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# Sustainability report 2022

Including a non-financial declaration on compliance with EU directive 2014/95/EU and an additional section on climate protection under the Baden-Württemberg Sustainability Initiative (WIN).

# Report 22

## Sustainability

Since the company was founded in 1898, sustainability has always taken centre stage in our business activities. Our earliest machines were powered by hydroelectricity. And on the social front, we have been setting sustainability standards since the beginning of the 20th century by setting up our own works nursery and kindergarten facilities, which over the years have been expanded. In this report, we are delighted to present you with the current situation.

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# 1. About us

## Presenting the company

ARNOLD – internationally the name stands for efficient and sustained technology at the highest level.

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### ARNOLD UMFORMTECHNIK: THIS IS US!

With a foundation of many years of expertise in the production of intelligent fastening systems and very complex extruded parts, over a number of years ARNOLD UMFORMTECHNIK has developed into a comprehensive supplier and development partner for complex fastening systems.

ARNOLD sets special standards in the development of sustainable products and services. On the latest ARNOLD production facilities, we produce high-tech solutions for tomorrow's fastening technology. This enables continual growth in every sector of the mobility market, as well as in other associated markets such as the electrical industry.

As an international enterprise ARNOLD is supported by its subsidiary companies in France and its sister companies in China and the USA. And sales offices in Mexico, Austria, Poland, Romania, Sweden, Spain, South Korea, Czech Republic and Hungary ensure that ARNOLD's products and services are available internationally as well.

Quality, reliability and long-term customer-satisfaction – these are the key points of our corporate philosophy. To meet the challenge ARNOLD bases its actions on a comprehensive quality management system. Certifications to DIN EN ISO 9001, IATF 16949, ISO 45001, ISO 50001, ISO 14001, CQI-9 und CQI-11 are established standards throughout the company.

Today ARNOLD is one of the world's leading suppliers of high-quality fasteners, cold extruded parts and machining technology. And we have the innovative power and commitment of the company's 1,410 employees to thank for this. Each and every day they take on the challenges of the market, and convert them into complex fastening technology and customer-oriented, intelligent services.

### THE MATERIALITY PRINCIPLE

This report is a record of the sustainability work we carry out. The report follows the materiality principle. It contains all the information required to understand the company's sustainability situation, and also reflects its principal financial, ecological, and social effects.

### WORDING USED IN THIS REPORT

In compliance with the first guiding principle of the WIN-Charta, we avoid any form of discrimination and use forward-looking language intended to include all genders. For this reason we use gender-neutral terms within the document.

## 2. Internationalizing sustainability awareness

### Awareness of the ten principles of the UN Global Compact

In 2021 ARNOLD became a signatory of the ten principles of the United Nations Global Compact. In our corporate responsibility as a globally active company, we see it as our duty to expand our sustainability policy on an international level.

We undertake to support and improve human rights and working standards, environmental protection, and the fight against corruption within the company and any interest groups.

1

Protecting international human rights

2

Avoiding breaches of human rights

3

Recognition of the right to collective bargaining

4

Removing all forms of forced labor

5

Banning child labor

6

Removing discrimination when appointing and recruiting staff

7

Taking a precautionary approach to avoid environmental problems

8

Taking initiatives to promote environmental awareness

9

Developing and disseminating environmentally friendly technologies

10

Fighting all kinds of corruption, extortion, and bribery

In line with the commitments made in the sustainability initiative Charter (WIN-Charta) and in the UN Global Compact, ARNOLD incorporates these principles, and the WIN principles, into its corporate strategy, corporate culture, and its day-to-day operations. In this respect, at ARNOLD sustainable management means that the social, ecological, and economic footprints that the company and all its employees leave behind in their activities are in harmony, and thus make a contribution to the long-term future – for over 120 years.



The United Nations Global Compact is a global Corporate sustainability initiative. Ten universal principles serve as the foundation on which to set sustainable development goals and achieve a sustainable global economy.

## 3. The WIN-Charta

In 2014 we are proud to have helped to launch the Economic Sustainability Initiative (WIN-Charta) as a founder member. In signing the WIN-Charta, we recognise our financial, ecological and social responsibility. We also identify with the region in which we operate.

### THE TWELVE PRINCIPLES OF THE WIN-CHARTA

These twelve principles set out our understanding of what sustainability means.

#### Human rights, social and employee interests

Principle 1 – Human and employee rights: *“We hold in high regard and protect human and employee rights, ensure and promote equal opportunities and prevent any form of discrimination and exploitation in all our corporate processes.”*

Principle 2 – Employees’ wellbeing: *“We hold in high regard, protect and promote the wellbeing and interests of our employees.”*

Principle 3 – Interest groups: *“In all our processes we take into account and have regard for the relevant stakeholders and their interests.”*

#### Environmental interests

Principle 4 – Resources: *“We increase the efficiency of resources, raise productivity of raw materials, and reduce the utilization of natural resources.”*

Principle 5 – Energy und emissions: *“We implement renewable energies, increase energy efficiency and reduce greenhouse emissions in line with targets, or offset them to be climate-neutral.”*

Principle 6 – Responsibility for product: *“We take responsibility for our services and products by examining the value-added process and the product cycle for sustainability and create transparency in this regard.”*

#### Financial value

Principle 7 – Corporate success and jobs: *“We ensure the long-term success of the company and provide employment in the region.”*

Principle 8 – Sustainable innovations: *“We promote innovative processes in products and services that increase sustainability, and which emphasize the potential for innovation in the Baden-Württemberg economic region.”*

#### Sustainable and fair financing, anti-corruption measures

Principle 9 – Financial decisions: *“We act always in the spirit of sustainability, in particular within the context of decisions relating to financial resources.”*

Principle 10 – Anti-corruption: *“We prevent corruption, and disclose and sanction such behavior.”*

#### Regional value

Principle 11 – Regional value: *“We generate added value for the region in which we are economically active.”*

Principle 12 – Incentives to rethink ideas: *“At corporate level we implement incentives to influence opinion and actions, including our employees and all other stakeholder groups, into a consistent process of increasing corporate sustainability.”*



#### COMMITTED COMPANY FROM BADEN-WÜRTTEMBERG

You can find detailed information about the WIN-Charta and the other signatories at [www.nachhaltigkeitsstrategie.de/wirtschaft/win-charta/win-charta-unternehmen](http://www.nachhaltigkeitsstrategie.de/wirtschaft/win-charta/win-charta-unternehmen)

# 4. Checklist

## Our commitment to sustainability

An overview of how our company strives for sustainability

	Principle	Documented qualitatively	Documented quantitatively
Principle 1		+	
Principle 2		+	
Principle 3		+	
Principle 4		+	
Principle 5	+	+	+
Principle 6		+	
Principle 7	+	+	+
Principle 8		+	
Principle 9		+	
Principle 10		+	
Principle 11	+	+	+
Principle 12		+	

Charta signatory since 20/05/2014

### Extra sections to this report

Extra section: non-financial declaration	+
Extra section: climate protection	+

#### LOCAL SUSTAINABILITY EFFORTS

**Supported WIN! project:** Sponsorship of the mobility routes that lead through the Ernsbach district (waterways, cycleways, and footpaths); information and raising awareness of environmental issues; support for the "Kocherwerk museum of fastening technology".

## Fields of action



Sustainable development education program	+
Mobility	+

## TYPE OF SUPPORT

- + Financial
- + Material
- + Personnel

**Scope of the support:** € 184.000 plus 100 working hours.

**Project plan:** M. Foss, Mayor of Forchtenberg; Dr. Neth, Hohenlohekreis District Commissioner.

# 5. Our major principles

## Overview

### Principle 5: Energy und emissions

↳ “We implement renewable energies, increase energy efficiency and reduce greenhouse emissions in line with targets, or offset them to be climate-neutral.”

### Principle 7: Corporate success and jobs

↳ “We ensure the long-term success of the company and provide employment in the region.”

### Principle 11: Regional value

↳ “We generate added value for the region in which we are economically active.”

## WHY THESE PRINCIPLES ARE SO IMPORTANT TO US

For over 120 years, sustainable business practices have played a hugely significant role at ARNOLD UMFORMTECHNIK. Our aim is to bring social, environmental, and economic engagement into harmony – to secure the future of our company and our environment for the long term. To this effect, our participation in the WIN-Charta and full awareness of sustainable business practices is firmly embedded in our corporate policy. The principles set out in the WIN-Charta are all included into ARNOLD’s own corporate policies.

