

# SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Sustainability and social responsibility are core elements of Komax's corporate strategy. They are incorporated not only into the Group's long-term targets, but also into its operating activities. Komax is determined to develop its competencies in questions of sustainability and social responsibility on an on-going basis – for the benefit of its stakeholders and the environment.

The way Komax is perceived by its customers, business partners, shareholders, and other stakeholders depends to a significant extent on the conduct of its employees. For this reason, Komax has a code of conduct that is binding for all employees of the Group and reviewed on a regular basis. The code of conduct defines general rules of behavior and guidelines on how to act towards the Group's business partners and competitors. In addition, it addresses issues such as discrimination, safety, health, and environmental protection. All employees are given training on the code of conduct when they join the company.

**5** times  
less energy  
required to cool a  
control cabinet

### Product sustainability

The machines developed by Komax are characterized by their exceptionally high quality and longevity. The Group's own global service network and its collaboration with partners ensure that these machines are professionally maintained. This has a positive impact on their performance, value retention, and life span, as well as saving resources generally. Komax also ensures servicing and the availability of upgrades and replacement parts years beyond its contractual obligations. Thanks to their modular construction, the machines can usually be adapted to new technological developments or changing needs.

### Increasing energy efficiency

When developing new machines, Komax goes to great lengths to ensure that the consumption of resources is continuously reduced – both in the production process and during the life cycles of the machines at the factories of its customers. For example, in a recently developed type of machine now sold in large numbers, particular attention was paid to the consumption of electricity for the ventilation of a control cabinet. The ventilation of the new machines requires only a fifth of the electricity of the previous model. Thanks to the optimized cooling concept and the improved performance of the fans, the new machines are able to work at higher environmental temperatures, despite their lower energy consumption. If one extrapolates the energy saving achieved on one single machine to the annual production of these two machine models, the annual saving works out at more than 300 MWh. Moreover, Komax has also ensured oil-free pneumatics for this new generation of machine, which likewise has positive repercussions for the environment.

### Declining consumption of fuel and materials

Komax supplies solutions for wire processing applications, in particular for the automotive supply industry. These solutions are also used to process wiring for new fuel-saving propulsion concepts such as electric and hybrid vehicles. Moreover, the innovative technologies mean that ever smaller wire cross-sections and innovative materials such as aluminum can be machine-processed, thereby contributing to a reduction in vehicle weight and, as a result, fuel consumption. In addition, the automated taping solutions, for example, help Komax customers to use less adhesive tape than they would in the case of manual taping.

Komax's products do not contain any ecologically harmful components. The attainment of customers' expectations and the extent of their loyalty are measured by means of regular satisfaction analyses conducted in conjunction with external partners. Komax sets particular store by customer feedback on improvement potential.

In 2011, Komax launched its "Oekomax" program in Switzerland with the aim of continually optimizing environmental protection. Ever since, a team comprising employees from various areas of the company has been looking at sustainability issues. The spectrum of themes ranges from campaigns that motivate employees to be sparing in the use of resources through to ideas as to how the energy efficiency of newly developed machinery can be increased.

## Sustainability in procurement

The company believes in long-term partnerships, and selects suppliers which demonstrate an environmentally aware approach and whose products conform to sustainability criteria. This is ascertained with the assistance of a supplier evaluation questionnaire, which evaluates new as well as existing partners on the basis of uniform criteria. These criteria include the status that suppliers attach to sustainability, quality, price, supply chain, delivery reliability, and production technology. Furthermore, in a code of conduct drawn up specially for suppliers, Komax obliges its suppliers to comply with legislation and to act in an environmentally aware and ethical way. Compliance with agreed guidelines and indicators is reviewed in regular supplier audits. If violations are uncovered, a supplier partnership may be immediately terminated as a result.

In addition to the investment volume, key criteria when evaluating and selecting new production systems include energy efficiency, environmental friendliness, and the economical use of resources.

