



# WIN-CHARTA SUSTAINABILITY REPORT

INCLUDING NON-FINANCIAL STATEMENT IN COMPLIANCE WITH DIRECTIVE  
2014/95/EU AND ADDITIONAL CHAPTER ON CLIMATE PROTECTION

2020

ARNOLD UMFORMTECHNIK



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# 1. About us

## COMPANY PROFILE

ARNOLD is a name that stands for efficient, high-quality, sustainable fastening systems all over the world.

In recent years, ARNOLD UMFORMTECHNIK has developed a comprehensive range of sophisticated fastening systems on the basis of its extensive expertise in the production of smart fasteners and highly complex extruded parts.

ARNOLD sets new standards in the sustainable development of products and services. Together with its state-of-the-art production system, this enables the company to create high-tech solutions that meet the fastening requirements of tomorrow. In its turn, this leads to continuous growth in all areas of the mobility market and in related sectors, such as the electrical industry. As a global company, ARNOLD has subsidiaries in France and associated companies in China and the USA. In addition, its sales offices in Austria, Poland, Czechia, Hungary and South Korea ensure that ARNOLD's products and services are available all over the world.

The core principles of ARNOLD's company philosophy are quality, reliability and long-term customer satisfaction. ARNOLD has a comprehensive quality management system that enables it to achieve these objectives. It is certified according to ISO 9001, IATF 16949, ISO 45001, ISO 50001, ISO 14001, CQI-9 and CQI-11 and these standards are applied throughout the company.

Today, ARNOLD is one of the world's leading suppliers of high-quality fasteners, cold extruded parts and processing systems. This achievement is largely due to the innovative abilities, dedication and commitment of its 1,266 employees, who meet the requirements of the global market on a daily basis by developing complex fastening systems and smart, customer-focused services.

## PRINCIPLE OF RELEVANCE

This report documents our sustainability activities and follows the principle of relevance. It contains all the information that is needed to understand our company's sustainability situation. It reflects the main economic, environmental and social impacts of our business.

## GENDER-NEUTRAL LANGUAGE

In accordance with guiding principle 1 of the WIN-Charta, we are opposed to any form of discrimination. This is reflected in the language that we use in this report, which includes gender-neutral job titles and pronouns.

## 2. The WIN-Charta

### COMMITMENT TO SUSTAINABILITY AND THE REGION

By signing the WIN-Charta we accept our economic, environmental and social responsibilities. We also identify with the region where we do business.

### THE TWELVE GUIDING PRINCIPLES OF THE WIN-CHARTA

The following twelve guiding principles represent our understanding of sustainability.

#### **Human rights, social and employee matters**

Guiding principle 1 – Human rights and employee rights: *“We respect and protect human rights and employee rights, secure and promote equal opportunities and prevent all forms of discrimination and exploitation in all our business processes.”*

Guiding principle 2 – Employee welfare: *“We respect, protect and promote the welfare and the interests of our employees.”*

Guiding principle 3 – Stakeholder groups: *“We take into account all stakeholder groups and their interests in our processes.”*

#### **Environmental matters**

Guiding principle 4 – Resources: *“We boost resource efficiency, increase raw material productivity and reduce the use of natural resources.”*

Guiding principle 5 – Energy and emissions: *“We make use of renewable energies, increase our energy efficiency and reduce greenhouse gas emissions in line with our targets or offset them in a climate-neutral way.”*

Guiding principle 6 – Product responsibility: *“In line with the responsibility that we bear for our services and products, we examine the value creation process and the product cycle for sustainability and ensure transparency.”*

#### **Benefits for the economy**

Guiding principle 7 – Corporate success and jobs: *“We ensure long-term corporate success and offer jobs in the region.”*

Guiding principle 8 – Sustainable innovation: *“We promote product and service innovations that increase sustainability and underline the innovation potential of Baden-Württemberg’s economy.”*

#### **Sustainable and fair finances, anti-corruption**

Guiding principle 9 – Financial decisions: *“We act with a view to sustainability, especially in the context of financial decisions.”*

Guiding principle 10 – Anti-corruption: *“We prevent, expose and impose sanctions on corruption.”*

#### **Benefits for the region**

Guiding principle 11 – Benefits for the region: *“We generate added value for the region in which we do business.”*

Guiding principle 12 – Incentives to think in new ways: *“At all corporate levels, we provide incentives to think and act in new ways, and we involve our employees and all other stakeholder groups in an ongoing process to increase entrepreneurial sustainability.”*

### COMMITTED COMPANIES FROM BADEN-WÜRTTEMBERG

You can find detailed information about the WIN-Charta and the other signatories at:

<https://www.nachhaltigkeitsstrategie.de/wirtschaft/win-charta/win-charta-unternehmen>.

