

# ARBONIA SUSTAINABILITY REPORT

2020

**ARBONIA** 





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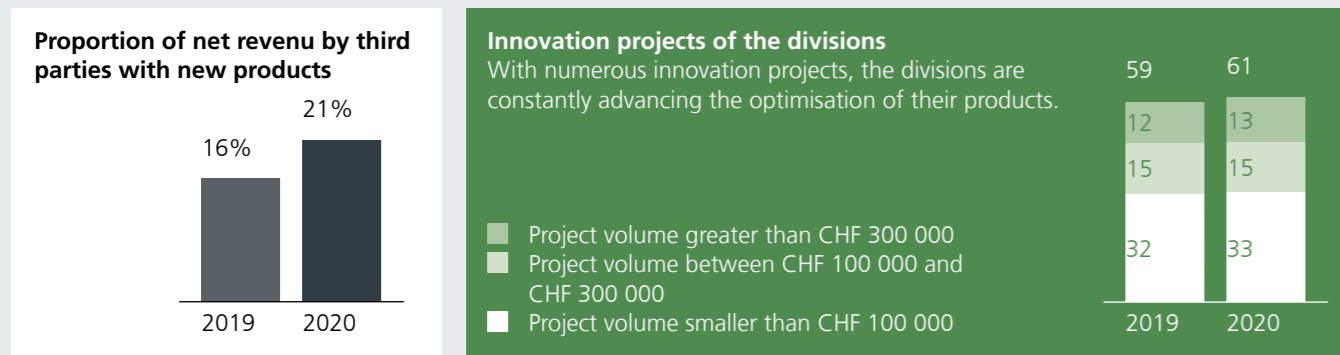
# Sustainability report



The Arbonia Group (Arbonia) presents its sustainability concept along the three pillars "Climate", "Community", and "Cash" and informs its stakeholders about current developments and plans for a sustainable and successful future. The report focuses on the four focus topics "Innovative products and solutions", "CO<sub>2</sub> and energy", "Occupational health and safety", and "Sustainable business strategy & market orientation".

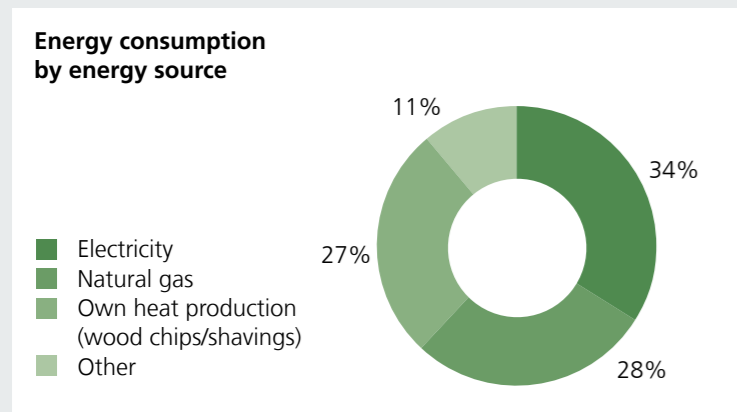
# Facts & figures

## Innovative products and solutions

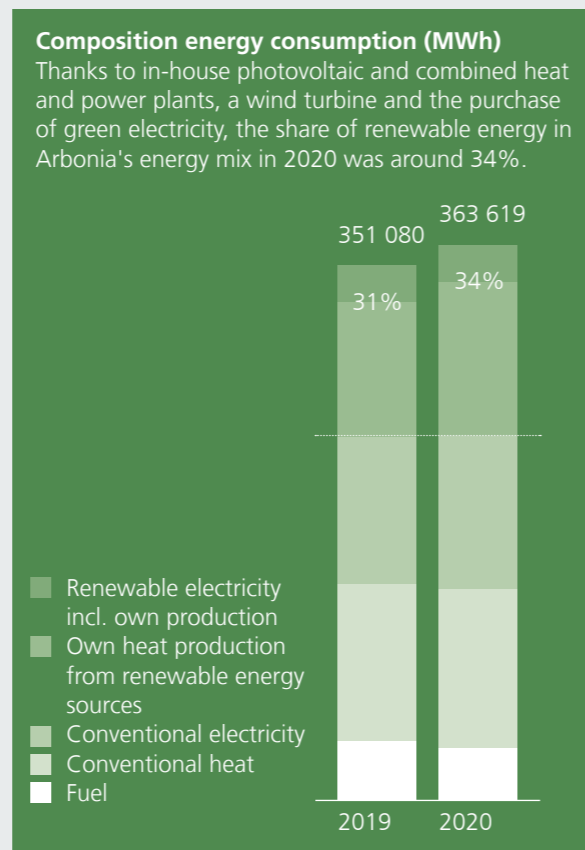


**100 %** Foil-free packaging being implemented at the HVAC and Sanitary Equipment Divisions.

## CO<sub>2</sub> and energy



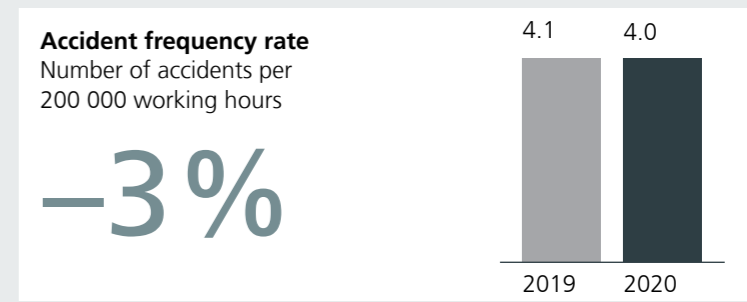
**90%** Almost of the energy consumption of Arbonia is covered by electricity, natural gas, and the company's own heat and power generation plants.



## Occupational health and safety

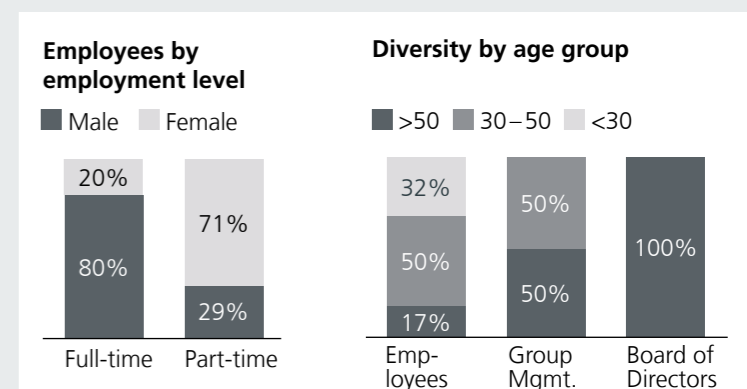
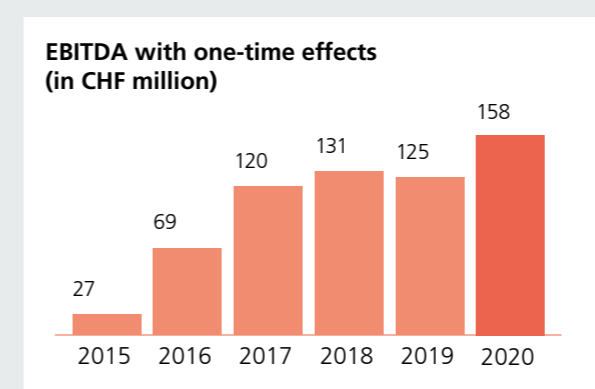
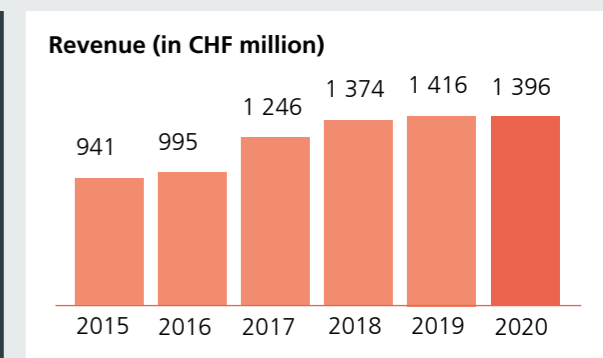
"For employees, it is motivating and strengthens their bond with the company when their employer is committed to their **health** and **well-being** and involves them in the improvement of occupational health and safety."

**Alexander von Witzleben,**  
Chairman of the Board of Directors and CEO



## Sustainable business strategy & market orientation

**21** values are included in the Arbonia code of conduct, which applies to all employees





# Sustainability approach



## Sustainability strategy

Arbonia pursues a sustainable business strategy geared towards long-term success. The comprehensive commitment of the divisions to sustainability is both strategically anchored as well as part of their operational activities.

The ongoing discussion about climate neutrality and the energy efficiency required to achieve it, as well as increasing urbanisation and demographic change are influencing the strategic development of Arbonia. The change in housing types is leading to an increasing demand for living space in conurbations. This coincides with a real estate market in which the majority of buildings have to be renovated for energy efficiency in order to reduce energy consumption in general and fossil fuels in particular, and thus greenhouse gas emissions.

There is therefore a high demand for products that reduce the energy consumption in buildings and ensure a pleasant indoor climate at the same time. Arbonia recognised this trend early on and has oriented its product portfolio accordingly. The company focuses on innovative system solutions for ventilating and heating interiors, as well as on doors and windows that help to reduce energy consumption thanks to their insulation performance.

The consistent focus on a sustainable and long-term business model has brought changes in recent years. Arbonia has made acquisitions and investments with the aim of being able to provide more sustainable products and production processes. It supports agreements to reduce greenhouse gas emissions such as the "Paris Agreement" of the Paris Climate Conference and the "European Green Deal", and actively contributes to minimising global warming (see "CO<sub>2</sub> and energy", pages 60 – 64). The sustainable group strategy is implemented throughout the entire group, with the divisions having a high degree of responsibility due to the decentralised organisation. They develop specific plans to support the group-wide sustainability strategy and expand the product portfolio. An example of this is the acquisition of the Vasco Group in the HVAC Division in 2018, which, among other things, enabled Arbonia to increase the share of in-house produced underfloor heating products.



Arbonia is currently refining its sustainability strategy for the coming years. In addition to the current objectives of continuously optimising the product portfolio and the production processes, further objectives will follow based on the materiality analysis conducted in 2020. In the future, Arbonia will supplement the key figures for measuring its sustainability performance accordingly.

