SUSTAINABLE GROWTH – FOR MORE THAN 100 YEARS

Sustainability Report 2018

DATWYLER

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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 2009, we voluntarily adopted the standards of the Global Reporting Initiative (GRI) for the sustainability section of our Annual Report, and in the same year 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.

Dirk Lambrecht
Chief Executive Officer

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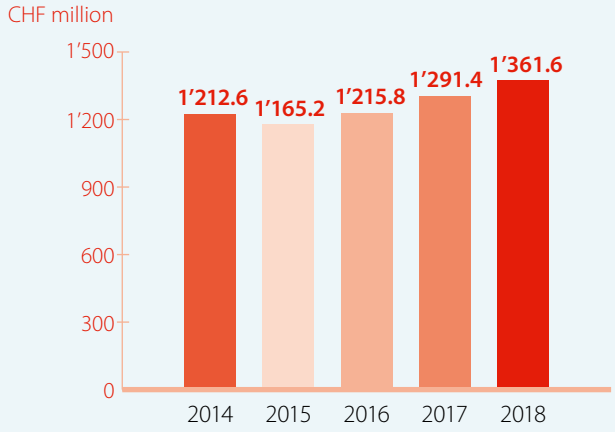
This sustainability report can be downloaded at **www.datwyler.com**.

FACTS **AND FIGURES**

NET REVENUE



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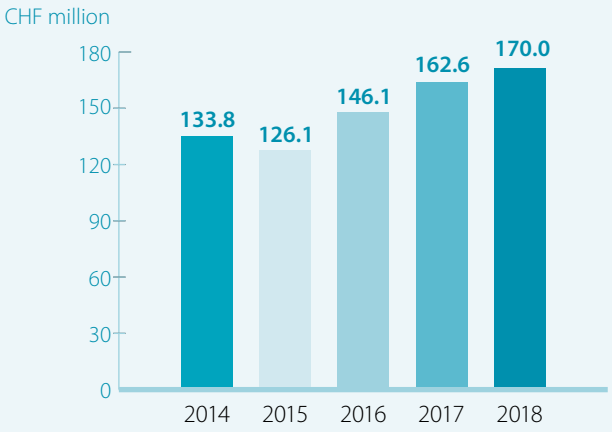
OPERATING RESULT BEFORE INTEREST AND TAX (EBIT)



→ See page 8

71.1 %
of Datwyler's waste is sent for recycling

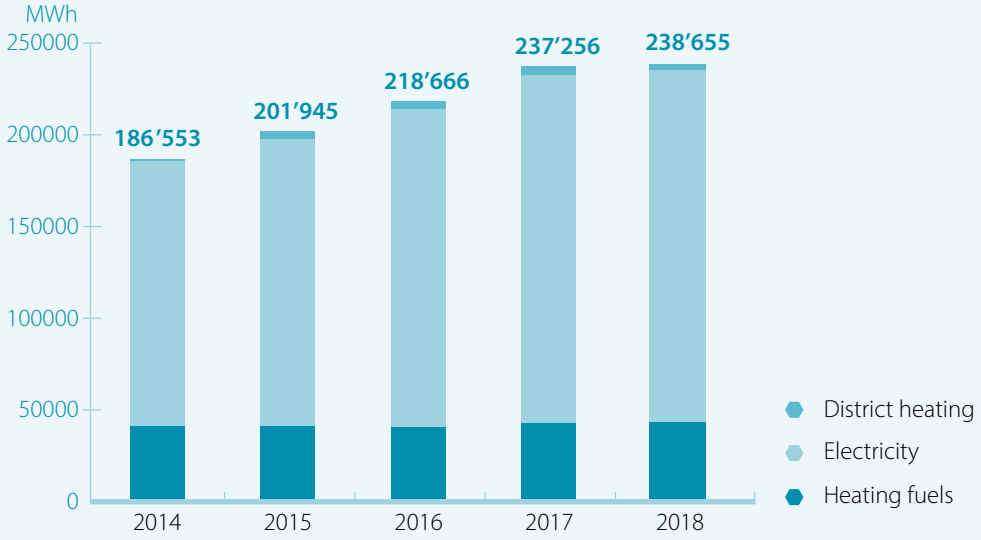
→ See page 14

60.8 %
of employees are men

39.2 %
of employees are women

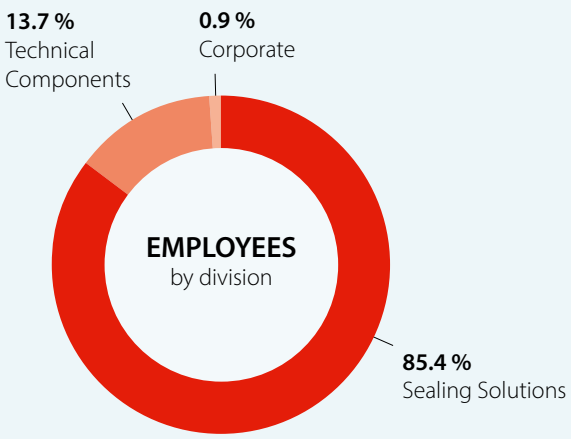
→ See page 19

ENERGY CONSUMPTION



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. The companies Parco and Bins acquired in 2018 were not yet included in the reporting year.

→ See page 14



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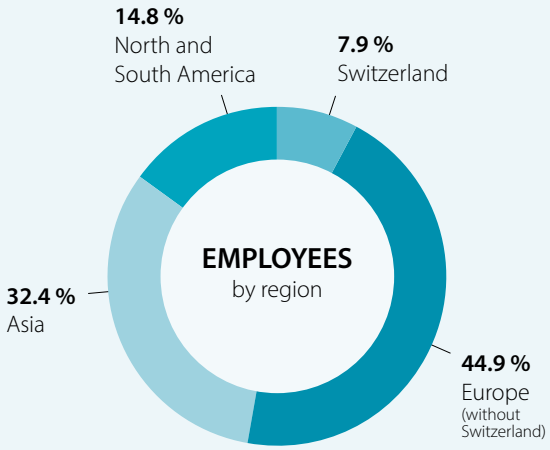

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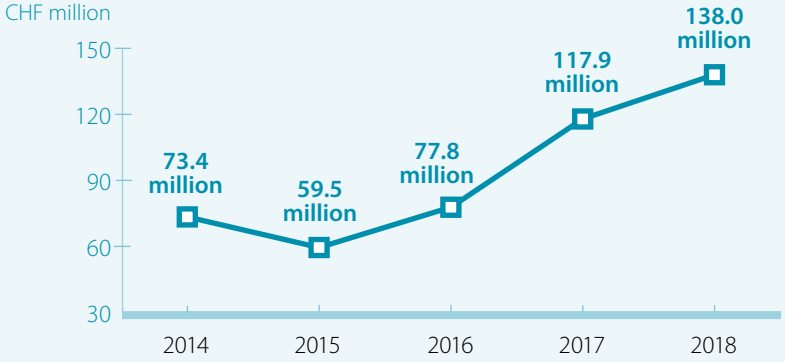
CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT



→ see page 14

250’000

products in the Technical Components division

→ See page 12

58’000 t

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

→ See page 22

WATER AND WASTE

31’496 m³
less water consumption than in the previous year

100 kg
less waste per million CHF in revenue compared to previous year

→ See page 14

DAYS OF ABSENCE (PER YEAR)

0.28 days
per full-time employee due to workplace accidents

6.44 days
per full-time employee due to illness

→ See page 18

WE SUPPORT

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

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
DRIVING SUSTAINABLE ECONOMIES

