



## Sustainability Report

The sustainability concept of the Arbonia Group (Arbonia) is presented according to the following three pillars: **Climate**, **Community**, and **Cash**. Arbonia informs its stakeholders not only about current developments but also about the Group's plans to ensure a sustainable and successful future.



## Introduction

Facts and figures	30
Preface	32
Companies of Arbonia	34
A look behind the scenes	36
Arbonia's contribution to the SDGs	40

## Sustainability approach

Sustainability strategy	43
Sustainability governance	43
Materiality analysis	44
Ethics and integrity	45
Risk management	46
Stakeholder engagement	47

## Climate

Innovative products and solutions	49
CO <sub>2</sub> and energy	52
Case study: Heat and electricity from wooden materials	54
Resource efficiency	58
Procurement and supply chain	61

## Community

Occupational health and safety	65
Dynamic corporate culture	69
Creating and securing jobs	73
Compensation structure	74
Cybersecurity	75
Case study: Arbonia protects itself	76

## Cash

Sustainable business strategy and market orientation	79
Case study: Arbonia brings the sun home	80
Product management	84
Digitisation	86

## GRI reporting

GRI content index	89
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# Facts and figures

## SUSTAINABLE DEVELOPMENT GOALS

Arbonia is committed to the sustainable development goals of the United Nations and contributes to the SDGs.

# 4.2%

annual reduction in the operational CO<sub>2</sub> emissions from Scope 1 and Scope 2 until 2035 compared to the reference year 2020.

# 15%

annual dividend increase starting in financial year 2022.

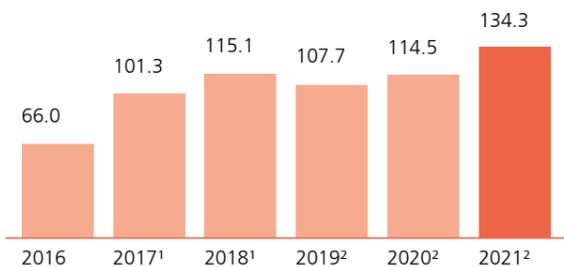


# 100%

use of the wood-type production residue through the use of new combined heat and power plants.

### EBITDA without one-time effects

in CHF million



<sup>1</sup> Continuing operations (without Profile Systems and Industrial Services)  
<sup>2</sup> Continuing operations (without Windows Division)

Return to the holding structure without Chairman/CEO double mandate starting in April 2022.

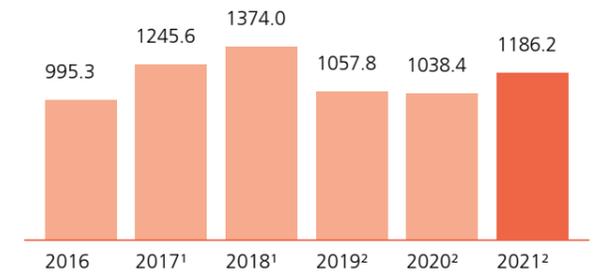
WE SUPPORT



We have joined the UN Global Compact and are committed to its 10 universal principles.

### Net revenue

in CHF million



<sup>1</sup> Continuing operations (without Profile Systems and Industrial Services)  
<sup>2</sup> Continuing operations (without Windows Division)

"I believe that sustainable corporate management requires not only an outward responsibility towards society and the environment, but also an inward responsibility towards a company's own employees."

Claudius Moor,  
CEO Doors Division

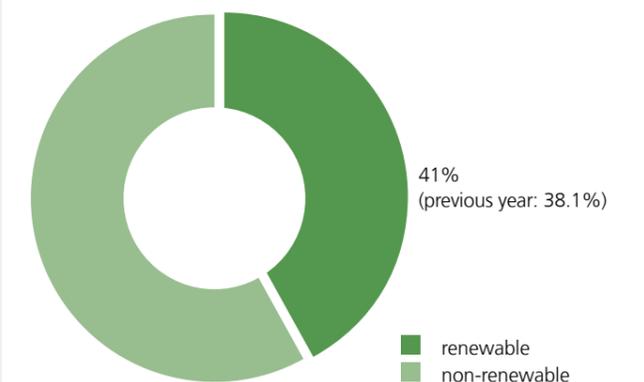
# 25%

reduction in days lost due to work accidents until 2025.

"If money were not an issue, then we would pursue the goal of operating CO<sub>2</sub>-neutral production plants very quickly."

Alexander Kaiss,  
CEO HVAC Division

### Energy consumption by energy source in 2021



# Preface



We are intensifying our sustainability commitment again and are committed to the CO<sub>2</sub> reduction strategy based on the Science Based Targets Initiative, taking the entire value added chain into account.

### Our highlight in respect to sustainability

As Arbonia we are making the commitment to substantially reduce our CO<sub>2</sub> emissions in Scope 1, 2, and 3 by 2035, to contribute to effectively limiting global warming to 1.5 degrees Celsius. The starting point for this are the emissions of the financial year 2020, with the reduction path additionally taking into account an increase in emissions from an average business growth of 5% per year until 2035. We will compensate for this increase in CO<sub>2</sub> emissions with additional measures.

### Our performance in the past year

In the two divisions Heating, Ventilation and Air Conditioning (HVAC) and Doors, we not only have the vision of an environmental policy that wants to reduce CO<sub>2</sub> emissions to a very large degree but we also defined ambitious medium-term goals over the course of the past year 2021 to protect our planet through the responsible use of resources. For this purpose, we are orienting ourselves to the Science Based Target Initiative (SBTI). We are convinced that this behaviour will secure, if not even increase, the competitiveness of Arbonia. The following examples of a few ESG measures show the importance and the value of sustainability within the Group.

At the beginning of the year, we announced that Arbonia was returning to a corporate governance with separate mandates after the radical reorganisation since 2015. The adaptation of the previous organisation, in which I perform the function of Chairman of the Board of Directors as well as CEO, will be replaced by a holding structure without a dual mandate as of the General Meeting 2022. The Board of Directors proposes to the 2022 General Meeting that I hold the office of the Executive Chairman of the Board of Directors.

In the past year 2021, we started the process of joining the UN Global Compact and are thus committed to observing and promoting the ten universal principles. In addition, we strengthened our internal ESG team by supporting our employees with further training (e.g. in corporate responsibility) on the one hand and additionally recruiting new employees for the sustainability team. The Group has also called for and mandated the acceleration of efforts to conserve resources, in particular regarding water and waste. For this reason, Arbonia has enacted a water policy and a waste policy in the reporting year.

### The highlights of our divisions

The **HVAC Division** is developing a sustainable, non-degenerating, resource-conserving storage system for the electricity generated from solar energy. The division thereby rounds off its product portfolio with the energy store: It can now offer a complete, coordinated system of products for the heat and energy management of living space. This energy storage also contributes to the energy transition in general and the energy self-sufficiency of houses in particular.

In addition to the installation of photovoltaic systems at some sites, the refurbishment of the welding line cooling as well as the heat recovery in the welding fume extraction in the steel panel radiator production at the major production site of Plattling (D) led to a considerable reduction in the energy consumption of Arbonia in the reporting year.

The **Doors Division** is reducing CO<sub>2</sub> through two new combined heat and power plants (CHP) at its two production sites in Germany. With the planned CHP plants that are being implemented, the Prüm and Garant doors companies are pursuing the following goals:

1. Own production and use of CO<sub>2</sub>-neutral electricity,
2. Own production and use of CO<sub>2</sub>-neutral heat and
3. 100% use and pollution-free disposal of wood-type residue

The new plant at Prüm will cover approx. 60% of the entire power requirement of the door plant and also heat an area of around 24000 m<sup>2</sup>.

