

UN Global Compact

Progress Report

Period: June 2018 – May 2019

GROSCHOPP AG - Drives & More -

Viersen,

Germany

THE GLOBAL COMPACT

WE SUPPORT



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Endorsement Declaration by the Board of Directors

The company GROSCHOPP AG is a leading supplier in the area of electric drive technology. Business activities comprise research and development, manufacturing and sales of innovative motors, reducer gears, and controllers as well as complete solutions for small and medium-sized equipment. True to the motto “Drives and More”, the company applies performance with passion and offers not only customer-tailored drive solutions but also manufactures these up to the final product to be applied and used.

We strive to be, as always, a reliable partner for both customers and suppliers.

In 2018, we employed on average 190 staff members at our main production plant in Viersen. In August we employed five (5) apprentices to be trained in mechatronics, as an industrial mechanic, product designer, and industrial clerk. Our staff members are highly motivated and make their own ideas available to the company which serve as surety on our ongoing way of optimising all our business activities. We consider this our mutual success.

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 and orient our business activities on these principles. We implement all issued instructions in a definitive way and keep everyone informed in a transparent way in our annual progress report. All this is asking for an innovative way of thinking and continuous self-reflection.

Viersen, May 2019

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 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/she 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, September 2018

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;

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, September 2018

Place / Date

GROSCHOPP AG
Board of Directors

Signature Supplier

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 are the universal basis for a dignified life. GROSCHOPP supports and respects all international human rights according to the guidelines given by the Global Compact. These rights are obligatory not just in our own company but also along the entire supply chain. This is the very reason why GROSCHOPP is convinced that success in business is possible only if human rights are respected. That is why the principle of respect for everyone is paramount in our company, for each member of staff is treated with dignity. Every member of staff has been given a copy of our Code of Conduct which is to be strictly adhered to.

Every staff member is required to immediately report any infringement on the Code of Conduct either to the works committee or the board of management.

Moreover, GROSCHOPP requires that those human rights, as stipulated by the international convention, are adhered to along the entire supply chain.

2.) Implemented activities:

The Code of Conduct is reviewed on an annual basis and amended as necessary and appropriate. 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.

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. In order to guarantee that staff can perform their allocated activities as expected, every member of staff is bound to behave in a way that nobody is discriminated against, demotivated or even unnecessarily disturbed.

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.

Every new employee is provided with a copy of our Code of Conduct for their consideration and acceptance and asked to pledge adherence before they are allowed to start their employment.

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 and to respect the basic human rights of their employees in a transparent way. The supply chain is under constant surveillance.

Further planned activities:

- Sensitisation and training for line managers and their staff members;
- Continuous monitoring of suppliers and business partners.

GROSCHOPP is well aware that the protection of human rights is subject to continuous development and updating, hence, GROSCHOPP, too, is involved in such a continuous development process.

3.) *Evaluation of results:*

The Code of Conduct is evaluated on a yearly basis by the 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. 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 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). GROSCHOPP has raised the bar of standards very high in order to guarantee a safe working environment and fair working conditions. GROSCHOPP is committed to creating a working environment for the staff free from any discrimination and we respect cultural differences. We employ people of many diverse nationalities, and we categorically reject all kinds of child labour. Every new employee is instructed about this as a matter of principle. Naturally, our staff are allowed to make use of their right to collective bargaining. We have a strict policy on forced labour and do not tolerate same. Remuneration is appropriate, according to a professional qualification, personal achievement and independent of gender. Overtime will be paid in accordance with current legislation guidelines.

We are practicing a systematic work-safety- and health-protection-management as part of our integrated management system.

2.) Implemented activities:

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

Health is an irreplaceable asset.

The health of our staff is of paramount importance to us. That is why we conduct regular preventative and practical information sessions about work- and environmental protection within the framework of our quality management system.

In terms of work protection, we ensure that our staff are trained on a regular basis, that they wear personalised protective clothing where necessary, that they are sufficiently trained in the safe handling of hazardous substances, and that they are made aware of any accident-prone location in the company as well as how to react appropriately. A designated safety deputy, skilled in work safety, and several safety delegates are available to inform their fellow employees with respect to preventative work protection. In the event of accidents, specially trained first-aiders are at hand. All of the above personnel are trained on a regular basis.

GROSCHOPP has appointed a company doctor in compliance with statutory and BG-regulations, who advises the board of directors as well as all personnel responsible for work protection and accident prevention.

GROSCHOPP conducts regular meetings pertaining to work protection.
In 2018 there were eight (8) occupational, respectively way-to-work, accidents.

We also conduct regular training courses for all staff members in order to ensure that every employee is sufficiently instructed and sensitised about the prevention and avoidance of accidents at their workplace.

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.

Further actions planned:

- We want to permanently improve the quality of our products by actively engaging our staff;
- Processes and work instructions are continuously developed, revised and adapted;
- Sensitization and training of staff members

3.) Evaluation of results:

In order to safeguard adherence to the guidelines as laid down by Global Compact along the entire supply chain, these guidelines have been anchored in the Code of Conduct for Suppliers. Regular enquiries ensure that they are observed.

