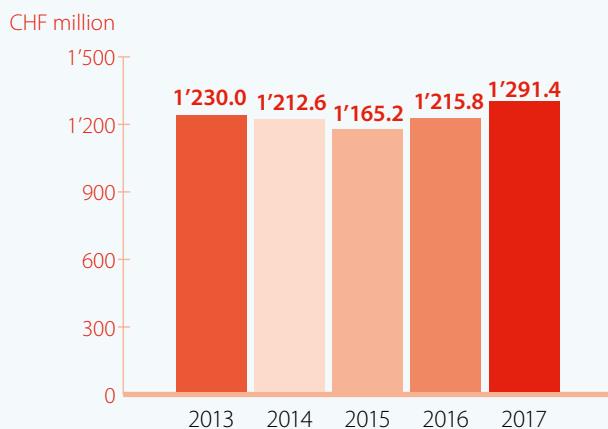
Regular surveys of customers, suppliers and employees provide the basis for our process of continuous improvement. As far as our suppliers are concerned, we have set out our requirements in a dedicated code of conduct based on the UN Global Compact. Furthermore the Datwyler Group reports its greenhouse 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.

A handwritten blue signature in cursive script, which appears to read "Dirk Lambrecht".

**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 Maagtechnic (sold on 1 April 2014).



**69,7 %**  
of Datwyler's waste  
is sent for recycling.



**60.6 %**  
of employees  
are men



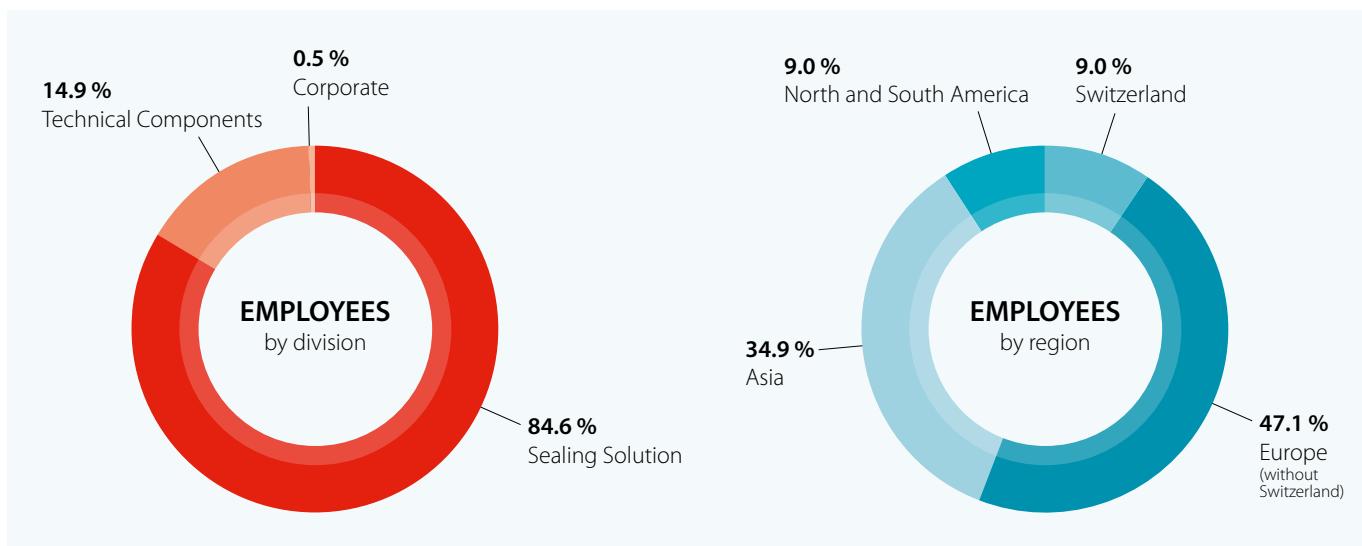
**39.4 %**  
of employees  
are women

## ENERGY CONSUMPTION

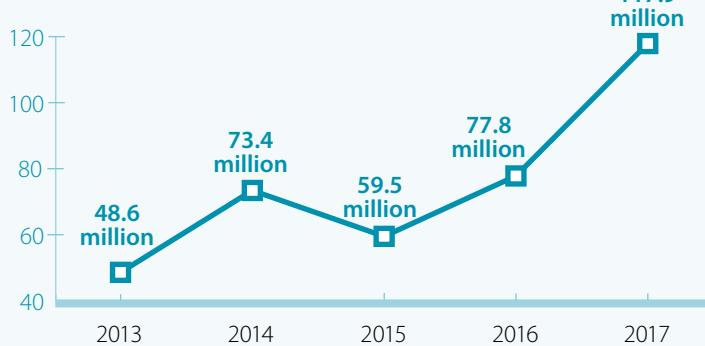


- District heating
- Electricity
- Heating fuels

One reason for the increase in absolute energy consumption is the inclusion of acquired companies in the figures for the first time: Columbia Engineered Rubber in 2015, Origom in 2016 and Ott in 2017.



## CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT



**250'000**

products in the Technical Components division.

**58'000 t**

of raw materials are processed by the Sealing Solutions division each year.