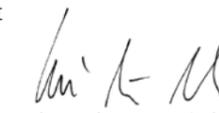
Since 2015, Arbonia has invested **several hundred million Swiss francs in sustainable manufacturing**. This includes energy-saving and -optimised sites with more efficient machines and the use of Industry 4.0 technologies in the entire product lifecycle. This leads to less harmful energy sources, materials, and chemicals as well as optimised energy efficiency at less cost. At Arbonia, every site is to contribute to preserving the regenerative capacity of the environment.

### Our goals related to the Paris Climate Accords

To achieve the "1.5°C" scenario of the Paris Climate Accords, companies are required to reduce their operating emissions (Scope 1 and Scope 2) by more than 4% and reduce indirect emissions (Scope 3) by over 2.5% (in relation to the reference year). **We are committed to this. We have set ourselves the goal of reducing the intensity of our Scope 1-3 emissions based on the Science Based Targets Initiative by 2035 so much that we will contribute to the global climate target despite further organic growth.**

In this sustainability report for 2021, we have also defined goals and ambitions on the Group, division, and company level to improve our sustainability performance. We will measure and evaluate these as well as report on our progress each year.

Dear readers, Arbonia will do everything in its power with regard to climate protection to counteract global warming and minimise its impact.



Alexander von Witzleben  
Chairman of the Board of Directors and CEO

# Companies of Arbonia

## Production companies

Company	Location	Division / business unit	Manufactured products
AFG RUS	Stupino (RUS)	HVAC	Flat panel radiators
Bekon-Koralle AG	Dagmersellen (CH)	Doors/Glass Solutions	Shower stalls
Brugman Fabryka Grzejników Sp. z o.o.	Legnica (PL)	HVAC	Design and steel panel radiators
Brugman Radiatorenfabriek BV <sup>1</sup>	Tubbergen (NL)	HVAC	Flat panel radiators
GARANT Türen und Zargen GmbH	Amt Wachsenburg (DE)	Doors/Wood Solutions	Interior doors and frames
Glasverarbeitungs-Gesellschaft Deggendorf mbH	Deggendorf (DE)	Doors/Glass Solutions	Construction glass
Invado Sp. z o.o.	Ciasna (PL)	Doors/Wood Solutions	Interior doors
Kermi GmbH	Plattling (DE)	HVAC Doors/Glass Solutions	Flat panel radiators Shower enclosures
Kermi s.r.o.	Stříbro (CZ)	HVAC	Special radiators
PRÜM-Türenwerk GmbH	Weinsheim (DE)	Doors/Glass Solutions	Interior doors
PZP Heating a.s.	Dobré (CZ)	HVAC	Heat pumps
RWD Schlatter AG	Roggwil (CH)	Doors/Wood Solutions	Functional doors
Sabiana	Corbetta (IT)	HVAC	Ventilation and air conditioning units (gas fired unit heaters, radiant panels, fan coils, central air conditioning units, heat recovery, filter technology, evaporative coolers)
Termovent Komerc d.o.o.	Kladovo (SRB)	HVAC	Air-handling units for cleanrooms
TPO Holz-Systeme GmbH	Leutershausen (DE)	Doors/Wood Solutions	Special doors incl. door frame and door trim
Vasco BV	Dilsen (BE)	HVAC	Design radiators, ventilation, pipes for underfloor heating

<sup>1</sup> Closure of the production plant in Tubbergen (NL) at the end of 2022, announced in November 2021.

The key environmental figures of this sustainability report include the resource consumption of all manufacturing companies of the Arbonia Group as well as the headquarters in Arbon (CH). Pure administration and distribution companies were not included due to their comparatively low environmental impact. The key figures relating to employees include all companies.

The key figures of the Doors Division also include the key figures of the former Sanitary Equipment Division, which was integrated during the reporting year, for all years.

The Windows Division was sold during the reporting year. For this reason, the data for the reporting years 2019 and 2020 have been adjusted for its key figures.

## Administration and distribution companies

Company	Location	Division / business unit	Type of location
AFG Shanghai Building Materials Co. Ltd.	Shanghai (CN)	Doors/Glass Solutions	Sales
Arbonia AG	Arbon (CH)	Group	Holding
Arbonia Doors AG	Arbon (CH)	Doors/Wood Solutions	Administration, sales
Arbonia Doors GmbH	Erfurt (DE)	Doors/Wood Solutions	Administration, sales
Arbonia France sarl	Hagenbach (FR)	HVAC	Sales
Arbonia HVAC AG	Arbon (CH)	HVAC	Administration, sales
Arbonia Management AG	Arbon (CH)	Group	Administration
Arbonia Riesa GmbH	Riesa (DE)	HVAC	Sales
Arbonia Services AG	Arbon (CH)	Group	Administration
Arbonia Solutions AG	Arbon (CH)	HVAC	Sales
Baduscho Dusch- und Badeeinrichtungen Produktions- u Vertriebsgesellschaft mbH	Margarethen am Moos (AT)	Doors/Glass Solutions	Sales
CICSA Industriales del Calor S.L.	Madrid (ES)	HVAC	Sales
Kermi Sp. z o.o.	Wroclaw (PL)	HVAC	Sales
Koralle Sanitärprodukte GmbH	Vlotho (DE)	Doors/Glass Solutions	Sales
Prolux Solutions AG	Arbon (CH)	HVAC	Sales
Tecna S.L.	Madrid (ES)	HVAC	Sales
Termovent Komerc d.o.o.	Belgrade (SRB)	HVAC	Administration, sales
Vasco Group BV	Tubbergen (NL)	HVAC	Sales
Vasco Group GmbH	Dortmund (DE)	HVAC	Sales
Vasco Group NV	Dilsen (BE)	HVAC	Administration, sales
Vasco Group Sarl	Nogent-sur-Marne (FR)	HVAC	Sales
Vasco Group Sp. z o.o.	Legnica (PL)	HVAC	Sales



Alexander Kaiss  
CEO HVAC Division

Claudius Moor  
CEO Doors Division

## A look behind the scenes

Alexander Kaiss (AK) and Claudius Moor (CM) provide an insight into how they think about sustainability, the challenges that they face in this regard, and how they deal with them.

### How sustainable has your day been so far?

**AK:** All in all, the day has already been quite sustainable. I have already been jogging – instead of pursuing an environmentally harmful hobby such as motorbike riding, for example. In addition, I have refrained from printing out the 140-page Group Management documents. However, I have to confess that I will be driving my car to our largest Swiss customer for heat pumps, which is not that sustainable, of course. Since heat pumps greatly contribute to sustainability, I have a somewhat less guilty conscience, though. And I am already travelling through Switzerland anyhow and not making a special trip for this appointment.

**CM:** If you also consider employee satisfaction to be part of sustainability, then my day started very positively. I have already jogged for an hour,

enjoyed the tranquility of nature, and prepared myself mentally for the working day. I believe that sustainable corporate management requires not only an outward responsibility towards society and the environment, but also an inward responsibility towards a company's own employees. In my opinion, it is not just about conserving resources but also about not "consuming" people.

Afterwards, I had a good conversation on the topic of "sustainable doors with a much lower CO<sub>2</sub> footprint". We are testing various sustainable materials that would greatly reduce the burden on the climate. As the European market leader in the doors area, we feel that it is our duty to constantly check our products for improvement potential, especially in regard to their sustainability.

### In what direction do you think the construction industry will develop in respect to sustainability?

**AK:** Legal regulation will play a great role. The European-wide direction is to reduce greenhouse gas emissions. Among other things, this can be seen in the definition of new construction standards that lead to buildings being significantly better insulated in the future, which in turn reduces heating requirements. The result is that no fresh air is exchanged through leaks, which is why the ventilation needs heat recovery. And we are fully on top of this. The energy that is still needed in a well-insulated house, we want to generate this as sustainably as possible with our products – namely with a heat pump, which is ideally powered only with green electricity.