### 3. Checklist: Our sustainability commitment

Charta signatory since: 20 May 2014

#### OVERVIEW: SUSTAINABILITY ACTIVITIES IN THE COMPANY

	FOCUS AREAS	QUALITATIVE DOCUMENTATION	QUANTITATIVE DOCUMENTATION
Guiding principle 1	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Guiding principle 2	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Guiding principle 3	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Guiding principle 4	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Guiding principle 5	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Guiding principle 6	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Guiding principle 7	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Guiding principle 8	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Guiding principle 9	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Guiding principle 10	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Guiding principle 11	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Guiding principle 12	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

#### THE FOLLOWING ADDITIONAL CHAPTERS HAVE BEEN INCLUDED:

Additional chapter: Non-financial statement	<input checked="" type="checkbox"/>
Additional chapter: Protecting the climate	<input checked="" type="checkbox"/>

#### SUSTAINABILITY ACTIVITIES IN THE LOCAL AREA

**Support for a WIN! project:** Sponsorship for the mobility routes that run through the district of Ernsbach (waterways, cycle tracks and footpaths); information and awareness-raising about environmental issues; support for the “Kocherwerk – Haus der Verbindungstechnik” project (Kocherwerk – museum of fastening technology)

##### Focus area:

- Energy and climate       Resources       Education about sustainable development  
 Mobility       Integration

##### Type of support:

- Financial       Material       Staff

**Scope of the support:** EUR 1.6 million + 100 person hours

**Project mentors:** M. Foss, mayor of the town of Forchtenberg; Dr Neth, head of the Hohenlohe district authority

## 4. Our focus areas

### OVERVIEW OF THE SELECTED FOCUS AREAS

- Guiding principle 5: Energy and emissions
- Guiding principle 7: Corporate success and jobs
- Guiding principle 11: Benefits for the region

### WHY THESE FOCUS AREAS ARE PARTICULARLY IMPORTANT TO US

At ARNOLD UMFORMTECHNIK, doing business sustainably has been a key consideration for more than 120 years. We aim to combine social, environmental and economic commitment with the goal of safeguarding the future of our company and our environment in the long term. Against this background, our participation in the WIN-Charta and our dedication to doing business sustainably are key features of our company policy, which also includes all the guiding principles of the WIN-Charta.

We have chosen to focus more closely on the three guiding principles listed above so that we can continue projects in these areas that have already started and ensure that they produce tangible results within a specific time frame. In addition, these three guiding principles accurately reflect the three pillars of sustainability: the economy, the environment and society.

One of our focus areas is the guiding principle of “Energy and emissions”. In this context, we would also like to refer to the additional chapter of this WIN-Charta report entitled “Protecting the climate”.

## Focus area 1: Energy and emissions

### OBJECTIVE

“We make use of renewable energies, increase our energy efficiency and reduce greenhouse gas emissions in line with our targets or offset them in a climate-neutral way.”

### MEASURES TAKEN

- Operating and maintaining our own hydropower plant on the River Kocher
- A variety of activities carried out by our energy management officer and team: ongoing projects to improve our energy generation and use, for example, reducing our consumption of heating oil, making our lighting more energy-efficient and establishing a regional energy management network
- A total of seven projects from the SHE (sustainability, health and environment) programme completed by the energy management team
- Annual training on saving energy for employees
- Creating a carbon account (for details see the additional chapter “Protecting the climate”)

## RESULTS AND DEVELOPMENTS

We have been focusing on increasing our use of renewable energy and reducing our overall energy consumption for many years. This demonstrates that we take an authentic approach to sustainability. ARNOLD has been operating and maintaining its own hydropower plant for over 80 years. We also make use of solar energy and recover heat from our production processes.

In 2020, our energy management team once again achieved some notable successes. The team worked on seven projects and will soon be starting further projects to increase the company's energy efficiency. For example, the ventilation systems in new factory buildings and extensions (Dörzbach) will be improved. Existing lighting systems will be replaced with energy-saving LED lights in further sites.

In addition, we were able to update our ISO 50001 certification from the 2011 to the 2018 version of the standard. Another important feature of this year's activities was the creation of a carbon account. The additional chapter "Protecting the climate" contains more information about this.

## INDICATORS

**Indicator 1:** Investment in SHE projects:

- EUR 126,000 in ventilation systems for heat recovery, energy savings, waste air treatment and emission reductions

## FUTURE PROSPECTS

ARNOLD will continue to focus on "Energy and emissions" in the year to come. Firm plans have already been made for a wide range of measures to reduce emissions and energy use. These include:

- Ensuring that energy flows are transparent
- Purchasing a hydraulic press with an integrated heat exchanger to allow waste heat to be used to heat the factory building
- Switching off the compressed air supply automatically when a machine is shut down
- Replacing more of the existing lighting with energy-efficient LEDs
- Installation of an additional photovoltaic system
- Installation of a water-air heat exchanger in the cooling system
- Planning a project with the Reinhold-Würth University in Künzelsau to develop a climate neutrality strategy

## Focus area 2: Corporate success and jobs

### OBJECTIVE

“We ensure long-term corporate success and offer jobs in the region.”

### MEASURES TAKEN

- Extensive investment in the ARNOLD sites in Hohenlohe
- Despite the coronavirus pandemic, there were no involuntary redundancies; ongoing employment of apprentices and dual students from Baden-Württemberg Cooperative State University (DHBW)
- Implementing the strategy involving the division of the company into the business units "Fastening Solutions", "Functional Components" and "Fastening Systems", for example, by creating a new building in Dörzbach for fastening systems

### RESULTS AND DEVELOPMENTS

Despite the pandemic, ARNOLD invested EUR 10.5 million in its production sites. The company's total turnover amounted to EUR 167 million.

As an apprentice employer, ARNOLD continued to play an important role in the region. A total of 84 apprentices and sandwich students worked at ARNOLD in 2020. There is a wide range of training opportunities on offer: apprenticeships for industrial mechanics, mechatronics specialists, electronics specialists, surface coaters, machine operators, technical product designers, industrial administrators, IT specialists and materials testers specialising in heat treatment, and university dual courses for engineers, industrial engineers, business administrators, business IT specialists and mechanical engineers.

