

UN Global Compact

Progress Report

Period: June 2020 – May 2021

Groschopp AG -Drives & More-
Viersen
Germany



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Endorsement Declaration by the Board of Directors

The company GROSCHOPP AG produces electrical drives for specific applications and offers optimally designed individual drive solutions for our customers.

This is our *leitmotif*, and we implement this theory throughout the company.

We are an innovative provider of motors and reducer gears for customer-tailored applications within a range of up to 7.5 kW. Our Know-how provides ever new ideas for our product range on a continual basis. All performances are adapted according to customer requirements and, in collaboration with the individual customer, innovative und customer-tailored drives are developed and manufactured. We attach great importance to close and long-term customer relationships.

In 2011, the company GROSCHOPP AG joined Global Compact, and ever since we have pledged to follow and adhere to the Ten Principles which are anchored in our Code of Conduct. We keep everyone informed in a transparent way about all issued instructions, implemented procedures and tests in our annual progress report.

We issued our first Sustainability Report last year (see attached). One of the main objectives of our company is the responsible handling of all raw material resources and the avoidance of any possible damage to the environment.



Sustainability through Quality

We have set ourselves the target of fulfilling the demands put on us at present in order to give consideration for demands of future generations. That is why a large part of the total energy used by the company GROSCHOPP AG is supplied by CO₂ – minimised energy. In order to achieve this, resources detrimental to health are reduced and eliminated where possible.

Members of our staff are highly motivated and engaged in all entrepreneurial responsibilities. They are called to meet new technologies and find appropriate solutions.

All activities implemented during the reporting period are listed in the following Global-Compact – progress report.

Viersen, May 2021

Wolfgang Pflug
-CEO-

Report Profile

We have recorded all activities implemented during the report period in the following Global Compact Progress Report.

Quantitative data given refer to all company-owned production locations. Operating figures are representative for all areas of operations.

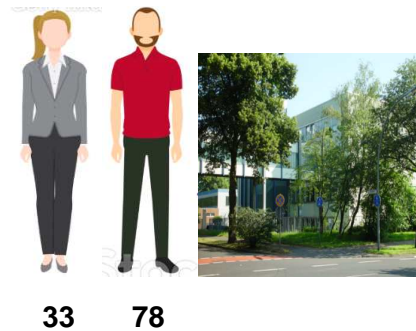
This report is available in both German and English.

We have used the masculine form throughout for legibility reason; however, all expressions given are naturally referring to all gender identities.

Figures, Data, Facts:

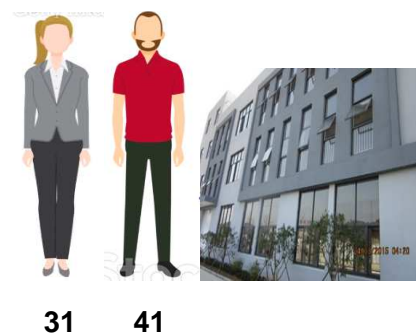
Parent Company Viersen

- Turnover 2020 = ca. € 19.5 Mio.
- Inland Agencies = 5
- Agencies abroad = 10
- Staff: 111



Plant in China

- Turnover 2019 = ca. € 12.5 Mio.
- Staff: 72



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Code of Conduct of the company 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, or 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 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 trade unions.

Prohibition of child labour

- not to employ anyone who cannot prove that he is at least sixteen (16) years of age.

Health and safety of staff

- 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;
- 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.

Environmental protection

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

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 2020

Groschopp AG
Board of Directors

Code of Conduct for Groschopp 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 16 years of age.

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;

Environmental protection

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

Conflict material

- to implement appropriate action to avoid any use of conflict material;
- to provide transparent proof about the sources of raw materials.

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 2020

Place/Date

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.....

Board of Directors

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:

Human Rights have fundamental and universal value, governing our behaviour among ourselves.

Needless to say that the company GROSCHOPP AG supports and respects all international human rights in adhering to all regulations and values of a responsible company management.

We are strictly monitoring the adherence to human rights and guidelines of the Global Compact along the supplier chain. The company GROSCHOPP AG is convinced that success in business is possible only if human rights are respected; and in close collaboration with all business partners any possible violation can be identified as early as possible and, thus, can be minimised or even eliminated.



We have introduced a Code of Conduct textbook in our company, serving as a *leitmotif* in the daily dealings among staff members and governing the general behaviour. Every member of staff has been given a copy of our Code of Conduct which is to be strictly adhered to.

2. Implemented activities:

Human rights and the avoidance of any infringement of them are of utmost importance to our company. All staff members are aware that they are duty bound to adhere to the guiding principles of the Code of Conduct, and that they have to mutually honour and respect each other. A special focus is placed on raising awareness in our staff in relation to all matters concerning human rights. Staff members are continuously sensitised to implement the high ethical standards for the protection of every employee.