### What effect does this development have on the sustainability of your division or your products?

**AK:** This development has an extremely positive effect on the sustainability of our division. We have always said that there are two big megatrends that drive our business: on the one hand, the issue of CO<sub>2</sub> neutrality or CO<sub>2</sub> reduction and on the other hand, a healthy indoor climate. We are optimally positioned with our heat pumps, residential ventilation, heat and energy storage, as well as underfloor heating and efficient radiators. We recognised these trends early on, laid the foundations accordingly, and are now profiting from this.

**CM:** At our German door companies Prüm and Garant, the investments in new combined heat and power plants (CHP) are very important. In the future, the production residue of the sites (in this case wood dust, chopped wood, and so-called flakes) will be converted into energy in these plants, and the energy released in the process will be used for heating and, with the aid of a turbine, for power generation. As a result, we have effective CO<sub>2</sub> savings.

« Companies that do not invest in their sustainability today will have difficulty in the future. »

Looking inwards is also very important at our division. Employee satisfaction is gaining importance as a pillar for sustainable success, because in this day and age, well-trained skilled workers are scarce and replacing employees who leave the company is expensive.

**CM:** To my regret, certified sustainable wood-based materials have not prevailed in project tenders as I had hoped. Nonetheless, we use sustainable, certified materials in our doors. We are noticing a stronger focus especially on CO<sub>2</sub>-neutral production and on Scope 3, in other words, the emissions that result from upstream and downstream activities. The supply chain must be reviewed in this respect, because customers want sustainable products and also demand this from us. Arbonia will be investing EUR 50 million in sustainable energy supply in the Doors Division alone, among other things in CHP plants at Prüm and Garant as well as in the frame production at Prüm. This is essential. I think that this will result in a natural consolidation of the competitive environment, because companies that are not investing in their sustainability today will have difficulty in the future.

### What are the most important issues and milestones in your division in respect to sustainability in the reporting year and in the coming years?

**AK:** Our entire product range will significantly contribute to sustainability for customers. As Arbonia, with our production processes, we also have to do everything that we can to manufacture the products as sustainably as possible. Otherwise, it would be counteractive. For this reason, we have invested a lot in new technologies: servo motors for presses, for example, that use significantly less energy per se with the same output. This is the first building block, and the second is naturally that we are gradually moving towards producing this energy as renewably as possible or buying it green. What does producing renewably mean? For this purpose, in the HVAC Division we are currently also investing in a CHP plant in Plattling (D), for example, and in other projects that will bring us closer to our goal.

**CM:** An important milestone is the commissioning of the previously mentioned CHP plants as well as issues concerning environmentally friendly packaging options. The latter is becoming increasingly important because the disposal costs for packaging are becoming more and more expensive.

To further increase our attractiveness as an employer and thus reduce the already very low fluctuation, we will be further improving the training and development of employees and apprentices.

**The topic of sustainability is omnipresent. To what extent do you notice this among your employees and customers?**

**AK:** I find that customers as well as employees are paying more and more attention to the topic. Customers are asking more intense questions, and I am convinced that customers would like to buy as environmentally friendly as possible. Employees also

« With more financial resources, we would dramatically accelerate our efforts to produce 100% climate-friendly ourselves. »

prefer to work at a company that is committed to sustainability. At works meetings and via infoterminals, we inform our employees about what we are doing and that we are setting CO<sub>2</sub> reduction goals for ourselves, for example. This also helps us to be perceived as an attractive employer.

**CM:** We notice an increased interest in demonstrable sustainability on the part of our customers. They see that we are aware of our ecological and social responsibility as a company and are specifically investing in sustainability. This is directly reflected in the economic performance of our division.

**Assuming that money were not an issue: What all would you do in the area of sustainability?**

**AK:** If money were not an issue, then we would pursue the goal of operating CO<sub>2</sub>-neutral production plants very quickly. Today, we are able to cover around 10–20% of our energy requirements ourselves with our photovoltaic systems and other technologies. With even more financial resources, we could dramatically accelerate our efforts to produce 100% climate-friendly ourselves. From a purely technical view, that would be possible. But at the end of the day, we have several sustainability goals that we would like to achieve as a company. These include wanting to grow profitably and creating value for shareholders. Therefore, we cannot just act in one direction but have to operate in a stakeholder-friendly way. It thus makes sense for us to work in the way that we are now.

**CM:** In the future, we will cover 100% of our heat requirements for Prüm and Garant through our own production with the CHP plants. An expansion from 60% to 100% self-generated electricity is also desirable. I would increase the electricity production at all our sites through photovoltaic systems. This would bring us a big step closer to our goal of becoming completely CO<sub>2</sub>-neutral as a division.

I would also invest in CO<sub>2</sub> capture and storage in order to compensate for the remaining CO<sub>2</sub> emission or alternatively think about high-quality certificates.



# Arbonia's contribution to the SDGs

Arbonia is aware of its economic, environmental, and social responsibility and strives to operate more sustainably over the long term. It already makes a substantial contribution to climate protection with its products that lower energy consumption in buildings. Thanks to extensive investments in its production plants as well as in the further development of its products, it drives innovation in its two core areas of indoor climate and interior doors. In addition, Arbonia lives a dynamic, open corporate culture and creates a pleasant, appreciative, and supportive working environment with attractive working conditions.

As regional employers, the companies of Arbonia are an important economic factor in the respective regions.

Arbonia is committed to the sustainable development goals of the United Nations and **specifically contributes to the following six Sustainable Development Goals (SDGs)**.

SDG	Internal	External
	Arbonia increasingly relies on using self-generated, renewable energies, e.g. by installing photovoltaic systems on the roofs of its production sites or by investing in new CHP plants. In addition, it aims to increase the energy efficiency at its sites with targeted measures.  See chapter: – CO <sub>2</sub> and energy (from page 52)	The products of Arbonia help to increase the energy efficiency in buildings. At the same time, the company develops products that increase the utilisation degree of renewable energies and promote the energy self-sufficiency of households.  See chapter: – Innovative products and solutions (from page 49) – Sustainable business strategy and market orientation (from page 79)
	Arbonia promotes a culture of safety and health at a high level and operates safe production plants as well as distribution and logistics sites. In addition, it promotes a positive work environment, which increases competitiveness among other things. Furthermore, it strives to improve resource efficiency with as little manufacturing defects as possible and a continuous improvement of material consumption.  See chapter: – Occupational health and safety (from page 65) – Dynamic corporate culture (from page 69)	
	With future-oriented investments in the production resources at its production plants, Arbonia strives for continual modernisation with the goal of a higher resource and energy efficiency.  See chapter: – CO <sub>2</sub> and energy (from page 52) – Resource efficiency (from page 58)	With its energy-efficient products such as heat pumps, ventilation solutions, as well as heat and energy storage, Arbonia supports the development of a high-quality and sustainable infrastructure that also promotes the well-being of building users and residents.  See chapter: – A look behind the scenes (from page 36) – Product management (from page 84)

SDG	Internal	External
		The products of Arbonia substantially help to reduce the energy consumption of buildings. In particular, the use of integrated system solutions, from modern heat generation and optimum heat exchange to energy storage of solar energy for all building types and applications allows significant improvements to be achieved. Furthermore, the interior doors made of wood and glass help to reduce the energy consumption thanks to their insulation.  See chapter: – CO <sub>2</sub> and energy (from page 52)
	The stated goal of Arbonia is to protect natural resources. A sound resource management and waste avoidance relieves the burden on the environment while reducing material consumption and scrap at the same time. Furthermore, a sustainable supply chain makes it possible to control and optimise costs and resources, which can lead to efficiency and savings in the long term.  See chapter: – Resource efficiency (from page 58) – Procurement and supply chain (from page 61)	Arbonia strives to increase the recyclability of its products as well as to reduce packaging materials.  See chapter: – Innovative products and solutions (from page 49) – Resource efficiency (from page 58)
	Arbonia wants to operate with as few emissions as possible in its own operations, in production, and in the area of transport and logistics, and thereby make a significant contribution to climate protection. Arbonia has set itself the goal of reducing the intensity of its Scope 1–3 emissions on the basis of the Science Based Targets Initiative by 2035 so much that it will contribute to the global climate target despite organic growth.  See chapter: – CO <sub>2</sub> and energy (from page 52)	The use of Arbonia products allows fossil fuels to be replaced by regenerative and efficient energy sources.  See chapter: – Innovative products and solutions (from page 49) – CO <sub>2</sub> and energy (from page 52) – Sustainable business strategy and market orientation (from page 79)



# Sustainability approach

Arbonia is convinced that conscientious action and responsible treatment of employees, suppliers, customers, and investors, as well as the environment and resources, are essential for the long-term success of the business.