### INDICATORS

#### Indicator 1: Investments in sites in Hohenlohe

- EUR 10.5 million

#### Indicator 2: Creating apprenticeships and training positions in Hohenlohe

- A total of 84 apprentices and students

### FUTURE PROSPECTS

Corporate success and jobs is an area that ARNOLD will continue to focus on in the future. We will maintain our strategy of separate business units and different approaches to ensure the long-term success of ARNOLD. The previous restructuring measures will be followed by the reorganisation of customer management with the aim of repositioning the ARNOLD sales function.

In 2021, we intend to invest around EUR 22 million in our production sites. A new production plant is planned in Forchtenberg-Raubusch.



As a result of these investments and other activities, ARNOLD expects to create new jobs in 2021. We will also offer an apprenticeship for administrators for digitalisation management. All our employees can rely on our support for their ongoing professional and personal development.

## Focus area 3: Benefits for the region

### OBJECTIVE

“We generate added value for the region in which we do business.”

### MEASURES TAKEN

- Sponsorship of local sporting and cultural activities
- Social projects involving municipalities and schools in the region
- Support for municipal environment protection measures, including maintaining and managing the River Kocher in the district of Ernsbach; our in-house water protection and environment officer plays an important role in this respect
- “Wir für Hohenlohe” (“A Helping Hand for Hohenlohe”) initiative: transport pallets were used to build raised beds for the Ernsbach primary school to introduce children to the subject of eating sustainable food



Our engineers with the finished raised beds during the same project in 2019 in Dörzbach.

## RESULTS AND DEVELOPMENTS

As with many other areas of our business, our social responsibility activities in the region were affected by the coronavirus pandemic. Many of the events that we would have supported (for example, the traditional children's holiday programme) had to be cancelled. The planned installation of benches along the cycle routes that pass our sites in Dörzbach and Ernsbach was also postponed.

However, the unusual situation also opened up new opportunities for short-term measures: ARNOLD provided the schools in Ernsbach, Dörzbach and Forchtenberg with free masks and hand sanitiser to help combat the pandemic.

In the area of integration, we supported the Bürkert Foundation with the provision of German language courses for refugee children.

As an employer and a provider of a variety of training opportunities (see focus area 2), ARNOLD made an important contribution to the prosperity of the region.

## INDICATORS

**Indicator 1:** Maintaining the number of partnerships with schools

- Target/result: 7/7 (100%)

**Indicator 2:** Sponsorship for sports clubs and cultural groups

- Target/result: EUR 20,000/EUR 10,000 (many events did not take place because of the coronavirus pandemic and, as a result, the funding fell below the target level)


**Indicator 3:** Vocational training

- A total of 84 apprentices and students

## FUTURE PROSPECTS

In 2021, we will continue to be heavily involved in our local region as part of the ARNOLD sustainability approach. The plan is to reschedule activities that had to be cancelled in 2020 because of the pandemic. Our projects include:

- Maintaining existing school partnerships in Ernsbach, Dörzbach and Forchtenberg
- Continuing our involvement with the "Wir für Hohenlohe" initiative, for example, by building a play house (if the pandemic situation allows)
- "Klasse 2000" primary school project to promote health and prevent violence and addiction; specifically for children aged 8 to 11, courses on sustainable cooking and, for their parents, first aid courses

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- In collaboration with Professor Wäldele from the Künzelsau campus of Reinhold-Würth University: support for the university in the form of outings and videos for the course on fastening technology
  - Taking responsibility for the River Kocher (cleaning up the river banks, restocking the river with fish)
  - Regular external training courses for our water protection and environment officer
  - Installation of the benches along the cycle routes in Ernsbach and Dörzbach, which was planned for 2020, in collaboration with the municipalities

## 5. Other activities

### Human rights, social and employee matters

#### GUIDING PRINCIPLE 1 – HUMAN RIGHTS AND EMPLOYEE RIGHTS

Measures and activities:

- Collaboration measures in our international teams have enabled us to take a stand against discrimination.
- We have ensured that the German Transparency in Wage Structures Act is implemented to provide equal opportunities for female and male employees.
- Three ARNOLD employees were released to take up full-time roles on the works council.

Results and developments:

- The ARNOLD guiding principles now also apply to our suppliers.
- Our involvement in “Girls’ Day” enabled us to support equal opportunities in technical professions.
- A female educator is taking overall responsibility for the factory apprentices.
- We have increased the number of activities carried out by the works council and we are actively supporting its work.
- We are committed to the “Charta der Vielfalt” (Charter of Diversity).
- An external sustainability audit has ensured that we are fully compliant with the relevant legislation.

Future prospects:

- With the support of the company management team, the ARNOLD works council will continue to improve and extend employees’ rights.

#### GUIDING PRINCIPLE 2 – EMPLOYEE WELFARE

Measures and activities:

- We treat one another with respect and promote the personal development of all our employees by providing comprehensive training, qualification and support programmes.
- We create sustainable working conditions (health and safety, team-building measures, employee representatives, network of company officers).
- We have introduced a sustainable occupational health management scheme which has the physical and mental health of employees as its main priority.