## Sustainability in production

The Komax Group's business focuses mainly on the production of machines and systems, as well as provision of the corresponding maintenance services. A large proportion of the company's value creation consists of engineering services. The majority of components are manufactured and supplied by third parties, which means that actual production at Komax primarily comprises the assembly of components. Accordingly, Komax generates relatively few emissions compared to other industrial companies.

### Operational Excellence

Highly automated, state-of-the-art production systems are used for strategically important components that Komax manufactures in-house. These are based on lean management concepts, the aims of which include the avoidance of errors and minimization of rejects. The careful and efficient use of resources has top priority: wherever possible, waste materials and wastewater are recycled or then disposed of appropriately. Waste volumes are continuously reduced as part of optimization programs. Wherever possible, Komax uses renewable energies such as solar or hydroelectric power. For example, in Switzerland – the country in which Komax has the highest production volume – the company obtains natural energy from Central Switzerland's RegioMix scheme, and has its own photovoltaic power plant on the roof of its production building in Rotkreuz.

**5** %  
reduction in  
consumption of  
electricity and  
drinking water by  
2021

Key factors in Komax's pursuit of Operational Excellence include safety and the protection of its employees' health. Management attaches high priority to this issue, which is why internal processes are regularly reviewed for safety and health risks. Furthermore, employees are sensitized to possible risks in the workplace at the individual production sites in a targeted way. The low number of occupational accidents over a period of many years is testimony to the success of initiatives in this area. In 2017, the number of registered occupational accidents throughout the Komax Group recorded a slight year-on-year decline from a low level – from 34 to 32 incidents. This trend should be viewed all the more positively since the Komax workforce completed some 10% more working hours in 2017 than it did in 2016, as a result of the Group's strong growth and the associated rise in headcount. As in previous years, reported absences due to accidents in 2017 were mainly the result of accidents suffered by employees while engaging in leisure activities. Komax has set itself the target of reducing occupational accidents by 10% (compared with the average for 2016 and 2017) by 2021.

#### Certification status and integrated management system

The key production locations of the Komax Group, namely in Brazil, China, Germany, France, Switzerland, Tunisia, Turkey, Hungary, and the US, are all ISO 9001-certified. In addition, Komax AG's sites in Dierikon, Rotkreuz, and Küssnacht am Rigi, Komax SLE in Grafenau, TSK in Porta Westfalica, and SC Thonauer Automatic in Bucharest all have ISO 14001 certification. These six sites employ around 890 people. All have integrated management systems that encompass all company processes, the environment, health protection, and workplace safety.

Country	Company	Certification		
<b>Switzerland</b>	Komax AG	ISO 9001	ISO 14001	OHSAS 18001
<b>Brazil</b>	TSK do Brasil Ltda.	ISO 9001		
<b>China</b>	Komax Shanghai Co. Ltd.	ISO 9001		
<b>Germany</b>	Komax SLE GmbH & Co. KG	ISO 9001	ISO 14001	DE AEOC 104360
	TSK Prüfsysteme GmbH	ISO 9001	ISO 14001	
<b>France</b>	Laselec SA	ISO 9001		
<b>Austria</b>	Thonauer Gesellschaft m.b.H.	ISO 9001		
<b>Romania</b>	SC Thonauer Automatic s.r.l.	ISO 9001	ISO 14001	OHSAS 18001
<b>Czech Republic</b>	Thonauer spol. s.r.o.	ISO 9001		
<b>Tunisia</b>	TSK Tunisia s.a.l.	ISO 9001		
<b>Turkey</b>	TSK Test Sistemleri Ltd. Şti.	ISO 9001		
<b>Hungary</b>	Komax Thonauer Kft.	ISO 9001		
<b>USA</b>	Komax Corporation	ISO 9001		
	TSK Innovations Co.	ISO 9001		

#### Resource and energy savings targets

In collaboration with the Energy Agency for the Economy (Energie-Agentur der Wirtschaft, EnAW), Komax has established resource and energy savings targets for 2018 and 2020 for the Swiss sites in Dierikon and Rotkreuz. For example, the target is to reduce energy consumption by at least 6% by the end of 2018 (2014 basis: 2 822 MWh or 5.9 MWh per head). Despite the strong growth in revenues since 2014, which was related to a substantial rise in headcount, Komax had largely stabilized its electricity consumption by the end of 2017: in total, consumption rose only slightly to 2 888 MWh; in per head terms, however, consumption was down by around 17% to 4.9 MWh. EnAW pursues a systematic approach to help more than 3 800 manufacturing firms, industrial plants and service companies increase energy efficiency and reduce their CO<sub>2</sub> emissions.

