

UN Global Compact

Progress Report

Period: June 2017 – June 2018

GROSCHOPP AG - Drives & More -
Viersen,
Germany



Table of Contents:

Endorsement Declaration by the Board of Directors.....	page 3
The GROSCHOPP AG's Code of Conduct.....	pages 4-5
The GROSCHOPP AG's Code of Conduct for Suppliers.....	pages 6-7

The Ten Principles:

Human Rights.....	pages 8-9
Job Standards.....	pages 10-11
Environmental Protection.....	pages 12-13
Fighting against Corruption.....	pages 14

Endorsement Declaration by the Board of Directors

The company GROSCHOPP AG is a leading supplier in the area of electric drive techniques. Business activities comprise research and development, manufacturing and sales of innovative motors, reducer gears and controllers. True to the motto “Drives and More”, the company offers not only customer-tailored drive solutions but also manufactures these up to the final product to be applied and used.

The entire product- and service-portfolio guarantees for our customers and ourselves lasting competitive advantages and an increased value of our products. In particular, individual development is depending upon long-term cooperation between customer and supplier, and such close customer relations has top priority at GROSCHOPP. However, not only are functionality, quality and longevity expected product requirements, but also the production with pre-assembly, delivery on time and consultation, as part of the “More” in addition to the “Drives”.

In 2017, we employed on average 185 staff members at our main production plant in Viersen, of whom 84 were employed in the commercial and technical areas and 101 in the production departments. There were also an additional 4 apprentices employed during that year.

The guiding principle of our company is as follows: “We produce electrical drives for special applications in the drive-engineering sector and provide individual and optimised solutions.

GROSCHOPP has been a member of the Global Compact of the United Nations since 2011. The ten principles of the UN Global Compact are part of our treasured values and are anchored in our Code of Conduct. This is because we have a duty to society to implement all issued instructions in a definitive way. We also inform our shareholders about our ongoing business since the last report issued by means of this year’s project report.

We communicate openly, constructively and adhere to our promises made. We are in constant dialogue with internal and external partners and are well aware of their requirements, wishes and expectations. We meet them with respect and empathy. Our communication strategy cultivates and strengthens the image of our company. The entire staff helps shape our communication culture, thus making them feel responsible for it.

Our company works on continuous improvement processes in all departments in order to achieve and retain commercial success by means of our ambitious sustainability objectives combined with social responsibility. This creates a socially equitable environment and the members of our staff are involved in the entrepreneurial responsibility which assures us their loyalty and adherence to ethical basic principles in our company.

June 2018

Wolfgang Pflug
- CEO -

Code of Conduct of GROSCHOPP AG

In our company the Code of Conduct - as a mandatory guideline, and conforming to the law, as well as for any ethically responsible conduct - defines the standard for a responsible attitude vis-à-vis business partners and the general public, but also in dealings among staff members themselves within our company. Everyone in our company, whether staff members, management of the board of directors, are dutybound to adhere to all stipulated basic principles within this Code of Conduct.

GROSCHOPP AG hereby confirms:

Compliance with the law:

- to comply with the law of the legal system as appropriate.

Prohibition of corruption and bribery:

- neither to tolerate any form of, nor to engage in any way in, corruption or bribery, including any unlawful payment proposal or similar allotments of any kind to government officials in trying to influence their decision-making.

Respect for the basic rights of staff members:

- to promote equal opportunities and non-discrimination among staff members, notwithstanding race, nationality, social background, possible disability, sexual orientation, political or religious belief as well as gender or age;
- to respect the dignity, privacy and personal rights of every individual;
- neither to employ nor to coerce anyone against his/her wishes to perform any work;
- not to tolerate any unacceptable treatment of staff members, e.g. psychological hardship, sexual and individual molestation or discrimination;
- not to tolerate any behaviour (including gestures, language and physical contact), which may be construed as sexual, forceful, threatening, abusive or exploitative;
- to provide for appropriate remuneration and to guarantee payment of the statutory minimum wage;
- to adhere to the statutory maximum working hours of the respective country;
- to recognize the freedom of association of staff members as far as judicially permitted, and to neither favour nor discriminate against members of labour organizations or trade unions.

Prohibition of child labour

- not to employ anyone who cannot prove that he/she is at least fifteen (15) years of age. For countries which are exempt due to their status as a developing country under the International Labour Organization (ILO) – convention 138, the minimum age may be reduced to fourteen (14) years.