- Regular meetings and employee appraisals give our employees the opportunity to help shape the company's future and express their opinions. The IDEEplus programme is a forum for innovative ideas.
- In 2020, we were able to expand and enhance our works agreements with employees and our salary and working time models.
- More information was shared in digital form, including our employee newsletter.
- Consultations with the company doctor help to ensure that our employees have the healthcare they need.
- In September 2020, we held a flu vaccination programme for employees.
- The "Fit mit Würth" programme, which includes a wide variety of activities on the subject of health, is available to all ARNOLD employees.
- A special coronavirus team was set up in response to the pandemic in collaboration with the occupational health and safety officer and the company doctor in order to provide support and advice to employees, particularly if they became infected.
- During the pandemic, we enabled employees to work at home quickly and simply.
- We take part in employer assessments carried out by independent institutes.
- We offer an exchange programme which enables employees to familiarize themselves with our international subsidiaries.

#### Results and developments:

- We have set up an occupational health management team consisting of the following functions: occupational health and safety, company doctor, works council and HR. Regular meetings and processes have been introduced for the team.
- A broad variety of measures made the pandemic situation easier to manage, including the in-house coronavirus team, hand sanitiser and masks for all employees, information videos (for example, a code of conduct for working at home), introductions to working at home, changing the shift schedules to accommodate the new situation.
- Our coronavirus measures ensured that no chains of infection were created.
- Employees were given a special coronavirus bonus and also Christmas vouchers.
- The works council introduced a flexitime system for office employees.
- We worked with the Fraunhofer Institute to introduce measures that would improve the working environment in the newly constructed factory building in Dörzbach.
- We were able to set up successful communication across a wider range of channels and are planning further improvements.

#### Future prospects:

- We aim to increase awareness of the subject of health among employees and particularly among managers. For this reason, we will make the occupational health management scheme a permanent feature and we will also extend it. Among other things, we plan to introduce an app for employees with specific initiatives, such as fitness videos.
- If possible, we will start an in-house coronavirus vaccination programme.
- The ARNOLD coronavirus team will continue its successful work.
- When circumstances allow, we will restart our 25 euro scheme. This gives every department the opportunity to take part in a social event outside work where everyone can get to know one another better.
- We will hold another survey to enable employees to play an active role in improving the working environment at ARNOLD.
- In 2021, we are expecting to receive the results of the employer assessments by independent institutes.
- Team-building measures will take place again as soon as possible, together with works meetings.
- We aim to digitalise more of our business processes.

### GUIDING PRINCIPLE 3 – STAKEHOLDER GROUPS

#### Measures and activities:

- We involve all stakeholder groups in our activities. For example, we provide employees' children with training on applying for jobs and send the ARNOLD company magazine to retired employees. The traditional annual outing for retired employees will take place again as soon as possible.
- The ARNOLD archive recognises the work of previous generations.
- We work closely with the public bodies that are responsible for us (district office, environment office, building authority, etc.).
- We hold a wide range of public relations activities and cooperate with the regional and industry press to keep both the public and the industry up-to-date with the growth of the company and the latest technical advances.
- We show our appreciation for existing and former employees by presenting them with awards for their achievements and giving them vouchers on anniversaries and significant birthdays.
- We have provided active support for our region during the pandemic.

#### Results and developments:

- Free masks and hand sanitiser were made available to schools in Ernsbach and Dörzbach.
- We worked with WfB Krautheimer Werkstätten für Menschen mit Behinderung, which runs workshops for people with disabilities, on a project to set up a book swap shelf and sell donated books.
- Professional archivists are continuing to work on preserving the history of ARNOLD for future generations.
- As the annual outing for retired employees could not take place because of the pandemic, a jar of local honey was sent to every former employee instead.
- We are involved with the “Förderer des Schrauben- und Befestigungsclusters Hohenlohe e. V.” association (for supporters of the bolt and fastener cluster in Hohenlohe) and, as part of a community project, we are helping with the planned establishment of a fastener museum on our premises. This will give anyone interested the opportunity to find out about the history and growth of our company (see also “Our WIN! project”).
- At a regional press meeting and an industry press conference, we were able to present our company’s achievements to the journalists who were present.

#### Future prospects:

- As soon as regional events are taking place again, we will be making an active contribution to them.
- We will provide financial support for the “Klasse 2000” project for schools in Dörzbach and Ernsbach. The project is aimed at primary school children and involves promoting health and preventing violence and addiction. Courses on sustainable cooking will be provided for children aged 8 to 11, together with first aid courses for their parents.
- We will continue our involvement with the local “Wir für Hohenlohe” project.

## Environmental matters

### GUIDING PRINCIPLE 4 – RESOURCES

#### Measures and activities:

- We make responsible use of resources, for example by avoiding waste, and have clear rules on recycling. We have underlined the importance of this issue within the organisation by appointing an internal waste officer.
- We avoid waste and rejects as far as possible in our production processes. Continuous improvement projects will help to prevent waste in future. Our ISO 14001 certification is the mandatory framework for these measures.
- The responsibility for making careful use of resources is part of our company policy and our employees are kept informed about it.
- We have incorporated environmental protection and energy management into the quality assurance agreement with our suppliers. We require them to have an environment management system in

accordance with ISO 14001 and an energy management system in accordance with ISO 50001. In addition, we have created a questionnaire for smaller companies that cannot meet these requirements.

- We are working continuously to reduce the amount of rejects in our production processes.
- Other important focus areas include: encouraging our suppliers to reduce packaging waste, introducing a return system and increasing the repair and recycling quota (for example: stands for transporting coils of wire).