The adherence to given guidelines is of utmost importance to us. The Code of Conduct is reviewed on an annual basis and amended as necessary and appropriate. Moreover, yearly training courses and tutorials are held for executive personnel and staff members, underpinning our objectives and/or improve matters. We discuss our objectives on an ongoing basis, and our staff adheres to our goals, thus, together we are successful. We are aware, of course, that this is a continuous process of development necessitating a steady involvement of all in the interest of all.

We are collaborating closely with our business partners and cultivate a close contact with them. We have laid down our objectives in our Code of Conduct, and shareholders are urged to adopt our policy. National and international provisions must also be adhered to and no business partner may infringe any effective embargo.



3. Evaluation of results:

The Code of Conduct is evaluated on a yearly basis by a management delegate. Should any member of staff not adhere to the provisions of the Code of Conduct, this shall automatically result in disciplinary procedures. However, during the last year, no such offence was reported.

Our business partners are also monitored and surveyed. The company GROSCHOPP AG on principle procures materials and components exclusively from suppliers adhering to human rights. Should the company GROSCHOPP AG notice any infringement, the supplier is contacted immediately.

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 against, 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-Organisation (ILO) defining values, data and definitive procedures in respect of freedom of association and the right for collective bargaining, as well as eradication of forced labour, child labour and discrimination.

Our world as well as our working environment has become more colourful. Even the more reason to always treat our employees of all nations in a courteous and fair manner.

We also inform all business partners about our Code of Conduct and expect that this Code is strictly adhered to at all times by all along the supply line.

The adherence by our suppliers to the guidelines for fair working conditions is monitored by us on an annual basis.



2.) Implemented activities:

We promote and demand personal commitment and independent actions from our highly motivated staff; they are asked to contribute to our company development.

We consider a mutual and beneficial relationship and a candid exchange of ideas with our works committee to be the bedrock of our organisational culture. Needless to say that our employees are free to organise themselves without prejudice. We have also implemented an improvement suggestion scheme to which our staff can submit ideas. Every successful and implemented suggestion is remunerated.

Remuneration is fair, appropriate, and in line with our socio-political personnel policy. Remuneration is independent of gender: *work performed* is paid for.

Working life undergoes a steady transformation. Staff members are the key value in any company, and an up-to-date staff qualification is a continuous and necessary process, building on their original qualification. Therefore, in order to meet present-day demands, why we offer support and foster qualification procedures in every way.

We build and strengthen motivation and performance of our staff members using a structured process in caring for them, a Work-Life-Balance, and an active health- and safety-management. This process is designed to fit every individual as best as possible and is the paramount criteria for the success of our enterprise. We avoid all hazards as a matter of principle and aim to achieve "Zero"- industrial accidents; in short, we do everything to, guarantee every protection for our staff. Furthermore, we undertake all necessary precaution along current technology to avoid industrial accidents and occupational illnesses, and our staff responsibly supports us.

Our safety committee meets every three months, joined by our company doctor and the works committee, and reports about the previous quarter.



Two industrial accidents were registered during the reporting period which were . Both cases were due to slight cuts.

Naturally, sufficient first-aid personnel are available at all times at GROSCHOPP AG, and they are trained in e seminars at regular intervals, and who are at all times at hand should an accident happen. Every accident is analysed and documented, followed by the necessary corrective action in order to avoid any recurrence.

We provide safety shoes and other protective equipment for staff and departments wherever necessary.

Flu-immunisation is carried out annually at GROSCHOPP AG which can be availed of voluntarily by all members of staff.

Our objectives are laid down in the employee handbook. Every member of staff has access to it at all times, and we keep in constant dialogue with them.

We have been participating in the programme “Run & Fun” for a number of years, organised for companies by the county. Besides the sporting aspect, it is also conducive to enhancing the team spirit among the colleagues in a company. GROSCHOPP defrays the cost of the participation fee and each participant receives a t-shirt.



The company GROSCHOPP AG ranks among Germany's TOP-employers of small- and medium-sized businesses of the year 2020. This accolade is based on evaluations given by our staff online.

3.) *Evaluation of results:*

In order to ensure that guidelines of the Global Compact are adhered to by all along the supply chain, we have prepared a Code of Conduct for suppliers who are contacted and evaluated on a regular basis whether required activities have been implemented.

Management and the head of each department are responsible for early detection, handling, monitoring and communication of hazards and to provide and implement measures to ensure hazard-prevention and avoidance.

Management carries out periodically an evaluation of the efficacy of the health- and safety-protection management within the review process. Resulting improvement-procedures are integrated in the 'continual improvement process' (CIP / KVP) and serve to fine-tune the integrated management systems.