## WATER AND WASTE (PER YEAR)

**1'663 m³**

of water per million Swiss francs of revenue is used by the Datwyler Group

**11,7 t**

of waste per million Swiss francs of revenue is generated by the Datwyler Group

## DAYS OF ABSENCE (PER YEAR)

**0,23 days**

per full-time employee due to workplace accidents

**6,15 days**

per full-time employee due to illness



### 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.

**GRI**

### Global Reporting Initiative

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

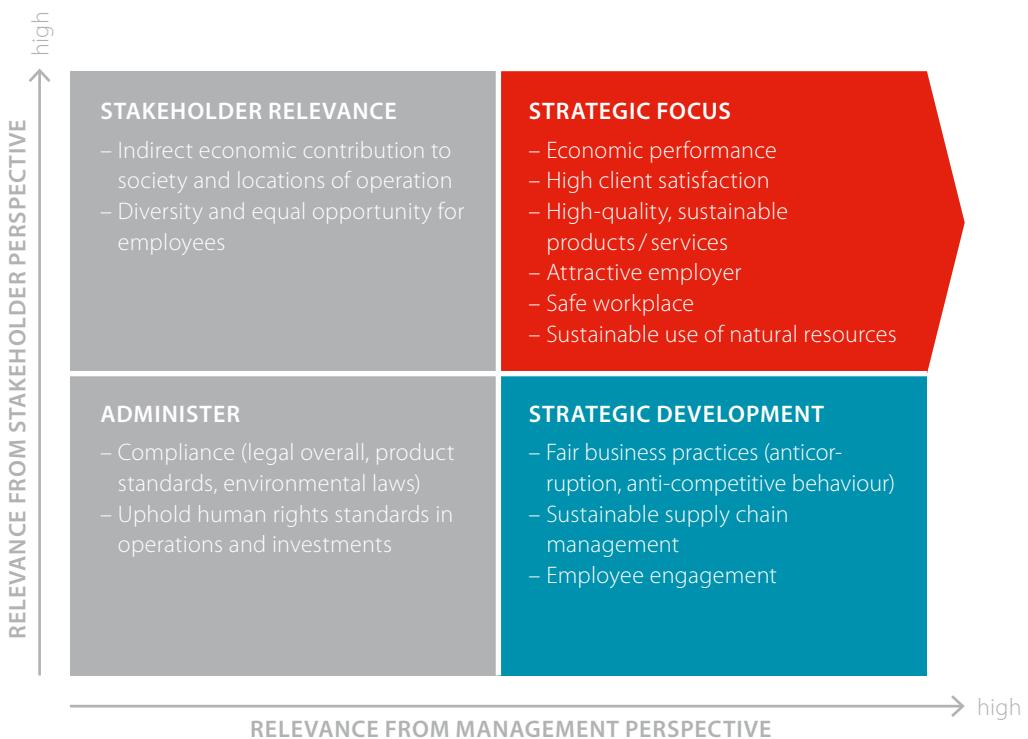


### CDP Standards

Since 2013, the Datwyler Group has reported its CO<sub>2</sub> 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 publishes an independent Sustainability Report every year.



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. Datwy-

ler will continue to develop and refine the sustainability objectives over the next few years. (GRI 102-46, GRI 102-47).

## 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 2017 reporting year, the Datwyler Group increased net revenue compared with previous year, by 6.2% to CHF 1'291.4 million (previous year : CHF 1'215.8 million) and thus achieve the self-imposed objectives. Adjusted for positive currency and acquisition effects, the resulting organic revenue growth was 2.9%. The reported operating result (EBIT) was up by 11.3% to CHF 162.6 million (previous year : CHF 146.1 million). The reported EBIT margin increased to 12.6% (previous year : 12.0%). Before CHF 9.9 million in one-off costs (mainly related to the development of Distrelec's new enterprise hub in Manchester), adjusted EBIT climbed to CHF 172.5 million. This helped the adjusted EBIT margin to improve to 13.4% (previous year : 13.0%). The net result increased to CHF 123.7 million (previous year : reported CHF 57.6 million / adjusted CHF 116.9 million). Adjustments to deferred taxes had a positive impact on net

result of CHF 8.5 million. (see the Annual Report 2017, particularly pp. 1-9 and pp. 53-60).

## Objective 2018: accelerating profitable growth

Datwyler is confident the Group can accelerate the profitable growth path during 2018. In the Sealing Solutions division, we are expecting to enjoy profitable dynamic growth in 2018 too based on the positive market environment, the leading positions occupied, the healthy order book, the new Nespresso contract and the capacity levels available. The Technical Components division (which is mainly focused on Europe) should – with the economic climate looking favourable – manage in the new year to accelerate the revenue growth achieved in the fourth quarter of 2017 and continue to improve the EBIT margin. For 2018, we are aiming at Group level for revenue of between

CHF 1'350 and CHF 1'400 million. For the second time in succession, we are increasing the target range for the EBIT margin, which will now rise to 12% to 15%. From the current perspective, there should not be any more one-off costs during 2018.

With liquidity reserves (cash and cash equivalents plus unused credit limits) worth over CHF 640 million, Datwyler has the potential to finance the organic and acquisitive growth it aims to make (see the Annual Report 2017, pp. 7-9). 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 2017, pp. 39-50).



Datwyler is building a new Health Care plant in the USA to the highest standards.

## KEY POINTS IN BRIEF

- **The** Datwyler sites generate considerable benefits for the local industry and municipalities.
- **In** the 2017 reporting year Datwyler achieved its objectives: revenue increase by 6.2% to CHF 1'291.4 million and the EBIT margin reach a record 12.6%
- **Objectives:** Revenue growth in 2018 to CHF 1'350 million to CHF 1'400 million, target range for the EBIT margin of 12% to 15 %.