The 2020 financial year clearly showed that Arbonia has taken the right path with the sustainable restructuring and repositioning of the last five years, which entailed both the relocation of some production plants to best-cost locations in Eastern Europe and investments in highly efficient as well as resource-saving plants. The focus on sustainable heat generation in the HVAC Division and insulation in the Windows Division as well as Doors Division is also paying off financially.

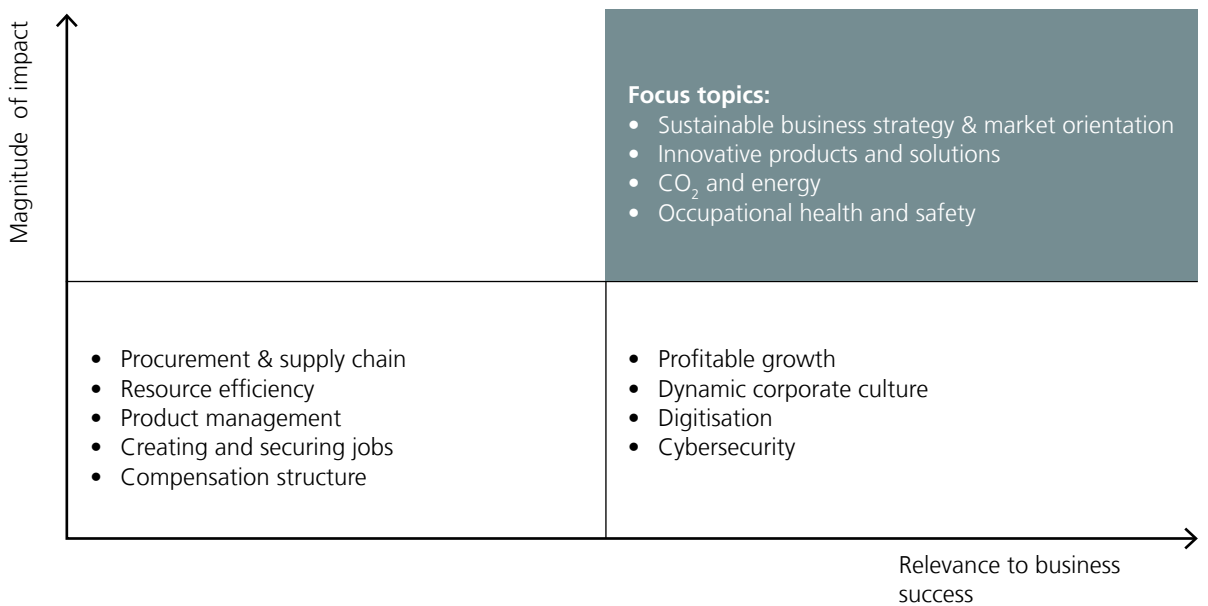


## Materiality analysis

This sustainability report is based on a materiality analysis conducted in 2020. In this analysis, Arbonia determined which topics are relevant for long-term business success and with which topics the group has a significant impact on the environment and society. The starting point was a wide-ranging list that included topics from the Global Reporting Initiative (GRI) standards, the Sustainability Accounting Standards Board (SASB), the criteria of ESG rating agencies, and the orientation of comparable companies. Related issues were consolidated in a core team, and in a subsequent

workshop, representatives from all divisions as well as the corporate functions Human Resources, Legal & Compliance, IT, Corporate Procurement, Group Controlling, Corporate Communications & Investor Relations assessed the relevance of the issues. This process was supported by an external specialist, and the result of the materiality analysis was mapped in a matrix. In this first sustainability report, Arbonia addresses four focus issues in detail. The reporting on the other material issues will be gradually expanded in the future.

### Materiality matrix





## Sustainability governance

Arbonia has a decentralised structure. Group Management – consisting of the CEO, CFO, and the division heads – defines the measures to implement the strategy set by the Board of Directors. The responsibility for the operational business lies with the divisions. Corporate sustainability is managed at the group level by the CFO of Arbonia, and the group-wide coordination is managed

by the Corporate Communications & Investor Relations department. The implementation of the defined sustainability criteria is the responsibility of the divisions or their subsidiaries in consultation and coordination with the group. Group Management discusses and evaluates the most important initiatives and projects on a monthly basis.



## Code of conduct

Arbonia is aware of its economic, ecological, and social responsibility and is therefore committed to environmental protection and the careful use of resources in its code of conduct. The core social and ethical values of Arbonia are also set out in the code: engagement, responsibility,

trust, and cooperation. The code was last revised in 2018 and is binding for all employees. Its application and implementation in daily interaction with internal and external partners is an integral part of the corporate culture.



## Stakeholder engagement

Arbonia maintains an intensive exchange with its stakeholders, who have a significant influence on its economic, ecological, and social objectives. The internal and external stakeholders include employees, shareholders, customers, employee representatives, analysts, public authorities, as well as neighbouring companies, neighbours, and communities at the company locations. They also include partners such as suppliers, transport companies, research institutes, chambers and associations, as well as the general public. The most important

associations and interest groups to which Arbonia belongs include Swissmem, the Thurgau Chamber of Commerce and Industry, SwissHoldings, the employer's association, the German Federal Association of Building Systems, and the German-Swiss Chamber of Commerce. The exchange with stakeholders takes place regularly in the context of personal discussions, meetings, conferences, and trade fairs, as well as surveys. An overview of the interaction with stakeholders can be found in the following table.



### Inclusion of stakeholders and their concerns

Stakeholder	Form of inclusion	Concerns raised
Customers	Internal and external customer surveys, Personal discussions	Product quality, product life cycle, customer satisfaction
Employees	Employees meetings, Employee representatives, Labour unions, CEO messages	Occupational health and safety, strategy, sustainability performance
Shareholders and investors	General Meeting, representation through Board of Directors Roadshows	Economic performance, future prospects, strategy, sustainability performance
Analysts	Roadshows, conferences, press releases	Economic performance, future prospects, strategy, sustainability performance
Public authorities	Regular exchange, approval processes for specific plants and processes	Compliance with legal and regulatory requirements
Neighbours and communities	Regular exchange, sponsoring	Securing jobs, promoting cultural life, noise and emission protection
Partners such as transport companies, suppliers, research institutes, and associations	Supplier surveys, regular exchange	Transport damage minimisation, Exchange of information, partnership & fair cooperation
General public	Press releases	Current information on the company



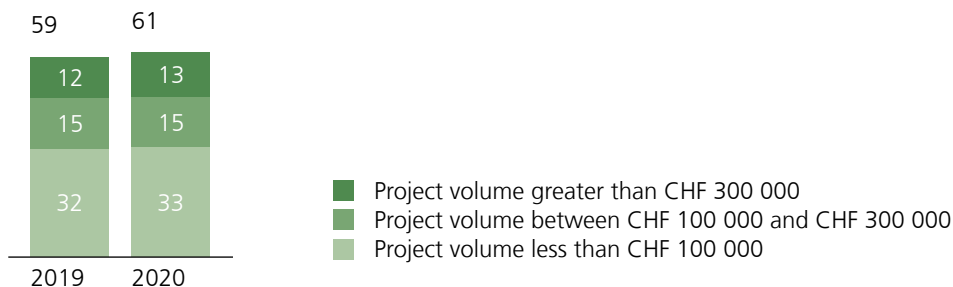


# Climate



## Innovative products and solutions

Even good things can be improved. The ongoing development and optimisation of products and solutions have a high priority at Arbonia. Our focus is on market-oriented and energy-saving offers as well as green technologies. The companies also conserve valuable resources in production and sales, while focusing on uncompromising quality at the same time.



### Innovation projects of the divisions

With numerous innovation projects, the divisions are constantly driving the optimisation of their products.



## Heating, Ventilation and Air Conditioning Division

### Meeting high customer demands

Securing and expanding the market position through innovation is the declared objective of the HVAC Division. The task is challenging, as customers are making greater and greater demands on products and their performance. To meet these demands, the HVAC Division optimises the use of resources and enhances customer benefits. Solid project management as well as a systematic, goal-oriented product development promise success. When possible, the division protects its developments by applying for industrial property rights.

### Award-winning products eligible for subsidies

The division works hard to create a positive public perception. Due to the COVID-19 pandemic, almost no national or international trade fairs took place during the reporting year, which meant that an important element for the market launch of new products and for customer care was missing. As face-to-face customer visits were not an option either at times, digital communication media became fundamentally more important. These include a variety of digital tools tailored to the respective customer group, from webinars on various topics (e.g. indoor air quality) to individualised homepages of the respective brands to special apps in an augmented reality format as product configurators.

In 2020, the products of the HVAC Division were also able to score in design competitions and were awarded prizes such as the Best of SHK Award (sanitary, heating, and air conditioning). The division is also developing more and more products that are suitable for both new buildings as well as renovations and that benefit from subsidy programmes enacted by European governments to reduce CO<sub>2</sub> emissions.

### Continuous product optimisation

The division gains new impetus for innovations through trade fairs, technical literature, and further training of employees. Regular reports to the management as well as deadline and cost monitoring guarantee controlled and continuous product optimisation.

### Key figures of innovative products and solutions: HVAC Division

	2020	2019	Delta
Employees in Research & Development (FTE)	58	57	2%
Expenditure for research & development (TCHF)	8 986	9 145	-2%
Expenditure on research & development as a share of revenues	1.7%	1.6%	
Share of net revenues from third parties with new products <sup>1</sup>	13.3%	13.4%	
Share of investments in new revenue sources	43.9%	33.2%	

<sup>1</sup> New products are defined as products introduced during the last three years.



## Sanitary Equipment Division

### Picking up trends

Particularly due to the COVID-19 pandemic, there is a strong homing trend in society and thus an identifiable increasing willingness to invest in bathrooms as a feel-good space. The central task of the division is to meet these customer demands by expanding and optimising its products and, at the same time, to further expand and strengthen its market position due to the high demand.

The division is countering the increased cost pressure with a more efficient use of resources, such as optimised film-free packaging. The steady expansion of the services offered is also important for the continuous strengthening of customer relationships.





### Using digital channels

In the reporting year, the Sanitary Equipment Division launched new products and product extensions. Since a physical presentation was not possible due to cancelled industry trade fairs such as the SHK Essen (D) and the IFH Nuremberg (D), it relied on other channels, especially digital ones. These included new product and assembly videos, a completely revised homepage, and digital training for sales representatives. The products of the Sanitary Equipment Division were once again successful at design competitions in the reporting year: Kermi and Koralle were pleased to receive prizes at the Universal Design Awards (Expert and Consumer Jury), the German Design Awards 2020, as well as the Iconic Award 2020, among others.