Results and developments:

- We have begun working with WfB Krautheimer Werkstätten für Menschen mit Behinderung, which runs workshops for people with disabilities, on the disposal of used electrical equipment.
- Our waste recycling rate in 2020 was 97.79%.
- The creation of a carbon account has raised our awareness of problem areas and forms the basis for improvement measures (see the additional chapter “Protecting the climate”).
- Reusable packaging materials in Euro containers are being used several times.
- When recycling our waste, we make sure that paper and cardboard are kept separate.
- We have given environmental factors a heavier weighting in our supplier assessment.
- To reduce paper consumption, we have digitalised the ordering and delivery processes within the organisation.

Future prospects:

- All employees must attend mandatory training on the efficient use of resources and on the environment at least once a year.
- Our suppliers’ and customers’ ordering processes should be increasingly digitalised in order to save resources.

## GUIDING PRINCIPLE 6 – PRODUCT RESPONSIBILITY

Measures and activities:

- Our company mission statement specifies that we develop smart, sustainable fastening systems for our customers. By incorporating this claim into our company tag line “Blue Fastening Systems”, we have officially put it at the centre of our corporate image.
- We are investigating the improvements that are possible and already available as a result of the use of different production processes (for example, by comparing forming and rotating).
- During our online seminars, we are informing our customers about using sustainable fastening systems to improve the efficiency of their applications.



#### Results and developments:

- Online events also helped us to continue sharing information with experts during the pandemic (for example, within the German Fastener Association).
- We have carried out a detailed analysis of the CO<sub>2</sub> emissions from our production processes. The creation of a carbon account has allowed us to develop improvement strategies (see the additional chapter “Protecting the climate”).
- By ensuring that our suppliers meet ARNOLD’s sustainability standards, we have made an important step towards achieving a consistently sustainable supply chain.
- Our IDEEplus system gives all employees the opportunity to contribute to the development of new products and suggest improvements to existing products.

#### Future prospects:

- We will provide existing and potential customers with detailed information about the opportunities for reducing CO<sub>2</sub> emissions in the field of fastening technology. We plan to run our own campaign for this purpose.
- A carbon calculator will make it easier for our customers to estimate the carbon footprint of different products.
- The “Multi Projektorganisation” (MuPro) initiative will improve standards of packaging. The aim is to move away from plastic and use more sustainable alternatives for sorted products (Sortec).
- New products will enable customers to save time and money and reduce CO<sub>2</sub> emissions.

## Benefits for the economy

### GUIDING PRINCIPLE 8 – SUSTAINABLE INNOVATION

#### Measures and activities:

- We have designed a benefit analysis this year that has enabled us to assess suggestions for innovations in the field of research and development on the basis of objective criteria.
- In the development management team, we regularly assess market challenges and set up corresponding development projects.
- Our response to the coronavirus pandemic has been consistent, including moving to online communications with our customers (for example, technical webinars on subjects such as electric mobility, lightweight engineering, digitalisation and additive manufacturing).
- As part of Orga 2.0, we have introduced a new organisational structure which includes patent and licence departments.
- A licence system has been installed to position innovative products more widely on the market and to refinance development costs.

#### Results and developments:

- We take a cross-disciplinary approach to innovations in all areas of the company.
- We have developed Flowform® Plus and launched it on the market. The goal is to reduce the weight, the amount of space needed and the energy consumption while at the same time increasing the benefits for customers.
- REMFORM® II™ HS has been prepared for its market launch. It is ideal for direct plastic screw fastenings, which are particularly useful for high-strength plastics and which reduce the amount of materials used.
- We help our customers to avoid over-engineering by improving forecasting tools in the development phase, purchasing additional simulation software packages and increasing expertise in this area.
- Our newly restructured patent department will allow us to protect our innovations in the long term.

#### Future prospects:

- We will continue to promote innovation in 2021. New products from all our areas of expertise, such as the ARNOLD TriPress® Plus, will be prepared for the market.
- In future, our project checklist will include an analysis of the entire product life cycle from development and use through to end of life. Extending the service life of our products and improving their recyclability will play a key role in this respect.
- Our licence offering will be integrated into digital channels in order to highlight the advantages of innovative ARNOLD products on the market and to enable us to benefit from the sale of licences to other companies.

## Sustainable and fair finances, anti-corruption

### GUIDING PRINCIPLE 9 – FINANCIAL DECISIONS

#### Measures and activities:

- Scenario techniques have played an important role during the pandemic and they will be developed further. The aim is to make it possible to respond as effectively as we can to new situations (for example, market changes, supply chain interruptions and problems with the availability of materials and staff).
- ARNOLD's financial plan covers a ten-year period and focuses on traceability as a part of the company's medium-term turnover and staff planning.
- Clear rules relating to investment processes and the financial authority of employees have been integrated into the central management system.

#### Results and developments:

- New templates have been developed and implemented to enable us to act in a structured way despite volatile conditions. Key indicators and objectives can be quickly adapted to meet new requirements.
- Investments that merely increase capacity will be called into question, while those that are strategically important and sustainable will be followed up.
- Despite extremely difficult conditions on the world market and in the automotive industry, we were able to make an annual profit.