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

2018 CSR Rating SILVER ecovadis

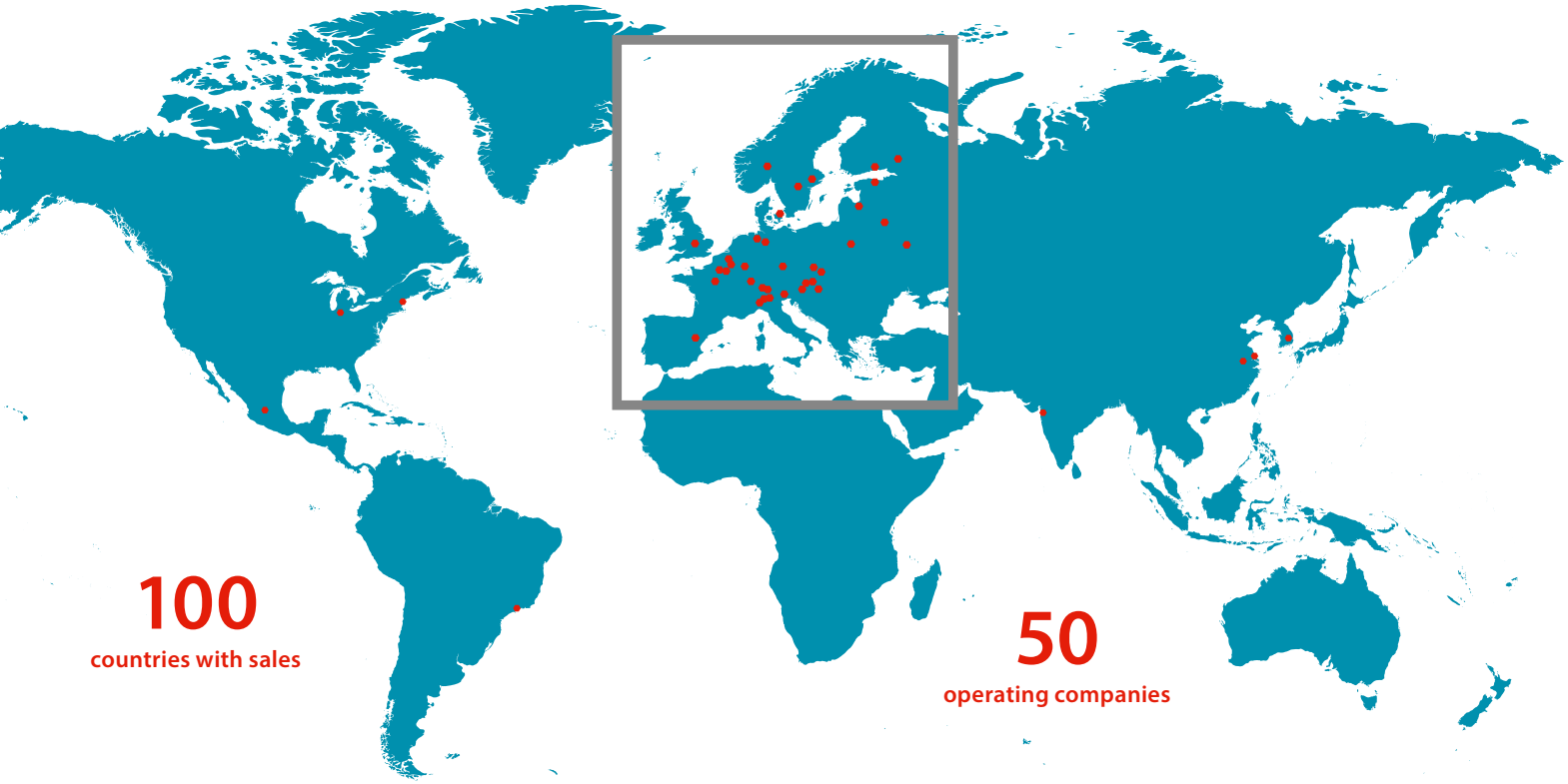
EcoVadis
Datwyler has received the silver rating from EcoVadis for its sustainability activities and is in the top 24 % of all companies assessed.

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 customer specific 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 some 8'000 employees, the Datwyler Group generates annual revenue of more than CHF 1'300 million.

1'362 million
Swiss francs in annual revenue

8'000
employees



100
countries with sales

50
operating companies

WORLDWIDE PRESENCE

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

SEALING SOLUTIONS DIVISION		**TECHNICAL COMPONENTS** DIVISION
Development and production of system-critical and customer-specific sealing components.	**BUSINESS MODEL**	High-service distribution for time-critical electronic components.
Automotive, Health Care, Civil Engineering, Consumer Goods.	**MARKET SEGMENTS**	Maintenance, Repair, Operations (MRO), Automation, Electronic Design Engineers (EDE), Wholesale consumer electronics.
Datwyler sealing components are used worldwide in every second car, in billions of syringes and medicine bottles, and in over 650 tunnels. They help keep drivers, patients and railway passengers safe, wherever in the world they may be.	**APPLICATIONS**	The electronic components of the Datwyler distribution companies make digitalisation possible. Examples include the industrial internet of things (Industry 4.0), industrial robots and home automation (smart home, security).
Leading expertise in materials, engineering and manufacturing processes.	**CORE COMPETENCIES**	Up-to-date and comprehensive range of more than 250'000 electronic components, product management, competent technical advice, high availability and fast delivery.
Worldwide presence with its own manufacturing plants in Europe, Asia and the NAFTA area.	**GEOGRAPHY**	Europe, using its local presence to stand out.
Datwyler, Parco, Bins	**COMPANY BRANDS**	Distrelec, Reichelt, Nedis
891 million Swiss francs in annual revenue, 800 customers, 6'900 employees, 20 locations.	**KEY FIGURES**	471 million Swiss francs in annual revenue, 700'000 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.

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. The materiality analysis is reviewed on a yearly basis and adjusted as needed.

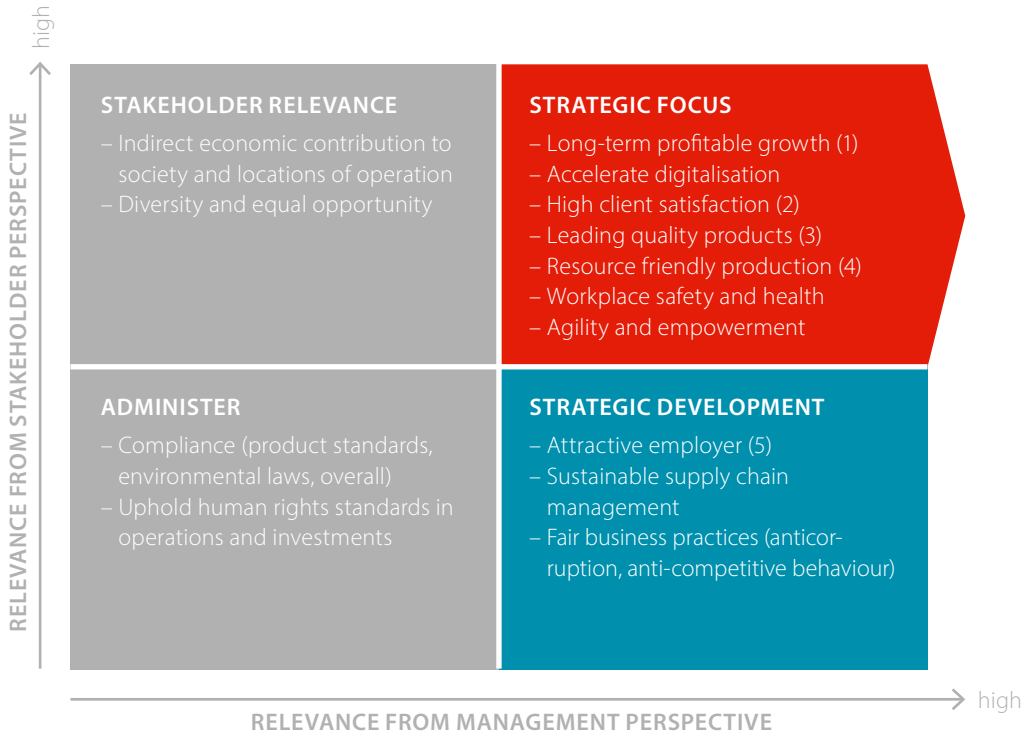
Multi-stage process

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. Furthermore, the topics with material economic, social, and environmental impacts were identified. The assessment of the impacts for sustainable development is gradually being developed. As a next step, in a workshop attended by over 70 managers from both divisions and from all of the larger sites and subsidiaries, Datwyler subsequently drew up objectives, visions and priorities related to these topics in terms of strategic focus and strategic development. Datwyler will continue to develop 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.