### Optimisation with a system

The Sanitary Equipment Division gains new impetuses for product developments through in-depth market observation. Systematic project management and the associated deadline and cost control as well as regular reporting to the management guarantee the control of new developments.

### Key figures of innovative products and solutions: Sanitary Equipment Division

	2020	2019	Delta
Employees in Research & Development (FTE)	19	17	13%
Expenditure for research & development (TCHF)	1 685	1 930	-13%
Expenditure on research & development as a share of revenues	1.2%	1.3%	
Share of net revenues from third parties with new products <sup>1</sup>	15.3%	20.3%	
Share of investments in new revenue sources	40.2%	7.9%	

<sup>1</sup> New products are defined as products introduced during the last three years.



## Windows Division

### Innovations as competitive advantages

Product innovations are essential for the Windows Division because it operates in a very competitive environment. In addition to compliance with all relevant standards, the factors of "energy efficiency", "quality", and "price" define market success.

### Promising new developments

EgoKiefer and Slovaktual impressed in 2020 with the newly launched flush-fitted secondary sashes in the "EgoAllround" and "Optim" systems. This product allows an increased proportion of glass and thereby improves the thermal insulation. The new vinyl and aluminium front doors developed by the division also have a 10% better heat transfer coefficient. This is achieved through an above-average construction depth and new, stronger infill variants. Furthermore, additional and ongoing optimisations of the production processes took place at the Wertbau site in Langenwetzendorf (D). Forklift transports could be almost completely replaced by a fully automatic buffer storage. Thanks to digital control, components reach employees directly.

### Key figures of innovative products and solutions: Windows Division

	2020	2019	Delta
Employees in Research & Development (FTE)	29	25	14%
Expenditure for research & development (TCHF)	3 315	3 480	-5%
Expenditure on research & development as a share of revenues	0.5%	1.0%	
Share of net revenues from third parties with new products <sup>1</sup>	37.8%	20.4%	
Share of investments in new revenue sources	54.4%	45.0%	

<sup>1</sup> New products are defined as products introduced during the last three years.



### Launching innovations even faster

The division wants to expand its market position in some markets, including the Czech Republic and Austria, and launch new products even faster in the future. While doing this, it ensures that innovations are nevertheless mature and fault-free in order to retain customer confidence. Thanks to a large dealer network, Slovaktual, for example, can quickly bring new developments to the customer. Windows that insulate even better remain a focus of development. For such windows, the frame plays a subordinate role. The decisive factor for a high thermal insulation is that the glass covers as large an

area as possible. Therefore, the frame will become even narrower in future window generations. With the newly established in-house insulating glass production in Pravenec (SK), the division has the necessary flexibility to bring innovations to the market quickly. At the same time, efficiency and profitability have to be right. In order to combine this, the market is constantly monitored and customer wishes are ascertained through surveys and personal discussions. The close cooperation with suppliers also leads to new product developments and solutions, such as the sealing system and the plastic joints of the new wood/aluminium window generation.



## Doors Division

### Inspiring customers and partners with innovations

With its innovative products and solutions, the Doors Division repeatedly achieves a unique selling point and gains market shares. The focus is on technical advances as well as on innovative design that not only satisfies residents but also the installers of the products. Examples of this include the new residential line, the new fire protection approval of RWD Schlatter, or the premium edge with zero joint technology from Prüm and Garant launched in 2019. A particular technical innovation resulted from the minority share in the Berlin (D) property technology company KIWI.KI GmbH. Their "SmartDOOR" is a door from Prüm and Garant that is equipped with digital access technology from KIWI not visible from the outside. Thanks to the digital access system, housing companies can digitise their key property managers and increase convenience for their tenants. Managers and owners can adapt access rights online in real time and therefore no longer have to meet in person to hand over keys.

### Using materials efficiently and avoiding errors

It is well known that product innovations should be resource-efficient and economical. RWD Schlatter achieved this goal in 2020, for example, by standardising certain components that can now be used in all doors. Prüm and Garant were also able to reduce the use of materials and ensure more efficient processes through uniform blank structures. Lower material stocks and the minimisation of waste make production more efficient in terms of lean management. In 2020, RWD Schlatter also improved the data management in their production system to further reduce mix-ups or incorrect orders. The challenge of developing high-quality products with low material input will occupy the division in the

coming years as well. Regular customer surveys ensure that buyers' demands are taken into account in the innovation process. The companies of the division are also involved in shaping future standards and regulations through active participation in committees and bodies. This allows new requirements to be taken into account at an early stage in the development process.

### Key figures of innovative products and solutions: Doors Division

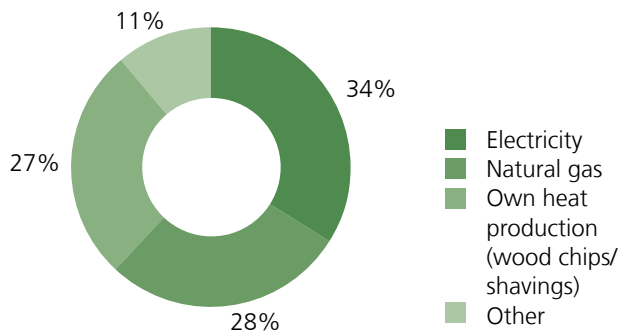
	2020	2019	Delta
Employees in Research & Development (FTE)	25	22	14%
Expenditure for research & development (TCHF)	2 925	2 769	6%
Expenditure on research & development as a share of revenues	0.8%	0.8%	
Share of net revenues from third parties with new products <sup>1</sup>	19.6%	15.0%	
Share of investments in new revenue sources	56.3%	53.1%	

<sup>1</sup> New products are defined as products introduced during the last three years.



## CO<sub>2</sub> and energy

The responsible use of energy and the reduction of CO<sub>2</sub> emissions are tasks that affect all areas of the company's work – from product development and manufacturing to transport and logistics. Arbonia correspondingly attaches great importance to these issues and is determined to make a significant contribution to climate protection and resource conservation. Increasing customer expectations regarding sustainability and growing legal requirements are also causing Arbonia to strengthen its commitment in these areas.



### Energy consumption by energy source 2020

Almost 90 % of the energy consumption of Arbonia is covered by electricity, natural gas, and the company's own heat generation plants.

### Data basis and calculation methodology

The key environmental figures include the resource consumption of all manufacturing companies of the Arbonia Group as well as the headquarters in Arbon (CH). Pure distribution companies were not included due to their comparatively low environmental impact. The calculation of the greenhouse gas inventory follows the guidelines of the WRI/WBCSD Greenhouse Gas Protocol.

Scope 1: Emissions from own heating systems.

Scope 2: Emissions that result from the production of purchased electricity and purchased district heating.  
Emission factors used: IEA 2020 and DEFRA 2020.

### Key environmental figures

	2020	2019	Delta
<b>Energy consumption in MWh</b>	<b>363 619</b>	<b>351 080</b>	<b>4%</b>
Thereof renewable	33.5%	31.1%	
<b>Electricity</b>	<b>125 623</b>	<b>121 894</b>	<b>3%</b>
Own electricity production <sup>1</sup>	8.8%	9.1%	
Total renewable electricity	19.4%	20.0%	
<b>Heat</b>	<b>203 357</b>	<b>189 253</b>	<b>7%</b>
Own heat production (wood chips/shavings)	97 529	84 976	15%
Natural gas	100 403	99 572	1%
Heating oil	3 066	3 513	-13%
District heating	2 360	1 193	98%
<b>Fuels</b>	<b>34 639</b>	<b>39 932</b>	<b>-13%</b>
Diesel	32 987	38 576	-14%
Petrol and Liquified Petroleum Gas (LPG)	1 652	1 356	22%
<b>Energy consumption in kWh/CHF Net turnover</b>	<b>0.26</b>	<b>0.25</b>	<b>5%</b>
<b>GREENHOUSE GAS EMISSIONS in tCO<sub>2</sub>e</b>	<b>80 352</b>	<b>79 759</b>	<b>1%</b>
<b>Scope 1</b>	<b>32 129</b>	<b>33 309</b>	<b>-4%</b>
Own heat production (wood chips/shavings) <sup>2</sup>	1 507	1 313	15%
Natural gas	20 579	20 409	1%
Heating oil	820	939	-13%
Diesel	8 820	10 314	-14%
Petrol and Liquified Petroleum Gas (LPG)	403	334	21%
<b>Scope 2</b>	<b>48 223</b>	<b>46 450</b>	<b>4%</b>
Electricity	47 699	46 185	3%
District heating	524	265	98%
<b>Greenhouse gas emissions in kgCO<sub>2</sub>e/CHF Net sales</b>	<b>0.058</b>	<b>0.056</b>	<b>2%</b>

<sup>1</sup> The company's own electricity is produced by means of photovoltaic systems and a wind turbine. These plants do not cause any CO<sub>2</sub>-emissions during operation.

<sup>2</sup> Direct emissions due to the production of the greenhouse gases methane and nitrous oxide, which are not absorbed during growth. Biogenic CO<sub>2</sub> emissions are reported outside of scopes according to the GHG Protocol and amounted to 34 483 t CO<sub>2</sub>e in 2020 and 30 045 t CO<sub>2</sub>e in 2019.



## Heating, Ventilation and Air Conditioning Division

### Saving energy systematically

Reducing energy consumption and CO<sub>2</sub> emissions are important issues for the HVAC Division because they not only contribute to environmental protection and resource conservation but also improve its profitability and market position. By increasing energy efficiency, the division not only reduces its own expenses, but end customers also benefit from energy-efficient products. The climate packages of the European countries provide for tax depreciation and subsidies for the modernisation of house and especially heating systems in order to reduce CO<sub>2</sub> emissions. The division is intensively pursuing the strategy of offering a holistic, CO<sub>2</sub>-free heating system with solutions ranging from efficient heat generation and energy-conscious heat transfer up to energy storage.

Traditional heat exchange also offers considerable potential for reducing energy consumption. Radiators equipped with the "x2 inside" principle (serial flow through flat panel radiators) reduce the energy demand of conventional flat panel radiators by 11%. Overall, the energy-efficient products of the HVAC Division sold since 2010 – heat pumps, "Therm-x2" flat panel radiators, fan coils and filters, ventilation units, as well as heat exchangers – will save up to one million tonnes of CO<sub>2</sub> annually from 2025.

