

# Communication on Progress UN Global Compact (COP) 2019: Statement of continued support by the Chief Executive Officer (CEO)

To our stakeholders:

Within more than 90 years SFS has evolved from a family-owned Swiss company into an international group. However the strong roots are still in the St. Gall Rhine valley and the SFS values are transferred to all sites within the group by an appropriate management model. Sustainability in its actions has been the core driver of SFS since its foundation. For SFS sustainability means partnership with

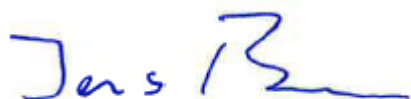
- customer
- employees
- community
- supplier

Therefore the Ten Principles of the United Nations Global Compact have been implicitly part of the SFS business model since its first days and have a tradition of decades.

I am pleased to confirm that SFS reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions and achievements to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,



Jens Breu  
CEO SFS Group AG

# ***UN Global Compact***

## **Communication on Progress**

**SFS continues to remain engaged in other areas. For instance, it is a signatory to the UN Global Compact and has upheld the ten principles embodied in this corporate sustainability initiative since 2010. Progress in the year under review is described below.**

### **Human rights**

#### **Previous initiatives continued**

The Corporate Principles and the Code of Conduct are two key documents on the subject of sustainability at SFS and in terms of business practices that uphold human rights. The Corporate Principles set out our common values, while the Code of Conduct defines the basic rules by which we conduct our business activities. Both documents continue to apply. Robust and effective compliance processes are in place to ensure enforcement of the Code of Conduct. The information contained in our Corporate Principles and Code of Conduct is imparted to all new employees and apprentices as soon as they join the company through formal training courses or e-learning. Awareness of these themes is part of the basic skillset that every SFS employee must have, and should guide and shape them from the start (→ [see GRI 102-16](#)).

SFS strives to introduce the Code of Conduct as quickly as possible to all new employees. The Code of Conduct therefore is an integral element of the onboarding process. The Group also demands that suppliers respect basic human rights unconditionally. Respect for human rights is a mandatory criterion when screening potential business partners, since it is an integral part of SFS' general procurement terms and conditions (→ [see GRI 102-9](#)). The last two reporting years involved a large implementation effort in the areas of data protection and trade compliance. The statutory requirements and the Group standards based on these provisions were implemented at all Group companies. SFS plays its part in protection of international legal order through full compliance with such sanctions, and provides comprehensive information on their scope and repercussions.

#### **Priorities 2020**

The general procurement terms and conditions will be renewed in 2020. In this context a special focus will again lie on the integration of compliance topics to ensure observance of these standards along the whole supply chain.

## **Labor standards**

### **Facilitate conflict-free collaboration**

SFS strongly condemns forced labor and child labor of any kind whatsoever, and upholds the right to freedom of association and collective bargaining throughout the organization. As these principles are an integral part of the Group's general conditions of purchase, SFS suppliers are similarly required to uphold these values (→ [see GRI 102-9](#)).

SFS Group's international presence and size make diversity a natural feature of the workforce and it is viewed as positive and enriching. The regular internships that SFS apprentices complete at different sites and the international training programmes for management to promote intercultural collaboration are examples of how SFS champions diversity. A series of articles in our employee magazine under the title of "Diversity" illustrate the advantages of a diverse work force. All forms of discrimination during the recruitment process or in employment are expressly prohibited. In this context, an e-learning was completed worldwide by all employees of the SFS Group in the area of "violation of personal integrity". The discussions in connection with this e-learning show a significantly increased awareness of this issue by employees and line managers.

### **Priorities 2020**

The topic of violation of personal integrity will be communicated to all new employees in 2020. Additionally, employees who conduct leadership training will be made particularly aware of this issue.

## **Environmental protection**

### **ISO14001 certification of further sites**

All audits conducted during the reporting year at the 15 certified sites were completed without any significant objections identified (→ [see GRI 305 / emissions](#)). Additionally, the Riveting division's plants at Mörfelden-Walldorf, Thal and Olpe (Germany) and the Electronics division's new plant in Nantong (China) received ISO14001 certification in 2019. The achievement of the site in Nantong is highlighted in particular as it was able to conclude the relocation from the four existing plants in the Shanghai area to Nantong in record time and ensure that all the necessary requirements for certification were fulfilled. The planned certifications of the plants in Keighley (UK) and Nansha (China) were postponed due to additional major challenges in the Riveting division in 2019 and will be resumed if a specific customer requirement is received.

Although the company has achieved full compliance with all applicable environmental laws and guidelines, all sites are encouraged and strive to engage in continuous improvement of their environmental performance. These efforts emphasize the high relevance of this topic for SFS and also address the increasing expectations of

customers for compliance with ever tougher environmental requirements (e.g. lifecycle environmental impact, conflict minerals, REACH).

### **Targeted measures to reduce environmental impact**

Various initiatives launched or continued in 2019 had an immediate positive effect on the environment.

In Switzerland, the Eco Points initiative which was launched in the previous year and which allows employees to collect points if they commute by bicycle, public transport or in a carpool, led to savings of about 120 tons of CO<sub>2</sub> in 2019 (→ [see Success Story occupational health and safety](#)). The renewal of the central waste water system resulted generally in a higher grade of automation and in particular to a reduction in the chemicals used of about 50% and a saving in energy consumption (gas, electricity) of also about 50%. With the comprehensive energetic partial refurbishment of a Technical Services building, energy savings to an extent of about 40% were achieved. A reduction of electricity and gas consumption of approximately 30% was obtained by the technical refurbishment of six ventilation systems in two further buildings. Additional premises experienced a remarkable improvement of air quality due to retrofitting of the electrostatic filters.

Measures to reduce the environmental impact were taken not only in Switzerland. In Pune (India), for example, a redesign of the waste water treatment led to major improvements in this area.

### **Priorities 2020**

The focus of 2020 lies in particular in the elaboration of the SFS Group's CO<sub>2</sub> roadmap. This roadmap forms the basis for the systematic reduction of CO<sub>2</sub> emissions above all SFS sites. Additionally, various individual initiatives are planned in this context that should lead to an improvement in the global footprint.

### **Anti-corruption efforts**

#### **No corruption cases in the year under review**

The anti-corruption policy, which SFS has had in place since 2016 and which is communicated to employees with the greatest potential exposure in a mandatory e-learning module, was delivered as usual to all new employees in management positions and in sales, procurement and finance units in the reporting year.

We are glad to report that no corruption cases occurred at SFS Group in the year under review. The fact that in the year under review more and more people requested advice for specific situations indicates an increasing awareness of corruption as an issue. Another sign is that the internal Code of Conduct is increasingly cited and referred to: for example, refusal of invitations from business partners to certain events. SFS also expects unconditional rejection of corruption in any form from third parties, in particular on the part of SFS (external) sales consultants. A standard clause to this effect is included in cooperation agreements with these consultants. The general procurement terms and conditions also imposes



an obligation on SFS suppliers to fight against corruption and bribery (→ [see GRI 102-9](#)).

### **Priorities 2020**

A new edition of the e-learning module for anti-corruption training is planned for 2020, which will be mandatory for management and all employees in the sales, procurement and finance units. Initially, this new edition was planned for 2019, but due to intensive training in other compliance areas (e.g. data protection) for the same group of employees, this e-learning was postponed in order to allow these employees to deal with each topic in more depth.