The sustainability objectives were developed with the involvement of managers from all sites.



Topics with high materiality or economic, social, or environmental impacts are indicated with a number and explained below.

Particularly material topics and their economic, social, and environmental impacts:

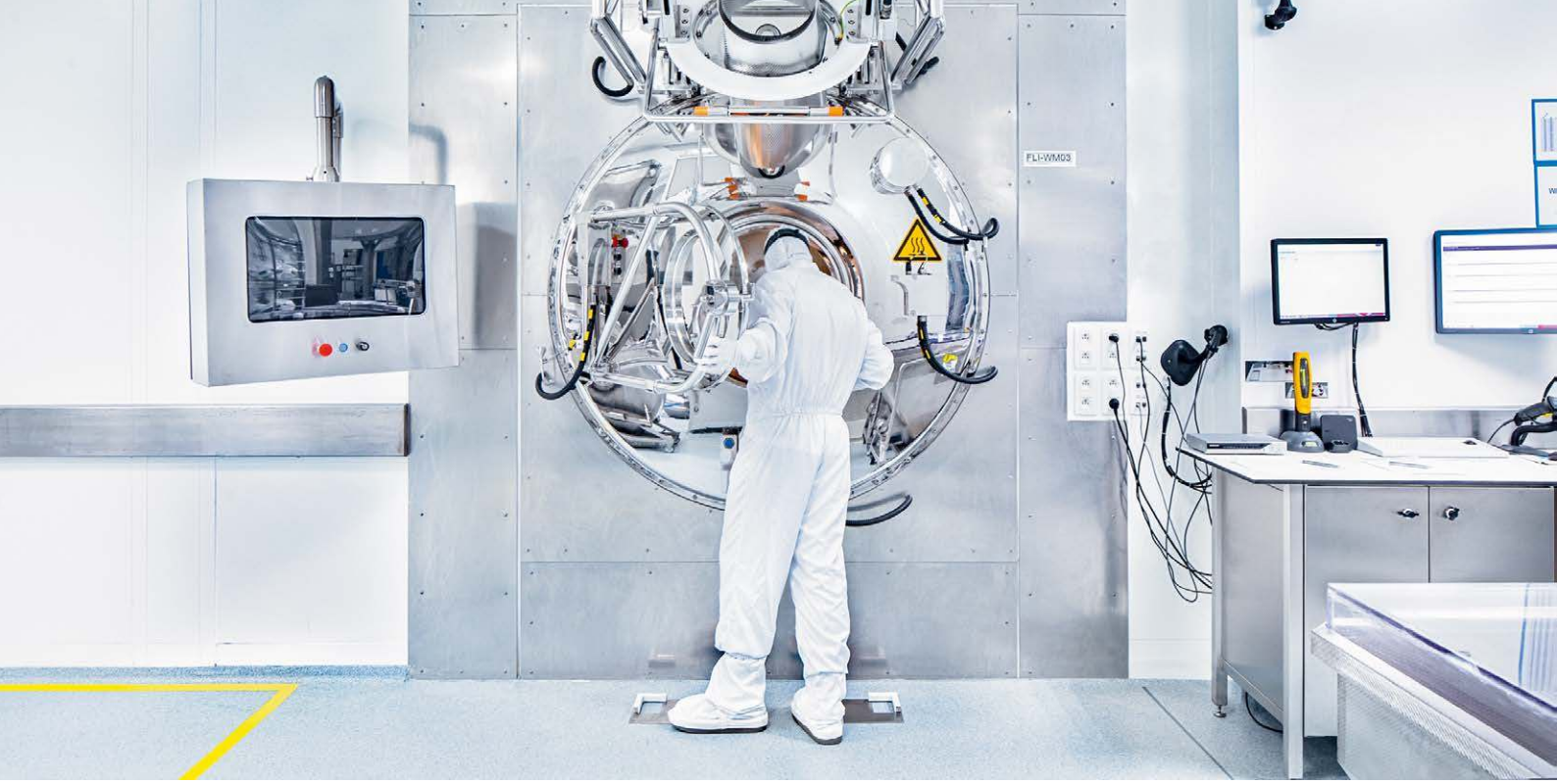
1 Long-term profitable growth
The long-term profitable growth of the Datwyler Group requires the construction of new – and the expansion of existing – production plants. The company thus generates a considerable direct and indirect benefit for the regional environment. In Kesurdi, India, for instance, Datwyler has thus created 475 new jobs since 2013. There are also the trainee positions, the purchases at local businesses, and the company's and employees' tax payments. (see page 8)

2 High client satisfaction
The high satisfaction of Datwyler clients is evident, among other areas, in the partnerships that last for many years. There is a variety of clients who are highly regarded around the world who have trusted Datwyler's reliability and its ability to innovate for over thirty years. The regular awards for top quality and continous improvement indicate the clients' high satisfaction. (see pages 10–11)

3 Leading quality products
Worldwide, Datwyler sealing components are utilised in every second car, in millions of syringes and drug vials, and in over 700 tunnels. They thus guarantee the safety of motorists, patients, and rail passengers around the world. The Datwyler distribution company's electronic components make digitalization possible, such as the Internet of things, industry robots, and the automatisation of domestic engineering, for instance. (see pages 12–13)

4 Resource-friendly production
Datwyler fosters the responsible handling of natural resources and has set itself ambitious reduction objectives. In 2018, already the second year in a row, this is evident in the reduction of the relative consumption of fuels, electricity, water, and the volume of waste per revenue unit. (see pages 14–17)

5 Attractive employer
Through decentralised management, Datwyler encourages entrepreneurial initiative and employee identification. We intend our employees to be able to bring all of their talents, competencies, and creativity to work. In the 2018 employee survey, the employee evaluations of the Datwyler Group were better than ever. This provides a strong basis for the goal of increasing agility. (see pages 19–21)



With the new, state-of-the-art production capacities, Datwyler can make use of the attractive growth potential in the health care market.

LONG-TERM PROFITABLE **GROWTH**

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 improvement in operating result

In the 2018 reporting year, the Datwyler Group increased net revenue compared with previous year, by 5.4 % to CHF 1'361.6 million (previous year : CHF 1'291.4 million) and thus achieve the self-imposed objectives. Adjusted for positive currency and acquisition effects, the resulting organic revenue growth was 2.0 %. The operating result (EBIT) ontinued to improve to CHF 170.0 million (previous year : CHF 162.6 million). The EBIT margin remained almost unchanged at 12.5 % (previous year: 12.6 %). This was despite significant start-up costs for various growth-related projects, in particular for the new Health Care capacity in the USA and India. The net result reached CHF 121.0 million (see the Annual Report 2018, particularly pages 2–11 and pages 56–63).