# 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 ac-

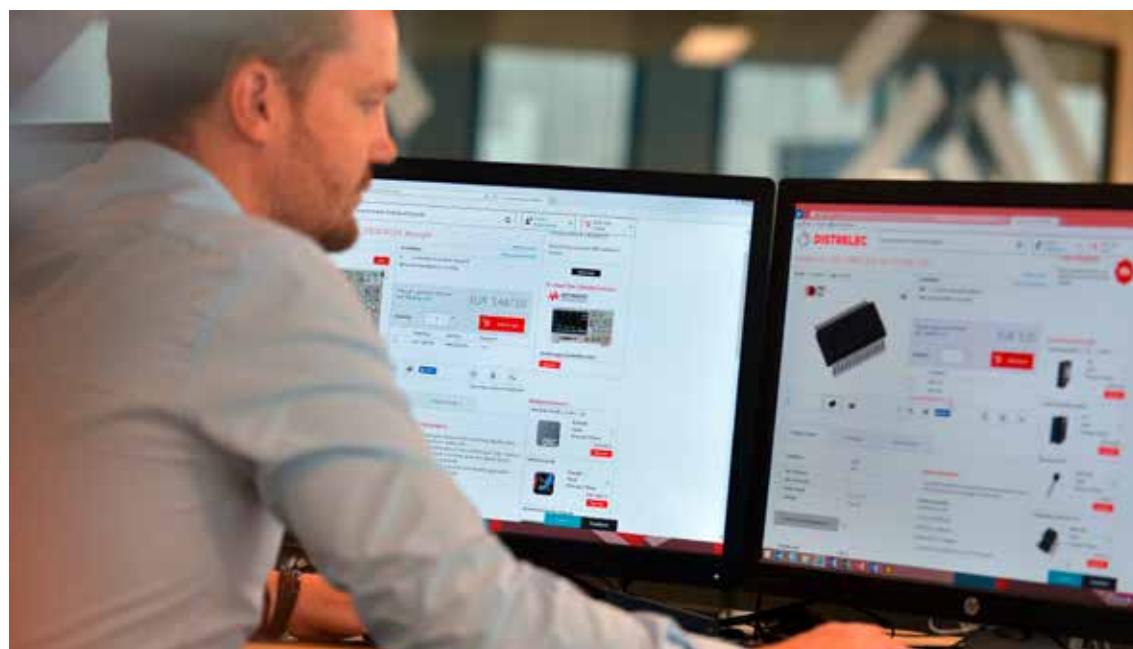
count management concept. The ten biggest customers accounted for just short of 46% of the division's revenue of CHF 832.8 million in the 2017 reporting year.

## 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 requirements 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 some 5% of the division's revenue of CHF 458.6 million in the 2017 reporting year.

**650'000**  
customers in the Technical Components division.



User-friendly on-line shops featuring the very latest digital technology help generate added value for customers of Datwyler distribution companies.



High-quality Datwyler seal components make an important contribution to patient safety, particularly in syringes.

#### Regular customer surveys

Datwyler conducts regular customer surveys to assess customer needs and satisfaction levels. 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. In the last customer survey from autumn 2017, the Sealing Solutions division achieved a consolidated score of 3.06 (2016: 2.91), while the Technical Components division achieved a consolidated score of 2.99 (2016: 2.98). This means both divisions are within the target range. The Technical Components division also uses the Net Promoter Score concept ([en.wikipedia.org/wiki/Net\\_Promoter](https://en.wikipedia.org/wiki/Net_Promoter)). 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.

#### Systematic complaints management

In addition to the customer surveys, Datwyler also adopts a systematic approach to complaints management. The Sealing Solutions division has a global process for this purpose with a uniform database. The internationally recognised 8D reporting concept ([en.wikipedia.org/wiki/Eight\\_Disciplines\\_Problem\\_Solving](https://en.wikipedia.org/wiki/Eight_Disciplines_Problem_Solving)) is used to process complaints and resolve the underlying problems. With a view to avoiding complaints wherever possible, Datwyler strives to define detailed product specifications with customers in advance as a preventive measure. The aim is to continuously reduce justified complaints compared to the previous year. The Datwyler Distributors in the Technical Components division apply the Return Merchandise Authorization Process (RMA) ([en.wikipedia.org/wiki/Return\\_merchandise\\_authorization](https://en.wikipedia.org/wiki/Return_merchandise_authorization)), which is also internationally recognized. The RMA process is used for the structured return of goods and is therefore ideally suited for the distribution business

with an average of over 11'000 deliveries per day. The aim is to keep the justified complaints in relation to the products delivered below the values customary in the industry.

#### Continuous improvement process

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. 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.

**46%**

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

#### 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.
- In the 2017 reporting year, both divisions were within the target range in the customer survey.
- Objectives: At least a rating of 'Slightly better than the benchmark' in the customer surveys.

# 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 17 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 2017 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.