In choosing the three strongly focused principles set out above, we see an opportunity to consistently continue with projects already started in these fields, and to produce concrete results within a defined timescale. The three principles also perfectly reflect the three pillars of sustainability – “Economy”, “Environment” and “Social”.

One of our own principles is based on “energy and emissions”. In this respect we refer you to the extra section entitled “climate protection” in this WIN-Charta report.

## Principle 1: Energy and emissions

### THE AIM

“We implement renewable energies, increase energy efficiency and reduce greenhouse emissions in line with targets, or offset them to be climate-neutral.”

### MEASURES TAKEN

- ⊕ Operating and maintaining the hydroelectric plant in Ernsbach.
- ⊕ Installing and commissioning the photovoltaic power system in Dörzbach.
- ⊕ Installing and commissioning a battery storage unit to cap peak loads (peak shaving).
- ⊕ Implementing various projects to ensure constant optimisation of energy generation and consumption carried out by the energy management team. Examples are: reducing heating oil consumption, improved and more energy-efficient lighting to reduce electricity consumption, and constructing a regional energy management network.

- ⊕ The energy management team has completed a total of ten projects on the SHE program (sustainability, health and environment): five projects have been successfully carried out in Dörzbach and Ernsbach, including projects to convert lighting to LEDs, install a new air compressor with refrigeration dryers, as well as a new boiler and energy meters.
- ⊕ Annual energy-saving training for employees.
- ⊕ Creating a CO<sub>2</sub> account to raise awareness of the issue and to form the basis for further improvement measures.
- ⊕ Offsetting unavoidable greenhouse gas emissions by donating to “atmosfair”, the climate protection organization.
- ⊕ Constructing the photovoltaic system and installing a heat pump at the Rauhbusch site.
- ⊕ Providing EV charging columns to ensure appropriate infrastructure for e-vehicles at our three sites of Ernsbach, Dörzbach, and Rauhbusch.

## RESULTS AND PERFORMANCE

Sustainability and responsible use of energy, along with consistent reduction of emissions, are firmly anchored into ARNOLD’s corporate philosophy. By operating and maintaining its own hydroelectric power station, the company is demonstrating the seriousness with which it views regenerative sources of power supply and making optimum use of energy.

We are driving a reduction in energy consumption in every part of the company, while at the same time expanding consistent sources of renewable energies.

Increasing energy efficiency plays an important role in achieving the goals described above; we are constantly working on the hall ventilation systems at our new builds and extensions (Dörzbach and Rauhbusch). Similarly, in the hardening facilities, we are focussing on replacing the water baths for the annealing furnaces which are currently operated by water-cooled refrigeration plants. We intend to install an air-cooling system here to save energy.



Hydro-electric power station on the river Kocher



Photovoltaic system at the Dörzbach site

## INDICATORS

**Indicator 1:** Investments of over €1.18 million in SHE projects with the aim of minimizing power consumption.

With investments in new plant and the new building, energy consumption rose at first, but we were able to deal with this increase by implementing consistent counter-measures. For example, we have been able to generate over 12 million kWh of power through wind, solar, and water energy.

**Indicator 2:** Our strategic goals for 2025 for our factories in

- ⊕ Ernsbach: cutting power consumption by 2.79% and reducing heating energy by 6.29%,
- ⊕ Dörzbach: reducing overall energy requirements by an absolute 5%.

## THE OUTLOOK

While ARNOLD can look back on many successfully concluded projects, the energy management team is always planning new measures to reduce emissions and optimise the use of different types of energy.

The following projects have been agreed and are in the planning stage:

- ⊕ Create transparency in energy flows
- ⊕ Compressed air shuts off automatically when plant and machinery are switched off
- ⊕ Installation of water-air heat exchangers to keep cooling water cold, with the end goal of reducing the amount of cooling required with electric cooling systems
- ⊕ Planning for the production of an overall energy concept (electricity, heat, and cooling supply) for the Dörzbach and Ernsbach sites
- ⊕ We are gradually changing our company vehicles to EVs: in 2022 we registered four new fully electric company vehicles, bringing ARNOLD's company fleet on 28th April 2023 to a total of 13 fully electric vehicles (out of a total of 207); there are plans for more to be ordered and this will expand the fleet to 28 electric vehicles.

## Principle 2: Corporate success and jobs

### THE AIM

“We ensure the long-term success of the company and provide employment in the region.”

### MEASURES TAKEN

Despite facing continuing challenges last year, ARNOLD was able to avoid a negative impact of the Covid-19 pandemic on jobs. We engaged apprentices and students from the Baden-Württemberg Cooperative State University and integrated them into the company.

2021 also saw extensive investment in the Hohenlohe sites. This included pushing ahead with implementing the corporate strategy in the “fastening solutions”, “functional components”, and “fastening systems” business units – for example the new “fastening systems” building in Dörzbach.

Further measures included expanding Hall 6 and building the new site in Forchtenberg Rauhbusch.

With our continuing investment in the production sites, new jobs were planned, especially at the new production site in Forchtenberg-Rauhbusch.

### INDICATORS

**Indicator 1:** Investment in the Hohenlohe site to the tune of € 9.4 million in 2022 (€ 8.2 million planned in 2023).

**Indicator 2:** 91 jobs for apprentices and students.

**Indicator 3:** In 2022 ARNOLD generated a total of € 217 million in sales revenue.



## RESULTS AND PERFORMANCE

Although in 2022 very difficult economic conditions were rife, ARNOLD invested more than € 21.9 million in the Hohenlohe production sites.

What's more, the company was able to offer a total of 91 jobs. 77 of these were apprenticeships and 14 places went to students who will soon be integrated into the day-to-day business of our company.

## THE OUTLOOK

"Corporate success and jobs": This principle will continue to be a theme at ARNOLD. We will continue our strategy of maintaining differentiated business units and our lines of approach with the aim of securing the company's success in a sustainable way.

Further investment has been agreed for the Hohenlohe production sites. This will produce growth and create new jobs. In particular, there are plans for new jobs at the new production site in Forchtenberg-Rauhbusch.

With the repositioning of the employer brand with the "Mit Dir wird's was Grosses" slogan (Building something great - with you), we will be extending our positioning as an attractive employer in the region and beyond.

At the heart of our philosophy lies an emphasis on continuing development in professional and personal terms. We will be supporting all our employees in their further development next year too.

Overall, around € 48 million investment is planned for 2023.

## Principle 3: Regional value

### THE AIM

"We generate added value for the region in which we are economically active."

### MEASURES TAKEN

- ⊕ Sponsoring local sports and culture, for example for young people.
- ⊕ In particular, we support the recently created sports community known as "Mid-Kochertal Kickers" as a youth project.
- ⊕ Supporting environmental protection within the community by preserving and caring for the River Kocher in the Ernsbach district. Here the company's water and environmental protection officer plays an important role and attends regular training courses.
- ⊕ The "Wir für Hohenlohe": (We are for Hohenlohe) initiative: together, we have implemented enhancements to the school playground at Dörzbach primary school; we have provided cookery courses for children at Forchtenberg primary school; we have provided regular external courses (children's red cross courses) for the water and environmental protection officers at Ernsbach primary school - with an investment totaling €10,000.
- ⊕ Support for the regional hospitality industry with a voucher campaign at Christmas.
- ⊕ Moreover we have recognized and intensified our responsibility for the river Kocher by taking various measures to care for and regularly maintain it. Cleared and maintained the riverbank, stocked the river with fish, repaired the weir, restored and cleaned the fish ladder to improve flow speed and keep the pump clean.



ARNOLD employees support the Eduard-Knoll residential center

## INDICATORS

**Indicator 1:** Material support for sports and cultural clubs amounting to €14,000.

**Indicator 2:** Maintain partnerships with schools in Dörzbach, Ernsbach, and Forchtenberg; target/actual: 7/7 (100%).

## RESULTS AND PERFORMANCE

As last year our social engagement this year has been severely affected by the pandemic and resulted in some events once again having to be cancelled. We therefore continue to support the schools in Ernsbach, Dörzbach, and Forchtenberg by providing masks and disinfectant, thus making a valuable contribution to protecting children.