Well positioned to tackle future challenges

It is possible that some of the markets we serve may become more challenging for a time during 2019. Global trade disputes have led to increased uncertainty in the automotive market in particular. But with the measures implemented in 2018 and before and thanks to the strategy it is pursuing, Datwyler is well prepared for the challenges ahead. We are currently expecting revenue of between CHF 1'450 million and CHF 1'500 million for 2019 and an EBIT margin within the target range of 12 % to 15 %, which has recently been increased twice (see the Annual Report 2018, pages 8–11). 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 2018, pages 42–54).

KEY POINTS IN BRIEF

- → **The** Datwyler sites generate considerable benefits for the local industry and municipalities.
- → **In** the 201 reporting year Datwyler achieved its self-imposed objectives: revenue increase by 5.4 % to CHF 1'361.6 million and the EBIT margin reach 12.5 %.
- → **Objectives:** Revenue growth in 2019 to CHF 1'450 million to CHF 1'500 million, target range for the EBIT margin of 12 % to 15 %.

ACCELERATE **DIGITALISATION**

Datwyler increases the efficiency of its production and warehousing processes by means of state-of-the-art technologies and intensifies digital communication with both customers and employees.

Datwyler wants to proactively turn the new possibilities and opportunities of digitalisation into a competitive advantage in order to be able to benefit from the manifold growth chances in markets worked on. To this end, the Group is continuously investing in state-of-the-art systems and solutions and thus increases the efficiency of business processes, improves data quality, raises IT security, and establishes a strong and flexible basis for future digital applications. Datwyler Group has a central ICT organisation with some 150 specialists at 11 locations. Some 50 people are concentrated in an ICT centre in India. In cooperation with external solution providers, Datwyler's ICT organisation ensures reliable operation of existing systems and of the ongoing evaluation and implementation of new technologies.

Industry 4.0 in the Sealing Solutions division
In the Sealing Solutions division, the focus regarding digitalisation lies on Industry 4.0 with automated, interconnected, and intelligent production plants, continuously optimised processes, and predictive maintenance. Concrete examples include modernising and expanding the ERP software package (SAP S/4 HANA and MII), robotic process automations (RPA), automated guided vehicles (AGV), as well as RFID technology for controlling and tracking material flows. Prime example for leading-edge Industry 4.0 competencies is the new health care plant in the US, where Datwyler is running a fully interconnected, highly automated, and paperless production thanks to state-of-the-art digital technologies. As part of the existing uniform production system, knowledge newly acquired in the US is continuously introduced in all other Datwyler plants.

Personalisation in Online Distribution
In distribution business, fascinating new possibilities and opportunities are opening up by means of big data and digital technologies. Subject to existing data protection regulations, Datwyler distributors use their online customers' data by applying predictive analytics to be able to offer personalised packages to them. Customers benefit from an inspired shopping experience and from product offers that are tailored to their individual needs. User-friendliness and speed of online shops, too, are refined continually by deploying state-of-the-art technologies. Currently, Distrelec has the industry's fastest search function.

Digitalisation of HR processes
By applying the SAP solution SuccessFactors, Datwyler digitises human resource processes as well. In doing so, the Group reduces complexity in organisation, increases efficiency of collaboration, and fosters employee identification. Thus, SuccessFactors contributes to, for example, recognising employees' needs for professional development better and faster and making existing training offerings wider known.

Datwyler wants to proactively turn the new opportunities of digitalisation into a competitive advantage.

KEY POINTS IN BRIEF

- → **In** the Sealing Solutions division, the digital focus lies on Industry 4.0 with intelligent production plants and predictive maintenance.
- → **In** the Technical Components division, predictive analytics and personalised offers are paramount.
- → **Over** the course of the reporting year, Datwyler once again expanded or put into operation a multitude of digital systems.
- → **Objective:** Datwyler wants to be among the leading companies regarding the use of digital technologies in its industries

The election as Distributor of the Year 2018 proves the high customer orientation of the Datwyler distribution company Reichelt.

HIGH
CLIENT SATISFACTION

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

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

System-critical sealing components
Through its Sealing Solutions division, Datwyler is a recognised development partner whose expertise in materials, engineering and production processes helps customers succeed in their markets. The sealing components produced for specific customers are certainly system-critical parts. These make a decisive contribution to ensuring systems function properly for customers in the global Health Care, Automotive, Civil Engineering and Consumer Goods market segments. The fact that several renowned companies have crowned Datwyler 'supplier of the year' or made it their preferred supplier underlines just how closely the business works with its customers. The Sealing Solutions division has some 800 customers with whom Datwyler maintains a close working relationship via its key account management concept. The ten biggest customers accounted for some 45 % of the division's revenue of CHF 891.1 million in the 2018 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

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 700'000 customers a degree of 'added value' by meeting spontaneous requirements for time-critical electronic components.
- → **Datwyler** picked up six awards for quality, innovation and customer service during the 2018 reporting year.
- → **Objectives:** Use the findings of the customer surveys and complaints management to continously improve the offer and performance.

i

Awards for top quality, innovation and customer service
Datwyler picked up six awards for top quality, innovation and customer service during the 2018 reporting year. The Datwyler distribution company Reichelt was voted 'Electronics Distributor of the Year' by readers of the German trade magazine Elektronik. In four of the six product categories, Reichelt was awarded best supplier in the overall impression. The Datwyler health care plant in Belgium has won the Kaizen Award of the Netherlands. The award was presented for the introduction of the Datwyler production system and the active use of the Hoshin-Kanri concept at all levels of the company. In Germany, Datwyler received an innovation award for its track-filling safety profile. This special elastomer profile closes gaps in tracks and increases the safety of traffic participants. Meanwhile, the Chinese Datwyler plant for automotive components in Ningguo has received a total of three awards for leading quality and reliable collaboration. The customers are Wuhu Bethel Automotive, Chassis Brakes International, JABF, Sorl, CBI and Mando.

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 700'000 customers who are mainly in contact with Datwyler distribution companies via the various online shops in 18 different languages. The ten biggest customers accounted for some 4 % of the division's revenue of CHF 470.5 million in the 2018 reporting year.

700'000
customers in the Technical Components division

Systematic complaints management
Datwyler maintains a systematic approach to complaints management in both divisions. 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) 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), which is also internationally recognised. 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 12'000 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
Datwyler conducts regular customer surveys to assess customer needs and satisfaction levels. The Technical Components division uses the Net Promoter Score concept (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. Datwyler uses the results of customer surveys and complaints management 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, since 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. This is how Datwyler increasingly becomes a development partner, which ultimately saves costs and conserves resources.

With on-site tech days for current and potential clients, Datwyler strengthens relationships and increases the awareness of its competencies and offerings.

LEADING QUALITY PRODUCTS

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 30 billion plus manufactured components. In addition, the effects of all products on the health and safety of users are examined. Line functions involved in procurement and production are supported by a global quality assurance function with some 18 employees and by a local team for each plant.

30 billion
manufactured components a year.

Statutory information obligations as minimum standards

Almost all Datwyler Group products are subject to statutory information obligations in the countries where they are used. Chemicals legislation and the EU REACH and RoHS regulations regarding the physical composition of products are of particular relevance. 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 and 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. Again in the 2018 reporting year, the Datwyler Group did not record any incidents where provisions of conduct relating to the impact of products on the health and safety of users were not complied with.

The Datwyler distributors assume responsibility for ensuring that the electronic components in the markets served are in compliance with national laws and norms.

In the development of new products, Datwyler utilises diverse simulation technologies to optimise functionality and the amount of materials needed.