## 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 35 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 coun-

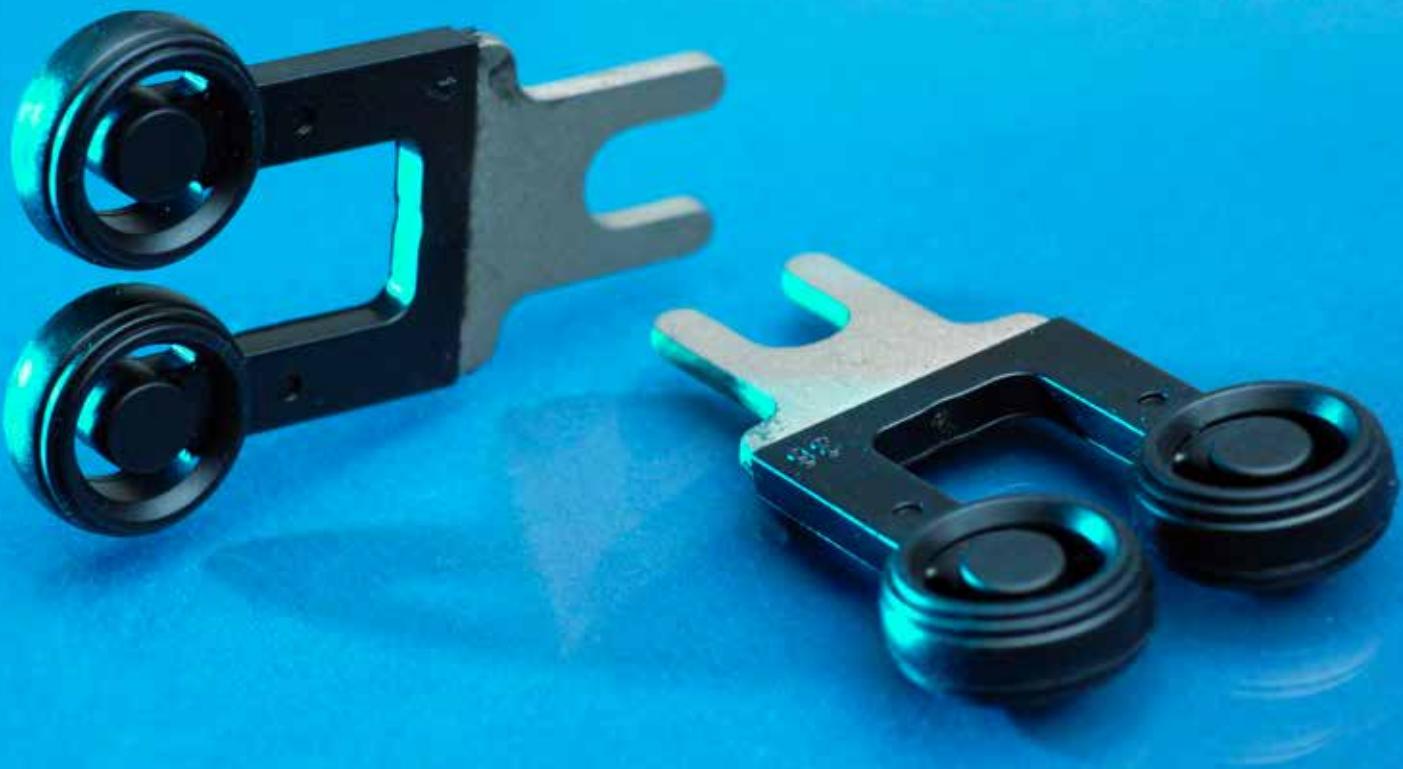
**17 billion**  
components a year for the health care industry.



Datwyler's distributors offer 250'000 electronic components.

## 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.
- **Datwyler** picked up nine awards for top quality and innovation during the 2017 reporting year.
- **Objectives:** Datwyler will be looking to promote 'Ecodesign' at the Sealing Solutions division and optimise packaging materials at the Technical Components division.



Several system-critical elastomer components from Datwyler are used in SCR catalytic converters in diesel vehicles for the treatment of exhaust gases.

tries 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 18 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 improvement, 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.

#### **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.

**11'000**  
packages a day containing  
electronic components.



#### **Awards for top quality and innovation**

Datwyler picked up nine awards for top quality and innovation during the 2017 reporting year. Stihl, the worldwide leading manufacturer of chainsaws and electrical tools for use outdoors, has named Datwyler 'Supplier of the Year' for the fifth time in a row. The assessment criteria for this award are based on outstanding performance in terms of quality, technology, innovation, service and value for money. Thanks to its worldwide presence through its own production facilities, Datwyler supplies Stihl plants all over the world with high-quality sealing components. Datwyler's Korean plant has been recognised by GE Korea for 'Supplier quality excellence'. Meanwhile, the Chinese Datwyler plant for automotive components in Ningguo has received a total of seven awards for leading quality and reliable collaboration. The customers are Wuhu Bethel Automotive, Chassis Brakes International, JABF, Sorl, CBI and Mando.



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 low. 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. With this in mind, the Group has set itself ambitious objectives, up to 2020, based on average values to be achieved each year: reduction in fuel consumption in relation to revenue (MWh/CHF million) of 6% a year, reduction in electricity consumption in relation to revenue (MWh/CHF million) of 3% a year, reduction in water consumption in relation to revenue (m<sup>3</sup>/CHF million) of 3% a year and reduction in the volume of waste

in relation to revenue (tonnes/CHF million) of 3% a year. With these objectives and associated measures, Datwyler is adopting a targeted approach to reducing its environmental impact. Unsurprisingly, the production-oriented Sealing Solutions division uses considerably more resources than the distribution business at the Technical Components division. In terms of actual numbers, the distribution business is responsible for less than 3% of energy consumption (Scope 1 and 2), less than 0.5% of water consumption and less than 7% of the volume of waste across the Group. This makes it clear that the Sealing Solutions division accounts for the vast majority of resource consumption and waste. The explanations below regarding the progress achieved towards achieving objectives – by way of relative consumption figures – therefore focus on the Sealing Solutions division. Absolute consumption figures for both divisions and the Group can be found on page 17.

**118 million**  
CHF invested by the  
Datwyler Group in 2017.

### 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

## KEY POINTS IN BRIEF

- **Environmental** management is focused on the business's own production plants within the Sealing Solutions division.
- **Datwyler** environmental management is certified in accordance with ISO 14001 at the majority of plants and is integrated into the new production system.
- **Reduction** in material relative consumption per revenue unit in the 2017 reporting year: heating fuel – 5%, electricity – 0.4%, water – 9.6%, volume of waste – 4.5%. This means Datwyler achieved the objectives it set itself for water consumption and the volume of waste.
- **Objectives:** Average annual reduction in the relative consumption of resources per revenue unit up to 2020: fuel – 6%, electricity – 3%, water – 3%, volume of waste – 3%.