In 2022 the children's holiday program could take place for the first time since the pandemic. We were able to support the program in the Dörzbach and Ernsbach communities with our own events, with our apprentices and dual students offering planning support, and by providing financial support.

The "Class of 2000" project has been within our hearts for many years. We have continued our financial support to enable sustainable cookery lessons for children at schools in Dörzbach, Ernsbach and Forchtenberg, along with first aid courses for parents. We identify fully with the mission statement of the "Class of 2000" project which aims to promote physical and psychological health, as well as measures to prevent violence and addiction.

The integration mission includes language courses for the children of migrants in Dörzbach and Ernsbach through the

Diakonie Academy. We also engaged with youth work by supporting the “Kickers Mittleres Kochertal” (Mid Kochertal Kickers) youth team with a total of €10,000.

At university level, with the help of Professor Wäldele at the Reinhold-Würth University in Künzelsau, we facilitated digital seminars for students. The seminars and educational videos were on the subject of fastening technology.

We also consider correct waste separation to be just as important and so we are supporting schools in Dörzbach with this in mind. The students have been collecting wastepaper to earn money for school trips.

Seating for our employees has been placed in front of the administration building. More seating is currently being planned for 2023.

With outdoor furniture, our employees in Dörzbach and Ernsbach have the opportunity to spend their breaks or to hold talks and meetings outdoors.

Finally, we are also creating “regional value” by planning our new site at Rauhbusch. In particular, we intend to include regional interest groups at this site.

## THE OUTLOOK

We intend to take long-term responsibility for our production sites within the communities. For us, that means continuing to support selected commitments - in particular to school partnerships.

Cooperation with Professor Wäldele will also be continued. Since the pandemic has allowed, significant in-person events have taken place and we are pleased to be part of.

ARNOLD likewise continues to take responsibility for the River Kocher by carrying out the relevant maintenance and repair measures.

# 6. Other activities

## Human rights, social and employee interests

### Principle 1: Human and worker rights

“We hold in high regard and protect human and employee rights, ensure and promote equal opportunities and prevent any form of discrimination and exploitation in all our corporate processes.”



Uwe Schmetzer, the Chairman of the Works Council

### MEASURES AND ACTIVITIES

- ⊕ We stand against discrimination by working together in international teams.
- ⊕ “Diversity” is a core principle for us, and it is reflected in all our activities and actions, for example, in our continuing education and development program.
- ⊕ We have implemented the equal opportunities transparency law relating to men and women.
- ⊕ Three ARNOLD employees have been released to work full time for the Works Council.

### RESULTS AND PERFORMANCE

- ⊕ ARNOLD’s principles now also apply to suppliers.
- ⊕ We participated in “Girls’ Day” to stress equal opportunities in technical careers.
- ⊕ A trainer is responsible for the care of our industrial trainees.
- ⊕ We also promote equal opportunities by facilitating the “Talent Assessment Process” (TAP). A third of our talented people are women.
- ⊕ We continuously expand the activities undertaken by the works council and we actively promote the work it does.
- ⊕ We are committed to the “Diversity Charter”.
- ⊕ An external sustainability audit established that we are 100% compliant with statutory requirements.

- ⊕ And in 2022 there will be new elections to choose who will be on the Works Council.

## THE OUTLOOK

Supported by the Company Board, ARNOLD's Works Council will also be moving towards continuous improvement and development of Employee rights.

The Works Council's task is to assess the options for promoting women to executive positions. A mentoring program for women is already available from the Würth group.

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### Principle 2: Employees' wellbeing

↳ "We hold in high regard, protect and promote the wellbeing and interests of our employees."

### MEASURES AND ACTIVITIES

- ⊕ At regular intervals, we revise and develop our works agreements to help our employees maintain a good work-life balance (for example allowing sabbatical leave and converting pay into holiday).
- ⊕ We work together with mutual respect and promote the personal development of all our employees with comprehensive training, qualification and promotion programs, in particular with regard to the specific training of our apprentices and students.
- ⊕ With continuous professional development for the Works Council, we are creating sustainable conditions for work safety, team management, employee representation, and expanded conditions for officer responsibilities.
- ⊕ We offer an exchange program (ARNOLD GROUP Development Program - international management program) by which our employees can get to know our other sites.
- ⊕ In regular conversations and appraisals with our employees, we offer the opportunity to make a direct contribution and to express their opinions. The IDEEplus program is a forum for innovative ideas.
- ⊕ Flexible and individual working hours and a choice of workplace make it easier for our employees to return to work after new parent leave.
- ⊕ The "25-euro campaign" was reintroduced in 2022. Each department is given the opportunity to hold a social event outside the work environment so that employees can maintain social interaction.
- ⊕ Small local departmental gatherings were held to allow an exchange of views - even on a fairly small scale.
- ⊕ Appointments with the company doctor ensure that our employees receive health care.
- ⊕ We offer our employees regular vaccinations during working hours.
- ⊕ During the pandemic we introduced rapid and non-bureaucratic measures to enable our employees to work remotely; this is still in place and will soon be established in the form of a company agreement.
- ⊕ All our employees received a Christmas gift voucher for local restaurants.



## RESULTS AND PERFORMANCE

- ⊕ Our employees received a tax-free inflation adjustment bonus of €750.
- ⊕ Management responsibilities were extended further and are constantly under development, an example being the appointment of an IT Compliance Specialist.
- ⊕ A flextime system for employees was introduced by the Works Council.
- ⊕ To improve digital information flow in particular, we introduced ARNOLD's employee app.
- ⊕ We were able to successfully institute a wider channel bandwidth for communications and are planning further improvements. The ARNOLD Employee app plays an important role in this process.
- ⊕ Moving to Microsoft Teams meant that we were able to work together digitally much better.
- ⊕ We worked with the Fraunhofer Institute to plan and implement measures to improve the working environment at the new manufacturing facility in Dörzbach, for example, we have installed height-adjustable worktables.
- ⊕ We have increased our health promotion activities for our employees. ARNOLD provided access to the "Fit with Würth" program for its employees and produced videos covering exercise and nutrition.
- ⊕ After the employee app became available, everyone was given a Theraband resistance band to use during in-house exercise videos.
- ⊕ Once the restrictions of the Covid pandemic had eased, we were able to include team-building exercises and company gatherings back into our routine.
- ⊕ At the same time, ARNOLD created its own in-house machine to analyse PCR tests, to make it easier to carry out dependable Covid tests in cases of doubt or after an infection, and thus reliably prevent the spread of Covid among employees. As always, the ARNOLD Covid team is assisting employees by putting sensible measures in place.
- ⊕ To protect our employees ARNOLD set up its own works fire department at the Dörzbach and Ernsbach sites, able to react quickly in an emergency. After a break due to the Coronavirus, training and exercises have now resumed. Since then, a total of over 50 firefighter colleagues have taken up duties and in 2022 they celebrated their 70th anniversary.

## THE OUTLOOK

- ⊕ There are plans to reorientate the health promotion scheme to increase awareness of the subject. This includes plans to offer employees several specific measures, such as fitness videos.
- ⊕ Works agreements will be enhanced to include mobile working and flexible working hours, which need to be analysed individually in each department.
- ⊕ An "Open Area" is to be set up at the Dörzbach site. It will be used to hold workshops, conferences and meetings covering personal and organisational development, and options for improved collaboration.
- ⊕ A further survey will allow employees to help shape and improve the working environment at ARNOLD.
- ⊕ Operational processes will be digitized even further.

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## Principle 3: Interest groups

↳ “In all our processes we take into account and have regard for the relevant stakeholders and their interests.”