Proactive chemical compliance management

The Datwyler Sealing Solutions division meets a variety of chemical law requirements at its production locations as well as additional industry and customer-specific rules. Standardised and transparent procedures for selecting raw materials and other materials make sure of this. Manufacturing elastomer products requires the use of various chemicals such as polymers, fillers, curing agents, and antioxidants. Datwyler examines the effects of all substances used on the health and safety of employees and users as well as on the environment. With its systematic chemical compliance management, the company goes above and beyond the legal requirements, thereby setting leading standards worldwide in the elastomer industry. By using all globally available information on the substances used, Datwyler proactively identifies substances of concern that are particularly hazardous to health and harmful to the environment. New studies (for example, by the REACH chemical legislation in Europe) can cause substances that were previously considered unproblematic to be reevaluated. This might even result in these substances having to be seen as substances of concern in the future. As soon as there are any indications of new risks, Datwyler prohibits the use of these substances internally for the development and production of new elastomer products. In existing products, Datwyler has started replacing substances of concern in coordination with the customer. As one of the few manufacturers of elastomer products, Datwyler consistently and uniformly implements the findings of the systematic chemical compliance management at all plants worldwide. We do this even if the national laws still permit the use of certain substances of concern. Examples of substances of concern that have been replaced early and voluntarily are mineral oil and phthalate softeners or bisphenol A. Proactive worldwide chemical management offers several advantages: We increase the occupational safety of our employees and reduce environmental impact in the manufacturing, use, and later disposal of our products. In addition, our global customers benefit from particularly safe elastomer compounds for their products from all Datwyler plants. And in the long term, there will be less of a need for costly reformulations of elastomer compounds.

12’000

packages a day containing electronic components.

A vision of integrated product development

With a view to picking up on trends in technology and ensuring the business remains innovative, Datwyler also works with higher education institutions, international standardisation committees and independent testing bodies. And in future, Datwyler is keen to place more emphasis on ‘Ecodesign’ when developing products. This is particularly true of the Sealing Solutions division and includes developing environmentally friendly elastomer compounds, optimising design to save on materials, reducing process-related waste and using reusable or recyclable packaging and boxes. In the distribution business, the focus is on optimising packaging materials.

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.
- → **With** its proactive chemical compliance management, the company goes above and beyond the legal requirements.
- → **Objectives:** Datwyler will be looking to promote ‘Ecodesign’ at the Sealing Solutions division and optimise packaging materials at the Technical Components division.

Thanks to a systematic and proactive chemical compliance management, Datwyler uses only safe and environmentally friendly substances worldwide.

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^3/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

138 million

CHF invested by the Datwyler Group in 2017.

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 2018 reporting year: heating fuel –1.7 %, electricity –1.9 %, water – 4.3 %, volume of waste –1.5 %. This is the second time in a row that Datwyler has reduced relative consumption of all resources, but only achieved its own ambitious targets for water consumption.
- → **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 %.

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.

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. The Swiss plant has also been a member of the Energy Agency of the Swiss Private Sector (EnAW). At the Sealing Solutions division, an overall Environment Health and Safety (EHS) Manager is responsible for coordinating issues relating to environmental management. This person is supported by a dedicated EHS officer at each plant. In addition, 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 138.0 million (previous year: CHF 117.9 million). The impact on the use of resources is also considered when any investments are made in equipment and buildings.

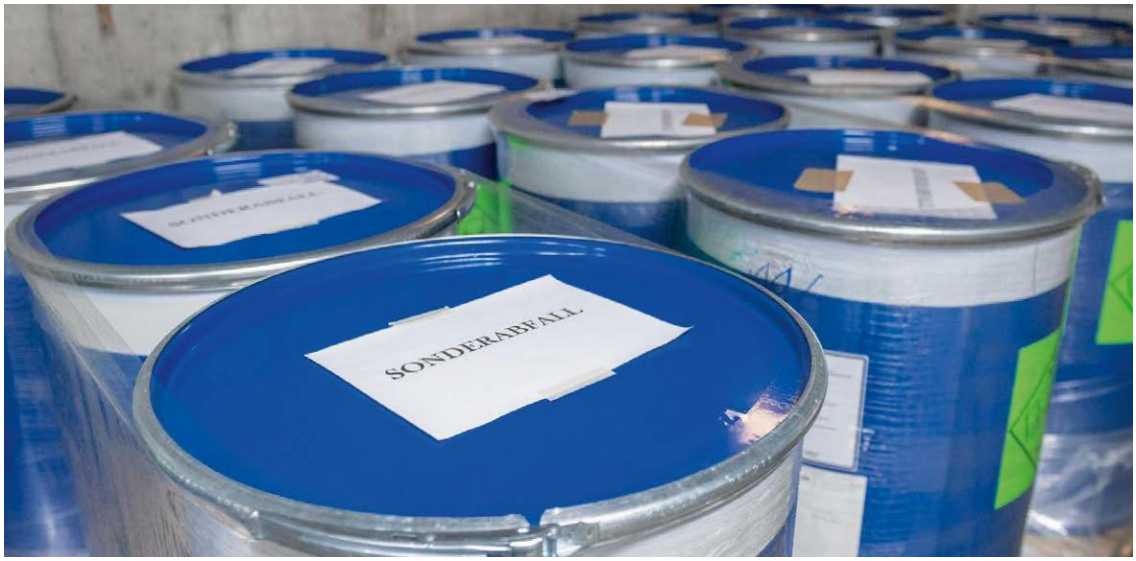
71.1 %
of waste is recycled.

Production system as basis for operational excellence

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 has an integrated production system with uniform production processes for all plants on all continents. 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. This makes reducing the consumption of resources and protecting the environment an integral dimension in the pursuit of operational excellence.

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 0.6 % to 233'053 MWh during the 2018 reporting year (previous year: 231'578 MWh). Of this, 189'878 MWh or 81.5 % relates to electricity consumption, which increased by 1.1 % during 2018. Currency-adjusted revenue, which is used as the basis for assessing relative resource consumption, increased by 3.0 % during 2018. Relative electricity consumption declined by 1.9 % 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 2018. At 39'650 MWh or 17 %, process and heating energy from the burning of fuels such as heating oil or natural gas at the business's own sites accounts for a much smaller share of energy consumption. This consumption was up 1.3 % on the previous year, in absolute terms. Datwyler did, however, manage to reduce fuel consumption per revenue unit by 1.7 % in 2018. This means the company has missed its ambitious objective of a 6 % reduction in relative consumption. Various measures are currently being planned and reviewed with a view to using electricity and energy more efficiently in future. At its Italian plant, Datwyler is investing CHF 1.7 million in a modern combined cooling, heat and power unit powered by natural gas. This 1.2 MW trigeneration unit generates electrical energy and heat for heating purposes and for production processes. Cooling requirements can also be covered by the use of an absorption chiller. The new combined cooling, heat and power unit will reduce



If special waste cannot be prevented, Datwyler works with external specialists to ensure proper and environmentally-friendly removal.

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

purchased electricity by more than 70 % and CO_2 emissions by some 900 tonnes per year from autumn 2019. Another good example is the ecological cooling system at the Swiss plant. The use of groundwater for air conditioning, ventilation and certain processes reduced electricity demand by over 60 % compared with a conventional solution based on chillers. In absolute terms, the electricity savings per year amount up to 1'900 MWh. Moreover, at many sites, Datwyler equips the air compressors with heat recovery systems.

Slight reduction in relative CO_2 emissions

With a view to reducing energy consumption per revenue unit, Datwyler is also striving to reduce CO_2 emissions per revenue unit. CO_2 emissions from direct and indirect energy consumption are calculated by an external specialist on the basis of recognised emission factors derived from reported energy volumes. Both Scope 1 emissions from direct energy consumption of fuels and Scope 2 emissions from indirect energy consumption of electricity and district heating increased in the year under review. Overall, absolute CO_2 emissions at the Datwyler Group increased by 2.6 % to 88'310 tonnes (previous year: 86'086 tonnes). The slightly disproportionate increase compared to electricity consumption can be explained by the growing production capacity at plants in China and India, which increase the average level of CO_2 associated with the electricity consumed. The relative CO_2 emissions per revenue unit were slightly reduced by 0.4 %. In India, the Maharashtra Pollution Control Board has placed the Datwyler plant in the category of companies with the lowest levels of air pollution.