### Portfolio expansions for more energy efficiency

Environmentally friendly products are continuously being added to the existing product portfolio of the division. These include a new generation of heat pumps that use the refrigerant "R32", which has a lower global warming potential than conventional alternatives. The new "Hydro-tower" heat and cold storage system also has a higher energy efficiency than older systems. For improved indoor climate, the division impresses with its newly developed residential ventilation in a compact design, which enables a highly efficient heat recovery.

The patented electrostatic filter system "Crystall®", which is able to remove around 95% of impurities from the air, was also very well received in 2020. Its energy consumption is up to 75% lower than that of conventional, mechanical filters, and it is compatible with fan coils, air-handling units, ventilation units, and residential ventilation and can be easily retrofitted for existing products. In addition, the system eliminates the need for energy-intensive heating of the air after conventional ventilation procedures such as opening windows. Unlike the widely used HEPA filter inserts, the filter can be easily cleaned and reused.

In order to complete its heating system, the division is working intensively on the development of an environmentally friendly, resource-saving, and cost-efficient storage system for electricity generated from solar energy. The storage is currently in the prototype phase.

In building technology, the technology used offers decisive advantages: It is currently the longest-lasting storage solution on the market because it can be charged and discharged as often as desired without losing capacity (no degeneration of the storage medium). In addition, it is non-flammable and thus guarantees a high degree of operational health and safety for use in buildings. The storage is also convincing in terms of environmental friendliness, as it does not require rare earths or raw materials from conflict areas, thus enabling significantly more ecological and resource-saving electricity storage.

### Certified sites

As a result of its ISO 14001 and 50001 certification, the HVAC Division has been addressing the issue of energy efficiency for years. The ISO 50001 standard requires the monitoring and evaluation of energy efficiency are standard. At the largest production plant of the division in Plattling (D), for example, a modern energy data acquisition system is in use that analyses weak points in production so that inefficient energy consumers can be immediately replaced. In addition, clear responsibilities and specially appointed energy officers within the division guarantee a systematic approach. With the help of energy management, the division aims to reduce energy consumption by 1000 MWh compared to the 2020 financial year.

### Taking charge of our own energy production

The HVAC Division primarily focuses its energy management on the largest energy consumers. Through investments in modern, efficient production machinery and energy-saving LED lighting, electricity consumption is being reduced in a targeted manner. Various locations produce a large part of their own electricity consumption using their own photovoltaic systems, including Plattling (D), Corbetta (I), and Dilsen (BE). Extensions to the existing photovoltaic systems and the construction of new ones are planned. The Dilsen (BE) site also has its own wind turbine with a capacity of 2 MW. The plant produces around 3.7 GWh of green electricity annually.

New buildings and refurbishments of warehouses and production halls are also based on the most modern energy aspects, such as the modernisation of the welding line cooling system in Plattling (D). In addition, the division has specifically optimised its vehicle fleet so that it complies with the "Euro 6" emissions standard. Thanks to these measures, the division will reduce its CO<sub>2</sub> emissions by at least 400 tonnes per year.

### Active against avoidable waste

At the Ströbro (CZ) site, the HVAC Division is optimising packaging and switching from film and Styrofoam to recyclable cardboard packaging. At the Plattling (D) production plant, it is working on film-free packaging for steel panel radiators.



## Sanitary Equipment Division

### Established standards ensure efficiency

The reduction of energy consumption and CO<sub>2</sub> emissions has been central to the Sanitary Equipment Division for many years, both in product development and in the entire manufacturing process. This makes it possible to reduce costs in the long term, improve the division's own profitability, and strengthen its market position. This is also underscored by the quality, environmental, and energy management certified according to ISO 9001, 14001, and 50001. A modern energy data acquisition system is used at the Plattling (D) site to analyse weak points in production so that inefficient energy consumers can be immediately replaced. Energy officers on site also ensure efficient processes.

### Investments in energy-saving technology

The investment of the Sanitary Equipment Division in state-of-the-art production facilities and the use of energy-saving LED lighting will reduce electricity

consumption in the long term. Attention is also paid to energy-saving technology in new buildings and renovations at the locations of the division. For example, the new office building with the Shower Centre of Bekon-Koralle in Dagmersellen (CH) was designed with state-of-the-art environmental considerations in mind and equipped with the latest, most energy-efficient products from Arbonia. In addition, photovoltaic systems on the roofs of the buildings in Plattling (D) and Dagmersellen (CH) ensure environmentally friendly energy generation.

### Reduction of packaging material

The Sanitary Equipment Division is very active in the areas of film-free packaging and transport in order to offer environmentally friendly solutions. To reduce transport weight and thus improve the environmental balance, it replaced wooden packaging with lighter but equally functional cardboard honeycomb panels.



## Windows Division

### Keeping heat in the house

Windows also play a decisive role in the energy demand in buildings. Modern, insulating building envelopes and windows reduce the energy consumption and thus the ancillary costs as well. Against this background, the Windows Division is aware of its special responsibility with regard to saving energy and protecting the climate. In the course of an energy-related building renovation, the insulation performance can be decisively improved by replacing windows, because old windows have heat transfer coefficients of around 3 W/m<sup>2</sup>K, while modern windows have coefficients of around 0.7 W/m<sup>2</sup>K. A modern window is therefore better insulated by a factor of 4 and further reduces heat loss by gaining solar heat. If the windows face south, it is even possible that a modern window will compensate for its heat losses through solar energy and gain more energy than it loses over an entire heating period.

### Products with an exemplary ecological balance

Technical product features are continuously optimised through new developments. In particular, the new vinyl

and vinyl/aluminium frames improve energy efficiency because they can accommodate wider glass packages that are thus more energy-efficient. Part of the window range is Minergie-certified and has an excellent ecological balance thanks to its high quality and durability. In this way, the products positively affect the energy certification of buildings and ensure the value of real estate. At the same time, the technically high-quality windows also contribute to a pleasant living climate.

### With a view to the value-added chain

A holistic process ensures that the windows meet high sustainability and quality standards. This holds for the entire value-added chain, from procurement of the raw materials and goods through development, production, marketing, sales, and logistics to disposal. The persons responsible for these areas meet regularly to optimise the value-added chain and reduce material consumption. For this purpose, the key performance figures "reject rate", "productivity", "logistics costs", and "error costs" are continuously monitored.



**Recycling is becoming more important**

In the production competence centres of the Windows Division, the automation of processes and the conservation of energy and material are continually improved. The division's own test laboratory ensures high product quality through quality testing. The division is guided by the international ISO 9001 quality standard. An important aspect of this is the minimisation of rejects and waste. The Windows Division processes more and more recycled plastic. It pays attention to this not only with suppliers but also in its own plants. In the Pravenec (SK) and Zambrów (PL) production plants, plastic waste is processed and returned to production. The production plant in Langenwetzendorf (D) uses wood chips that are generated during production for heating or sells them to pellet manufacturers.

**Optimisation of logistics and operation**

The Windows Division also minimises environmental impacts by reducing transport distances. To save on travel, the division has installed its own insulating glass production facility at the Pravenec (SK) site. This "in-house" solution makes manufacturing both more flexible and higher-quality. With the Transport Logistic Optimizer (TLO), the division has also introduced a system for optimising logistics. Measures are decided in monthly meetings; among other things, it has been possible to reduce the number of vehicles because more windows are transported per truck. The division also avoids business trips as much as possible; this was the case even before the COVID-19 pandemic. In the interest of environmental and climate protection, meetings are held via video conference whenever possible. In addition, a photovoltaic system on the roof of the production plant in Langenwetzendorf (D) ensures the production of clean electricity.



## Doors Division

**Energy management for continuous improvement**

Energy management according to ISO 50001 is a high priority in the Doors Division. The goal is to continuously reduce energy consumption and greenhouse gas emissions. An annual budget is available for corresponding measures. In 2020, for example, it was possible to eliminate a filter house at Garant by restructuring machines and systems, which made it possible to dismantle exhaust air lines and the associated motors. Furthermore, one third of the production area was converted to LED lighting. Prüm has set itself the goal for 2021 of reducing energy consumption by 100,000 kWh per year by completely replacing its lighting with LEDs.

**Internal and external audits provide clarity**

The energy management system raises awareness for savings, and internal and external controls make the development of consumption values transparent. Garant, for example, evaluates key energy figures defined on a monthly basis. The measuring points for monitoring and evaluating energy consumption have been expanded for this purpose. Prüm also determines the key energy figures every month. For 2020, the company set itself the goal of using a maximum of 11.09 kWh per produced part. This goal was already exceeded at the end of October. On the one hand, this







was thanks to new energy-efficient equipment for the production of the premium edge and, on the other hand, thanks to an exceptionally good order situation, which meant that the energy-intensive start-up and shut-down of the machines was no longer necessary due to extra shifts. In addition to internal consumption monitoring, Prüm and Garant have their energy management systems externally checked and certified by TÜV every year. Invado in Poland also monitors its electricity consumption during operation, especially with regard to production volume. Every year, the company compares the values with those of the previous year. In accordance with regulations, detailed audits are also carried out at regular intervals. In the future, the division intends to expand and optimise its energy management further.

**Energy-efficient machines pay off**

The Doors Division is pursuing several approaches to reduce energy consumption. At RWD Schlatter, a new, in-house painting facility was put into operation, eliminating the need for transport to an external service provider. In addition, the company can now better control the painting processes and quality. Another important point is new, more energy-efficient machines and processes, which require a consistent investment

policy. Whenever a machine needs to be replaced, the division acquires modern, energy-saving equipment. An example of this is the significantly more efficient CNC machining centre of RWD Schlatter and, in the machinery of Invado, the replacement of large motors with energy-saving electric spindles coupled to frequency converters. Savings are also being made in lighting; Invado is currently switching to LED lights, for example.