#### Future prospects:

- Newly designed templates will enable us to remain flexible, most importantly so that we can respond to new growth phases and peaks in demand. The overall scalability of ARNOLD has been significantly increased and effective support has been provided for medium- and long-term business planning.
- Because of the growing challenges presented by globalisation, it will become increasingly important for us to constantly monitor the market and regularly evaluate our medium-term turnover and staffing plans and we are preparing for this.
- We will work closely with the Würth Group management team concerning our planned investments Ernsbach and Dörzbach and the opening of our site in Forchtenberg-Raubusch.

## GUIDING PRINCIPLE 10 – ANTI-CORRUPTION

#### Measures and activities:

- We have incorporated compliance courses into our online learning management system so that we can provide convenient and effective training on new content and updates to legislation or social standards.
- We have set up digital learning stations where employees who do not have access to their own PC can take IT and legal compliance courses.
- We have taken the necessary data protection measures to ensure that no information about our business partners or our business is disclosed to unauthorised third parties.
- The financial authority of all employees has been clearly defined. In addition, we have introduced the requirement for important decisions to be approved by more than one person, which will help to prevent corruption.
- We strictly follow statutory and Group regulations on compliance and the guidelines of our individual business partners.

#### Results and developments:

- Every ARNOLD manager is easily able to obtain clear information about the training courses taken by their employees and to give their employees effective encouragement to take part in training.

We will increasingly raise awareness of anti-corruption issues among employees. The training rate is constantly growing.

- With the help of the ARNOLD compliance officer, employees are given ongoing information and advice.
- A whistle-blower system allows employees to report breaches of the regulations anonymously.
- All our measures and guidelines are subject to an annual security audit and are therefore always kept up-to-date.
- We carry out cyber security drills to prepare our employees to deal with potential attacks by hackers. On the basis of evaluations of these drills, we take decisions about the systems needed to safeguard our ability to act.

Future prospects:

- Our training infrastructure will be expanded. New content, in particular relating to IT and data security, is being prepared and will be rolled out. The aim is to achieve a training rate of 100% for all the relevant employees.
- Annual data protection training courses given by a manager are mandatory.
- All factory employees without access to a PC must continue to take a brief analogue training course on the subject of compliance. For all other employees, online compliance training is mandatory and they must obtain a test certificate.

## Benefits for the region

### GUIDING PRINCIPLE 12 – INCENTIVES TO THINK IN NEW WAYS

Measures and activities:

- IDEEplus, our in-house suggestion scheme, encourages ARNOLD employees to come up with innovative ideas about improving our use of resources and provides an effective incentive to think in new ways. The suggestions are processed by a full-time employee.
- Regular productivity workshops result in constant improvements in performance in all areas.
- Our network of company officers with responsibility for issues such as health and safety and anti-corruption allows us to evaluate and improve the situation in a wide range of areas.

Results and developments:

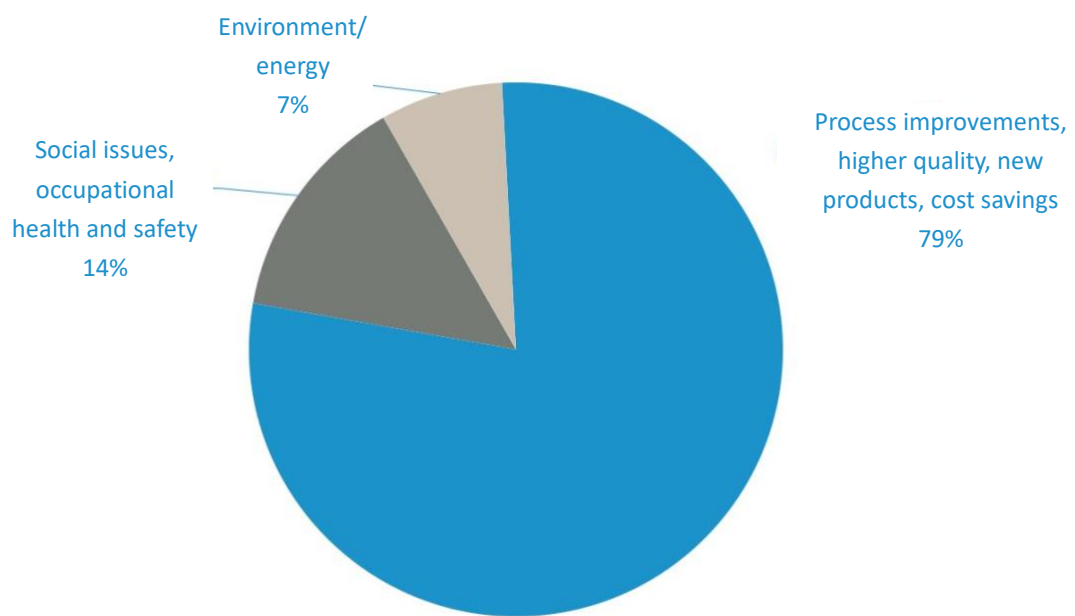
- The subject of sustainability is now the responsibility of a separate management team.
- A total of 107 ideas have been submitted to the IDEEplus scheme and we have implemented 79% of them.

- Our bike leasing scheme “A-Bike” (two bikes per employee) gives employees an incentive to leave their cars at home and make their journey to work climate-neutral.
- The “ARNOLD isst nachhaltig” (ARNOLD eats sustainably) campaign, which includes a cookbook, encourages employees to think differently about their diet.