### MEASURES AND ACTIVITIES

- ⊕ We include all our stakeholders in our activities. For example, employees’ children can attend training courses on applying for jobs, pensioners continue to receive ARNOLD’s internal newspaper. Instead of the annual pensioners’ party, they received a €25 voucher to visit the Kocherwerk, and the book about the Kocherwerk.
- ⊕ The ARNOLD archive pays tribute to the work of generations past.
- ⊕ We work closely with the appropriate local authorities (district administration, environmental office, building authorities).
- ⊕ To keep the public and the world of technology informed about the way the company is developing and the technological progress it is making, we have expanded our publicity department and are working with regional and technical press outlets.
- ⊕ By giving awards for work carried out and gift vouchers for work anniversaries and “big” birthdays we show our esteem for current and former employees. And we have planted a tree on the production site in honor of our retirees.
- ⊕ We have reduced the odor nuisance in the ventilation system at Dörzbach by adding ozone.
- ⊕ A shepherd has been farming all our dams, meadows and ARNOLD estate to ensure that the land is well maintained.
- ⊕ We held an e-bike leasing event during which we offered test rides to our employees. We emphasised the value of acquiring regional dealers for the A-Bike leasing scheme, to support local Kochertal, Jagsttal, and Taubertal businesses.
- ⊕ Regular employee events, such as after-work events, took place at the nearby marketplace in the Kocherwerk.
- ⊕ A specially developed PC program for employees was introduced; employees received continuous training and participated in program training courses such as Microsoft Excel and the Learning Management System.

### RESULTS AND PERFORMANCE

- ⊕ Professional archivists continue their work to document ARNOLD’s history and keep it at the forefront for the future.
- ⊕ Last year’s book swap shelf, created in collaboration with the workshop for the disabled in Krautheim continued in 2022; more book swap shelves have been placed in the Ernsbach break rooms.
- ⊕ Using digital marketing instruments such as webinars we have expanded our original focus on technological and economic advantages to include the environmental aspect and also established our own CO<sub>2</sub> reduction in fasteners campaign (“ACO<sub>2</sub>-Save”).
- ⊕ We became involved in the “Förderer des Schrauben- und Befestigungsclusters Hohenlohe e. V.” (Association of Sponsors of the Hohenlohe Screw and Fastening Cluster) and as part of a community project last year we established a fastener museum on our own premises. Since the Kocherwerk opening ceremony, anyone who is interested now has the opportunity to engage with the history and development of our company (see also “Our WIN! project”).
- ⊕ The construction of the electro-plating shop in Dörzbach has been publicised, and the plans are publicly available at the environmental planning office where they can be viewed by our employees and residents.
- ⊕ For the first time, we held face-to-face press interviews, including one concerning the laying of the foundation stone for our new site in Rauhbusch.

## THE OUTLOOK

- ⊕ As soon as regional events are permitted, we will be taking an active part. We are planning events for ARNOLD employees at the Kocherwerk on the adjoining market square. Some after-work events are being planned.
- ⊕ We have appointed regional dealers to support local companies in the Kocher Valley, the Jagst Valley and the Tauber Valley as a consequence of the A-bike leasing scheme.
- ⊕ In future digital marketing instruments such as webinars will play a very important role. We will be including the issue of optimising CO<sub>2</sub> with innovative fasteners in each one of our webinars.
- ⊕ We are informing the people in the area of our new Rauhbusch site about the environmental protective measures we are taking, for example, the soil sealing measures.
- ⊕ Traffic nuisance and noise will be reduced with the construction of the electro-plating facility in Dörzbach because there will no longer be a need to travel to external service providers.

# Environmental interests

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## Principle 4: Resources

↳ “We increase the efficiency of resources, raise productivity of raw materials, and reduce the utilization of natural resources.”

## MEASURES AND ACTIVITIES

- ⊕ We handle our resources responsibly, for example by avoiding waste, and have clear recycling rules and a strict waste separation. We have addressed the importance of this issue by appointing an internal waste management officer within our organization.
- ⊕ To a great extent waste and scrap is avoided as early as the production stage or will be prevented with the aid of our CIP projects. Being certified to ISO 14001 means that we have formally undertaken to carry out these measures.
- ⊕ Our responsibility for safeguarding our resources is firmly anchored into our corporate policy and we consistently remind our employees of this.
- ⊕ We have incorporated environmental protection and energy management into quality assurance agreements with our suppliers. We require that they have an ISO 14001 environment management system and an ISO 50001 energy management system. We have drawn up a questionnaire for smaller companies who are unable to implement the above requirements.
- ⊕ We work continuously to reduce scrap waste during production.
- ⊕ Other major themes: We avoid paper waste by introducing digital signatures when placing orders and issuing invoices. We have introduced a multi-use system and increased the rate of repair and recycling (one example is the coil stands for transporting wire).

## RESULTS AND PERFORMANCE

- ⊕ We have built up a cooperative association with the WfB Krautheim workshops for the disabled to dispose of our used electrical appliances. The unit deals with electrical components from machines, systems, control cabinets and electric cables.
- ⊕ The rate of waste recycled in 2022 was more than 90%.
- ⊕ In some cases, we are using small load carriers as reusable packaging rather than cardboard.
- ⊕ When recycling our waste, we are careful to separate paper and cardboard, as well as film, wood, and metals.
- ⊕ Supplier appraisals include a stronger weighting on environmental factors, with points deducted for any damaging environmental effects.
- ⊕ To reduce paper consumption, we began a pilot project aimed at fully digitising the confirmation of order process.
- ⊕ We have reduced the amount of film used in the sorting section by placing products directly into cardboard packaging instead of in film. We will be rolling out this scheme to the whole company soon.
- ⊕ With increased awareness of the need to reduce carbon, we have adapted our vehicle fleet to carbon-optimised vehicles. We also aim to continually expand the use of electric vehicles in our fleet.
- ⊕ Company parking places have been equipped with charging columns. We have implemented the new vehicle regulation requiring the implementation of more electrically driven vehicles. These measures have contributed greatly to ARNOLD's e-mobility infrastructure.
- ⊕ Bought-in parts were either produced in-house or purchased from reliable partners to minimise the global purchase of bought-in parts and to secure the supply chain at all times.

## THE OUTLOOK

- ⊕ All our employees will receive compulsory training on "preserving resources" and "environmental protection" at least once a year.
- ⊕ To save resources, ordering processes, including by suppliers and by customers, will be further digitized.
- ⊕ Further efforts will be made to analyse options for transport containers for carrying wire without coil stands.
- ⊕ Other measures we intend to take in the future include PVC plastic bands used to carry wire on wire stands and wire coils will be recycled. Moreover, suppliers' stop rings will be reused instead of melting them down in the recycling process.
- ⊕ We intend to reduce the amount of power needed for tempering by reducing tempering times.
- ⊕ Drawn wire will be replaced in future by a greater proportion of rolled wire.
- ⊕ Steel recycled from scrapped steel will be used, thus curtailing the amount of resources used.
- ⊕ Long-term power purchase agreements (PPAs) will in future require power to come from green sources, and a portion of the power consumed will be covered by our own power generation.

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## Principle 6: Responsibility for our product

↳ “We take responsibility for our services and products by examining the value-added process and the product cycle for sustainability and create transparency in this regard.”

### MEASURES AND ACTIVITIES

- ⊕ We are investigating to see which improvements can be made by introducing various production processes, and are already in place (for example by making a comparison between forming and turning technologies).
- ⊕ The company’s constitution and management philosophy already states that we are developing intelligent and sustainable fastening systems for our customers; by including this statement in our “Blue Fastening Systems” claim we have officially placed it at the center of our corporate image.
- ⊕ We hold online seminars to inform our customers about how sustainable fastening systems aid the efficiency of applications.

### RESULTS AND PERFORMANCE

- ⊕ Online events have ensured that there is constant dialogue with experts (for example with the German Screw Fastening Association).
- ⊕ We made an in-depth analysis of carbon output from our production processes. The carbon balance helped us develop ways of improvement (see also the extra section on “Climate Protection”).
- ⊕ By consistently applying our sustainability claims to our suppliers, we are coming one important step closer to full sustainability over the entire supply chain.
- ⊕ Our IDEEplus system provides all our employees with an opportunity to participate when developing new products or give suggestions for improving existing products.
- ⊕ We have developed a carbon calculator which ranks products according to specific carbon weighting. Added to this we purchased the “Forging Footprint Reduction Tool” (FRED) created by the Forging Association so that we can make industry-compatible Product Carbon Footprint calculations.
- ⊕ To keep our customers informed about the opportunities for carbon optimization in fastening technology we launched an information campaign. We also started our “ACO<sub>2</sub>-Save” initiative to reduce scope 3 effects by our customers (and to a degree Scope 1 and Scope 2).
- ⊕ Our TriPress®Plus fastening system (instead of a thread, the fastener is simple pressed in) has brought about massive resource savings.
- ⊕ Technical progress has enabled us to reduce tempering time from 20 to 8 hours. Taking the example of the Flowform® M5 screw, this represents a saving of 40 tonnes of CO<sub>2</sub> over a production total of 100 million items (see the sample calculation on the next page). The potential saving can be increased by including more products.