Health and safety of staff

- to be responsible for the health and safety of the entire staff;
- to minimize risks and provide for best-possible provisions against accidents and occupational illnesses in the workplace;
- to provide training sessions, and to ensure that all staff members are competent in the areas of occupational health and safety;
- to implement, use and maintain an adequate management system for occupational health and safety;
- to establish and to operate an appropriate work-safety management system;
- to adhere to any and all legal and regulatory provisions in respect of health and safety in the workplace (as appropriate).

Environmental protection

- to adhere to all lawful and international standards pertaining to the protection of the environment;
- to minimize environmental pollution, and to improve on a continuous basis the protection of the environment;
- to implement, use and maintain an adequate management system for the protection of the environment.

Supply chain

- to appropriately promote adherence to the content of the Code of Conduct for all suppliers;
- to adhere to the basic principles of non-discrimination in the process of selecting, as well as in dealing with, suppliers.

Viersen, August 2017

GROSCHOPP AG
Board of Directors

Code of Conduct for Suppliers

This Code of Conduct defines principles and requirements which GROSCHOPP expects all suppliers of goods and services, with which GROSCHOPP engages, to adhere to in respect of their responsibility for humankind and the environment. GROSCHOPP retains the right to redefine any requirement of this Code of Conduct in the event that appropriate alterations should become necessary in GROSCHOPP's in-house Compliance-Programme or as a result of law or regulations, and expects all suppliers to accept such alterations.

The supplier hereby confirms:

Compliance with the law:

- to comply with the law of the legal system as appropriate.

Prohibition of corruption and bribery:

- neither to tolerate any form of, nor to engage in any way in, corruption or bribery, including any unlawful payment proposal or similar allotments of any kind to government officials in trying to influence their decision-making.

Respect for the basic rights of staff members:

- to promote equal opportunities and non-discrimination among staff members, notwithstanding race, nationality, social background, possible disability, sexual orientation, political or religious belief as well as gender and age;
- to respect the dignity, privacy and personal rights of every individual;
- neither to employ nor to coerce anyone against his wishes to perform any work;
- not to tolerate any unacceptable treatment of staff members, e.g. psychological hardship, sexual and individual molestation or discrimination;
- not to tolerate any behaviour (including gestures, language and physical contact) which may be construed as sexual, forceful, threatening, abusive or exploitative;
- to provide for appropriate remuneration and to guarantee payment of the statutory minimum wage;
- to adhere to the statutory maximum working hours of the respective country;
- to recognise the freedom of association of staff members as far as judicially permitted, and to neither favour nor discriminate against members of labour organisations or unions.

Prohibition of child labour

- not to employ anyone who cannot prove that he is at least 15 (fifteen) years of age. For countries which are exempt due to their status as a developing country under the International Labour Organisation (ILO)-convention 138, the minimum age may be reduced to 14 (fourteen) years.

Health and safety of staff members:

- to be responsible for the health and safety of the entire staff;
- to minimise risks and provide for best-possible provisions against accidents and occupational illnesses in the workplace;
- to provide training sessions, and to ensure that all staff members are competent in the area of occupational health and safety;
- to establish and to operate an appropriate work-safety management system;
- to adhere to any and all legal and regulatory provisions in respect of health and safety in the workplace (as appropriate).

Viersen, August 2017

-Board of Management-

Human Rights

Principle 01:

Every enterprise is bound to support and respect the protection of international Human Rights.

Principle 02:

Every enterprise is bound to ensure that they are not complicit in the violation of Human Rights.

1.) Basic principles and objectives:

GROSCHOPP supports and respects all human rights according to the guidelines given by the Global Compact. Human rights belong to the most elementary of rights for everyone. This is the very reason why our company is aware of its social responsibility and ensures that these guidelines are strictly adhered to, respected and brought to the attention of our staff members.

Furthermore, the company GROSCHOPP attaches great importance to the adherence of international human rights in the supply chain.

2.) Implemented activities:

The defined code of behaviour is updated in our staff manual every year. All staff members are aware that they are dutybound to adhere to these guiding principles, and that they have to mutually honour and respect each other.

Our staff is involved in entrepreneurial responsibility. We do not tolerate any discrimination. The equal treatment and mutual respect of each staff member, irrespective of position in the company, gender, race, ancestry, religious or sexual persuasion, and/or physical or mental disability or others, is respected and no exception will be tolerated.

We offer our staff members a socially acceptable environment, lawful working conditions and remuneration, enabling a dignified lifestyle. We respect everyone's personal dignity, privacy and personal rights.