Arbonia's sustainability strategy is divided into the three subareas of "Climate", (ecological issues), "Community" (social issues), and "Cash" (economic issues). In these areas, the company wants to continually optimise its sustainability performance beyond the legal requirements.



## Sustainability strategy

Arbonia takes the approach of responsibly creating (added) value from raw materials. The consistent focus on a sustainable and long-term business model has brought changes in recent years. Arbonia makes investments with the objective of making both its product portfolio and its production processes even more sustainable. In addition, 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. For this purpose, Arbonia defined the first CO<sub>2</sub> reduction targets for its emissions from Scope 1 and Scope 2 in the reporting year, based on the Science Based Targets Initiative (see "CO<sub>2</sub> and energy", p. 52).

The sustainable group strategy is practised in the entire corporate group and supported by the Board of Directors. This is also demonstrated by joining the United Nations (UN) Global Compact, which was initiated in the reporting year. Since the beginning of the year, the Arbonia Group has officially been a member of the UN Global Compact.

In addition to the central coordination and definition of targets, the two divisions HVAC and Doors have a high degree of responsibility due to the decentralised organisation. They develop specific plans to support and implement the group-wide sustainability strategy and to expand the product portfolio.



## 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.

Sustainability is part of the group strategy set by the Board of Directors. Management of the topic within the Group is the responsibility of the CFO of Arbonia. The CFO develops the sustainability strategy together with the Sustainability Committee and representatives of the department of Corporate Communications & Investor Relations, which is responsible for the group-wide

coordination. The Sustainability Committee consists of a representative of the HVAC Division and one representative each from the Wood Solutions Business Unit and the Glass Solutions Business Unit of the Doors Division. The implementation as well as the derivation of measures is the responsibility of the divisions or their companies in consultation and coordination with the Group. Group Management discusses and evaluates the most important initiatives and projects on a monthly basis. Arbonia's Board of Directors is responsible for the decision-making and control of all measures as well as the assessment of performance in line with defined goals.

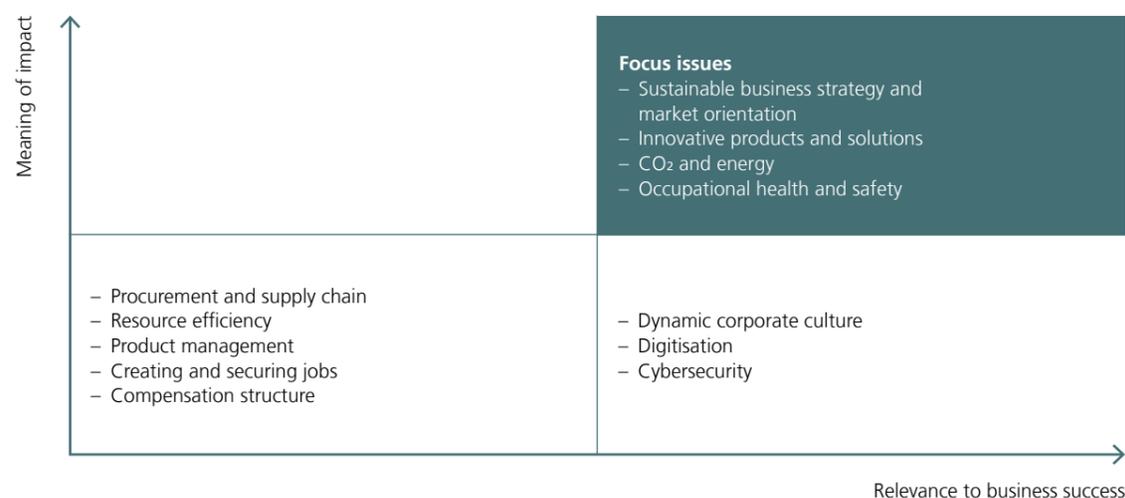


## Materiality analysis

This second sustainability report of Arbonia is based on a materiality analysis that was carried out in 2020. In this analysis, Arbonia determined which issues are relevant for long-term business success and with which issues the group has a significant impact on the environment and society. The materiality analysis was carried out on the basis of a wide spectrum of contents that included the criteria of ESG rating agencies and the orientation of similar companies, in addition to issues of the Global Reporting Initiative (GRI) standards and the Sustainability

Accounting Standards Board (SASB). Related topic areas were first consolidated in a core team. Afterwards, the relevance of the topics was evaluated in a workshop – by representatives of the two divisions, HVAC and Doors, as well as by various corporate functions (e.g. Human Resources and Legal & Compliance). This process was supported by an external specialist, and the result of the analysis was mapped in the following materiality matrix:

**Materiality matrix**



## Ethics and integrity

Arbonia is aware of its economic, ecological, and social responsibility and has committed itself in its Code of Conduct 1.) to respecting human rights, especially taking into account the prohibition of child labour, 2.) to ensuring the occupational health and safety of its employees, 3.) to cooperating with suppliers who meet their obligation to sustainability and social responsibility, 4.) to observing environmental protection standards, and 5.) to using resources carefully.

### Code of Conduct

The Board of Directors last revised the Code of Conduct in 2018. The Code of Conduct has been translated into thirteen languages and is available on the Intranet for all white collar employees. The Code of Conduct is supplemented by further directives, such as the anticorruption directive, the directive concerning insider trading, the directive for protection against sexual harassment, bullying, and discrimination at the workplace, and many more. In the reporting year, Group Management also issued a group-wide water policy and waste policy that went into effect on 1 January 2022.

All employees sign the Code of Conduct upon joining the Arbonia Group and commit to observing the values as well as the ethical and social principles of the Arbonia Group.

In addition to the Code of Conduct, the Board of Directors issued the "Supplement to the Code of Conduct", which is specifically directed to blue collar employees, in 2018. The "Supplement to the Code of Conduct" contains more in-depth topics and regulations for production – for example, on dealing with resources, on occupational safety, or on environmental protection. It does not include specific topics such as competition law. The "Supplement to the Code of Conduct" is displayed on posters in the production halls and taught by the plant or shift managers.

### Whistleblowing concept

The participation of employees is of critical importance for compliance with the Code of Conduct, including the "Supplement to the Code of Conduct" (collectively referred to as "Code of Conduct" in the following). For this reason, the Board of Directors introduced reporting offices for whistleblowing in 2013. All employees who learn of violations of the Code of Conduct are requested to report these either through the regular official channels or to one of the three reporting offices. A central element of the whistleblowing concept is to protect reporting employees. Whistleblowers must not be subjected to any disciplinary, legal, or other measures to their detriment as a result of their reporting.

The Board of Directors is informed in detail about all whistleblowing reports, the corresponding clarification results, and initiated measures.