### THE OUTLOOK

- ⊕ From 2022 we will be offering products manufactured in a climate-neutral facility (see also the extra section on “Cli-

\* Offsetting for Scope 1 and certificates of origin for energy from renewable sources in Scope 1.

mate Protection")\*.

- ⊕ We are constantly working on and enhancing our “ACO<sub>2</sub>-Save” campaign to keep existing and potential customers well-informed about the possibilities for carbon optimization in fastening technology.
- ⊕ The “multi-project organization” initiative (MuPro) will ensure that our packaging standard is improved - out with plastic packaging, in with more sustainable alternatives for sorted goods (Sortec).
- ⊕ New products will make it possible for customers to save time, money, and carbon.
- ⊕ The “ACO<sub>2</sub>-Calc” carbon calculator makes it easy for customers to estimate the carbon footprint of different products. We intend to observe, validate and if necessary optimize this process.
- ⊕ When ready, the resource-saving TriPress® Plus will be officially launched and intensified, along with the Powertite®.
- ⊕ In 2023, we will carry out a Life Cycle Assessment for our products in line with ISO 14001.

## SAMPLE CARBON REDUCTION CALCULATION

Weight of 100 million screws in kg: 44,000

	8 hours	20 hours	Difference
kWh per tempering time/kg (taken from our own data records in conjunction with supplier)	0.16	0.41	0.25
kWh / 100 million items	72.292	180.752	108.460
Kwh converted into CO <sub>2</sub> emissions in grams (based on average power mix in Germany for 2020: 1 kWh = 366g CO <sub>2</sub> ; Source: Federal Environment Agency (UBA) from Statista)	26.458.872	66.155.232	39.696.360
Converted into tonnes of CO <sub>2</sub> -emissions	26	66	40

# Economic value

## Principle 8: Sustainable innovations

↳ “We promote innovative processes in products and services that increase sustainability, and that emphasize the potential for innovation in the Baden-Württemberg economic region.”

## MEASURES AND ACTIVITIES

- ⊕ As a result of Orga 2.0, we have established a new organisational structure to include patent and licensing systems. To this end, we have established our internationally-active “Functional Team Legal”.

- ⊕ We have set up a licensing system and since 2022 this has become an official part of our sales strategy to place innovative products onto the market on a wider basis and refinance our development costs.
- ⊕ With the market launch of Flowform<sup>®</sup> Plus we have been able to save resources (weight, space requirement, and energy consumption) while also increasing the benefits for customers.
- ⊕ We also developed the REMFORM<sup>®</sup> II HS<sup>™</sup> for direct plastic screw fastenings. This is particularly relevant for very high-strength plastics.
- ⊕ We have structured our patent system, focussing on protecting sustainable innovation. In 2023 we are introducing a patent research software which will serve as the basis to enhance the patent system and provide sustainable innovation protection. The software considerably cuts the time involved (by 8-10 times), along with structured and timely research.

## RESULTS AND PERFORMANCE

- ⊕ We use all our skills and expertise to work on innovations throughout the company.
- ⊕ We help our customers to avoid over-engineering – by expanding forecasting tools at the development stage, purchasing additional simulation software, and building up our expertise in this field.
- ⊕ One of our innovation projects was to ready new products for the market, one example being the TriPress<sup>®</sup> Plus.
- ⊕ As part of our 2022 innovation projects, we brought new products onto the market in every area. These included Powertite<sup>®</sup> (market launch in October 2022).

## THE OUTLOOK

- ⊕ Our project checklist will contain an analysis of the entire product life cycle - from development, covering its time in use, through to the end of its life. The capacity to optimise life cycles and to recycle will take a central role here.
- ⊕ “Functional Team Legal” established in 2023.
- ⊕ Our licenses are incorporated into digital channels, to spread awareness of the benefits of innovative ARNOLD products on the market as much as possible, and to benefit from licences granted to other companies.
- ⊕ After carrying out a market testing in 2022 using hydrogen, the decision was made in future to use hydrogen as an energy source in the production of ARNOLD products. In effect, this means that hydrogen is replacing natural gas in the hardening shop and in the intra-logistics section.
- ⊕ With regard to digitization we are making great progress and intend to optimise and automate our in-house processes as well as external processes for our customers. We see great potential here to save resources and working time.
- ⊕ We are also introducing a technology management team to examine and analyse technological trends (such as “circular economy” or the latest options for recycling) so that we can build up and access firmly founded knowledge of the issue.
- ⊕ A competitive factor for supplies will be to supply evidence of the carbon footprint attributed to their products. With little effort, the ACO<sub>2</sub>-Calc tool delivers accurate and transparent CO<sub>2</sub> data for ARNOLD fasteners as early as the article set-up stage.

# Sustainable and fair financing, anti-corruption measures

## Principle 9: Financial decisions

↳ “We act always in the spirit of sustainability, in particular within the context of decisions relating to financial resources.”

### MEASURES AND ACTIVITIES

- ⊕ During the pandemic scenario technology proved to be an important factor. We have developed this with the aim of being able to react well to new situations, such as changes on the market, interruptions to the supply chain, problems with availability of materials and personnel.
- ⊕ ARNOLD’S financial planning system is calculated over a period of ten years using the medium-term business and staffing planning system and is clearly set out.
- ⊕ Clear rules relating to investments and the financial authorizations held by employees have been established within the central management system.

### RESULTS AND PERFORMANCE

- ⊕ We have developed and implemented new templates to be able to react in a structured way, despite volatility. Key figures and objectives can be quickly adjusted to new situations.
- ⊕ We scrutinize investments made purely to increase capital, and we pursue strategically important and sustainable investment.
- ⊕ Despite the extremely difficult conditions on the world market and in the automotive industry, we were able to generate a positive annual profit.

### THE OUTLOOK

- ⊕ Restructured templates mean that we can continue to be flexible – not least in the event of fresh periods of growth and spikes in demand. In total, ARNOLD’S scalability has increased greatly, while effectively supporting our medium and long-term corporate planning.
- ⊕ Due to the growing challenges of internationalization we place increasing significance on watching the market and regularly checking the medium-term business and staffing planning system. We will be doing this consistently.

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## Principle 10: Anti-corruption:

↳ “We prevent corruption, and disclose and sanction such behavior.”

### MEASURES AND ACTIVITIES

- ⊕ In 2020 we introduced compliance training courses using an online learning management system so that we could disseminate new content and updates to changes in the law, or social standards, in an easy-to-use and efficient process. We have continued with these courses and expanded them. The focus this year was on IT compliance, data assignment and protection, and “clean desk” rules.
- ⊕ With regard to data protection we have taken the necessary measures to ensure that no data about business partners or business content is passed to unauthorized third parties.
- ⊕ The financial authorization for every employee has been clearly specified. In addition, by introducing the multi-person principle in the case of major decisions, we have taken precautions against corruption.
- ⊕ We ensure adherence to statutory and group-wide compliance regulations, as well as the individual guidelines of our business partners. We are also reappraising the rules about compliance breaches in a structured and detailed way to prevent any possible breaches before they happen.
- ⊕ Any executive manager or employee who has not completed their training is sent a personal reminder to do so. This adds emphasis to the importance of this issue.
- ⊕ Since the [new law](#) to protect whistleblowers came into force, ARNOLD is legally obliged to protect such persons and provide the opportunity to report anonymously. The system that has already existed throughout our group and ARNOLD’s anonymous Whistleblower hotline met these requirements long before the obligation became law.