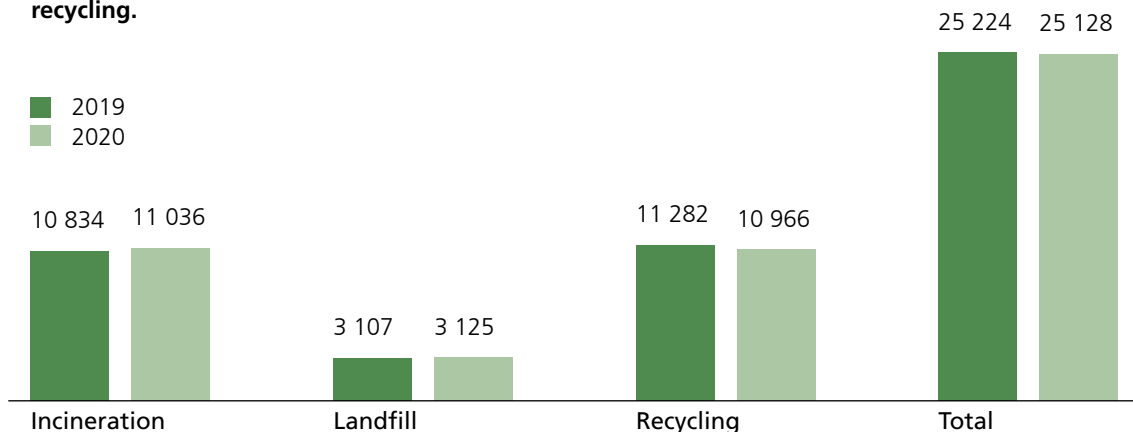
**Using production waste sensibly**

In 2020, Invado realised a major thermal energy project: A newly installed Biotec boiler enables the thermal utilisation of harmless production waste. The obtained thermal energy is used for heating and hot water processing. Residual materials from production – wood chips and dust – are also burned in the existing combined heat and power (CHP) plant at the Prüm door factory. The heat produced there heats a large part of the factory and drives a turbine to generate electricity. Over the year, the CHP plant produces more electricity and heat than the site consumes. Therefore, surrounding industries can buy the surplus green energy. The division is also making progress in the area of packaging; less film and Styrofoam packaging conserves resources and minimizes waste.



## Resource efficiency

**Arbonia is committed to using resources responsibly. Clever product design and a production that is as free of defects as possible ensure that materials are used efficiently. Although it is not possible to completely avoid production residues, at least some of them are returned to production through recycling.**



**Waste by disposal method (in metric tonnes)**

**Key figures for resource efficiency**

	2020	2019	Delta
Error costs in % of net revenues	1.6	1.7	-5%
<b>Waste in t</b>	<b>25 128</b>	<b>25 224</b>	<b>-0.4%</b>
<b>Non-hazardous waste</b>	<b>15 925</b>	<b>15 821</b>	<b>1%</b>
Incineration	4 967	4 801	3%
Landfill	2 002	2 153	-7%
Recycling	8 956	8 867	1%
<b>Hazardous waste</b>	<b>9 203</b>	<b>9 403</b>	<b>-2%</b>
Incineration	6 069	6 033	0.6%
Landfill	1 123	955	18%
Recycling	2 011	2 415	-17%

The figures for commercial and hazardous waste cover all manufacturing companies in the Arbonia Group as well as the headquarters in Arbon, Switzerland. Pure distribution companies were not included.



## Heating, Ventilation and Air Conditioning Division

Good resource management relieves the burden on the environment, avoids waste, and reduces material consumption and rejects. The objective of the HVAC Division is to reduce error costs to less than 1% of revenue annually while increasing productivity. The division also wants to use more recycled materials.

Resource efficiency is continuously monitored, among other methods, by tracking key figures for internal and external error costs, by internal audits as well as supplier

audits, by functional cost and value analyses, and by monthly reporting.

By complying with internal and external guidelines and thanks to efficient processes, it was possible to reduce reject and error costs further in 2020.



## Sanitary Equipment Division

The Sanitary Equipment Division attaches great importance to resource-efficient manufacturing in product development in order to optimise material consumption and avoid waste. The objective is to minimise reject and error costs through continuous monitoring of resource efficiency.

In the past years, the division has changed its packaging concept for this reason and now largely dispenses with the use of film. This has enabled it to reduce its plastic consumption and the associated costs. By progressively using digital media, the division has also succeeded in greatly reducing its paper consumption for brochures and printed advertising material.



## Windows Division

The Windows Division reduces production waste to an absolute minimum. In contract manufacturing, this poses a challenge since each product is individually customised according to the customer's requirements. The risk of errors is higher and the need for optimisation is greater than in serial manufacturing.

Where technically possible and economically viable, production residues are recycled: In the vinyl window production at Dobroplast, there is an almost seamless cycle. Profile scrap that is created during production is

ground and added back to the dry blend (dry mix of vinyl powder). In addition, recycling materials are consistently used alongside fresh vinyl. The production sites of the suppliers are certified as "zero granulate loss" according to the pro-K industrial association and are members of Rewindo GmbH. In the new insulating glass production in Pravenec (SK), as well as at Dobroplast, the glass cutting is also continuously optimised to reduce waste.

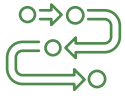


## Doors Division

The Doors Division achieves maximum utilisation of materials through the reduction of waste and through stable, simple processes. Residual materials from production are recycled as much as possible. However, informing and training employees is also important to improve resource efficiency. The division links this topic closely to product quality, because high-quality products mean fewer customer complaints and thus fewer rejects. The companies of the division also want to reduce their inventories and improve delivery accuracy.

At Invado, the sustainability certification of products is an important topic. More and more buyers are paying attention to low-pollutant materials and the seal of the Forest Stewardship Council (FSC). In the future, Invado therefore wants to launch more products on the market with the FSC label as well as products that emit less formaldehyde. In 2020, the company was able to significantly increase both the sales volume of certified products as well as the material efficiency. Emission control is also a focus for the other companies of the Doors Division. The products of Prüm and Garant are therefore regularly subjected to a pollutant test by the ECO Institute and certified accordingly.

Prüm, Garant, and RWD Schlatter achieved further successes in 2020. Prüm harmonised the materials that it used and was therefore able to purchase larger quantities at better prices as well as reduce transport costs. Thanks to an adjustment of the design processes and the associated outsourcing of a sub-process to a more efficient supplier, Prüm and Garant were able to simplify manufacturing and reduce rejects.



## Procurement & supply chain

Arbonia mainly uses wood, steel, aluminium, as well as vinyl in its production and pays attention to sustainability not only in its own organisation but also with its suppliers. Since the majority of materials are sourced from suppliers in the EU, a high standard is already enshrined in law. Nevertheless, environmental and social criteria play an increasingly important role in the selection of suppliers. The group is raising awareness of ESG criteria in purchasing and is working on a group-wide standard for supplier assessment that includes ESG-relevant content. Technically, this assessment is to be mapped on a group e-procurement platform.

As part of the digitisation of procurement, the Corporate Procurement department began establishing such a platform as a technical layer over the ERP systems of the divisions in the reporting year. This allows the most modern procurement processes to be established in a modular system. In the future, the platform will also enable efficient networking with suppliers, external information providers, and service providers. For supplier evaluation, in addition to internally generated key figures, external key figures such as creditworthiness, risk indicators, or ESG ratings are to be combined into a holistic assessment. Arbonia is currently examining how

creditworthiness indicators and ESG information can be recorded in the system for the 200 largest suppliers as early as 2021. At the same time, it is evaluating the purchase of an external ESG rating for its most important suppliers in order to check how many suppliers and what portion of the purchasing volume is covered by an ESG assessment. Suppliers already have to guarantee that human rights are respected and, in particular, that child labour and forced labour are prevented. Since more than 95% of the purchasing volume comes from the EU or the EEA, Arbonia assumes that there are no risks in this respect in the supply chain.

Arbonia prefers to procure the materials, semi-finished goods, and products required for its production from local suppliers in order to promote the local economy and minimise delivery distances. The total purchasing volume of Arbonia in the last years was around one billion Swiss francs per year. Of this, Arbonia purchased almost 65% from local suppliers, i.e. suppliers from the same country as the purchasing companies of Arbonia. When including suppliers based in countries where Arbonia also has sites, the proportion is even higher at around 80%.



# Community



Arbonia's employees are the driving force, ambassadors, and key supporters of Arbonia's goal of supplying its domestic markets with energy-efficient, high-quality, and durable building products to promote energy-efficient new buildings and renovations for a resource-efficient future. They have shown themselves to be particularly dedicated, determined, and reliable under the difficult conditions and personal restrictions caused by the global medical emergency during the COVID-19 pandemic.

During this unusual time of the pandemic, Arbonia did not have to contend with an above-average number of absences or fluctuations, nor with reduced availabilities in distribution. As a result, it was possible to maintain production capacities at a high level. Particularly the commitment and conscientiousness in implementing the necessary protective measures at work as well as at home contributed to this.



## Occupational health and safety

**Occupational health and safety is more than just avoiding accidents at work. Prevention, ergonomics, and well-being at the workplace are equally relevant. For Arbonia, occupational health and safety is a key issue. Developments are continuously monitored internally and externally, and risk prevention and health protection also play a central role in employee training.**

The key figures for occupational health and safety cover the employees of all manufacturing companies of the Arbonia Group as well as the headquarters in Arbon, Switzerland. Pure distribution companies were not included.

### Key occupational health and safety figures

	2020	2019	Delta
Proportion of employees covered by an occupational health and safety management system	98%	71%	
Absence rate	6.2%	7.6%	
Accident frequency rate (number of accidents per 200 000 hours worked)	4.0	4.1	-3%

With the introduction of a division-wide system, the Windows Division was able to further increase occupational health and safety above the respective national standards in the 2020 financial year.



## Heating, Ventilation and Air Conditioning Division

### Safety rests on many pillars

At the HVAC Division, the focus is on people. The health, satisfaction, and performance of employees are to be maintained and the sickness and accident rate minimised. To achieve these goals, the occupational health and safety committee meets regularly in Plattling (D), among other places, and improvements are implemented where necessary. Internal area inspections and hazard analyses for all workplaces – by the company doctors, among others – are standard. During the COVID-19 pandemic, hygiene concepts were also drawn up and followed.

The division also cooperates with the industrial inspectorate and the employers' liability insurance association and undergoes external safety audits. For medical emergencies, it has efficient management plans with defined reporting chains. Employees are required to report dangerous situations immediately to their supervisor or the specially trained safety officer.

Employees are provided with the protective equipment and work safety clothing required for their work free of charge, and each employee receives safety instructions for their workplace. In addition, defibrillators are available at all locations. If an accident should occur or an employee is falling ill, shift paramedics and first aiders are available. Employees also benefit from company health programmes such as "Focus on People" and can take advantage of company medical care and preventative medical check-ups.