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 uniform 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 117.9 million (previous year: CHF 77.8 million). The impact on the use of resources is also considered when any investments are made in equipment and buildings.

### 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 qual-

ity 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.

### Reduction of relative electricity and fuel consumption

Absolute energy consumption in Datwyler's Sealing Solutions division – which is so dominant in terms of resource consumption – increased by 8.8 % to 231'578 MWh during the 2017 reporting year (previous year: 212'890 MWh). Of this, 187'889 MWh or 81.1 % relates to electricity consumption, which increased by 10.1 % during 2017. One reason for this is the inclusion in the figures, for the first time, of the German firm Ott, which specialises in injection moulding and was acquired in late September 2016. Also, Datwyler started operations at two new mixing plants during 2017, located at existing production sites in Belgium and the Czech Republic. In Belgium, the business is manufacturing mixtures under clean room conditions for the first time, and this results in a disproportionately high increase in electricity consumption. To keep pace with organic growth in demand, Datwyler has also put additional production facilities into operation at various plants. Then there are changes in the product mix, with greater emphasis on more energy-intensive components such as health care components from clean rooms.

Currency-adjusted revenue, which is used as the basis for assessing relative resource consumption, increased by 10.5 % during 2017. Here, full account was taken in the reporting year of the acquisition Ott – in terms of both revenue and resource consumption – whereas no account had been taken during the previous year. Relative electricity consumption declined by 0.4 % per revenue unit. This means that while Datwyler is heading in the right direction, it failed to achieve the ambitious objective of a 3 % reduction in relative electricity consumption for 2017. Various measures are currently being reviewed with a view to using electricity more efficiently in future. A good example is the new, ecological cooling system at the Swiss site, in which Datwyler invested CHF 3.7 million in 2016. The use of groundwater for air conditioning, ventilation and certain processes reduced electricity demand by over 60 % during the first year of operation (2017) compared with a conventional solution based on chillers. In absolute terms, the electricity savings per year amount to between 1'000 and 1'700 MWh, depending on the number of hot days in the year being compared. At 39'152 MWh or 16.9 %, process and heating

**69.7 %**  
of waste is recycled.



Datwyler started operations at two new mixing plants during the reporting year, which partly explains the increase in electricity consumption.



**Environmental management is an integral dimension of the standard Datwyler production system.**

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 was up 5% on the previous year, in absolute terms, due to the heating being on for more days and more space being devoted to production. Datwyler did, however, manage to reduce fuel consumption per revenue unit by 5% in 2017. This means the business only just missed its objective of a 6% reduction in relative consumption.

#### **Increase in CO<sub>2</sub> emissions**

With a view to reducing energy consumption per revenue unit, Datwyler is also striving to reduce CO<sub>2</sub> emissions per revenue unit. CO<sub>2</sub> emissions from direct and indirect energy consumption are calculated by an external specialist on the basis of recognised emission factors derived from reported energy volumes. Similar to the trend for energy consumption, Scope 1 emissions from direct energy consumption (fuel) rose slightly less than Scope 2 emissions from indirect energy consumption (electricity and district heat-

ing). Overall, absolute CO<sub>2</sub> emissions at the Datwyler Group increased by 13.4% to 97'006 tonnes (previous year: 85'560 tonnes). The disproportionately increase can be explained by the growing production capacity at plants in China and India, which increase the average level of CO<sub>2</sub> associated with the electricity consumed.

#### **Significant decline in relative water consumption**

At around 2.1 million m<sup>3</sup>, absolute water consumption in the Datwyler Group was almost unchanged from the previous year. Reduction per revenue unit amounted to 9.6%, which meant the objective of a 3% reduction was easily surpassed. The high water consumption at the Sealing Solutions division reflects the specific requirements of production processes. Particularly water-intensive are the

cooling of seal profiles used for construction and civil engineering applications, the cleaning 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 around 865'000 m<sup>3</sup> (accounting for over 40% of water consumption across the Group) is largely covered by process water.

**237'256**

**MWh was the amount of energy consumed in 2017.**

**i**

#### **Annual saving of 3'600 tonnes of CO<sub>2</sub>**

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 some 10% of the electricity consumed across the Group comes from environmentally friendly hydropower. The resulting reduction in CO<sub>2</sub> 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<sub>2</sub> emissions by another 1'300 tonnes or so a year.

#### **Reduction in the relative volume of waste**

The absolute volume of waste increased in the reporting year to 13'913 tonnes (previous year: 13'191 tonnes). By reducing the relative volume of waste per revenue unit by 4.5%, however, Datwyler actually exceeded the reduction objective of 3%. The recycling rate increased from 67.6% to 68.3%. This is one consequence of the efforts made at the Sealing Solutions division to find customers for process-related elastomer waste. In the reporting year, the US Health Care plant was recognised for its voluntary 'Environmental Stewardship' by the New Jersey Department of Environmental Protection (in acknowledgement of its commitment to recycling). The elastomer material concerned, which is of perfectly good quality, is used, for example, to manufacture floor coverings at 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.