Against the background of the new EU Directive on the protection of persons who report breaches of European Union law ("EU Whistleblowing Directive") and its implementation in various national legislation, Arbonia will review its whistleblowing concept in 2022 and make adaptations as necessary.

### Code of Conduct training courses

White collar employees regularly take part in Code of Conduct training courses. These training courses discuss all the core topics of the Code of Conduct and go into greater depth on individual, more detailed instructions. The topic of whistleblowing is part of the Code of Conduct training. The employees are shown where they can make whistleblowing reports and what the further procedure is after a report has been received.

In the reporting year, preparations were made to survey the knowledge of white collar employees on the Code of Conduct in 2022 via an electronic learning platform.



## Risk management

The risk management process of Arbonia has been institutionalised for some time and is as follows: Once every three to five years, the risk catalogue is redefined from the bottom up and the top down on the level of business units, divisions and the group using a greenfield approach. In the other years, the existing risks are checked and adjusted if necessary, and additional risks are continually identified. The risk catalogue comprises strategic, operative, financial, economic, as well as external risks and forms the basis for the risk analysis workshops, which take place on the Group as well as the division level with independent, external support.

The workshops are designed so that a wide and varied circle of responsible people participate in them (generally eight to twelve participants per workshop). In the first step, the central changes compared to the previous year are discussed and integrated into the risk catalogue in the workshop. In the second step, the participants assess

the risks in relation to the extent of damage, probability of occurrence and effect on reputation. In addition, they discuss and define the cashflow relevance and the risk-reward ratio. This results in a corresponding risk matrix and associated expected values of the risks, which are finally discussed in comparison to the previous year and checked for plausibility in the group. After the workshops, the risk owners define how to handle the risks or determine appropriate measures for risk reduction within a defined period of time. These measures are reviewed and updated semi-yearly.

The results from the workshops are aggregated over all divisions (bottom up) and a comparison is made with the Group (top down). Group Management then discusses and adopts this assessment and quantification of the risks together with the measures for the top risks before they are submitted to the Audit Committee and the Board of Directors.



## Stakeholder engagement

Arbonia maintains an extensive exchange with all stakeholders that have a significant influence on the economic, ecological, and social goals of the company. This group of internal and external stakeholders includes customers, employees, shareholders and investors, analysts, public authorities, neighbours, and communities at the company locations – as well as partners such as transport companies, suppliers, research institutes, and associations as well as the general public. The communication with these groups takes place in the framework of personal discussions, meetings, conferences, and trade fairs, as well as surveys. The table "Inclusion of stakeholders and their concerns" gives an overview of the dealings with the individual stakeholders.

Membership in the most important chambers and associations – including Swissmem (association of the Swiss mechanical, electrical, and metals industry), SwissHoldings, Thurgau Chamber of Commerce and Industry, the employer's association, the German Federal

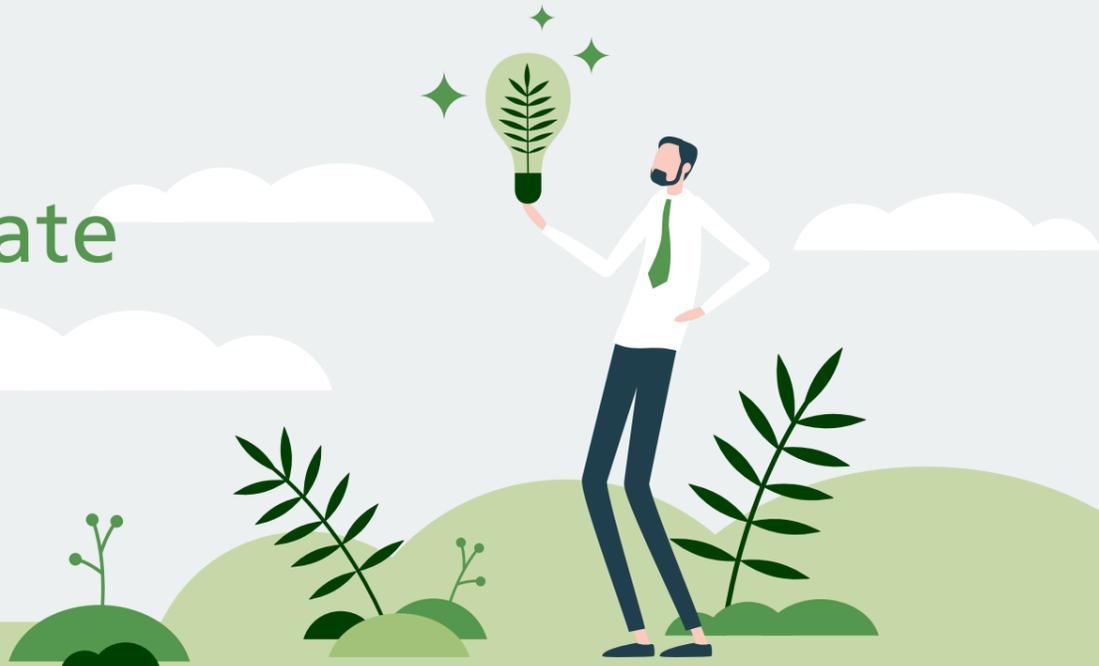
Association of Building Systems, and the German-Swiss Chamber of Commerce – allow Arbonia continuous communication with companies in related sectors and relevant interest groups. In 2021, Arbonia also initiated the accession to the UN Global Compact and will publish a communication on progress for the first time in the following year.

Arbonia is consistently committed to the communities at its production sites. For example, there are numerous donation programmes and supports for non-profit organisations at Arbonia. Many of the companies promote sports activities for youth and adults. The companies of Arbonia are also involved in some financing activities for scholarships to technical colleges. One company sponsored protective masks for senior citizens in Ciasna (PL) in conjunction with the COVID-19 pandemic. The company in Prüm (D) collected donations after the flood disaster in July 2021, supplemented them, and distributed them to the affected region.

### Inclusion of stakeholders and their concerns

Stakeholders	Form of inclusion	Concern
Customers	Internal and external customer surveys Personal discussions	Product quality, product life cycle, customer satisfaction
Employees	Staff meetings, Employee representatives, Labour unions, CEO messages	Occupational health and safety, strategy, sustainability performance
Shareholders and investors	General Meeting, representation by 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 particular 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, and fair cooperation
General public	Press releases	Current information on the company

# Climate



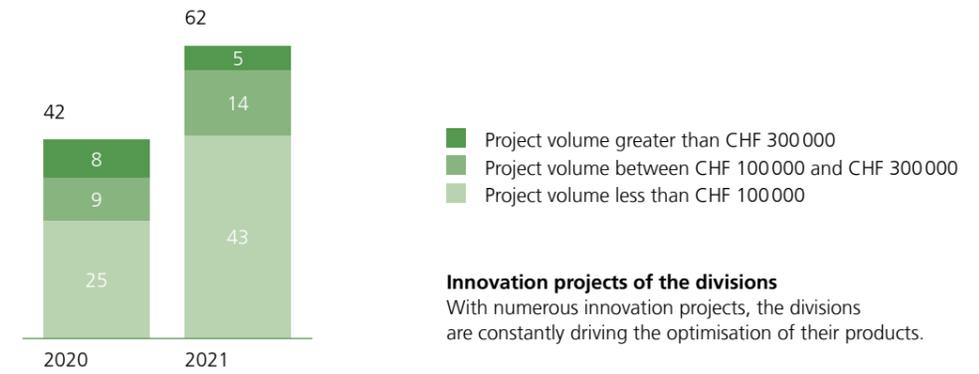
As a building components supplier for products and solutions centred around indoor climate as well as interior doors made of wood and glass, Arbonia takes responsibility for protecting the environment and climate. The focus is on the development of innovative products and solutions that are intended to continuously reduce the ecological effects of the company and its customers on the environment. However, saving CO<sub>2</sub> emissions and energy as well as carefully using resources at our own company as well as in procurement and the supply chain are also central issues that the company addresses.