Future prospects:

- Specific teams with responsibility for different environmental issues will help us to increase our commitment and respond more effectively in this area.
- In a joint project with the Reinhold-Würth University in Künzelsau, ARNOLD aims to develop a strategy for achieving climate neutrality.
- ARNOLD’s approach to sustainability will also be highlighted by the “Wir für Hohenlohe” initiative.

ARNOLD employees made suggestions for improvements in these areas as part of the IDEEplus scheme:



Date: 07/01/2021

## 6. Our WIN! project

Our WIN! project is making a contribution to the sustainability of the region.

### THE PROJECT WE ARE SUPPORTING

ARNOLD UMFORMTECHNIK has committed to sponsoring the mobility routes that run through the district of Ernsbach, including waterways, cycle tracks and footpaths. As well as continuing to maintain the fishing waters, we are intending to establish a sustainability path with several stops along the way where information about sustainability projects will be provided (for example, using hydropower and solar energy) to raise awareness among visitors of the importance of sustainability. This project will be carried out in cooperation with the municipality of Forchtenberg.

Since 2018 we have also been involved in a community project launched by the “Förderer des Schrauben- und Befestigungsclusters Hohenlohe e. V.” association (for supporters of the screw and fastener cluster in Hohenlohe) to establish a museum about the history of our industry in Hohenlohe.

The “Kocherwerk – Haus der Verbindungstechnik” museum in the old mill and factory building in Forchtenberg-Ernsbach (where ARNOLD produced the first industrially manufactured bolts in Hohenlohe 120 years ago) will bring the history of the industry to life over an area of 400 square metres.



The Kocherwerk in the old mill and factory building in Forchtenberg-Ernsbach, 1905.

## TYPE AND SCOPE OF THE SUPPORT

The members of the company fishing club help to maintain the fishing waters. In addition, ARNOLD has ensured that the expansion of the industrial site takes environmental concerns into account to enable industry and the environment to exist in harmony. We are also supporting the creation and maintenance of the stopping points along the planned sustainability path. We are providing advice, practical help and funding for the museum project.

The support made available by the management team for our project in 2020 amounted to:

- In money: EUR 1.6 million
- In employee hours: 100 hours

## RESULTS AND DEVELOPMENTS

As we described in our objectives, we have started to create our sustainability path. In 2017, we opened the first stopping point on the Kocher-Jagst cycle route, which runs through Ernsbach near our headquarters. This is a park with pillars that represents the sustainable development of our company. The conversion of our old factory building into a museum of fastening technology is almost complete.

## FUTURE PROSPECTS

We will continue to push ahead with our project. The members of the company fishing club will keep the banks of the River Kocher clean in future. If necessary, the river will be restocked with fish.

We will continue to play a leading role in the museum project because the museum is based at our company's original site. The opening of the museum is planned for June 2021.

## 7. Non-financial statement

In addition to the information provided above, we are also disclosing the following non-financial details in accordance with Directive 2014/95/EU.

### BUSINESS MODEL

Our business model is described in chapter 1 of this report.

### STRATEGIES AND RESULTS

Our sustainability strategies and activities and the corresponding results and developments are described in detail in chapter 4 (“Our focus areas”) and chapter 5 of this report.

### EVALUATION PROCESSES (DUE DILIGENCE)

We have put the following processes in place to evaluate the sustainability of our business and to monitor the implementation of our sustainability activities.

#### EXISTING EVALUATION PROCESSES

SUBJECTS	EVALUATION PROCESSES
<b>Human rights</b>	As part of our company policy, we have incorporated the subject of “respect and protection of human rights” into our compliance and CSR guidelines. All our employees are informed about these principles in mandatory annual training courses. Managers document any problems in this area during annual employee appraisals. Our regular anonymous employee surveys give employees the opportunity to highlight any issues of this kind. Our works council functions as an additional supervisory body and point of contact for employees. Employees who are leaving the company are given the chance to identify any problems of this type in their exit interviews.
<b>Social and employee matters</b>	As part of our company policy, we have incorporated the subject of “social and employee matters” into our compliance and CSR guidelines. All our employees are informed about these principles in mandatory annual training courses. Managers document any problems in this area during annual employee appraisals. Our regular anonymous employee surveys give employees the opportunity to highlight any issues of this kind. Our works council functions as an additional supervisory body and point of contact for employees. Employees who are leaving the company are given the chance to identify any problems of this type in their exit interviews.
<b>Environmental matters</b>	As part of our company policy, we have incorporated the subject of “environmental matters” into our compliance and CSR guidelines. All



our employees are informed about these principles in mandatory annual training courses. Managers document any problems in this area during annual employee appraisals. Our regular anonymous employee surveys give employees the opportunity to highlight any issues of this kind. Our works council functions as an additional supervisory body and point of contact for employees. Employees who are leaving the company are given the chance to identify any problems of this type in their exit interviews.

**Sustainable and fair finances, anti-corruption**

We have evaluated all the measures and guidelines during our annual security audit and implemented any possible improvements. In addition, as part of our company policy, we have incorporated the subjects of “sustainable and fair finances” and “anti-corruption” into our compliance and CSR guidelines. All our employees are informed about these principles in mandatory annual training courses. In addition, all our employees must take a separate mandatory training course with a certificate and sign a document to confirm that they will comply with these principles. Managers document any problems in this area during annual employee appraisals. Our regular anonymous employee surveys give employees the opportunity to highlight any issues of this kind. Our works council functions as an additional supervisory body and point of contact for employees. Employees who are leaving the company are given the chance to identify any problems of this type in their exit interviews.