SUMMARY OF RESOURCE CONSUMPTION <sup>(1)</sup>

Unit	SEALING SOLUTIONS			TECHNICAL COMPONENTS			GROUP			
	2017	2016		2017	2016		2017	2016		
<b>Energy</b>										
Total energy consumption	MWh	231'578	212'890	+8,8%	5'678	5'776	-1,7%	237'256	218'666	+8,5%
Heating fuels	MWh	39'152	37'287	+5,0%	1'951	1'795	+8,7%	41'103	39'082	+5,2%
Energy generated externally	MWh	192'426	158'910	+9,6%	3'727	3'981	-6,4%	196'153	179'584	+9,2%
– of which electricity	MWh	187'889	170'700	+10,1%	3'727	3'981	-6,4%	191'616	174'681	+9,7%
– of which district heating	MWh	4'537	4'903	-7,5%	0	0		4'537	4'903	-7,5%
<b>Greenhouse gas emissions CO<sub>2</sub> <sup>(2)</sup></b>										
Total emissions	tonnes	97'006	85'560	+13,4%	1'815	1'847	-1,7%	98'821	87'406	+13,1%
– of which Scope 1	tonnes	8'115	7'711	+5,2%	394	363	+8,7%	8'509	8'073	+5,4%
– of which Scope 2	tonnes	88'891	77'849	+14,2%	1'421	1'484	-4,2%	90'312	79'333	+13,8%
<b>Water</b>										
Drinking/industrial water consumption	m <sup>3</sup>	2'115'447	2'117'336	-0,1%	6'748	6'625	+1,9%	2'122'195	2'123'961	-0,1%
<b>Waste</b>										
Total waste	tonnes	13'913	13'191	+5,5%	978	943	+3,7%	14'891	14'134	+5,4%
– of which regular waste	tonnes	13'162	12'416	+6,0%	978	943	+3,7%	14'140	13'359	+5,9%
– of which special waste	tonnes	751	775	-3,1%	0	0		751	775	-3,1%
Proportion of waste sent for recycling	%	68,3%	68%	+1,1%	89,5%	91%	-1,6%	69,7%	69%	+0,8%

<sup>(1)</sup> As regards resource consumption (scope 1 and 2) and waste, the focus is on the 18 production plants of the Sealing Solutions division. The three distribution centres of the Technical Components division are also shown in this table, which account for less than 3% of energy consumption, less than 0.5% of water consumption and less than 7% of the volume of waste at Group level. By presenting things this way, Datwyler covers, at Group level, more than 98% of the overall resource consumption and waste and more than 90% of the workforce. For newly acquired companies with production plants, resource consumption and net revenue are taken into account in the first full calendar year.

<sup>(2)</sup> The CO<sub>2</sub> 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<sub>2</sub> 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 2017 reporting year, with the trade-based side of the business

recording only 23 days of absence due to workplace accidents. The equivalent figure for the Sealing Solutions division was 1'696 days' absence. Expressed per full-time equivalent, this figure equates to 0.23 days' absence for the year as a whole at Group level (prior year 0.25). This figure is slightly below the Datwyler target of 0.25, which is the 'Good Practice' benchmark set 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 35'283 in the reporting year, with the Technical Components division clocking up 9'867 days. At Group level, this equates to 6.15 days' illness per full-time equivalent (prior year 6.25). This value is still above the medium-term Datwyler target of four days of absence due to illness a year per full-time equivalent. Lengthy individual periods of absence tend to distort the average. 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 6.15 days' absence per full-time equivalent due to illness and 0.23 days' absence per full-time equivalent due to workplace accidents.
- **Objectives:** 0.25 accident-related days of absence a year per full-time equivalent and four days of absence due to illness a year per full-time equivalent.

## 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 (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 335.1 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 2017, 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.

# 335 million

CHF were spent on personnel costs in 2017, 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 important 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.

### 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 runs a Group-wide development programme. Depending on the target group, the content ranges from development of self-competence and competence

### 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.
- **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.
- **Objectives:** 80% response rate to the employee survey; 80% of employees with a high level of commitment; 70% of employees who would act as an ambassador for Datwyler and recommend it as an employer.

as an employee to the teaching of management skills and raising awareness of strategic decision-making processes at the highest level of an organisation.

### 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 – remains below the target of 70 %. The sharp

**78 %**  
of employees have a high level  
of commitment.

### 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.



**By holding regular events at its sites worldwide, Datwyler is promoting a sense of belonging among employees.**

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.

#### **Composition of the workforce**

The workforce at the Datwyler Group continued to grow in the 2017 reporting year. As a result of organic growth within the Sealing Solutions division, the headcount at sites located abroad has increased. Overall, the Datwyler Group employed 7'614 employees (previous year: 7'312 employees) in 28 countries at the end of the year – including those on fixed-term employment contracts – with 35 % in Asia, 9 % in North and South America, and 56 % in Europe. This equates to 7'469 full-time equivalents (previous year: 7'068 full-time equivalents) at the end of the year. Expressed as an annual average, 384 employees or 5.1 % were employed on a part-time basis. The number of employees on fixed-term employment contracts was 770 or 10.3 % of the workforce. The proportion of women in the overall workforce was 39.4 %, while the proportion of women in senior positions was 15.4 %. Based on 7'357 people, the average number of full-time equivalents for the year, revenue per full-time equivalent was CHF 175'523 in 2017. This figure is influenced by the fact that the

**39.4 %**  
is the proportion of women in  
the Datwyler workforce.

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 13.5 % in the reporting year, without significant gender differences.

The staff turnover rate 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). Datwyler records, at all sites, the gender, age and job category of any employee leaving as a matter of course.



#### **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 Indian site in Kesurdi, Datwyler is supporting efforts to improve the local infrastructure, particularly in terms of education and the drinking water supply.

# 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](http://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 sustainabil-

ity 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.

## 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 58'000 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 296.4 million worth of material the business bought in during the 2017 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 in a professional manner. Some also compile their own sustainability reports and are members of the UN Global Compact.

**58'000**

tonnes of raw materials at the  
Sealing Solutions division.



An up-to-date range, high product availability and short delivery times are important success factors for Datwyler distribution companies.



Whenever possible and practical, Datwyler buys raw materials in large volumes, which cuts down on packaging materials significantly.

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).