### RESULTS AND PERFORMANCE

- ⊕ With effect from 1st April 2023, a member of ARNOLD’s staff has taken up duties as ARNOLD’s Data Security Officer. This person’s tasks include planning, drawing up and maintaining the ISMS policies and procedures, thus becoming the central point of contact for all information security issues.
- ⊕ Every executive manager at ARNOLD is able to check their employee training figures very easily and transparently and effectively motivate their employees to attend the training courses. Employees thus become more aware of “anti-corruption” issues, and we are currently observing an increase in training figures to more than 90%.
- ⊕ With ARNOLD’s compliance officer, who is in a continual learning process, our employees are kept informed and advised.
- ⊕ We have implemented the compulsory compliance training course on “IT and Legal Compliance” for every employee and also incorporated it into the induction process for new members of staff. During their induction week, we created a slot for a talk by the compliance officer. In this way, new employees are encouraged to ask any questions they may have on the subject, with the aim of preventing compliance issues from occurring. The IATF audit then checks whether the induction plan was completed for every employee.
- ⊕ All our measures and guidelines are subject to an annual security audit, so they are always up to date.
- ⊕ We run emergency exercises to prepare our employees for hacking attempts; we analyse the exercises to enable us to make decisions regarding the systems necessary to ensure our capacity to do business.

- ⊕ We have an alert button to flag suspicious emails easily and quickly.
- ⊕ We have registered huge success in preventing cases of corruption: of some 15 queries, there were only two suspicious cases, and when these were examined more closely they did not need to be sanctioned.
- ⊕ The Würth group has also implemented a comprehensive risk management system to deal with anti-corruption and compliance and maintains a "Risk Universe" which gathers together every single potential risk.
- ⊕ By implementing a Compliance Management system, we are ensuring that the departments and managers defined in law and under regulations are automatically informed of supplements and updates. This includes automatic notification of changes, updates and additions.
- ⊕ For enhanced IT security, security measures have been introduced throughout the group, to be followed when entering a password.

## THE OUTLOOK

- ⊕ The learning infrastructure has been expanded. New content is in progress and will be rolled out, particularly in the IT and data security section. The aim is to achieve a 100% training rate for all relevant employees.
- ⊕ Annual data protection training courses led by a line manager are still compulsory.
- ⊕ All our industrial employees who do not have their own access to a PC must still attend an analogue compact training course on compliance. All other members of staff must attend a mandatory online compliance course and need to pass a test for a certificate.
- ⊕ The "Code of Compliance" will be revised and updated to make it easier for our stakeholders to understand.
- ⊕ We carry out compliance training courses at regular intervals for middle and top management at which we present new group-wide information, current compliance cases and the methods adopted to deal with them. This should motivate managers to pass the information they gain to their staff.
- ⊕ We are carrying out a requirements analysis for the German "Supply Chain Due Diligence Law" and the next step is to derive the necessary measures to take. This covers compliance rules within the company and on the supply chain, with particular regard to human rights. The "Supply Chain Due Diligence Law" will not come into force until 2024, but we want to be proactive and deal with its requirements at an early stage, taking responsibility for anticipating the statutory requirements ourselves.
- ⊕ We intend to set up a group-wide network that will promote discussion and mutual support on IT security issues.

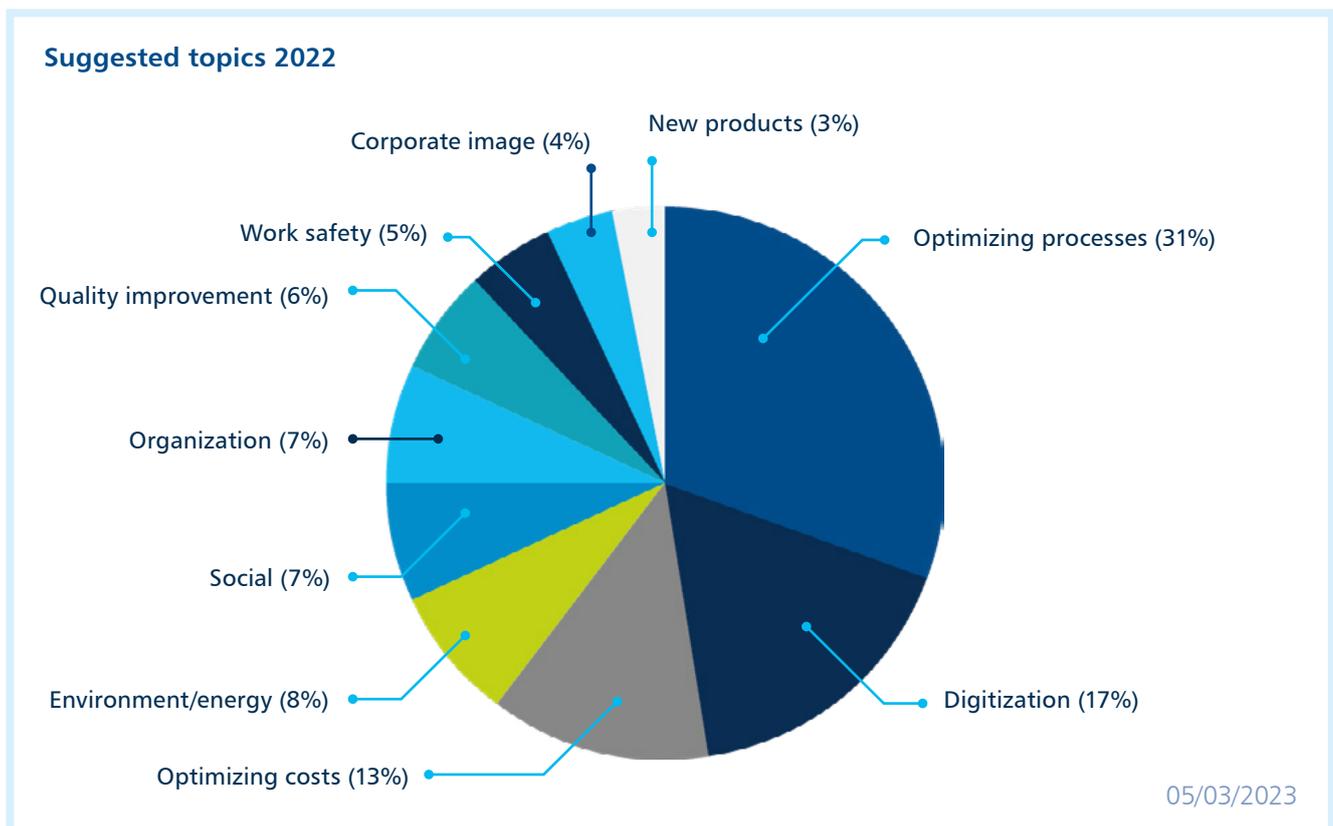
# Regional value

## Principle 12: Incentives to change mind-sets

↳ “At corporate level we implement incentives to influence opinion and actions, including our employees and all other stakeholder groups into a consistent process of increasing corporate sustainability.”

### MEASURES AND ACTIVITIES

- ⊕ We are looking at the changes in the world of VUCA (volatile, uncertain, complex, ambiguous) and BANI (brittle, anxious, non-linear incomprehensible) by expanding our employees’ mindset and that of the organization both structurally and culturally, in line with the question: “what is the most sustainable and best solution to meeting new challenges caused by changed circumstances?”. We make ourselves aware of the importance of the VUCA and BANI world in respect of our management, projects and business models.
- ⊕ IDEEplus – our in-house suggestion system – stimulates the innovative power of our employees relating to better use of resources and will be an effective channel for rethinking incentives. A high-ranking member of staff will deal with any suggestions.



- ⊕ Regular productivity workshops resulted in a consistent rise in performance in every department.
- ⊕ We are making use of a comprehensive review panel for safety, health, anti-corruption and other officers to test and improve the situation in a wide range of areas.
- ⊕ Our A-Bike campaign means that every member of staff can lease a bicycle for emission-free travel to work.



The “A-bike” company bike leasing campaign

## RESULTS AND PERFORMANCE

- ⊕ The Sustainability management team holds regular discussions.
- ⊕ A total of 180 ideas were posted to the IDEEplus campaign and we have implemented 75.6% of these.
- ⊕ In 2022 the IDEEplus campaign includes two campaigns on digitisation and Q-month, helping to optimise processes and raising quality.
- ⊕ We involved all our officers in the planning of our new site at Rauhbusch so that they could influence the designs to meet every requirement of the various departments (such as work safety, environment protection etc.).
- ⊕ We expanded our EV fleet and installed the corresponding charging columns (see Principle 5).