**RISKS AND RISK MANAGEMENT**

A forward-looking, responsible approach to risks forms a key part of our commitment to sustainability. We are aware of the potential risks of our business activities and have put strategies in place to manage these risks.

**EVALUATION OF POSSIBLE RISKS AND HOW TO MANAGE THEM**

SUBJECTS	FOCUS AREAS
<b>Human rights</b>	<p>For general measures see guiding principle 1.</p> <p>Example of a risk: Although respect for human rights is incorporated into our company policy, cases of discrimination occur. Management: As part of the standard annual training course, all employees are informed about the subject of “human rights”. Managers document any problems in this area during annual employee appraisals. Our regular anonymous employee surveys give employees the opportunity to highlight any issues of this kind. Our works council functions as an additional supervisory body and point of contact for employees. Employees who are leaving the company are given the chance to identify any problems of this type in their exit interviews.</p>



**Social and employee matters**

For general measures see guiding principle 2.

Example of a risk: Although the protection of employee welfare is incorporated into our company policy, there are problems in this area.

Management: As part of the standard annual training course, all employees are informed about the subject of “social and employee matters”. Managers document any problems in this area during annual employee appraisals. Our regular anonymous employee surveys give employees the opportunity to highlight any issues of this kind. Our works council functions as an additional supervisory body and point of contact for employees. Employees who are leaving the company are given the chance to identify any problems of this type in their exit interviews.

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**Environmental matters**

For general measures see guiding principles 4, 5 and 6.

Example of a risk: Although the protection of the environment is incorporated into our company policy, there are problems in this area.

Management: We have brought together all the relevant measures by appointing an SHE (sustainability, health and environment) manager. Managers document any problems in this area during annual employee appraisals. Our regular anonymous employee surveys give employees the opportunity to highlight any issues of this kind. Our works council functions as an additional supervisory body and point of contact for employees. Employees who are leaving the company are given the chance to identify any problems of this type in their exit interviews.

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**Sustainable and fair finances, anti-corruption**

For general measures see guiding principles 9 and 10.

Example of a risk: Although the principles of “sustainable and fair finances” and “anti-corruption” are incorporated into our company policy, cases of corruption occur.

Management: By appointing a compliance officer, we have brought together all our activities to combat corruption and given them a new focus. We have evaluated all the measures and guidelines during our annual security audit and implemented any possible improvements. Managers document any problems in this area during annual employee appraisals. Our regular anonymous employee surveys give employees the opportunity to highlight any issues of this kind. Our works council functions as an additional supervisory body and point of contact for employees. Employees who are leaving the company are given the chance to identify any problems of this type in their exit interviews.

## 8. Protecting the climate

In addition to the information provided above, we are also focusing in particular on protecting the climate as part of our business. Our goal is to reduce the company's greenhouse gas emissions (GHG) and energy consumption.

### OVERVIEW OF THE DATA

#### Results of the first carbon account (for 2018)

- Direct GHG emissions scope 1            2,674.37 t CO<sub>2</sub>e
- Indirect GHG emissions scope 2        8,353.67 t CO<sub>2</sub>e

### OUR STARTING POINT

Reducing our environmental impact on all levels: as our focus area "Energy and emissions" shows, this is a fundamental part of the ARNOLD company strategy. Climate protection and climate neutrality in particular are becoming increasingly important to us and our customers.

To ensure that our climate protection activities are based on reliable data, we will be drawing up carbon accounts regularly in the future. The first was produced in 2020 (for 2018) in collaboration with KlimAktiv Consulting GmbH.

In this account, data for all the three relevant scopes (upstream, internal and downstream activities) was recorded on the basis of the Greenhouse Gas Protocol. This means that the entire value chain was investigated. However, it was only possible to record part of the data for scope 3 (upstream and downstream activities). For this reason, we will not include this scope in this year's report.

### ACHIEVING OUR OBJECTIVES

The detailed carbon account for 2018 has enabled us to achieve our first objective: creating a database for systematic climate protection activities. The report lays the foundations for identifying specific objectives to reduce greenhouse gas emissions in 2021.

### MEASURES TAKEN

As described in the section on guiding principle 5, ARNOLD is taking comprehensive measures to save energy and reduce emissions. These activities are already helping to lower CO<sub>2</sub> emissions. The data from our first carbon account is now being analysed to enable us to decide on our next steps and focus more closely on protecting the climate.



## FUTURE PROSPECTS

Protecting the climate will remain a central feature of our commitment to sustainability. This will be clearly reflected in ARNOLD's business activities in 2021 in the form of an expansion of the measures listed under guiding principle 5 and new strategies specifically aimed at climate protection. Among other things, we plan to create a CO<sub>2</sub> calculator for our customers and to run a campaign to raise awareness of the impact of fasteners on the climate.

## 9. Contact details

### Contact person

Michael Pult  
Marketing Director  
Tel.: +49 7947 821 170  
E-mail: [michael.pult@arnold-fastening.com](mailto:michael.pult@arnold-fastening.com)

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ARNOLD UMFORMTECHNIK GmbH & Co. KG  
Carl-Arnold-Str. 25  
74670 Forchtenberg-Ernsbach  
Telephone: +49 7947 821 0  
Fax: +49 7947 821 111  
E-mail: [info@arnold-fastening.com](mailto:info@arnold-fastening.com)  
Website: [www.arnold-fastening.com](http://www.arnold-fastening.com)