3'600

tons of CO_2 savings per year in Switzerland.

Decline in relative and absolute water consumption

The Datwyler Group's absolute water consumption of some 2.1 million m^3 decreased slightly by 1.5 % compared with the previous year. The reduction per revenue unit of Datwyler's Sealing Solutions division, which is crucial for resource consumption, amounted to 4.3 %. This exceeded the target of a 3 % reduction. The sustantial water consumption at the Sealing Solutions division reflects the specific requirements of production processes. Particularly water-intensive are the washing of health care components and the cooling equipment used for manufacturing in the Consumer Goods segment. The water demand at the Swiss plant of some 860'000 m^3 (accounting for over 40 % of water consumption across the Group) is largely covered by process water. Several production sites have treatment facilities and use the water several times before returning it cleaned to the environment.

Slight reduction in the relative volume of waste

The absolute volume of waste increased in the reporting year slightly to 14'118 tonnes (previous year: 13'913 tonnes). At the same time, however, the relative volume of waste per sales unit was reduced by 1.5 %. The reduction objective of 3 % was thus not achieved. The recycling rate increased from 68.3 % to 69.7 %. This is one consequence of the efforts made at the Sealing Solutions division to find customers for process-related elastomer waste. 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. 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.

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CO_2-neutral industrial production in Switzerland

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_2 emissions amounts to around 2'300 tonnes a year. The Swiss production site has been sourcing process and heating energy from a nearby wood-fired heating plant since as long ago as 2008. This allows Datwyler to save around 500'000 litres of heating oil a year and reduce annual CO_2 emissions by another 1'300 tonnes or so a year.

SUMMARY OF **RESOURCE CONSUMPTION** [1]

		SEALING SOLUTIONS			TECHNICAL COMPONENTS			GROUP		
	Unit	**2018**	**2017**		**2018**	**2017**		**2018**	**2017**	
Energy										
Total energy consumption	MWh	233'053	231'578	+0.6%	5'602	5'678	–1.3%	238'655	237'256	+0.6%
Heating fuels	MWh	39'650	39'152	+1.3%	2'241	1'951	+14.9%	41'891	41'103	+1.9%
Energy generated externally	MWh	193'403	192'426	+0.5%	3'361	3'727	–9.8%	196'764	196'153	+0.3%
– of which electricity	MWh	189'878	187'889	+1.1%	3'361	3'727	–9.8%	193'239	191'616	+0.8%
– of which district heating	MWh	3'525	4'537	–22.3%	0	0		3'525	4'537	–22.3%
Greenhouse gas emissions CO_2 [2]										
Total emissions	tonnes	88'310	86'086	+2.6%	1'823	1'899	–4.0%	90'133	87'984	+2.4%
– of which Scope 1	tonnes	8'285	8'115	+2.1%	453	394	+14.9%	8'738	8'509	+2.7%
– of which Scope 2	tonnes	80'024	77'970	+2.6%	1'371	1'505	–8.9%	81'395	79'475	+2.4%
Water										
Drinking/industrial water consumption	m³	2'086'088	2'115'447	–1.4%	4'611	6'748	–31.7%	2'090'699	2'122'195	–1.5%
Waste										
Total waste	tonnes	14'118	13'913	+1.5%	939	978	–4.0%	15'057	14'891	+1.1%
– of which regular waste	tonnes	12'939	13'162	–1.7%	939	978	–4.0%	13'878	14'140	–1.9%
– of which special waste	tonnes	1'179	751	+56.9%	0	0		1'179	751	+56.9%
Proportion of waste sent for recycling	%	69.7%	68.3%	+2.0%	92.1%	89.5%	+2.8%	71.1%	69.7%	+1.9%

[1] 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. The companies acquired in 2018, Parco and Bins, were therefore not included in the reporting year.

[2] The CO_2 emissions are reported as direct (Scope 1) emissions, resulting from the combustion of fossil fuels at the Group's own facilities, and indirect (Scope 2) emissions, caused for example by the consumption of electricity and district heating. The CO_2 emissions from electricity consumption have been calculated using the so-called market-based approach. This value is also similar to those generated using a location-based approach. The emission factors used to calculate CO_2 emissions from electricity consumption were adjusted according to the latest International Energy Agency figures for the year under review and the previous year. This led to a decline in the previous year's figures compared with the Sustainability Report 2017.

WORKPLACE SAFETY **AND HEALTH**

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 2018 reporting year, with the trade-based side of the business recording only 25 days of absence due to workplace accidents. The equivalent figure for the Sealing Solutions division was 2'156 days' absence. Expressed per full-time equivalent, this figure equates to 0.28 days' absence for the year as a whole at Group level (prior year 0.23). This figure is slightly above 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 38'086 in the reporting year, with the Technical Components division clocking up 11'333 days. At Group level, this equates to 6.44 days' illness per full-time equivalent (prior year 6.15). 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.

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 integrated Datwyler Production System, workplace safety becomes an integral dimension of the drive for operational excellence (see also page 12 of the 'Sustainable quality products' text).

Datwyler provides safe and healthy workplaces.

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 6.44 days' absence per full-time equivalent due to illness and 0.28 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.

Datwyler has a highly committed workforce. In the most recent survey, they rated the company as an employer better than ever before.

ATTRACTIVE EMPLOYER, AGILITY AND EMPOWERMENT

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 354.4 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 2018, 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.

354 million

CHF were spent on personnel costs in 2018, 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 introducing a Group-wide standard software for uniform digital execution of all personnel functions. Among other things, this includes recruitment, onboarding, development, talent management, succession planning, objective setting, performance appraisal, and personnel administration using standard data.

KEY POINTS IN BRIEF

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

Competence and agility driven by development

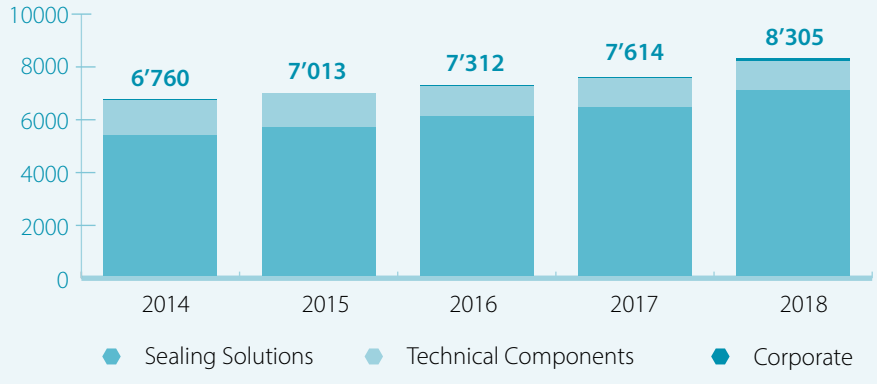
The markets in which the Datwyler Group is active require employees with in-depth training who also have access to continuous development. Development programmes designed to bring on employees' technical and social skills are supported down the various levels of the hierarchy. The 80 plus apprenticeships offered by Datwyler Group companies are just one example of the efforts made to train young professionals. The top rankings regularly achieved by apprentices in national competitions are testament to the high level of technical training provided. With a view to bringing on tomorrow's managers, the Datwyler Group adopts a systematic approach to talent management and a runs a Group-wide development programme. Depending on the target group, the content ranges from development of self-competence and competence as an employee to the teaching of management skills and raising awareness of strategic decision-making processes at the highest level of an organisation. With targeted trainings, Datwyler supports its managers to renew their management style and encourage their employees by acting more like coaches. In doing so, Datwyler is creating an environment where employees can be agile and give free rein to their talents, skills and creativity.