### Involvement and training of employees

Employees are involved in the design of the occupational health and safety systems because they have valuable suggestions for improvement. The division offers regular internal and external safety training. Certain occupational groups, such as welders, crane operators, and forklift drivers, undergo special training, for example. In addition, employees can take advantage of training that is relevant to their field of work, provided by the employers' liability association for wood and metal. The statistics on sickness and accident rates provide a monthly overview of the current situation. The causes of each accident are analysed in order to eliminate dangers in the future.

The HVAC Division has been successful with its occupational health and safety concept. There are seldomly any absences due to accidents or illness. The employees are motivated and usually remain loyal to the company for many years. A low error rate and the high productivity underscore that occupational health and safety is well established in the division.

### Bicycles for health

In the reporting year, the HVAC Division implemented further measures for the continuous improvement of health protection. For example, with the "Jobcycle" initiative, the company made it easier for employees at the Plattling site (D) to access e-bikes so that daily outdoor exercise could be better integrated into everyday life and the commute to work could also have a positive impact on one's quality of life and health.



## Sanitary Equipment Division

### Protecting and promoting health

For the Sanitary Equipment Division, the health of its employees has top priority, which is why it strives to keep sickness and accident rates as low as possible. In order to maintain and strengthen the health as well as the performance of its employees, it has initiated a wide range of measures. The employees of the division benefit from company health programmes such as the "Focus on People" programme as well as other activities. In addition, they have access to an extensive range of courses and training on a variety of subjects. They can also take advantage of company medical care and preventative medical check-ups.

The challenges of the COVID-19 pandemic and the associated increased protection of employees also prompted the Sanitary Equipment Division to develop variable real glass protective partitions under the name "KermiPROTECT" or "Koralle SW100". These partitions elicited a huge response on the market. In addition to being used in offices, they can also be used in retail stores or restaurants. The glass products are distinguished from conventional Plexiglas variants by their high stability and permanent resistance to cleaning agents.

### Careful prevention promises success

The division pursues the goal of identifying potential hazards before they arise. This is ensured, among other things, by regular meetings of the working committee. In addition to an analysis of the current situation, measures are derived to continuously improve occupational health and safety when necessary. Internal area inspections and hazard analyses for all workplaces – with the company doctors, among others – have now been implemented as standard. This makes it possible to identify specific challenges of individual workplaces or activities. In addition to this continuous internal self-auditing, the division also regularly receives feedback from external auditing bodies: These are area inspections by the industrial inspectorate and the employer's liability insurance association as well as external safety audits.

In the internal environment, the division acts through its predefined management plans and reporting chains. In order to identify any hazards directly where they happen, potentially dangerous situations must be reported immediately to the supervisor or the safety officers trained for this purpose. Shift paramedics and first aiders are always available in case of accidents or illness. The statistics on sickness and accident rates provide a monthly overview of the current situation and are a tool for management. In addition to this evaluation, the causes of each accident are analysed in order to avoid dangers in the future.

To protect the employees of the division, they are provided with the necessary protective equipment and work safety clothing free of charge, and they receive safety training when they start work. Another measure that can save lives in an emergency is the provision of defibrillators at all locations.

### Codetermination and training

In the reporting year, the employees were once again involved in designing the occupational health and safety systems. The resolutions are not just specifications from the company but also the employees' own ideas and inputs. The specific training of certain occupational groups is essential for occupational health and safety; for example, special instructions are organised for forklift drivers. In addition, employees can take advantage of training that is relevant to their field of work, provided by the employers' liability association for wood and metal.

### Successful concept

The occupational health and safety concept of the Sanitary Equipment Division has proven to be a complete success. There are seldomly any absences due to accidents or illness. Motivation and loyalty to the employer are the results. Coupled with a low error rate and high productivity, this demonstrates that the division can show an exemplary result for occupational health and safety.



## Windows Division

### **Fewer accidents and occupational illnesses**

The Windows Division takes its duty to care for its employees very seriously. This is not only a matter of corporate responsibility but also has competitive reasons: Good safety management prevents costs and downtime and ensures a high production quality. Last but not least, applicants are increasingly paying attention to employers' safety standards and health benefits. The division aims to support its good reputation in this area through initiatives such as "Health & Safety first" and the new health and safety goals set in 2020, among others. These goals include lowering risks through the reduced use of hazardous substances as well as the systematic identification of ergonomically critical workplaces.

### **Safety data as a basis for planning**

With regularly collected key figures and audits, the Windows Division is continuously improving its occupational health and safety management. Internal and external experts also contribute to this. In 2020, the division improved its accident analyses and introduced a new accident reporting system, among other things.

### **Occupational health and safety above the legal standard**

The safety requirements in the manufacturing industry are high. All production sites are obliged to qualify safety specialists, in some cases also for individual topics such as environmental safety or handling chemicals. Inspections focusing on occupational health and safety and workplace controls are also mandatory. Instead of merely fulfilling these requirements, the division also has the implementation of the occupational health and safety measures checked by external authorities, such as the safety commission for the carpentry trade. The division also works with the Swiss National Accident Insurance Fund (Suva) and familiarises its employees with Suva's "Vital Rules", among other things. These rules cover topics such as securing objects and operating machinery according to regulations. Employees also have the opportunity to make their own suggestions for improving occupational health and safety. For this purpose, they can contact their supervisor or the safety specialist directly or submit their comments and ideas for process optimisation via the Intranet.

### **Comprehensive prevention and health services**

The employees of the Windows Division can take advantage of comprehensive services in the area of health and occupational health and safety. These include occupational health management, company medical care and preventative medical check-ups, health and fitness programmes, as well as prevention campaigns together with Suva. After a long illness, employees also receive support in reintegrating into the workplace. The division also offers its employees individual ergonomic advice and training directly at their workplace. Aids such as standing desks and special mats for healthy standing are also made available to employees.

### **Regular training for risk protection**

The Windows Division offers its employees the opportunity to attend internal and external courses to improve occupational health and safety. In 2020, for example, EgoKiefer in Altstätten (CH) held an emergency first aid course, and all installers received training on the topics of safety, health, asbestos, and assembly aids. In addition to general safety training, Slovaktual also conducted training in specific areas of work during the reporting year, such as handling electrical machines and forklift trucks. The regular training on health protection and hygiene at the workplace was also on the agenda. In addition to other training courses, the team leaders at Wertbau were trained in risk assessment, for example.





## Doors Division

### Occupational health and safety as a key value

For the Doors Division, occupational health and safety has a high relevance because it can prevent injuries and illnesses and, in extreme cases, even save lives. Invado therefore describes occupational health and safety as a key value and succinctly summarises its mission on occupational health and safety and hygiene as "Safety first. Always". The division constantly analyses and monitors the status of occupational health and safety in order to continuously improve. If accidents occur, their causes and consequences are precisely evaluated in order to be able to exclude dangers in the future.

The commitment to occupational health and safety also has advantages for operational processes and profitability and additionally reduces the risk of liability: Healthy employees mean little downtime, work processes can be planned well, machines are used optimally, and the product quality is high. For employees, it is motivating and strengthens their bond with the company when their employer is committed to their health and well-being and involves them in improving occupational health and safety. In every work contract, RWD Schlatter also commits to its customers to maintain a standard of occupational health and safety.

### This task is everyone's responsibility

The division continuously sensitises its employees with appropriate information on the topic of occupational health and safety. Strict requirements and controls lead to high safety standards. The company's own committees take care of the different aspects of occupational health and safety; at Prüm and Garant, for example, these are the occupational health and safety committee, the health working group, the shop floor, and the works council committee for occupational health and safety. Occupational health and safety is also the responsibility of each individual employee, and everyone is obligated to report hazards and close calls. The division uses standardised processes to minimise hazards as much as possible. Prüm and Garant use a hazardous substances database and risk assessments, for example. Specific employee briefings on safety topics are standard at Prüm, Garant, and Invado. At RWD Schlatter, occupational health and safety is already included in the quality management but is continuously developed further by the safety officers and the shop floor management.

### Active for health

Employees have access to occupational health services and health promotion programmes. The division subsidises membership in fitness clubs and yoga or Pilates classes. By promoting ergonomics, the division aims to prevent employee health problems such as back pain. In 2020, RWD Schlatter invested in new machines to reduce the workload, for example. By replacing older cranes and installing new ones, it was possible to improve ergonomics as well as efficiency in the cutting, manufacturing, and painting areas. The automation of individual production steps has also increased occupational health and safety. Every new employee receives a safety briefing for his or her workplace, and there are also regular training courses tailored to the requirements of different work areas. For example, there are training courses for technicians, engineers, and forklift drivers as well as instructions that authorise people to operate electrical and gas equipment. Due to the COVID-19 pandemic, however, all training courses on occupational health and safety had to be cancelled at Prüm and Garant in 2020.

### Risk protection in the time of COVID-19

The COVID-19 pandemic has posed considerable challenges for occupational health and safety. At Prüm and Garant in 2020, almost all activities of the occupational health and safety department revolved around protection against the virus. Thanks to the intra-company COVID-19 management, there were no production downtimes and no known permanent damage to health. Despite the difficult framework conditions in 2020, Invado also draws a positive conclusion on the topic of occupational health and safety: In an ISC occupational health and safety audit conducted on behalf of the ADEO Group, Invado achieved an overall grade of B with a score of 97 out of 100 possible points.



## Dynamic corporate culture

**Arbonia lives a dynamic, open corporate culture and creates a pleasant, appreciative, and supportive working environment. Equal treatment and equal opportunity enjoy a high priority. Wages, social benefits, and contracts comply with the principles of a responsible group. This has a positive effect on employee motivation, reduces fluctuation, and strengthens competitiveness.**

### Fair conditions motivate employees

In 2020, the majority of Arbonia's employees were employed in four countries: Germany (38%), Poland (20%), Slovakia (18%), and Switzerland (12%). The remaining 12% were employed in Russia, France, the Czech Republic, Italy, Spain, Belgium, and the Netherlands. While the labour market is regulated differently in each country, the overarching guidelines of the group and the divisions apply at all locations. With the help of these guidelines, Arbonia aims to retain employees and recruit qualified personnel.

As an employer, Arbonia regularly compares itself with other companies and engages in dialogue with industry associations and other stakeholders. In this way, the group wants to ensure that it can maintain and further optimise its high level as a fair employer in line with the market in order to retain employees and be attractive to new applicants. Arbonia also measures its success as an employer with the fluctuation rate. This was 16.2% in 2019 and was reduced to 13.9% in the reporting year.