## Innovative products and solutions

The permanent further development and improvement of existing products as well as the design of new, innovative products and solutions make a significant contribution to the long-term security and further expansion of Arbonia's market position. With the development of energy-efficient products and a consistent focus on green technologies and solutions,

Arbonia creates further innovation impulses. Arbonia's innovations allow it to respond to the increasing requirements of customers, residents and legislators. At the same time, the higher energy efficiency of these innovations helps to reduce energy consumption and thus achieve savings for customers as well.



## Heating, Ventilation and Air Conditioning Division

### Energy efficiency thanks to new products

The HVAC Division strives to continuously add environmentally friendly and energy-saving products and solutions to its existing portfolio. This is of great interest to the division because traditional heat transfer media as well as modern indoor climate solutions benefit from the European subsidy programmes due to their contribution to reducing the CO<sub>2</sub> emission of buildings and are therefore in great demand for new construction as well as for renovation. A current example for a corresponding product innovation is the newly developed storage system for electricity generated from solar energy. This product will be launched on the market in mid 2022 (see "Sustainable business development and market orientation", p. 82).

Another example for the innovative capability of the division is the electrostatic filter system "Crystal", which impresses with a 75% lower power consumption compared to conventional systems and has been in strong demand especially during the COVID-19 pandemic thanks to its ability to purify air in indoor spaces.

At the HVAC Division, the development of a new heat pump generation and their own energy storage proceeded as planned. Thanks to the technology used, the new energy storage is considerably more ecological

than conventional storage. Because the topic of sustainability is central in the area of indoor climate, this has top priority at the division and drives the company today and in the future – in the improvement of existing products and in the development of new ones as well as in further process optimisation.

The HVAC Division secures additional innovation impulses through participation in specialist trade fairs, studying specialist literature, cooperation in industry associations and standardisation committees, as well as consistent further training of employees. New developments are secured by applying for intellectual property rights if possible. The continuous and controlled product optimisation is ensured with regular reports to management as well as with a complete deadline and cost monitoring, among others.

### Action instead of reaction

The HVAC Division strives to consistently develop environmentally friendly and resource-saving products and solutions that are compatible with the economic balance of the company in the future as well. The stated goal is to identify changed market requirements – for example, due to new regulations and laws – early on and to offer new solutions proactively. A good example of this is found in the Indoor Air Quality (IAQ) area at

Sabiana: Because the regulations concerning air quality are changing and increasingly oriented to energy efficiency at the same time, the use of brushless DC motors (ECM) is progressively becoming standard. The revenue generated with such components has increased from 10 to 18% in the past five years and should grow to up to 20% of the total revenue of Sabiana by 2023.

**Mastered challenges**

As a result of the COVID-19 pandemic, many customer visits were cancelled again in this reporting year as well. Digital means of communication were all the more important – from webinars on various topics to the individualised homepages of the individual brands to product configurators based on augmented reality. The expanded use of these channels as well as the commitment to ensuring an optimum customer experience led to increased efforts in the area of digital security at the same time (see "Cybersecurity", p. 75).

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

	2021	2020	Delta
Employees in research & development (FTE)	72	58	25%
Expenditure on research & development (TCHF)	10649	8986	19%
Expenditure on research & development as a share of revenues	1.7%	1.7%	
Share of net revenues from third parties with new products <sup>1</sup>	10.8%	13.3%	
Share of investments in new revenue sources	26.1%	43.9%	

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



**Priorities and goals**

The HVAC Division achieves additive CO<sub>2</sub> savings through the operation of energy-efficient products<sup>1</sup> at customers.

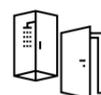
**Targets for 2025**

Savings of 350000 tonnes of CO<sub>2</sub>

**Status 2021**

Savings of 125000 tonnes of CO<sub>2</sub>

<sup>1</sup> Among other things: heat pumps, X2 radiators, ventilation with heat recovery, energy stores



**Doors Division**

**Complete offer delights customers**

The innovative products and solutions of the Doors Division are of critical importance to the struggle for new market shares. At the forefront is the production of wood and glass doors according to individual customer wishes as well as the development and manufacture of technical doors and fire protection doors as part of a joint project within the entire Wood Solutions Business Unit. The production is supplemented by various service solutions. For example, intensive support of customers during the construction phase is just as natural as maintaining the value of the manufactured products – for example, by providing specific cleaning agents and maintenance instructions.

**Customer-oriented products**

An efficient use of resources allows lean production at the division, which also successfully cushions the increased cost pressure. The development of high-quality products with minimal material usage will remain one of the great challenges for the coming years as well. This is based on an in-depth market observation: With regular customer surveys, the division guarantees that the wishes and demands of the customers are considered and reflected in the innovation process. In product development, the division not only concentrates on technical progress but also on an innovative design that is equally convincing to users and fitters. Knowledge sharing between the companies and the division as well as contact with research centres is also an important tool, although the continuing COVID-19 pandemic sometimes makes this communication difficult.

With customer-oriented new developments, a consistent

optimisation of portfolio and production as well as with a further strengthening of customer relations through the continuous expansion of the service offer, the division aims to strengthen its leading position in Switzerland, Germany and in other markets. Concrete steps for this are the further expansion of digitisation and the reduction of packaging material – as well as the development of new production lines. A good example from the Wood Solutions Business Unit are the new functional doors that have been designed by the division's development team on the basis of extensive tests and certification steps. The introduction of products with different edge designs in respect to decor and material as well as the implementation of a new soft-forming technology with radius R4, a smaller and more modern radius for wooden doors from Invado, which offers customers products with enhanced aesthetics, is also innovative and in line with the current market trends. The new plant equipment used for this purpose also offers additional advantages: It works more energy-efficiently, allows the production of special sizes in smaller quantities, and requires less material due to a new procedure.

Success monitoring for new developments is ensured with a systematic project management and regular reporting to management. Through their active participation in bodies and committees, the companies of both business units make an important contribution to developing future standards and regulations. In addition, this makes it possible to identify trends early on, in order to adapt the strategic orientation.

**Award-winning success**

The success of the companies in the Doors Division was not only confirmed by numerous positive responses from

customers in the reporting year, but also repeatedly documented by independent bodies. The Wood Solutions Business Unit with Prüm and Garant received the "Woody Award 2021" (awarded by the German Timber Trade Association) as an innovation prize for the point of experience and online configurator "DieTÜR". The Glass Solutions Business Unit with Kermi also won first place in the product group "Shower enclosures" in the biannual survey of the German trade journal "markt intern" for the ninth time in a row. The "White Line" of the company received three awards in 2021: the "German Design Award", the "IF Design Award" and the "Iconic Award". "Kermi EXTRA" was also named "Universal Design Winner Expert 2021".

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

	2021	2020	Delta
Employees in research & development (FTE)	50	44	12%
Expenditure on research & development (TCHF)	4950	4610	7%
Expenditure on research & development as a share of revenues	0.9%	0.9%	
Share of net revenues from third parties with new products <sup>1</sup>	21.4%	18.4%	
Share of investments in new revenue sources	46.9%	54.3%	

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



**Priorities and goals**

Invado and RWD Schlatter are increasing their share of certified products for "healthy living buildings" (emission label and environmental product declaration).