No infringement has been recorded within the reporting period.

Every employee has the opportunity to submit suggestions for improvements of methods or processes which, coming from a practical environment, have served as useful ideas for the good of all. Every suggestion is checked and considered for further optimisation.

Audits are conducted on a regular basis in all departments. Audit results are always discussed at meetings of the board of management. Any evaluation and suggested corrective and/or preventative action(s) will be implemented within the review.

Our works committee ensures that all rights pertaining to employees are adhered to.

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:

GROSCHOPP supports without exception the objectives of Global Compact.

Our environmental principles are set high; they are aimed to achieve a sustainable usage of resources by appropriate means. Our environmental protection management is instructed to further minimise risks by implementing and using environmental-friendly technology. Further, special attention is given to reduce the unnecessary use of energy and to generate higher energy efficiency by developing available potential through new technology. This in turn yields cost savings which are advantageous to us in international competition.

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.

2.) Implemented activities:

Every employee is expected to use resources responsibly and sustainably which contributes in no small matter to the protection of the environment. The staff manual comprises all aspects in relation to the environment and can be perused anytime by everyone. Attention is also given to the proper separation of scrap materials and its disposal at the designated locations.

A second combined heat and power plant (BHKW) has been installed during the last report period. Consumption of electricity, water and effluents were reduced even further compared with the last report period. New fridges were installed, serving to further reduce energy consumption.

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

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

Planned activities for 2019/2020:

- Safeguarding and ensuring that, within the framework of all business activities in GROSCHOPP, all relevant environmental aspects are ascertained, evaluated and, if necessary, recorded by using suitable processes in respect of preventative-, monitoring-, accident avoidance-, and emergency measures;
- Safeguarding and ensuring that all environmentally relevant equipment is known and recorded, as well as correctly operated and monitored in the future;
- Organising regular training programmes for staff in order to improve information and the motivation for employees in relation to matters concerning environmental protection as a “normal and integral part” of regular health- and safety training sessions;
- Further reduction of the annual amount of residual waste within the framework of the annual safety briefings;
- Installation of heat-insulating windows in the production area;
- Reconstruction of the flat roof of the administrative building (energy efficiency and preparation for installing a ‘Photovoltaik’-equipment);
- Installation of a ‘Photovoltaik’-equipment (until Q1 of 2020);
- Further reduction of consumption values for electricity, water/wastewater, and gas;

3.) Evaluation of results:

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.

The responsibility for early recognition and elimination of any risk to the environment, as well as the definition and implementation of preventative actions for reducing respectively avoiding any environmental impact throughout the entire company rests with the board of management and all line managers.

Corruption

Principle 10:

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

1.) Basic principles and objectives:

A corrupt attitude conflicts with our values. The position of GROSCHOPP in relation to corruption is clear and unambiguous: we believe that only integral conduct can be the basis for good cooperation. Any form of corruption or bribery along the entire supply chain is also categorically rejected.

A company of the supply chain might procure benefits by granting an undue advantage but, by doing so, not only undermines fair competition but also mars the good image of that company, leading inevitably to a loss of trust in such a company.

We support and adhere to all objectives issued by the Global Compact.

GROSCHOPP supports neither financially nor in any other form any political party or political campaign, for such support could be construed as an attempt to gain an unwarranted business advantage. However, any member of staff is exempt and may engage privately for political or democratic interests for personal reasons unconnected with GROSCHOPP.

Support of the local community is important, and contributions in the form of benefit in kind, exchange of knowledge or service or direct financial donation are permitted. However, line management, as well as employees, are to take care that such charitable gratuities or sponsoring cannot be interpreted as an excuse for bribery, or that they may, in fact, be actual bribery.

2.) Implementing activities:

All suppliers in our supply chain are made aware of our Code of Conduct and the adherence to the guidelines concerning corruption and bribery, including all illegal payment proposals or similar gratuities to government officials to influence their decision.

Every supplier has to accept and confirm our Code of Conduct.

Our staff is also made aware of the adherence to our Code of Conduct on a regular basis. In order to prevent any conflict of interest, staff members are prohibited from allocating company orders to members of their next-of-kin. An exception may be granted by the board of directors.

Every member of staff must examine whether a gift, offered by suppliers or customers, especially during Christmas time, can be considered alright within the common business practice. Any amount of money or monetary gratuities are disallowed as a matter of principle. In the event of gifts offered are of high monetary value, or may offer other personal advantages, they must be categorically rejected. This practice guarantees that we can communicate free and easy with each supplier in the supply chain.

Further actions planned:

- Our staff members are regularly reminded through regular training- and communication-sessions so as to ensure that the Code of Conduct plays a key role in the daily working together;
- The board of directors supports the above in every detail.

3.) Evaluation of results:

Every member of staff is asked to report any infringement of the Code of Conduct immediately. The works committee and our HR-department are available at any time for such a discussion. 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.