### Equal opportunities for everyone

Arbonia does not tolerate discrimination of any kind: Employees are not allowed to be discriminated against on the basis of gender, sexuality, ethnicity, or religion. In the building supply industry, the majority of employees are male. This is no different at Arbonia either, but the group would also like to recruit more female employees and fill more key and leadership positions with women.

### Binding code of conduct

The group's code of conduct stipulates the equal treatment of all employees, among other things. All employees receive training on the code of conduct when they join Arbonia. In the event of violations, they can contact their superiors, the human resources department, or the whistleblowing offices directly. Misconduct can be reported there, and after a report has been made, a defined process takes place for handling it. If necessary, organisational or personnel consequences are drawn. The whistleblowing offices are only rarely used. In surveys, employees can also regularly comment on the working environment they experience, for example, on their dealings with superiors and colleagues as well as on their workload.

### Active exchange with social partners

The group maintains a good cooperation with employee representatives in all countries. This is an essential factor for Arbonia's business success. In Switzerland, all companies are members of Swissmem, the association of the Swiss mechanical, electrical, and metalworking industries. The collective labour agreement of the Swiss mechanical, electrical, and metalworking industries (MEM) is applied, unless other mandatory collective labour agreements are in effect. For this reason, contacts with the social partners usually take place via the industry association.

### Helping to shape the corporate culture

Arbonia's code of conduct, salary system, leadership development, collective labour agreements, and wage agreements as well as strategic guidelines for human resources management are approved by the Board of Directors and implemented across all levels down to the local sites. The group supports the divisions in succession planning, leadership development, and the collection of key performance indicators, which are used to review the effectiveness of measures taken. When necessary, human resources issues are discussed and addressed across divisions.

### Education as a valuable asset

With 162 trainees (mostly at Kermi, Prüm, and Garant in Germany) in a wide range of occupational fields, Arbonia was able to increase this number slightly compared to the previous year. Not only was the number of traineeships increased but the quality of training on offer has been repeatedly confirmed by Arbonia's trainees receiving awards. Arbonia supports the commitment to and interest in further vocational development with educational leave, sometimes with cost sharing. In addition, "dual study places" are offered every year in order to support young college students in a targeted and practical manner.

In addition to these vocational training measures, internal and external training courses ensure that employees are familiar with technical innovations and prepared for changing technical requirements. For example, the exhibitions at the respective locations as well as special training rooms offer the opportunity to learn on products during operation.

### Flexible workplaces in times of a pandemic

Arbonia operates 18 production plants in nine countries. Two thirds of the employees are in the "blue collar" sector and are therefore unable to work from home. It is a central concern of Arbonia to maintain the corporate culture of an industrial company that uses modern production facilities and tools to manufacture products



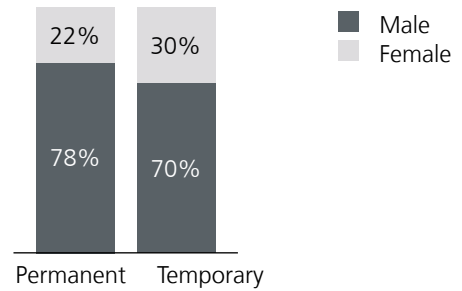


consisting of innovative technical expertise, high-quality materials, enthusiasm, ambition, and masterful execution. Before the pandemic, home office or teleworking was used rather sparingly, but in 2020 it was used extensively by employees in the "white collar" sector, as far as the job allowed. In many cases, the home office was seen as a rewarding change and as a means of promoting concentration. Arbonia will therefore continue to expand this form of work regardless of the external circumstances.

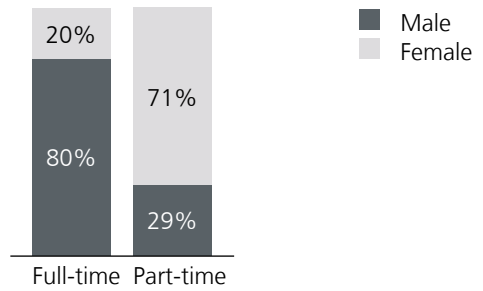
**Composition of the workforce at the end of the year, in persons**

	2020	Share	2019	Share
Employees (permanent employees only; in FTE)	7 993		7 966	
Employees (permanent employees only)	8 151	96%	8 153	97%
Apprentices, interns, trainees and externals	296	4%	269	3%
<b>Employees by employment contract (permanent employees only)</b>				
Permanent	7 400	91%	7 285	89%
Temporary	751	9%	868	11%
<b>Employees by employment type (permanent employees only)</b>				
Full-time	7 671	94%	7 674	94%
Part-time	480	6%	479	6%

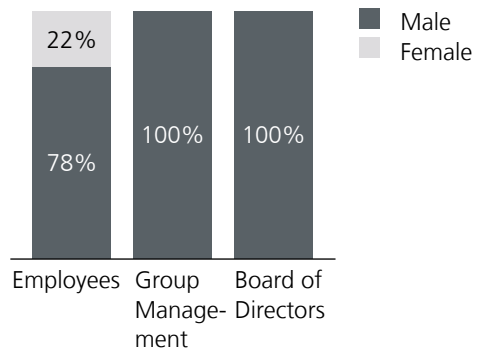
**Employees by employment contract in 2020, only permanent employees**



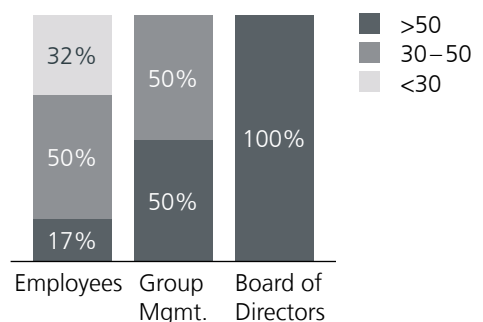
**Employees by employment type in 2020, only permanent employees**



**Diversity by gender in 2020**



**Diversity by age group in 2020**





## Creating and securing jobs

Arbonia is a major employer at all its production sites and an important economic factor in the respective regions. The creation and protection of jobs is therefore not only relevant to the success of the group but is also linked to an economic and social responsibility for the operating sites and the surrounding communities. The companies of Arbonia have had a strong influence on some locations and maintain long-term relationships with local stakeholders. Since most employees live around the operating sites, Arbonia leaves behind a reflection of its corporate culture in the regions. It is important to the group to ensure the long-term attractiveness of its locations. The innovation strength and positive aura should have an external effect.

Arbonia wants to retain its employees for many years, because their loyalty and experience are extremely valuable. Personal care, appreciation, further training possibilities, and group-wide career opportunities are important factors in retaining employees at the company. When it comes to hiring new employees, Arbonia is dependent on the local conditions at the sites and on the labour markets. Especially at the Eastern European

production sites, there was a great deal of competition in the past from the automobile and automotive supplier industries in the search for qualified employees.

In order to remain attractive as an employer, Arbonia is focusing on expanding its capacities with a long-term horizon. It is increasing its efficiency through synergy effects within the group, through investments in infrastructure, and through digitisation measures. Routine activities are increasingly being automated, which has a positive impact on the quality of the jobs. Arbonia provides its employees with modern, efficient facilities and offers them attractive, future-oriented jobs as well as a wide range of development and career opportunities.

No jobs had to be cut at Arbonia due to the COVID-19 pandemic. The group was able to protect its employees so well that the number of illness cases remained below the statistical average.



## Compensation structure

In Arbonia's executive bodies, highly qualified individuals are committed to ensuring that the group continues to grow profitably and remains competitive, and that the interests of the stakeholders are taken into account in a balanced manner. Through its compensation structure, Arbonia creates incentives to retain experienced and successful members of Group Management and divisional management as well as the Board of Directors (see Compensation Report, pages 107 – 114). The compensation is in line with the market and tasks and takes into account the responsibility for the sustainable future of the group. Up to 80% of the total compensation of the Board of Directors and Group Management consists of shares (Group Management at least 17%).

Since Arbonia is a listed group, the compensation of the Board of Directors and Group Management is subject to the Ordinance against Excessive Compensation in Listed Companies Limited by Shares (OaEC) and must be approved by the General Meeting each year. The design of the compensation structure is influenced by many factors. The company's performance, analyses by independent third parties, and the market situation are decisive. A regular comparison with the compensation structure of comparable listed companies is also carried out. The Nomination and Compensation Committee is responsible for the compensation policy.



## Cybersecurity

The increasing digitisation requires higher and higher security standards to prevent cybercrime and protect important information, data, and intellectual property. An attack on the digital infrastructure and group data could lead to significant outages, supply bottlenecks, and financial losses. Arbonia wants to reduce this risk to an absolute minimum and is therefore pursuing targeted measures to strengthen its resistance to cyberattacks (cyber resilience).

Arbonia establishes processes, guidelines, and standards and regularly checks that they are complied with and implemented. With its information security strategy, Arbonia pursues a holistic security approach that is continuously reviewed with audits and penetration tests.

In 2019, the position of the group ICT officer was created at the group level to coordinate the measures and activities and support the divisions and companies in implementing the necessary security measures.



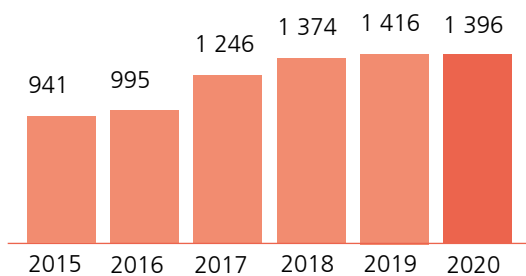
## Sustainable business strategy & market orientation

Arbonia considers the long-term orientation of its business model towards future markets and sustainable, profitable growth to be a sustainable business strategy. With a focus on energy-saving and CO<sub>2</sub>-efficient products, the group is on the right track. With its product portfolio and its innovative strength, Arbonia is well prepared to meet future needs and hold its own in the market.

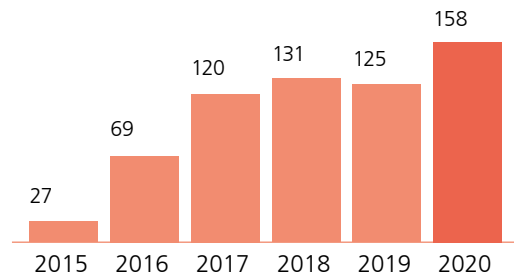
Between 2015 and 2019, Arbonia successfully completed an impressive restructuring and repositioning programme. During this period, the company and its four divisions relocated seven production plants, including to best-cost locations, invested over CHF 400 million in new production plants and more efficient processes, and increased its vertical integration.