**Targets for 2025**

yearly increase of 5%

**Status 2021**

0%

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

The issue of "CO<sub>2</sub> and energy" is important to Arbonia in two ways: A great potential for reducing greenhouse gases is found in buildings, which are the largest cause of CO<sub>2</sub> emissions in Europe after mobility, with a share of over 30%. 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 makes a substantial contribution with its products. Improvements can be achieved with new buildings as well as with renovations – especially through the use of integrated system solutions, but also through the use of individual components of the HVAC Division. Furthermore, the interior doors made of wood and glass help to reduce the energy consumption of buildings thanks to their insulation.

At the same time, Arbonia wants to emit as few emissions as possible in its own operations, in production and in the area of transport and logistics. In the reporting year, the Group has defined a reduction path for its own CO<sub>2</sub> emissions (Scope 1 and 2) on the basis of the Science Based Targets Initiative and defined corresponding targets and measures. Arbonia is aware that the emissions of the upstream and downstream value added chain (Scope 3) are likely to be a large part of all emissions. It is therefore in the process of identifying the largest influencing factors for the Scope 3 emissions, in order to formulate reduction goals and measures for this as well.

In the reporting year, Arbonia already succeeded in increasing the share of renewable energy in total energy consumption to 41.0% (previous year: 38.1%). The 15% increase in the company's own electricity production through the expansion of photovoltaic systems significantly contributed to this. As a result of this and the increased use of renewable electricity, Arbonia was able to increase the share of renewable energy in the total electricity consumption from 23.6% to 32.7%. A further success was the 18.7% reduction in oil consumption for heat generation. On the whole, Arbonia has succeeded in reducing its GHG intensity (greenhouse gas emissions in kgCO<sub>2</sub>e/CHF net revenue) by 11.2% despite a considerably higher productivity.

In addition, Arbonia is planning to publish its environmental data in accordance with the Carbon Disclosure Project (CDP) in 2022. The commitment in the area of CO<sub>2</sub> and energy is beneficial to Arbonia because it allows the company to meet the increasing customer expectations concerning sustainability as well as growing legal requirements.

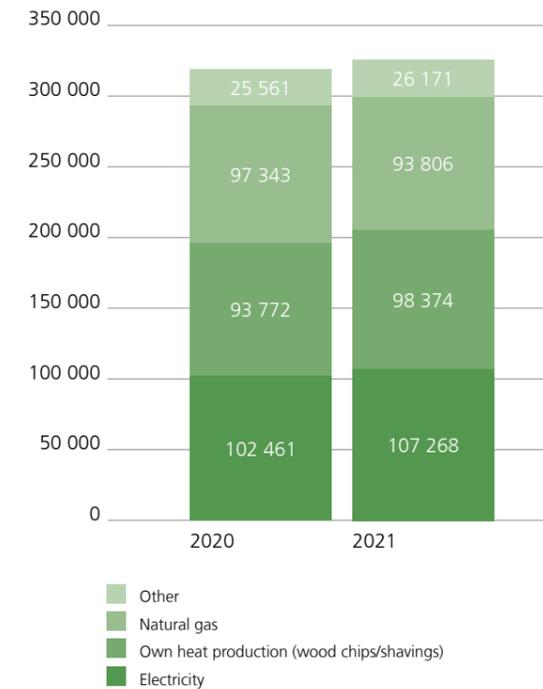
### Key environmental figures

	2021	2020	Delta
<b>Energy consumption in MWh</b>	<b>325 618</b>	<b>319 136</b>	<b>2.0%</b>
Thereof renewable	41.0%	38.1%	
<b>Electricity</b>	<b>107 268</b>	<b>102 461</b>	<b>4.7%</b>
Own electricity production <sup>1</sup>	12.2%	10.6%	
Total renewable electricity	32.7%	23.6%	
<b>Heat</b>	<b>194 464</b>	<b>193 924</b>	<b>0.3%</b>
Own heat production (wood chips/shavings)	98 374	97 343	1.1%
Natural gas	93 806	93 772	0.0%
Heating oil	2 285	2 810	-18.7%
District heating	0	0	0.0%
<b>Fuels</b>	<b>23 886</b>	<b>22 751</b>	<b>5.0%</b>
Diesel	22 624	21 402	5.7%
Petrol and Liquified Petroleum Gas (LPG)	1 262	1 349	-6.5%
<b>Energy consumption in kWh/CHF Net revenues</b>	<b>0.28</b>	<b>0.31</b>	<b>-10.4%</b>
<b>Greenhouse gas emissions in tCO<sub>2</sub>e</b>	<b>65 759</b>	<b>65 046</b>	<b>1.1%</b>
<b>Scope 1</b>	<b>27 719</b>	<b>27 530</b>	<b>0.7%</b>
Own heat production (wood chips/shavings) <sup>2</sup>	1 520	1 504	1.1%
Natural gas	19 227	19 220	0.0%
Heating oil	611	751	-18.7%
Diesel	6 049	5 722	5.7%
Petrol and Liquified Petroleum Gas (LPG)	312	332	-6.0%
<b>Scope 2</b>	<b>38 040</b>	<b>37 516</b>	<b>1.4%</b>
Electricity	38 040	37 516	1.4%
District heating	0	0	0.0%
<b>Greenhouse gas emissions in kgCO<sub>2</sub>e/CHF Net revenues</b>	<b>0.056</b>	<b>0.063</b>	<b>-11.2%</b>

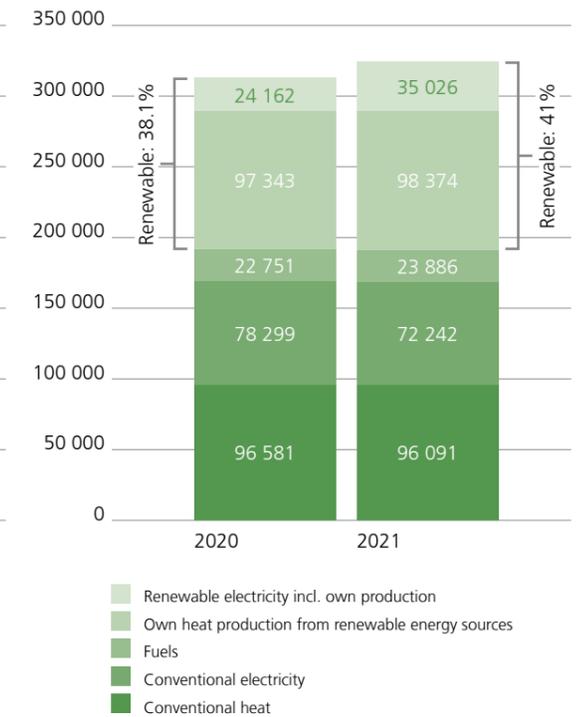
<sup>1</sup> The company's own electricity is produced by means of photovoltaic systems and a wind turbine. These plants do not cause any CO<sub>2</sub> emissions during operation.

<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 34 782 t CO<sub>2</sub>e in 2021 and 34 417 t CO<sub>2</sub>e in 2020.

### Energy consumption by energy source (MWh)



### Energy consumption composition (MWh)



### Data and calculation basis

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 combustibles and fuels.

Scope 2: Country-specific emission factors are used ("location-based approach").

Emission factors used: IEA 2020 and DEFRA.



### Priorities and goals

Arbonia reduces its CO<sub>2</sub> emissions from Scope 1 and 2.

### Targets for 2035

Reduction by  
Ø 4.2% per year  
(in relation to the  
reference year 2020)

### Status 2021

65 759 tCO<sub>2</sub>e

# Heat and electricity from wooden materials

## Introduction

At the site of the Doors Division at the production plant at Prüm in Weinsheim (D), the preparations for the new CHP plant are running at full speed. This will replace an existing plant there as well as supplant smaller, decentralised systems for heating the site. These include heating oil systems, among others. In the new CHP plant, the production residue of the site (in this case wood dust, chopped wood and so-called flakes) will be converted into energy and the energy released in the process will be used for heating and for power generation with the aid of a turbine. In this way, Prüm is taking a significant step towards climate-neutrality and simultaneously transferring residual materials to energy recovery in terms of a circular economy.