#### 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 13% of the CHF 310.8 million worth of material bought in during the 2017 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 Datwy-

**3'600**  
companies act as suppliers to the  
Datwyler Group.

ler 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 out-sources 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 35 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.
- At the Sealing Solutions division, Datwyler procures over 58'000 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.
- **Objective:** All suppliers to sign up to the Supplier Code of Conduct. Exemptions are 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.

# FAIR BUSINESS PRACTICES

Over the course of a century, the Datwyler Group has evolved from a Swiss family business into a genuine global player. Its strong roots have enabled the business to develop its own style, based around high standards and its own particular values. The principles of ethically correct conduct are neatly summarised in the corporate value of 'We have respect for others'.

Datwyler is aware of the responsibility it shares for ethically sound business practices and signed up to the UN Global Compact as early as 2009.

## A fair and responsible partner

Datwyler set out the principles for the kind of conduct it expects as early as mid 2008 in a code of conduct which is binding on all employees at all sites across the Group (see [www.datwyler.com/en/governance/code-of-conduct/](http://www.datwyler.com/en/governance/code-of-conduct/)). This makes it clear that the companies and employees within the Group must respect the national laws, human rights, personal dignity, privacy and rights as individuals of each individual person. Datwyler does not tolerate any discrimination, humiliation, oppression, harassment or insults. The Code of Conduct also sets out the correct way to deal with business partners and competitors. Any kind of arrangements, bribery or corruption are strictly forbidden accordingly. For example, clear rules are laid out in the Code of Conduct for the placing of orders, the awarding of sponsorship money, and for dealing with conflicts of interest. Datwyler set out its expectations of suppliers in a sepa-

rate code of conduct specifically for suppliers in early 2014 (see also p. 22 of the text on sustainable supply chains and [www.datwyler.com/en/governance/code-of-conduct/](http://www.datwyler.com/en/governance/code-of-conduct/)).

## Compliance reporting process

The Datwyler Group has a standardised compliance reporting process, which is set out in writing and available on the intranet. The managers and management teams at the individual subsidiaries are responsible for adhering to and implementing the Code of Conduct and the various national laws and standards. At the start of the calendar year, the managers of all the subsidiaries provide the Group Compliance Officer (currently the Group Chief Financial Officer) with a signature to confirm that all employees at their company have been made aware at least once during the reporting year of the principles set out in the Code of Conduct at an internal information event. Their signature also confirms that all new employees have received a copy of the Code of Conduct and understand the principles involved, that any violations of the Code of Conduct have been re-



Adolf Dätwyler (centre, surrounded by employees), the founder of the Datwyler Group, has always shown exemplary commitment to his social and ethical responsibilities as a businessman and employer.



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

ported, 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 2017 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. 29 of the Annual Report 2017).

### 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 whistleblower hotline for reporting violations of the Code of Conduct. Details of the whistleblower hotline are displayed at all sites, while the facility itself is well established and reviewed on a

regular basis during internal audits. 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, three reports contained concrete evidence of potential irregular conduct, with specific measures being implemented in each case. 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. One report was made during the reporting year, and this was resolved by the CEO of the division concerned and by the Group CFO in collaboration with the local unit.

### 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.
- **Objectives:** No cases of corruption and no justified legal action against Group companies.

# GRI CONTENT INDEX



May 2018  
Service

## GENERAL STANDARDS

Reference	Disclosure	Page *
<b>GRI 101: Foundation (2016)</b>		
This report has been prepared in accordance with the principles of the GRI standards.		
<b>GRI 102: General Disclosures (2016)</b>		
<b>1. Organizational profile</b>		
GRI 102-1	<b>Name of the organization</b>	p. 32
GRI 102-2	<b>Activities, brands, products, and services</b>	p. 2–3, AR p. 11–18
GRI 102-3	<b>Headquarters</b>	p. 32
GRI 102-4	<b>Location of operations</b>	AR p. 87–88
GRI 102-5	<b>Ownership and legal form</b>	AR p. 25–26
GRI 102-6	<b>Markets served</b>	p. 2–3, AR p. 11–18
GRI 102-7	<b>Scale of the organisation</b>	p. 2, 6–7
GRI 102-8	<b>Information on employees and other workers</b>	p. 2, 6–7, 19–21
GRI 102-9	<b>Supply Chain</b>	p. 22–23
GRI 102-10	<b>Significant changes to the organisation and its supply chain</b> First-time inclusion of the German company Ott, which was acquired at the end of September 2016.	
GRI 102-11	<b>Precautionary Principle</b> All employees and suppliers are told to use resources sparingly (Code of Conduct). There is also a systematic approach to risk management with a view to minimising a wide variety of risks, including environmental risks.	AR p. 29
GRI 102-12	<b>External Initiatives</b> United Nations Global Compact; Nachhaltigkeitsbericht nach den Global Reporting Initiative (GRI) Standards; Berichterstattung nach dem Carbon Disclosure Project (CDP)	
GRI 102-13	<b>Membership of associations</b> Swissmem; Global Compact Network Switzerland	
<b>2. Strategy</b>		
GRI 102-14	<b>Statement from senior decision maker</b>	p. 5 AR p. 7–9
<b>3. Ethics and integrity</b>		
GRI 102-16	<b>Values, principles, standards, and norms of behavior</b> Our values are based on 100 years of success as a company, see also <a href="http://www.datwyler.com/en/governance/values">www.datwyler.com/en/governance/values</a> There has been a binding code of conduct for employees since 2008 and one for suppliers since early 2014. There is also an annual compliance reporting process.	p. 5, 24–25