Even after the sale of the Windows Division, which is expected to be completed in the second quarter of 2021 and in which all existing employment contracts will be retained, Arbonia will continue to pursue an adapted strategy that is even more focused on sustainability.

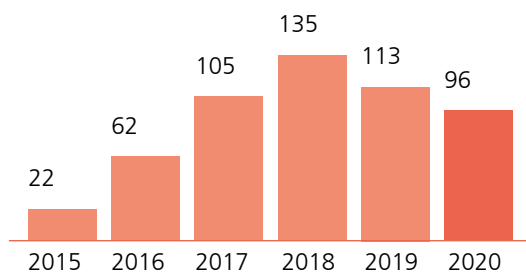
Arbonia has set itself the goal of offering its employees a secure job and creating value for its shareholders.



**Revenue**  
in million CHF



**EBITDA with one-time effects**  
in million CHF



**Investments**  
in million CHF

### Strategic pillars after the sale of the Windows Division

The **Sanitary Equipment Division** with its shower doors and shower partitions will be integrated into the **Doors Division**. The strategic logic of the integration lies in the better use of synergies in joint market development in contract sales on the one hand and in procurement on the other. In addition, the product range of the Doors Division with functional and interior doors made of wood will be expanded to include shower doors, which allows the glass doors and glass partitions area to be expanded for interiors. The Doors Division is strengthening its position as a single-source solution provider for accessibility, including the keyless KIWI access system built into the doors.

Based on this expected and sustainable organic growth, the robust profitability of the divisions, and the liquidity of the group, additional inorganic growth is also being sought by means of targeted acquisitions in existing and/or neighbouring markets, including Eastern Europe. This brings Arbonia closer and closer to its goal of becoming the leading door supplier in Central Europe.

On the one hand, the **HVAC Division** continues to focus on organic growth in the product groups of underfloor heating, heat pumps, and residential ventilation, including their patented filter technology, which can also be offered as a system, and on the other hand on consolidation, process optimisation to increase productivity, and cost leadership in steel panel radiators, column radiators, and design radiators.

While the volume in the Western European radiator market will move sideways over the next few years, the division still expects profitable growth in these products through investments in the growth market of Eastern Europe and Russia as well as through the listed measures. In the past, the division has invested heavily in production processes in order to generate sustainably stable margins above the competition. In addition, it actively participates in the consolidation to gain market shares.

Accelerated growth is pursued with the fast-growing system products such as heat pumps, underfloor heating, as well as ventilation, air-conditioning, and filter technology in order to significantly change the revenue mix of the components and system business by 2025.

The division is focusing its development on the "house of the future": On the basis of existing and new photovoltaic systems in private houses and, in the future, in apartment buildings as well, a system solution is to be developed for heat and cold generation and control, supplemented by storage of the electricity generated by the photovoltaics.

The heat pump market, which has been growing strongly for years, is also benefiting from the European climate targets and their subsidising of CO<sub>2</sub>-reducing





and energy-saving products. For this reason, the HVAC Division is investing in expanding the capacity for energy-efficient systems at its site in the Czech Republic and will build a new production plant there starting in 2021, which will increase the existing production capacity many times over from 2022 onwards.

It is planned to support the accelerated organic growth in system products with targeted acquisitions.



## Product management

**Arbonia's product management includes quality assurance, product labelling, and product responsibility. Compliance with regulations and standards plays a central role for all divisions.**

**A large portion of Arbonia's production sites already operate with certifications for environmental management (ISO 14001) and energy (ISO 50001).**

### Key product management figures

	2020	2019	Delta
Total production volume <sup>1</sup> in TCHF	961 270	975 994	-2%
of which at ISO 14001 certified sites	40.6%	40.1%	
of which at ISO 50001 certified sites	53.1%	52.9%	

<sup>1</sup> Production costs of goods produced at the site, excluding purchases.



## Heating, Ventilation and Air Conditioning Division

Standards and regulations for building products are becoming more and more demanding and extensive. For the HVAC Division, the challenge is to meet existing and new requirements and implement them in corresponding products.

The division actively participates in bodies such as the German Institute for Standardisation (DIN) and the Federation of German Heating Industry (BDH). The participation in these bodies enables the division to help shape technical progress and incorporate innovations into its product management early on. Within the division, processes and product programme planning have to be continuously adapted, various certifications have to be carried out, and employees have to be trained. For newly developed or adapted products, documentation must be created and industrial property rights applied for. To increase public interest, the division presents its innovations at design competitions, among other things.

The division measures the success of its product management efforts based on the sales development of new products and feedback from the market environment. In the reporting year, product management primarily focused on reducing and recycling packaging materials and recycling worn-out products. The division introduced a new, highly efficient generation of heat pumps and expanded its remote maintenance capabilities. This ensures that heat pumps installed at end customers are constantly operated at high COP (coefficient of performance) values and thus reduce energy consumption. The product development follows a systematic process with defined milestones for monitoring success. Among other things, attention is paid to the careful use of materials and high recyclability, which favours environmentally friendly, lightweight packaging materials and refrigerants with a low global warming potential (GWP).



## Sanitary Equipment Division

Increasingly demanding and comprehensive standards and regulations for building products make internal product management indispensable and justifies its high relevance for the Sanitary Equipment Division. The drive to implement existing and new customer requirements in new products in compliance with applicable regulations and standards is a daily challenge.

The division therefore actively participates in bodies such as the German Institute for Standardisation (DIN) and the German Sanitary Industry Association (VDS). The participation in these bodies enables the division to help shape technical progress and incorporate innovations into the respective product management early on. Within the division, processes and product programme planning have to be continuously adapted, various

certifications have to be carried out, and employees have to be trained. For newly developed or adapted products, documentation must be created and industrial property rights applied for.

Through these processes, the division ensures that customers receive an all-round high-quality and durable product: The shower stalls are characterised by exceptional durability and are always tested according to EN 14428 (CE) and PPP 53005 (TÜV/GS), which ensures safety in use with regard to stability, waterproofing, and ease of care, among other things. In addition, the use of single-pane safety glass up to 10 millimetres thick is documented according to EN 12150.



## Windows Division

Product management at the Windows Division focuses on the proper labelling of products in accordance with the regulations and laws of the respective sales markets. All products undergo the relevant safety tests and certifications; in particular, they are CE-certified and thus comply with EU standards. In addition, the windows are accredited with the certificates that are important for the respective sales markets. In Germany, for example, this is the RAL mark, and in Switzerland the Minergie and Minergie-ECO labels. Furthermore, the division has been offering products made of FSC- or PEFC-certified wood as standard since 2020.

The Windows Division communicates the technical values and certifications of its products very extensively, including in customer and dealer information, product catalogues, and user manuals. Slovaktual also offers technical consultations to its franchise holders. The company has also introduced a quality management system and complies with the ISO 9001:2016 standard. In addition, products are inspected in accredited laboratories and quality checks are carried out within the company on an ongoing basis to check weld seams, for example. Customer complaints also factor into the quality management.





## Doors Division

The product management of the Doors Division focuses on two areas: On the one hand, the products must comply with all legal regulations and be manufactured in conformity with approvals; on the other hand, customer requirements must be met precisely. The division achieves the latter by using the know-how of local companies and coordination at the division level. In this way, it combines the know-how of the production sites with the customer knowledge of the distribution companies. This makes it possible to satisfy even the most demanding customer wishes. A good example is RWD Schlatter and its competence centre for functional doors, which is available to the entire division. Such doors, which meet increased requirements for fire or sound protection among other things, can be adapted to the demands of customers in all markets.

The top priorities for the division are product safety and suitability for everyday use. Both points are continuously monitored internally and externally, for example, through the internal control system and quality management. The operations of Invado in Poland and RWD Schlatter in Switzerland are certified according to ISO 9001, and as a result, standardised processes guarantee the quality of the products, the delivery reliability, and the correct product labelling prescribed for the respective country of sales. RWD Schlatter now places a QR code on the product labels which can be used to call up the product information. In addition, the division carries out in-house production controls, which in turn are checked once a year as part of external audits.

The continuous quality improvements of its products are supported by the constant optimisation of its quality management and manufacturing processes, the modernisation of its machinery, as well as a careful selection of suppliers, who in turn have to meet high quality standards. In the end, however, the contribution of the employees is decisive for high quality standards, which is why the Doors Division offers appropriate training and motivates its employees to take responsibility for the quality of the products.

Important certifications, tests, and seals of approval are the FSC and PEFC certificates for sustainably sourced wood, the pollutant test by the ECO Institute, the Environmental Product Declaration (EPD), the RAL quality mark of the German Institute for Quality Assurance, and energy management according to ISO 50001.



## Digitisation

Digitisation offers many opportunities: It simplifies work processes, reduces errors, and offers the possibility of involving users directly in the development of solutions. Arbonia manages digitisation with the help of a specially created organisation, ARBONIA DIGITAL GmbH. This organisation communicates with all levels of the group, involves employees, and continuously provides information on project progress, such as through product demos and newsletters (see ARBONIA DIGITAL, pages 10 – 11).

Arbonia uses digitisation to simplify cooperation at construction sites, for example, with Building Information Modelling (BIM) and Product Information Management (PIM). Digital processes and digitally available information reduce the manual effort for employees and eliminate potential sources of error. They also offer the opportunity to stand out from the competition. Customers, partners, and employees have increasing expectations for the digital representation of service and business models. Direct access to information and services is valued, and simple processes and fast processing times are expected.

In its digitisation projects, Arbonia is guided by user requirements. It applies agile working methods and lean management principles. This means that customers, partners, and users are involved in development processes, prototypes are tested directly in the market, and solutions are implemented quickly without a long planning phase. Mistakes are part of this working procedure; they are allowed and provide important experience values.

The digitisation process is already showing an impact: Partners and customers are becoming more aware of Arbonia's digital competencies. The newly developed "DoorIT" calculation and quotation software for the Doors Division is a flagship project that is gaining recognition both in and outside of the group. The initial aim of this software is to enable the dealers of Prüm and Garant to configure, calculate, and order doors more quickly. Internal processes are also simplified. The go-live is planned for 2021. In the second step, the software is to be made accessible to the other companies of the division as well.



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