Our staff members are instructed to inform management as soon as possible about any infringement by any other staff member on this Code of Conduct.

We are in constant dialogue with our business partners. Our Code of Conduct defines a responsible attitude in relation to our business partners, and they are made to pledge themselves likewise to adhere to all pertaining regulations. The supply chain is under constant surveillance. Our objective is that even in the supply chain the basic rights of all employed are respected and all service provided are optimized and made transparent.

Additional actions planned:

- Accomplished objectives are enhanced and optimized through continuing education and assistance measures.
- Continuous maintenance of standards is carried out.

3.) Evaluation of results:

The code of behaviour is evaluated on a yearly basis by the management delegate. Should any member of staff infringe the code of behaviour, this shall automatically result in disciplinary procedures. However, during the last year no such offence was reported. Assistance measures are offered on a continuous basis.

Our business partners are monitored and surveyed too. Results are integrated into the recording of the coming year.

Work Standards:

Principle 03:

Enterprises shall protect the freedom of association and the effective recognition of the right to conduct collective negotiations.

Principle 04:

Enterprises shall endeavour to fight and eradicate all forms of forced labour.

Principle 05:

Enterprises shall campaign for the abolition of child labour.

Principle 06:

Enterprises shall campaign for the abolition of discrimination at hiring and during employment.

1.) Basic principles and objectives:

GROSCHOPP complies at all times with the international work- and social-standards as laid down by the International Work-Organization (ILO).

Working conditions in our company are fair and our staff are treated in a fair manner; their needs are of the utmost importance to us. Of course, our staff is allowed to make use of their right to collective bargaining. We categorically reject all kinds of child labour, and we are fully committed to the abolishment of any kind of forced labour.

GROSCHOPP is committed to creating a working environment for the staff free from any discrimination. Every new employee is instructed about this as a matter of principle.

We are practising a systematic work-safety- and health-protection-management as part of our integrated management system in order to protect our staff against illness and accidents. We define our objectives on the evaluation of hazards, judicial requirements and entrepreneurial events.

2.) Implemented activities:

We respect the collective bargaining of all our employees. Members of labour organizations or worker's unions will neither be favoured nor discriminated against.

Remuneration is appropriate and independent of gender. Overtime will be paid in accordance with current legislation guidelines.

GROSCHOPP is aware of the responsibility placed on the company. The guideline for ethically responsible activities conforming to the law in our company is defined in our Code of Conduct and can be read by all employees at any time.

We are committed not to employ anyone who is not at least sixteen (16) years of age. Furthermore, we are committed not to employ nor to coerce anyone to perform work against his will.

Set objectives are continuously developed and filed in the staff manual.

Hazards are to be avoided as a matter of principle. We are aiming for “Zero”-occupational accidents and have implemented provisions according to current techniques and knowledge against possible endangerment, which reduce as far as possible any threat of occupational accidents or illnesses. We also offer training courses for all staff members in order to ensure that every employee is sufficiently instructed about the prevention of accidents. We have appointed first-aid members of personnel according to law and the guidelines of the occupation co-operative society. Their names can be found on every notice-board in the company.

Every department of the company is responsible for early detection, handling, monitoring and communication of hazards, as well as deciding and implementing preventive actions to avoid hazards.

The company needs reliable partners of course; every party in a business relationship depends on the other party and, hence, is obliged to also adhere to the stipulated regulations in the Code of Conduct. An annual survey ascertains whether the business partners are aware of their social responsibilities and observe the regulations.

Further actions planned:

- Our working conditions are monitored on a continuous basis in cooperation with all employees;
- Further training and courses of instruction;
- Any hazards are to be avoided as a matter of principle.

3.) *Evaluation of results:*

The safety committee organises regular meetings.

Events are also discussed at meetings of the board of management.

Evaluation of the effectiveness of the health- and safety-protection-management is carried out periodically by the board of management within the framework of the review process.

Regular surveys are carried out at our business partners in order to guarantee that all stipulated regulations are adhered to in the supply chain.

Environment

Principle 07:

Companies should adhere to the precautionary principle in handling environmental problems.

Principle 08:

Companies should take the initiative in order to promote greater environmental awareness.

Principle 09:

Companies should expedite the development and distribution of environmental-friendly technologies.