Komax is successively expanding its reporting on sustainability issues. In the table below, for instance, it is disclosing consumption data for production sites outside of Switzerland for the first time. This data details consumption figures for the majority of large production sites where 60% of all Komax Group employees work. In extending its reporting in this way, Komax has also set itself targets for reducing the consumption of electricity and drinking water at these production sites. By 2021, the aim is to have lowered the consumption of electricity and drinking water by 5% versus 2017.

<b>Sustainability key figures</b>	2017	2016
<b>Consumption<sup>1</sup></b>		
Electricity in MWh	<b>4 517</b>	4 087
Electricity per head in MWh	<b>4.0</b>	3.9
Drinking water in m <sup>3</sup>	<b>7 457</b>	7 900
Drinking water per head in m <sup>3</sup>	<b>6.6</b>	7.5
<b>Waste<sup>2</sup></b>		
Refuse in kg	<b>39 099</b>	36 134
Refuse per head in kg	<b>60.7</b>	60.4
<b>Accidents<sup>3</sup></b>		
Number of occupational accidents	<b>32</b>	34
Number of occupational accidents for every 1 000 employees	<b>22.2</b>	26.0

<sup>1</sup> Covering the production sites in Dierikon (CH), Rotkreuz (CH), Küssnacht am Rigi (CH), Grafenau (DE), Porta Westfalica (DE), El Paso (US), Colombo (BR), Shanghai (CN), Tokyo (JP).

<sup>2</sup> Covering the production sites in Dierikon (CH), Rotkreuz (CH), Küssnacht am Rigi (CH).

<sup>3</sup> Covering all production sites of the Komax Group.

## Contribution to regional development

Komax has been firmly rooted in the Canton of Lucerne, Switzerland, since 1975, where it is one of the region's biggest employers. The Group is committed to Switzerland as a business location because it offers a good environment, facilitates very high productivity, and has a large pool of highly qualified labor. As well as being an important employer in the region, Komax is also committed to advancing young people in a number of different areas (including education, sport, the arts, and social involvement).

The production and distribution sites that the Group has established around the world since 1975 remain in their original locations, which generates a strong sense of identification with local areas. Among other things, this manifests itself in the fact that a large number of employees can be recruited regionally and preference can be given to local suppliers wherever this is feasible and makes commercial sense.

## Attractive employer

At the end of 2017, Komax employed 1 841 staff worldwide (2016: 1 633). Average headcount in 2017 worked out at 1 720 employees (2016: 1 609 employees). This increase is primarily explained by the two acquisitions, the persistently strong development of business, and the corresponding new appointments at various locations. Personnel expenses in the year under review amounted to CHF 137.0 million (2016: CHF 131.6 million).

### 2017

	CH <sup>1</sup>	Europe <sup>1</sup>	Americas <sup>1</sup>	Asia <sup>1</sup>	Africa <sup>1</sup>	Total
Production	231	263	67	72	41	<b>674</b>
Research and development	142	35	0	23	0	<b>200</b>
Engineering	30	87	23	16	10	<b>166</b>
Marketing and sales	194	182	110	110	29	<b>625</b>
Administration <sup>2</sup>	47	66	31	26	6	<b>176</b>
<b>Total headcount as at 31 December 2017</b>	<b>644</b>	<b>633</b>	<b>231</b>	<b>247</b>	<b>86</b>	<b>1841</b>

### 2016

	CH	Europe	Americas	Asia	Africa	Total
Production	225	227	66	60	39	<b>617</b>
Research and development	130	20	1	15	0	<b>166</b>
Engineering	28	95	35	9	10	<b>177</b>
Marketing and sales	171	140	86	94	27	<b>518</b>
Administration <sup>2</sup>	44	50	30	26	5	<b>155</b>
<b>Total headcount as at 31 December 2016</b>	<b>598</b>	<b>532</b>	<b>218</b>	<b>204</b>	<b>81</b>	<b>1633</b>

<sup>1</sup> The individual companies and their locations are listed on page 106.