Reference	Disclosure	Page *
<b>4. Governance</b>		
GRI 102-18	<b>Governance structure</b>	AR p. 25–35
<b>5. Stakeholder Engagement</b>		
GRI 102-40	<b>List of stakeholder group</b> 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.	
GRI 102-41	<b>Collective bargaining agreements</b> 72.6 % of all employees are covered by collective agreements (or collective bargaining agreements)	
GRI 102-42	<b>Identifying and selecting stakeholders</b> 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.	
GRI 102-43	<b>Approach to stakeholder agreement</b> 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.	
GRI 102-44	<b>Key topics and concerns raised</b> 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.	
<b>6. Reporting practice</b>		
GRI 102-45	<b>Entities included in the consolidated financial statement</b> If not stated otherwise, all entities in the Datwyler Group, incl. the Sealing Solutions and Technical Components divisions	
GRI 102-46	<b>Defining report content and topic Boundaries</b>	p. 8
GRI 102-47	<b>List of material topics</b>	p. 8
GRI 102-48	<b>Restatement of information</b> None	
GRI 102-49	<b>Changes in reporting</b> The company Ott (acquired at the end of September 2016) was included for the first time for the entire calendar year.	
GRI 102-50	<b>Reporting period</b> 1.1.2017 – 31.12.2017	
GRI 102-51	<b>Date of most recent report</b> 13.6.2017	
GRI 102-52	<b>Reporting cycle</b> Annually	
GRI 102-53	<b>Contact point for questions regarding the report</b>	p. 32
GRI 102-54	<b>Claims of reporting in accordance with the GRI Standards</b> This report has been prepared in accordance with the GRI Standards: core option	
GRI 102-55	<b>GRI Content index</b>	p. 26
GRI 102-56	<b>External assurance</b> No external assurance	

## THEMENSPEZIFISCHE ANGABEN

Reference	Disclosure	Page	Reasons for omission
<b>GRI 200: Economic</b>			
GRI 201: Economic Performance (2016)			
GRI 103-1/2/3	Management Approach (2016)	p. 9	
GRI 201-1	Direct economic value generated and distributed	p. 9	
GRI 201-3	Defined benefit plan obligations	AR p. 70–71	
<b>GRI 203: Anti-Corruption (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 9	
GRI 203-2	Significant indirect economic impacts	p. 9	
<b>GRI 205: Korruptionsbekämpfung (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 22–25	
GRI 205-2	Communication and training about anti-corruption policies and procedures	p. 24–25	
GRI 205-3	Confirmed incidents of corruption and actions taken No incidents in the reporting year.		
<b>GRI 206: Anti-competitive Behaviour (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 24–25	
GRI 206-1	Legal actions for anti-competitive behaviour	p. 25	
<b>GRI 300: Environmental</b>			
<b>GRI 302: Energy (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 14–15	
GRI 302-1	Energy consumption within the organisation	p. 17	
GRI 302-3	Energy intensity	p. 17	
GRI 302-4	Reduction of energy consumption	p. 15	
GRI 302-5	Reduction in energy requirements of products and services	p. 12–13	
<b>GRI 303: Water (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 14–16	
GRI 303-1	Water withdrawal by source	p. 16–17	
<b>GRI 305: Emissionen (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 14–16	
GRI 305-1	Direct (Scope 1) GHG emissions	p. 17	
GRI 305-2	Indirect energy-related (Scope 2) GHG emissions	p. 17	
GRI 305-4	GHG emissions intensity	p. 17	
GRI 305-5	Reduction of GHG emissions	p. 15–16	
<b>GRI 306: Effluents and Waste (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 14–16	
GRI 306-2	Waste by type and disposal method	p. 16–17	
<b>GRI 307: Environmental Compliance (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 23–25	
GRI 307-1	Non-compliance with environmental laws and regulations Based on the compliance reporting process, no lawsuits were filed against Datwyler in 2017 for non-compliance with environmental protection laws and regulations.	p. 23	

Reference	Disclosure	Page	Reasons for omission
<b>GRI 400: Social</b>			
GRI 401: Employment (2016)			
GRI 103-1/2/3	Management Approach (2016)	p. 19–21	
GRI 401-1	New employee hires and employee turnover	p. 21	Detaillierte Aufteilung im Aufbau
<b>GRI 403: Occupational Health and Safety (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 18	
GRI 403-2	Types of injury and rates of injury	p. 18	
<b>GRI 404: Training and Education (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 19–20	
GRI 404-2	Skills management and lifelong learning	p. 19–20	
GRI 404-3	Percentage of employees receiving regular performance reviews	p. 19–20	
<b>GRI 405: Diversity and Equal Opportunity (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 19, 21	
GRI 405-1	Diversity of governance bodies and employees	p. 21 AR p. 30–34	
<b>GRI 406: Non-discrimination (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 19	
GRI 406-1	Incidents of discrimination and corrective actions taken	p. 19	
<b>GRI 408: Child Labor (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 22–23	
GRI 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.		
<b>GRI 409: Forced and Compulsory Labor (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)		
GRI 409-1	Operations and suppliers at significant risk of incidents of forced or compulsory labor 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.		
<b>GRI 412: Human Rights Assessment (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 22–24	
GRI 412-3	Investment agreements that include human rights clauses	p. 22–24	

Reference	Disclosure	Page	Reasons for omission
<b>GRI 414: Supplier Assessment (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 22–23	
GRI 414-1	New suppliers that were screened using social criteria	p. 22–23	
<b>GRI 416: Customer Health and Safety (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 12–13	
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	p. 12–13	
<b>GRI 417: Marketing and Labelling (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 12–13	
GRI 417-1	Product and service information and labelling	p. 12–13	
<b>GRI 419: Socioeconomic Compliance (2016)</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 22–25	
GRI 419-1	Non-compliance with laws and regulations	p. 22	
<b>Company specific topic: Strong customer satisfaction</b>			
GRI 103-1/2/3	Management Approach (2016)	p. 10–11	

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