80 %
of employees have a high level of commitment.

Employee survey to increase engagement

The Datwyler Group conducts a standard Group-wide employee survey every other year. This takes the form of a questionnaire in 19 languages and is rolled out in collaboration with an external specialist, which ensures the identity of employees remains anonymous. For the last survey in autumn 2018, the response rate was 87 % for the Sealing Solutions division and 70 % 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 2018, 82 % of employees in the Sealing Solutions division (2016: 78 %) and 80 % of those in the Technical Components division (2016: 79 %) were found to have a high level of commitment. With these values, Datwyler has reached the target value of 80 %, which is also considered 'very good' when benchmarked against other international industrial companies. The

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.

In India, Datwyler supports the improvement of the local infrastructure both financially and by completing recurring tasks.

score for whether staff would recommend Datwyler as an employer to others is 76 % (2016: 68 %) in the Sealing Solutions division and 67 % (2016: 62 %) in the Technical Components division. Datwyler thus significantly exceeded its target of 70 % in the Sealing Solutions division, which employs around 85 % of the Group's workforce. In the most recent survey, employees across all topics rated the Datwyler Group as an employer better than ever before. The results of the employee survey 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.

39.2 %

is the proportion of women in the Datwyler workforce.

Composition of the workforce

The workforce at the Datwyler Group continued to grow in the 2018 reporting year. This was partly due to an increase in the headcount at sites located abroad as a result of organic growth within the Sealing Solutions division. Another factor were the 370 Brazilian and 250 American employees joining the Sealing Solutions division with the acquisition of Bins and Parco in autumn 2018. Overall, the Datwyler Group employed 8'305 employees (previous year: 7'614 employees) in 28 countries at the end of the year – including those on fixed-term employment contracts – with 32 % in Asia, 15 % in North and South America, and 53 % in Europe. This equates to 8'118 full-time equivalents (previous year: 7'46 full-time equivalents) at the end of the year. Expressed as an annual average, 371 employees or 4.7 % were employed on a part-time basis. The number of employees on fixed-term employment contracts was 813 or 10.3 % of the workforce. The proportion of women in the overall workforce was 39.2 %, while the proportion of women in senior positions was 15.8 %. Based on 7'705 people, the average number of full-time equivalents for the year, revenue per full-time equivalent was CHF 176'705 in 2018. This figure is influenced by the fact that the Sealing Solutions division continues to step up its use of production plants in Asia, where revenue per employee is lower than in Western countries. The staff turnover rate for the Datwyler Group was 13.2 % 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.

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A responsible employer

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. Datwyler has already brought the water supply, kitchen and toilet infrastructure as well as the building and playground to a modern standard in three public kindergartens. Local Datwyler employees play an active role in planning and implementing the projects. To ensure sustainable improvement, the local Datwyler cleaning unit regularly cleans and maintains the new facilities and infrastructure. Further projects to improve the infrastructure in the villages in the surrounding area of the Datwyler plant are being planned. 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.

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 700'000 anonymous customers (see also page 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 (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 page 24 of the text on ethical business practices). To promote ethically sound collaboration, Datwyler offers its suppliers an email address for compliance issues, which is managed by the internal audit department. No reports were received during the reporting year. The Supplier Code of Conduct is monitored as part of the quality assurance systems. Datwyler also checks up on sustainability issues during the regular assessments of suppliers, with the focus on suppliers from regions or sectors that represent more of a risk or whose size means they do not have their own sustainability management programme or related reporting. Datwyler expects all suppliers to sign up to the Supplier Code of Conduct as a matter of course. Exemptions are only allowed if suppliers are members of the UN Global Compact or have their own official code of conduct which incorporates the principles of the UN Global Compact.

58'000

tonnes of raw materials at the Sealing Solutions division.

Raw materials at the Sealing Solutions division

At the Sealing Solutions division, Datwyler mainly buys raw materials such as elastomer materials, plastics, metals and operating materials. These 58'000 tonnes of raw materials a year are turned into customer-specific sealing components at 20 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 35 % of the CHF 299.4 million worth of material the business bought in during the 2018 reporting year was sourced from the

The central distribution centre in the Technical Components Division ensures the high availability of electronic components, and short delivery times.

Roughly one third of the raw materials are delivered using palettes and delivery boxes that are picked up by the deliverer and used again.

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

3'800

companies act as suppliers to the Datwyler Group.

Electronic components at the Technical Components division

At the Technical Components division, Datwyler distribution companies procure high volumes of components and accessories for maintenance, automation, electronics and ICT applications and offer their customers a range of articles that currently exceeds 250'000 items. This means the Technical Components division has to work with around 2'000 suppliers worldwide. Around 12 % of the CHF 316.3 million worth of material bought in during the 2018 reporting year was sourced from the ten biggest suppliers. The suppliers constitute a diverse group consisting of product manufacturers, wholesalers and service providers. Some of these are renowned international companies which manage their own supply chains in a professional manner. Some also compile their own sustainability reports and are members of the UN Global Compact. Product manufacturers benefit from working with Datwyler distribution companies in the form of fast access to markets and a large pool of customers. The two Datwyler high-service distributors known as Distrelec and Reichelt source around two-thirds of everything they buy in from product manufacturers directly. They procure about 95 % of what they buy in from within Europe. By contrast, the Datwyler company Nedis, a consumer electronics wholesaler, procures about two-thirds of its requirements from Asian suppliers. Product manufacturers account for about 80 % of procurement at Nedis. This is due to the fact that Nedis outsources the manufacture of its own brand 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/). 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 separate code of conduct specifically for suppliers (see also page 22 of the text on sustainable supply chains and 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

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.

reported, that the processes and procedures for ensuring compliance with the Code of Conduct are regularly reviewed and adapted, and that they are aware of the main risks for their area of responsibility as regards 'compliance and fraud' and monitor these via suitable processes and checks. Based on the compliance reporting process, no complaints relating to anti-competitive conduct or the forming of anti-competitive cartels or monopolies were filed against Datwyler in 2018 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. 32 of the Annual Report 2018).

Zero tolerance objectives

Datwyler underlines its high standards in terms of ethically sound business practices with its zero tolerance objectives. The Group does not wish to be involved in any cases of corruption and is keen to avoid any justified legal action against Group companies. The Code of Conduct should also form an integral part of every person's employment contract, and each employee should be familiar with its content. Each employee is obliged to report any circumstances that suggest a violation of the Code of Conduct. The points of contact for this purpose are an employee's direct line manager, the manager responsible, the personnel department responsible or the Group Compliance Officer (currently the Group Chief Financial Officer). The Datwyler Group also offers its employees a free worldwide whistle blower hotline for reporting violations of the Code of Conduct. Details of the whistle blower hotline are displayed at all sites, 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, nine reports contained concrete information. This does not necessarily mean violations of the Code of Conduct. The reports also relate to local leadership problems which can be solved through better processes or structures. Datwyler uses the findings of these incidents to improve and further develop its processes and guidelines. To help promote ethically sound collaboration, Datwyler also offers its suppliers an email address for compliance issues, which is also managed by the Group's internal audit department. No reports were made during the reporting year.

KEY POINTS IN BRIEF

- → **Datwyler** has been a member of the UN Global Compact since as early as 2009 and has a Group-wide binding code of conduct for employees and suppliers.
- → **Any** kind of discrimination, bribery or corruption is strictly forbidden.
- → **A** standardised compliance reporting process ensures the individual subsidiaries implement the Code of Conduct.
- → **Objectives:** No cases of corruption and no justified legal action agains Group companies.

GRI **CONTENT INDEX**

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The GRI Materiality Disclosures Service was performed on the English version of the report.