<sup>2</sup> Including management.

The companies of the Komax Group ensure that their employees enjoy equal opportunities, equal treatment and fair employment conditions, receive pay that is in line with the market, and benefits that are in line with national and industry standards. Participation in the pay comparison survey conducted by industry association Swissmem showed that pay at the Swiss production sites is in line with market averages and that men and women receive equal pay. The proportion of women in the Group's global workforce remained unchanged at around 19% in 2017 (2016: 19%). Komax is not alone within the industry in having a relatively low proportion of women in its workforce. The main reason for this phenomenon is the large number of technical positions within the company, for which the recruitment potential among women is limited.

### Active employee development

The Group's staff turnover rate has been gratifyingly low for many years. In 2017 it amounted to just over 7% (2016: less than 6%). Komax has a very good reputation as an attractive employer, which is partly explained by its corporate culture. This is characterized by mutual respect, trust, and awareness of the paramount importance of quality. Moreover, the needs of employees themselves are not neglected, despite ambitious targets. As part of an active staff development policy, Komax organizes regular management seminars and training for its employees, as well as providing financial support for individual training activities. Komax also encourages international exchanges to allow its staff to gain new experiences and career perspectives.

### **Major investment in tomorrow's workforce**

Komax is committed to the training of tomorrow's professional specialists as a way of safeguarding its global market and technology leadership. In 2017, 44 apprentices (2016: 41) were undergoing training in seven professions at the Group's Swiss sites. 35 apprentices (2016: 33) were being trained in Germany (Grafenau, Porta Westfalica, and Burghaun).

Komax offers its apprentices a wide-ranging training experience. The young professionals are right at the heart of the action, actively following every step of a machine's development from inception through to production readiness. During their training, they get an insight into the various departments' activities and thus gain an understanding of the numerous processes that take place in a company. Komax has state-of-the-art workstations as well as well-equipped mechanical workshops and assembly areas for the specific apprenticeship subjects. The budding professionals are supervised by a motivated team of trainers who not only possess strong technical and teaching skills, but also sensitivity to the social needs of the young people in their charge.

In addition to professional training, Komax also offers apprentices a number of interesting benefits such as language courses, cultural events, preventive health measures, and its own team building events. Once apprentices have completed their training, Komax helps them make the transition into full professional life, either at the site where they trained or at one of the company's locations abroad. Moreover, the company supports the people it has trained in their professional development and further vocational training.

### **Satisfied and healthy employees**

Employee satisfaction is systematically measured and evaluated in the course of annual performance review meetings. Komax uses the results of regular employee surveys as a valuable basis for developing and implementing improvement measures. The results of the surveys conducted with external partners were for the most part highly positive, and in many cases were significantly above the industry average. In 2017, employee surveys were conducted at all sites in Switzerland and Germany.

It goes without saying that Komax satisfies all legal requirements with respect to working conditions in the countries it operates in. Furthermore, it actively promotes the health of its staff at the various locations by means of various measures. In Switzerland, for example, the occupational health management scheme "fit@work" means that staff benefit from free sports offers, fruit campaigns, and workshops and specialist talks, among other things. In order to promote the health of its workforce, Komax also takes part in the "bike to work" initiative that takes place in Switzerland every year. This involves Komax encouraging its employees to commute by bike as often as possible in the month of June. In 2017, 108 employees participated in this initiative, racking up more than 29 000 kilometers in the saddle.

fit@work