Staff members are free to contact either the works committee or their head of department if they feel unfairly treated.

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:

We are aware of our responsibility to conserve an environment worth living in for future generations. Climate change poses a great challenge to all of us which we would like to actively deal with. Furthermore, in order to counteract the steadily increasing energy costs and, as a result, less market competitiveness, GROSCHOPP AG has taken steps to reduce the usage of energy and to cultivate a sustained handling of resources. GROSCHOPP AG defines their objectives on company-relevant environmental aspects, judicial regulations and operational experience.

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 2021.



The company GROSCHOPP AG has written the first sustainability report last year and made it available together the progress report to the Global Compact and all shareholders.

2.) Implemented activities:

We have planned to continuously reduce the negative effects of ecological impacts by using manifold provisions for the protection of climate and environment.

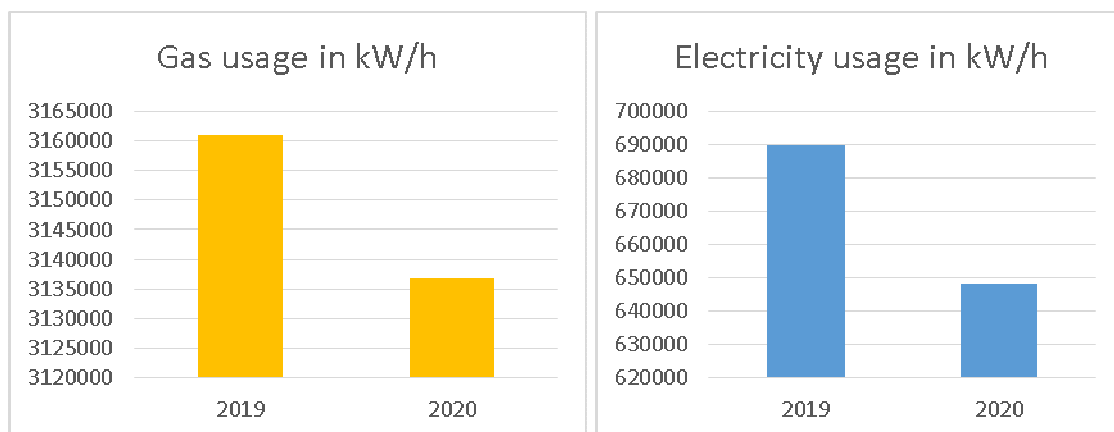
Management seriously understands the responsibility for improving the environmental management and considers it the most urgent challenge to evaluate, to advance and to provide all necessary resources to achieve it.

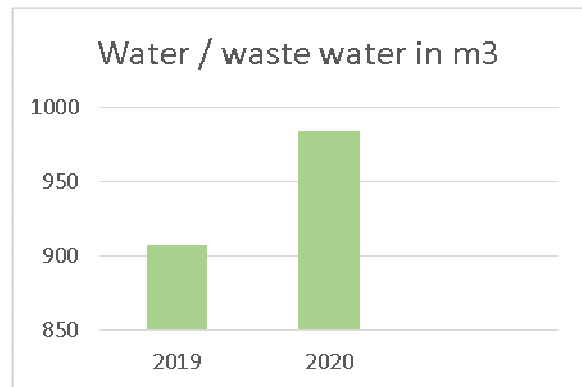
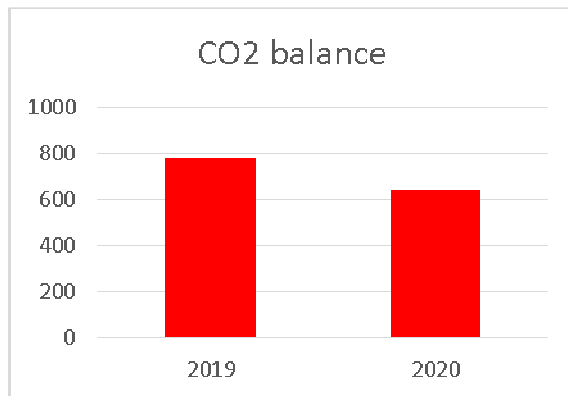
We take precaution in respect of environmental risks, and we have implemented an overall accident- and incident- management company-wide. Comprehensive protective provisions are realised to minimise as far as possible any harm to persons and environment. We monitor systematically emissions of air, noise, waste water and ground and take appropriate actions according to the best available technology to reduce emissions. We use a targetted approach in using raw materials and energy efficiently and we aim to use environmental-friendly products and processes wherever possible. Waste is avoided and, where this is not possible, it is separately collected and as far as possible recycled. The mixed-waste-container comprises not only unusable waste, but partly also reusable materials like matured timber and plastics, of which matured timber is usually already separated and disposed of. Plastic foils are collected separately for reason of the legislative amendment of the GewAbfV of 01.08.2017.