GENERAL STANDARDS

Reference	Disclosure	Page *
GRI 101: Foundation (2016)	This report has been prepared in accordance with the principles of the GRI standards.	
GRI 102: General Disclosures (2016)		
1. Organisational profile		
GRI 102-1	Name of the organisation	p. 30
GRI 102-2	Activities, brands, products, and services	p. 4–5, AR p. 14–21
GRI 102-3	Headquarters	p. 30
GRI 102-4	Location of operations	AR p. 90–91
GRI 102-5	Ownership and legal form	AR p. 28-29
GRI 102-6	Markets served	p. 4–5, AR p. 14–21
GRI 102-7	Scale of the organisation	p. 2–5
GRI 102-8	Information on employees and other workers	p. 2–5, 19–21
GRI 102-9	Supply Chain	p. 22–23
GRI 102-10	Significant changes to the organisation and its supply chain None.	
GRI 102-11	Precautionary Principle 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. 24
GRI 102-12	External Initiatives United Nations Global Compact; Nachhaltigkeitsbericht nach den Global Reporting Initiative (GRI) Standards; Berichterstattung nach dem Carbon Disclosure Project (CDP)	
GRI 102-13	Membership of associations Swissmem; Global Compact Network Switzerland	
2. Strategy		
GRI 102-14	Statement from senior decision maker	p. 1 AR p. 8–11
3. Ethics and integrity		
GRI 102-16	Values, principles, standards, and norms of behavior Our values are based on 100 years of success as a company, see also www.datwyler.com/en/governance/values There has been a binding code of conduct for employees since 2008 and one for suppliers since early 2014. There is also an annual compliance reporting process.	p. 1, 24–25
4. Governance		
GRI 102-18	Governance structure	AR p. 28–38
5. Stakeholder Engagement		
GRI 102-40	List of stakeholder groups Customers, the environment, employees, shareholders, suppliers and the communities in which the Datwyler Group companies have often been long established and promote regional development as reliable employers and partners.	
GRI 102-41	Collective bargaining agreements 63.8 % of all employees are covered by collective agreements (or collective bargaining agreements)	

GRI 102-42	Identifying and selecting stakeholders The Datwyler Group places great emphasis on respecting and engaging in an open and honest dialogue with all stakeholders who play a role in our business success and who are significantly affected by our business operations.	
GRI 102-43	Approach to stakeholder engagement The following regular processes are intended to improve stakeholder engagement: supplier evaluations, customer surveys, employee surveys. The various sites also maintain regular contact with representatives from local authorities and the government.	
GRI 102-44	Key topics and concerns raised Price, quality, delivery times, conditions of employment, wages and increasingly the environment and social aspects too (compliance) by shareholders/investors and customers. Concerns are addressed and action taken accordingly where this makes sense.	
6. Reporting practice		
GRI 102-45	Entities included in the consolidated financial statements If not stated otherwise, all entities in the Datwyler Group, incl. the Sealing Solutions and Technical Components divisions	
GRI 102-46	Defining report content and topic Boundaries	p. 6
GRI 102-47	List of material topics	p. 6
GRI 102-48	Restatements of information None.	
GRI 102-49	Changes in reporting None.	
GRI 102-50	Reporting period 1.1.2018 – 31.12.2018	
GRI 102-51	Date of most recent report 23.5.2018	
GRI 102-52	Reporting cycle Annual	
GRI 102-53	Contact point for questions regarding the report	p. 30
GRI 102-54	Claims of reporting in accordance with the GRI Standards This report has been prepared in accordance with the GRI Standards: core option	
GRI 102-55	GRI Content index	p. 26
GRI 102-56	External assurance No external assurance	

TOPIC-SPECIFIC STANDARDS

Reference	Disclosure	Page	Reasons for omission
GRI 200: Economic			
GRI 201: Economic Performance (2016)			
GRI 103 103-1/103-2/103-3	Management Approach (2016)	p. 8	
GRI 201-1	Direct economic value generated and distributed	p. 8	
GRI 201-3	Defined benefit plan obligations	AR p. 69	
GRI 203: Indirect Economic Impacts (2016)			
GRI 103 103-1/103-2/103-3	Management Approach (2016)	p. 8	
GRI 203-2	Significant indirect economic impacts	p. 8	
GRI 205: Anti-corruption (2016)			
GRI 103 103-1/103-2/103-3	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.		
GRI 206: Anti-competitive Behaviour (2016)			
GRI 103 103-1/103-2/103-3	Management Approach (2016)	p. 24–25	
GRI 206-1	Legal actions for anti-competitive behaviour	p. 25	

Reference	Disclosure	Page	Reasons for omission
GRI 300: Environmental			
GRI 302: Energy (2016)			
GRI 103 103-1/103-2/103-3	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. 12–15	
GRI 303: Water (2016)			
GRI 103 103-1/103-2/103-3	Management Approach (2016)	p. 14–16	
GRI 303-1	Water withdrawal by source	p. 16–17	
GRI 305: Emissions (2016)			
GRI 103 103-1/103-2/103-3	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	
GRI 306: Effluents and Waste (2016)			
GRI 103 103-1/103-2/103-3	Management Approach (2016)	p. 14–16	
GRI 306-2	Waste by type and disposal method	p. 16–17	
GRI 307: Environmental Compliance (2016)			
GRI 103 103-1/103-2/103-3	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 2018 for non-compliance with environmental protection laws and regulations.	p. 23	
GRI 400: Social			
GRI 401: Employment (2016)			
GRI 103 103-1/103-2/103-3	Management Approach (2016)	p. 19–21	
GRI 401-1	New employee hires and employee turnover	p. 21	Detailed breakdown in preparation
GRI 403: Occupational Health and Safety (2016)			
GRI 103 103-1/103-2/103-3	Management Approach (2016)	p. 18	
GRI 403-2	Types of injury and rates of injury	p. 18	
GRI 404: Training and Education (2016)			
GRI 103 103-1/103-2/103-3	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	
GRI 405: Diversity and Equal Opportunity (2016)			
GRI 103 103-1/103-2/103-3	Management Approach (2016)	p. 19, 21	
GRI 405-1	Diversity of governance bodies and employees	p. 21 AR p. 33–37	

Reference	Disclosure	Page	Reasons for omission
GRI 406: Non-discrimination (2016)			
GRI 103 103-1/103-2/103-3	Management Approach (2016)	p. 19	
GRI 406-1	Incidents of discrimination and corrective actions taken	p. 19	
GRI 408: Child Labor (2016)			
GRI 103 103-1/103-2/103-3	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.		
GRI 409: Forced or Compulsary Labor (2016)			
GRI 103 103-1/103-2/103-3	Management Approach (2016)	p. 22–23	
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.		
GRI 412: Human Rights Assessment (2016)			
GRI 103 103-1/103-2/103-3	Management Approach (2016)	p. 22–24	
GRI 412-3	Investment agreements that include human rights clauses	p. 22–24	
GRI 414: Supplier Social Assessment (2016)			
GRI 103 103-1/103-2/103-3	Management Approach (2016)	p. 22–23	
GRI 414-1	New suppliers that were screened using social criteria	p. 22–23	
GRI 416: Customer Health and Safety (2016)			
GRI 103 103-1/103-2/103-3	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	
GRI 417: Marketing and Labeling (2016)			
GRI 103 103-1/103-2/103-3	Management Approach (2016)	p. 12–13	
GRI 417-1	Product and service information and labelling	p. 12–13	
GRI 419: Socioeconomic Compliance (2016)			
GRI 103 103-1/103-2/103-3	Management Approach (2016)	p. 22–25	
GRI 419-1	Non-compliance with laws and regulations	p. 22	
Company specific topic: Strong customer satisfaction			
GRI 103 103-1/103-2/103-3	Management Approach (2016)	p. 10–11	

* Page(s) in this report or in the Annual Report (AR = Datwyler Annual Report 2018)

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