1.) Basic principles and objectives:

“Environmental Protection and Energy Policy” becomes more and more important. Energy is one of the main sources and one of the biggest cost-causes in our company. That is why GROSCHOPP supports without exception the objectives of the Global Compact. In order to combat rising energy costs, causing a decrease in competitiveness on the international market, we want to continually increase our energy efficiency and usage as well as to detect and reduce the CO₂-emission. Our environmental protection management is instructed to further minimise such risks by using environmental-friendly technology. Further, special attention is given to reduce unnecessary use of electricity, water, raw material, tools, jigs and fixtures and packing material (which also yields substantial cost savings). Attention is also given to the proper separation of scrap materials and its disposal at the assigned locations.

Incidentally, it is our opinion that by using long-lasting economical ways, new markets will be unlocked which will guarantee a long-term secure location for our headquarters.

Our company has a certified environmental protection management system according to DIN EN ISO 14001 as well as an integrated quality management system according to DIN EN ISO 9001 which works effectively, and which is appraised on a regular basis by their body, the PÜG. The next audit is due in June 2018.

2.) Implemented activities:

Special attention is given in our company to ensure that our production facilities are of the current and best available technology. Our employees act with environmental and ecological awareness and contribute in that way actively to environmental protection.

We practice in a preventative way in relation to environmental risks and manage through inter-departmental contingency- and accident-management. Comprehensive safeguarding measures are realised for the protection of personnel in the event of hazardous incidents and to keep any danger as low as possible. We are systematically monitoring emissions relating to air, noise, watercourses and land, and take action according to the newest available technology for the reduction of emissions, and in relation to climate protection. We are using raw material and energy in a targetted and efficient way, and we aim to us environmental-friendly products and processes as much as possible. Waste is avoided, and where it is not possible, such waste is collected, separated and re-used again as much as possible.

We are using energy economically and we endeavour to reduce CO₂-emission. Our energy usage is continuously monitored and the energy input improved. Energy efficiency is taken into consideration at every planning of investment and we consult our suppliers and service providers for their contribution to our train of thoughts.

Further planned activities:

- Purchasing of new compressors with considerably better efficiency factor;
- Change-over to LED-technology for lighting in production;
- Heat-containing windows to be installed in production areas;
- Installation of a 'Photovoltaik'-equipment (until end of 2018);
- Further reduction of consumption values for electricity, water/wastewater and gas;
- Organising regular training programmes for staff in order to improve information and motivation for employees in relation to matters concerning environmental protection as a "normal and integral part" of regular health- and safety training sessions.

3.) Evaluation of results:

The responsibility for identifying optimization potential as well as specifying and implementing actions in respect of energy input, consumption and efficiency for all departments of the company rests with the board of management.

The board of management evaluates the effectiveness of energy management periodically within the framework of the review process. Any possible improvement deriving thereof are included automatically in the continuous improvement process (KVP); they serve as a means to bring to perfection the integrated management system as well as the energy-based performance of the company.

Corruption

Principle 10:

All companies should advocate against any kind of corruption, including extortion and bribery.

1.) Basic principles and objectives:

The position of GROSCHOPP AG in relation to corruption is clear and unambiguous. We support and adhere to all objectives issued by the Global Compact, and we communicate them unambiguously to our staff members and business partners.

The company GROSCHOPP AG rejects any form of corruption or bribery, nor will they tolerate any unlawful bribery offers or similar payments in order to influence any decision-making. Corruption compromises fair competition and damages the good reputation and image of the company.

2.) Implementing activities:

A corrupt attitude is in conflict with our values. In our Code of Conduct, we convey our opinion to all our staff members in a clear-cut manner. All members of staff are dutybound to adhere to the guidelines for fighting against corruption, and are not permitted to accept any gifts from business partners which conflict with our Code of Conduct.

Accepting the usual, low-value 'freebie' is permitted.

Regulations regarding the fight against corruption are specified in the Code of Conduct and are distributed by all supervisors to their respective staff in training sessions so that this attitude is strictly enforced and the guidelines are strictly adhered to by all in the day-to-day working environment.

In order to avoid any conflict of interest, all members of staff are not permitted to carry out any spare-time-work for competitors. In addition, the placing of orders with relatives of staff members is not permitted. The permission of the board of management needs to first be obtained should such action become necessary in isolated cases.

In our supply chain, customers, as well as suppliers, are made aware of our Code of Conduct and the adherence to the guidelines concerning corruption.

Further actions planned:

- Prevention through special information sessions

3.) Evaluation of results:

Adherence to the basic principles is evaluated by the works committee. The works committee reports every three months (quarterly) about events at the board of management meeting. No infringement against these basic guidelines has been reported to date.