GROSCHOPP AG uses to an increased degree reusable packaging between our companies in China and Germany, resulting in less packaging waste.

Consumption data for gas, electricity, water and waste-water during the report period in our parent company in Viersen were as follows:

Gas-usage:	3,136,885 kW/h
Electricity-usage:	648,342 kW/h
Water/waste-water:	984m ³
CO ₂ -balance:	643 t





The usage for electricity and water has increased slightly during 2020 in our China plant, for they moved into greater premises.

Using by now two combined heat and power plants (BHKW) results in providing ca. 80% of our electricity ourselves. It explains the still relatively high gas-usage; however, it also is the result of the lower CO₂-emission. The feed-in provided by the BHK's (production) amounted to 616,334 KW/h.

Reasons for the slightly fluctuating values last year are extensive remedial actions took place on and in the buildings at the parent plant.

GROSCHOPP AG ensures that at all times environmentally-relevant aspects are identified, evaluated and, if necessary, are integrated within the framework of day-by-day business, using suitable methods relating to prevention, monitoring, hazard- and accident- prevention.

Moreover, we ensure that environmentally relevant facilities are identified, recorded and verifiably properly run and monitored.

Regular courses for all staff members are conducted to motivate and explain the newest information available in matters of environmental protection.

Electrically-driven company bicycles have been introduced, reducing the need for a car ride for shorter distances.



Company cars of newest dates and equipped with modern exhaust gas technology. New Diesel-cars are procured having exhaust gas standard 6d.

Planned activities for 2019/2020:

Renewal of sanitary equipment in production areas up to the fourth quarter of 2021.

- Further reduction of annual residual waste ("mixed waste"), sensitisation of staff about the "correct" (separated) waste collection within the annual safety instructions and, if needed, also through planning and implementation of supporting measures.
- New acquisition of heating plants having markedly better efficiency (Q2/2021).
- New acquisition of compressors having markedly better efficiency (Q2/ 2021).
- Further reduction of consumption values for electricity, water/wastewater, and gas.

3.) Evaluation of results:

We evaluate on a regular basis, and ensure, that the Code of Conduct with its guidelines of the Global Compact is adhered to by all suppliers along the supply chain.

The responsibility within the company for the environmental protection rests with the environmental protection officer who, using six-monthly reporting, is obliged to keep management informed about any relevant activities. Should improvements be available, they will be entered in the continuous improvement plan (CIP / KVP).

Corruption

Prinzip 10:

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

1.) Basic principles and objectives:

GROSCHOPP AG sees a growing risk in the global supply chain in relation to corruption, which is often linked to a violation of both human rights and environmental standards. Furthermore, corruption affects fair competition and is detrimental to the company image.

We consider ourselves socially and economically responsible. That is why we have made our position unambiguously clear in our Code of Conduct for suppliers. Suppliers are checked on a regular basis. Should they not adhere to our stipulated philosophy, they are contacted immediately and may have to suffer consequences..

We have established a Code of Practice inhouse which all staff members are expected to follow. This Code of Practice supports us in the implementation of relative procedures for the prevention of corruption.

2.) Implementing activities:

We pursue a Zero-tolerance-strategy for any kind of corruption.

Our company stands for dependability, and our staff members also know about their responsibility, and fully support our philosophy that corruption is a misuse of entrusted privileges for private profit.



It is all right to accept minor gifts in form of gratuities or hospitality, as long as these cannot be construed as an obligation. Being truthful, open and frank about such activities guarantee that disagreements are eliminated.

Management has decided on a maximum amount for gratuities. Every gratuity must be documented and presented on request to management. GROSCHOPP AG is obliged to act against such kind of corruption, should any infringement on given guidelines come to light.

Before any order is generated and suppliers or business partners are selected, several quotations are obtained following internal control-guidelines, and every quotation is checked using the “four-eyes-principle”.

Our company has taken an unambiguous stance against corruption, defined in the Code of Conduct, which gives univocal guidelines for correct behaviour and serves as a requirement for our staff, as well as fostering integrity and responsible behaviour. We keep our staff continuously informed about the Code of Conduct.

Every new employee is informed in detail about our Code of Conduct, especially about all conflicts of interests.

Needless to say that all members of staff are free to contact a trusted third party (TTP) in the event of issues or in cases of doubt..

3.) Evaluation of results:

The works committee monitors the adherence to the policy in regular intervals. Every employee can contact his departmental manager in the event of any problem arising. Moreover, the steering committee reports and discusses about this topic in meetings held every three months.

No infringement against these basic guidelines has been reported to date.