## THE OUTLOOK

- ⊕ As part of the “We are for Hohenlohe” initiative ARNOLD’s sustainability approaches will certainly be valued.
- ⊕ We intend to incorporate the principle of carbon neutrality into ARNOLD’s sustainability strategy.
- ⊕ We mean to continue to disseminate important information about sustainable nutrition – such as the “Eat sustainably with ARNOLD” campaign and about exercise. We use our employee app to this end.
- ⊕ Our commitment to the “Class of 2000” project will continue next year too.
- ⊕ Emobility for our car fleet continues to be an important issue for us and we are making progress. We also plan to build a charging infrastructure for all our sites.
- ⊕ To boost overall information about the sustainability issue we are planning a specific campaign. The aim is to ensure concerted action throughout the entire ARNOLD Group.
- ⊕ We intend to expand the A-bike leasing scheme by including regional dealers and using other methods.
- ⊕ We intend to incorporate the three dimensions of sustainability (environment, economy, and social) into the Future Lab. To this end we are using the “Wall of Sustainability”. This tool makes a record of the influence of new projects being drawn up in the Future Lab, as well as results from workshops on sustainability. It also indicates how the sustainability issue will be enhanced within the company in future.
- ⊕ The group-wide discussions held with other companies are intended to be inspirational and intensify the joint promotion of sustainability issues.
- ⊕ Specific teams for various environmental issues will be working to make our ecological commitment even more effective and proactive.
- ⊕ To continue to minimise consumption throughout the company, we will be analysing and optimising the flow of processing and operating materials.

# 7. Our WIN! project

## Training for sustainable development and mobility

With our WIN! project we are making a contribution to sustainability for our region.

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### THESE ARE THE PROJECTS WE ARE SUPPORTING

ARNOLD UMFORMTECHNIK has taken over the sponsorship for the mobility routes that lead through the Ernsbach district – they include water routes, cycle ways and footpaths. In addition to our continuing upkeep of the fishing waters, we want to provide information about sustainability projects by establishing a sustainability path with several information points along the way (for example using hydro and solar energies), to make visitors think about and be aware of sustainability. We are carrying out this project in coordination with the Forchtenberg community.

Since 2018 we have also been participating in a community project initiated by the “Förderer des Schrauben- und Befestigungsclusters Hohenlohe e. V.” (Association of sponsors of the Hohenlohe screw and fastening cluster), establishing a museum designed to show how our sector has developed in Hohenlohe.

The “Kocherwerk – Haus der Verbindungstechnik” [House of Fastening Technology] located in the old mill building and sheds in Forchtenberg-Ernsbach (which is where ARNOLD produced the first industrially manufactured screws in Hohenlohe over 120 years ago) covers 400 square meters. It will bring industrial history to life.



“Kocherwerk – House of Fastening Technology” Museum.



## TYPE AND SCOPE OF THE SUPPORT

Members of the company's "Anglers" club take care that the fishing waters are well maintained. With the expansion of the industrial premises in an environmentally responsible manner, ARNOLD is also ensuring that industry and the environment can coexist in harmony. Furthermore, we are enabling the erection and upkeep of information points on the planned sustainability path. We will continue to support the museum project with advice, personnel, and financial support after it has opened.

The financial support made available for our project in 2022 by the executive management was:

- ⊕ €2,300 for internal services in maintaining the Kocherwerk,
- ⊕ The cost of the Kocherwerk came to a total of €184,000.

## RESULTS AND PERFORMANCE

According to our visitor statistics, we welcomed 12,931 visitors to the Kocherwerk - now the "House of Fastening Technology" museum.

The "House of Fastening Technology" is taking a central role in ARNOLD's image and the way it presents itself. In its role as a historical tribute, it shows how the screw fastening and fastening cluster industry developed from the early days to today.

We are using the "House of Fastening Technology" as a venue where we hold events for our customers, schools, our employees, and many more.

Further successes include saving CO<sub>2</sub> with our own hydroelectric plant. In 2022 we saved a whole 166.158 kilograms of CO<sub>2</sub>.

We also generated power from our hydroelectric plant: in 2022 the output amounted to 415,463 kWh.

## THE OUTLOOK

We continue our work to care for the River Kocher and to arrange clean ups on the river banks.

In future the Kocherwerk will be operated by the association of sponsors of the Hohenlohe screw and fastening cluster.

# 8. Non-financial declaration

Expanding upon the details explained above, in accordance with EU Directive 2014/95/EU we are publishing the following non-financial information.

## The business model

Our business model is set out in section 1 of this report.

## CONCEPTS AND RESULTS

Our sustainability concept and the activities we pursue, as well as the results and developments arising from them, are set out in detail in section 5 (“Major principles”) and in section 6 of this report.

## CHECKING PROCEDURES (DUE DILIGENCE)

We have established the following processes to check sustainability aspects in relation to our business activities and to monitor the implementation of our activities in this respect.

# Existing due diligence procedures

Principles	Checking procedures
<b>Human rights</b>	As part of our corporate policy, we have incorporated “having a high regard and protection of human rights” into our compliance and CSR guidelines. We inform all our employees of these fundamental principles at compulsory annual training courses. Any problems in this area are recorded by line managers at employees’ annual appraisals. In a regular anonymous questionnaire employees have an opportunity to indicate any possible problems. Additionally, we also have the Works Council, which is a point of contact for employees, to act as an additional control committee. When an employee leaves the company, we hold a “check-out” conversation during which the employee has an opportunity to point out any problems.
<b>Social and employee interests</b>	As part of our corporate policy, we have incorporated “Social and employee interests” into our compliance and CSR guidelines. We inform all our employees of these fundamental principles at compulsory annual training courses. Any problems in this area are recorded by line managers at employees’ annual appraisals. In a regular anonymous questionnaire employees have an opportunity to indicate any possible problems. Additionally, we also have the Works Council, which is a point of contact for employees, to act as an additional control committee. When an employee leaves the company, we hold a “check-out” conversation during which the employee has an opportunity to point out any problems.

<p><b>Environmental interests</b></p>	<p>As part of our corporate policy, we have incorporated “environmental interests” into our compliance and CSR guidelines. We inform all our employees of these fundamental principles at compulsory annual training courses. Any problems in this area are recorded by line managers at employees’ annual appraisals. In a regular anonymous questionnaire employees have an opportunity to indicate any possible problems. Additionally, we also have the Works Council, which is a point of contact for employees, to act as an additional control committee. When an employee leaves the company, we hold a “check-out” conversation during which the employee has an opportunity to point out any problems.</p>
<p><b>Sustainable and fair financing, anti-corruption measures</b></p>	<p>At the annual security audit, we tested and checked all the measures and guidelines. Any potential for improvement was implemented. Furthermore, as part of our corporate policy, we have incorporated “sustainable and fair financing” and “anti-corruption” into our compliance and CSR guidelines. We inform all our employees of these fundamental principles at compulsory annual training courses. Moreover, all our employees must undergo a separate training course, obtain a pass certificate, and then make a signed undertaking that they will maintain these principles. Any problems in this area are recorded by line managers at employees’ annual appraisals. In a regular anonymous questionnaire employees have an opportunity to indicate any possible problems. Additionally, we also have the Works Council, which is a point of contact for employees, to act as an additional control committee. When an employee leaves the company, we hold a “check-out” conversation during which the employee has an opportunity to point out any problems.</p>

## RISKS AND HOW THEY ARE DEALT WITH

Our manner of dealing with risks with foresight and with responsibility is a significant foundation stone of our sustainable commitment. We are aware of the potential risks in our business, and we possess strategies to overcome them.

# Reflection on possible risks and how they are dealt with

Principles	Checking procedures
<p><b>Human rights</b></p>	<p><b>General measures – see principle 1</b>                      Exemplary risk: Although maintaining human rights is incorporated into our corporate policy, discrimination does occur. How we deal with this: At their annual standard training course, all our employees are given information about the principle of “human rights”. Any problems in this area are recorded by line managers at employees’ annual appraisals. In a regular anonymous questionnaire employees have an opportunity to indicate any possible problems. Additionally, we also have the Works Council, which is a point of contact for employees, to act as an additional control committee. When an employee leaves the company, we hold a “check-out” conversation during which the employee has an opportunity to point out any problems.</p>

<p><b>Social and employee interests</b></p>	<p><b>General measures – see principle 2</b>  Exemplary risk: Although protection of employees’ wellbeing is incorporated into the corporate policy, there are some problems in this area.  How we deal with them: At their annual standard training course, all our employees are given information about the principle of “social and employee interests”. Any problems in this area are recorded by line managers at employees’ annual appraisals. In a regular anonymous questionnaire employees have an opportunity to indicate any possible problems.  Additionally, we also have the Works Council, which is a point of contact for employees, to act as an additional control committee. When an employee leaves the company, we hold a “check-out” conversation during which the employee has an opportunity to point out any problems.</p>
<p><b>Environmental interests</b></p>	<p><b>General measures – see principles 4, 5 and 6</b>  Exemplary risk: Although protection of the environment is incorporated into the corporate policy, there are some problems in this area.  How we deal with them: By appointing a SHE manager we have brought all the measures together into this department. Any problems in this area are recorded by line managers at employees’ annual appraisals. In a regular anonymous questionnaire employees have an opportunity to indicate any possible problems. Additionally, we also have the Works Council, which is a point of contact for employees, to act as an additional control committee. When an employee leaves the company, we hold a “check-out” conversation during which the employee has an opportunity to point out any problems.</p>
<p><b>Sustainable and fair financing, anti-corruption measures</b></p>	<p><b>General measures – see principles 9 and 10</b>  Exemplary risk: Although the “sustainable and fair financing” and the “anti-corruption” principles have been incorporated into the corporate policy, some cases of corruption do occur.  How we deal with them: By appointing a compliance officer we have brought together and recalibrated all our anti-corruption activities. At the annual security audit, we tested and checked all the measures and guidelines. Any potential for improvement was implemented. At the annual personal appraisal with the relevant line manager, any problems in this area are recorded. In a regular anonymous questionnaire employees have an opportunity to indicate any possible problems. Additionally, we also have the Works Council, which is a point of contact for employees, to act as an additional control committee. When an employee leaves the company, we hold a “check-out” conversation during which the employee has an opportunity to point out any problems.</p>

# 9. Climate protection

Expanding on the details set out above, we also pay special attention to corporate climate protection. Our aim is to reduce greenhouse gas (GHG) emissions and to reduce energy consumption throughout the company.

## A summary of the data

➤ Data acquisition and the targets for reducing GHG emissions

Acquired data sources	Starting balance 2018	2021	2022
	GHG emissions in tonnes of CO <sub>2</sub>	GHG emissions in tonnes of CO <sub>2</sub>	GHG emissions in tonnes of CO <sub>2</sub>
Direct GHG emissions – scope 1	2674	4121	in progress
Indirekte THG-Emissionen Scope 2	8354	0	in progress
Other indirect emissions – scope 3	97114	84222	in progress

## OUR STARTING SITUATION

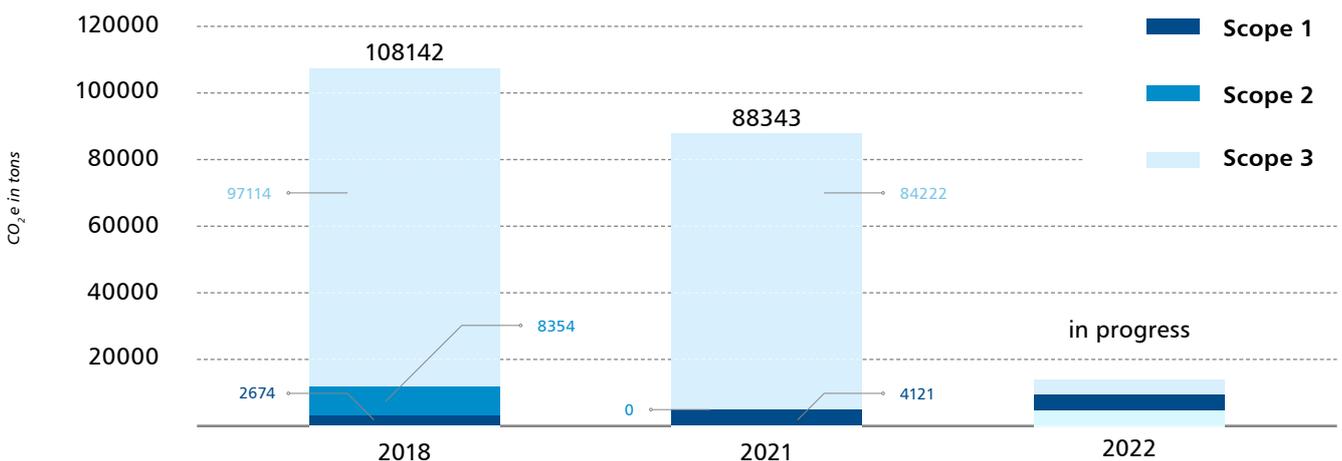
Reducing the environmental impact on all levels: This is - as shown among others by our report focus "Energy and Emissions" - a fundamental concern of the ARNOLD corporate strategy. In particular, the topics "climate protection" and "climate neutrality" are becoming more and more important for us and our customers.

In order to support our actions for climate protection with reliable data, we have started to prepare regular CO<sub>2</sub> balances. The first of these was created in 2020 (for the year 2018) in cooperation with KlimAktiv Consulting GmbH. From 2022, we will prepare these balances annually.

Data for all three relevant scopes (upstream activities, internal company activities and downstream activities) are determined on the basis of the Green House Gas Protocol. This means that the entire value chain is examined and analyzed with regard to energy demand and consumption as well as possible optimization potential.

The data for Scope 3 (upstream activities) are collected as primary data collection as far as possible. Where this is not possible, secondary data available on the market and verified by Klimaktiv Consulting GmbH is used.

## ACHIEVING OUR OBJECTIVES



With the detailed CO<sub>2</sub> balance for 2018, our first goal was achieved: to create a database for systematic climate protection steps. The report serves as a basis for presenting future developments on the basis of a defined database and then comparing them with the new figures collected each year and setting explicit targets for reducing greenhouse gas emissions in the future.

In the next step, we will be setting GHG reduction targets for 2024, in order to optimise and reduce consumption of resources and energy in the long term and constantly (see principle 5).

Reduction targets are to be defined in CO<sub>2</sub>e tons and set in relation to the initial GHG balance as well as the respective previous year's balance (see table above). Furthermore, we subdivide our coverage areas into Scope 1 (direct GHG emissions) and Scope 2 (indirect GHG emissions) and Scope 3 (upstream activities). We define a time horizon for target achievement as well as interim targets and a target achievement level, if applicable.

## MEASURES TAKEN, RESULTS AND DEVELOPMENTS

The aim was to identify the status quo with regard to the achievement of objectives and the degree of achievement of measures taken. How were measures implemented and to what extent were they successful? In this step, barriers were identified and overcome (see the results and developments from our Guiding Principle 5).

We created a quantitative representation of the holistic GHG reduction differentiated by the individual scopes or by the individual reduction results per measure. Thus, we collected the data and created the basis to take an important step towards the planned creation of reduction targets.

See table on page 34 for the results of each carbon footprint test.

From 2022, we will offer all goods produced at our sites in Germany with the quality label "from climate-neutral production". In doing so, we follow the principle of "avoidance and reduction takes precedence over compensation". The unavoidable direct emissions (Scope 1) are compensated by a Gold Standard certificate. The indirectly procured energy (Scope 2), which ARNOLD needs for the company's operation, is identified as energy from renewable sources through Guarantees of Origin. This guarantee of origin has already been issued by the energy supplier for the year 2021, which is why the emissions in Scope 2 have already been shown as 0 in this annual balance.

## THE OUTLOOK

Climate protection will permanently remain a key topic within the scope of our sustainability commitment. This was already clearly reflected in ARNOLD's corporate activities in 2021 - through an expansion of the measures outlined under Guiding Principle 5 and through new, specifically climate protection-oriented strategies.

We want to stick to our climate protection goals and work on their implementation with continuity. Concrete measures and targets are to be formulated in this context. To this end, we will also draw up a CO<sub>2</sub> balance sheet for 2021 in 2022. In the same way, we want to focus more strongly on targets that have not yet been achieved and look for new measures that will enable us to achieve our targets on schedule and in the long term.



# 10. Contact information

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## Imprint

↳ Published on 1st of July 2023 by

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