## Advantages of CHP plants

With the planned CHP plant that is being implemented, Prüm is pursuing the following three goals:

1. Own production of CO<sub>2</sub>-neutral electricity,
2. Own production of CO<sub>2</sub>-neutral heat, and
3. 100% use and pollution-free disposal of wooden residue.

At the forefront is the production of electricity and heat from renewable, regenerative raw materials. These are present in great amounts in the wooden door production at Prüm and therefore do not have to be additionally procured. In addition to the efficient, environmentally friendly electricity and heat production, this has the added advantage that the costly removal of production waste can be avoided. To comply with the legal limits in force, state-of-the-art flue gas filter technology is installed that reduces the emission of sooty particles, nitrogen oxides and CO<sub>2</sub> as much as possible. After the energetic recovery, only around 1% of the fuel remains as ash – in other words: Nearly 99% of the wood residue can be converted into heat and electricity.

## Design and objectives of the CHP plant at Prüm

For the new plant at the Weinsheim (D) site, the considerably increased efficiency as well as the capacity of the existing system are decisive criteria: The existing system is already working at capacity and can therefore no longer utilise all wood residue. Additional wood residue that will result at this site due to the considerable increase in the production capacities (around 1 million additional doors and frames) would therefore have to be disposed of at great cost. The new plant was

therefore planned with spare capacity and will be able to absorb the increased production capacities or the associated additional output of production residue in the next years as well.

The new CHP plant was approved in the previous year, 2021; in 2022, construction will begin so that the plant can begin operation as planned in summer 2023. The work is being planned and executed by the company GETEC, which specialises in the planning and operation of energy-efficient solutions for industry. In addition to the complete heat generation for the Prüm door production plant (for heating rooms as well as for production processes such as pressing or painting), the new CHP plant is expected to be able to cover up to 60% of the electricity requirement of the production plant. In addition, there are even energy reserves that can be provided to adjacent companies. Negotiations are currently underway to supply the neighbours with CO<sub>2</sub>-neutral heat and electricity as well.

The increased electricity production or the resulting reduction in purchased conventional electricity alone, in combination with the increased efficiency of the new plant, should reduce the CO<sub>2</sub> emission of the Prüm production plant by around 6000 tonnes per year or 50% compared to the existing system. In addition, the division also saves the disposal of several thousand tonnes of wood residue and the associated CO<sub>2</sub> emissions of several hundred truck journeys.



## Heating, Ventilation and Air Conditioning Division

### Better environmental balance for company and customers

Environmentally related activities affect all business processes – from research and development to production up to logistics and transport. It is correspondingly important that a contribution to reducing greenhouse gas emissions and saving energy is made at every level. The HVAC Division has paid special attention to these topics for many years and is continually taking new measures to improve the environmental balance further. A consistent reduction of energy consumption and CO<sub>2</sub> emissions not only makes an important contribution to protecting the environment and resources – it can also improve economic efficiency and the market position as a result. The topic of energy efficiency, which is important for optimising production, is naturally also considered in advance when developing new products: In this way, the HVAC Division ensures that the environmental balance of the customers is also improved by energy-saving products.

### Saving energy – and producing it ourselves

The HVAC Division has been dealing with the topic of energy efficiency for many years – at the latest since various production sites were certified according to the strict ISO standards 14001 and 50001, which demand continuous monitoring of the energy key figures, among other things. Monitoring and assessment of the energy efficiency within the division are therefore standard – as is a systematic procedure that is ensured by clear responsibilities and the company's own energy officers. These officers from the areas of production and logistics ensure that the goals in the area of energy are met. As in the past years, the energy management has concentrated on the largest consumers: With further investments in modern production plants and energy-saving LED lighting, it has been possible to reduce the electricity consumption. For example, Sabiana has optimised the electricity consumption for the new coating line. Thanks to the installation of LED lights in the halls SAB 2 and 3, it has been possible to reduce the annual energy consumption by 130 000 kWh. The new plant also has a lower gas consumption.

At the same time, the division has increased the electricity generation with its own photovoltaic systems, so that more and more sites can produce a large part of their electricity requirement themselves. The company's own wind power turbine with an output of 2 megawatts at the Vasco site Dilsen (BE) as well as the installation of low-temperature heating/cooling equipment that was carried out in the reporting year at Vasco as well also help to optimise the energy balance. Kermi has also continued the targeted optimisation of the entire vehicle fleet in Plattling (D) according to the emission standard "Euro 6", which will reduce the CO<sub>2</sub> emission of the division by at least 400 tonnes per year. The

division is also systematically pursuing the strategy adopted to construct an integrated, CO<sub>2</sub>-free system for an efficient and energy-conscious generation, transfer and storage of heat. For example, Kermi will be investing in a highly efficient, gas-operated CHP plant at the Plattling (D) site in 2022, which will lead to CO<sub>2</sub> savings in the amount of at least 425 tonnes annually. In Czech Opočno and Stříbro, state-of-the-art energy standards are taken into account in the new construction of a new heat pump production plant and in the investment in new compressors. The reduction of energy consumption is analysed and monitored at these sites in the framework of Six Sigma projects, a management system for process improvement.

### Ambitious goals – impressive successes

The manufacture of energy-efficient products requires energy. The HVAC Division has the goal of reducing this energy and increasingly obtaining it from renewable sources. The reduction of energy consumption and the expansion of energy supply from renewable sources aim to improve the CO<sub>2</sub> footprint considerably. Furthermore, the continuously optimised bundling of loads and the resulting decrease in the number of necessary trucks should reduce transport costs. In addition, the division uses telematics data to check and optimise the driving behaviour and routes. Vehicles with high emissions are replaced by new ones, for example, at Sabiana.

In addition to the implementation of the photovoltaic system, the renovation of the welding line cooling as well as the heat recovery in the welding fume extraction in the steel panel radiator production at the large site of Plattling (D) led to a considerable reduction in energy consumption in the reporting year.

### Provision of green areas at local sites

The preservation of biological diversity is closely linked to commitment in the area of CO<sub>2</sub> and energy. After an analysis of the biodiversity at the Plattling (D) site, initial measures were taken to protect and strengthen flora and fauna. The creation of green spaces and the planting of additional trees on the company premises will promote biodiversity at the local sites of the division. In addition to green areas, the supply of innovative and efficient products and the associated production and marketing processes also play a decisive role in promoting biodiversity. The division therefore places value on manufacturing on existing or reduced areas, despite volume growth in the sense of production consolidation. Areas with dense building structures in the production plant are offset with biologically cultivated compensation areas.



### Implementation of the strategy with consistent monitoring

Because higher energy efficiency and reduced CO<sub>2</sub> emission are strategic goals of the HVAC Division, the corresponding measures are checked with a continuous monitoring of the key figures in energy management. This also makes it possible to measure the proportion of regenerative energy in the individual companies of the division. The main goal of all companies is to grow responsibly and strive for maximum energy efficiency.



## Doors Division

### Responsibility for reducing CO<sub>2</sub> emissions and energy consumption

Previously untapped potentials for increasing the energy efficiency and reducing the CO<sub>2</sub> emission can be more quickly and more easily identified with a holistic view of the topic. It is a fact that optimising the energy consumption – along with improving the CO<sub>2</sub> balance – has long since become a task of all companies, departments and areas of the Doors Division. Specifically, every person has the possibility of pursuing this goal and making their own contributions in the form of suggestions for improvement. All goals in the area of energy efficiency are defined annually and underscored by corresponding actions in the Doors Division.

### Numerous measures for greater environmental protection

The measures for increased efficiency are checked and ensured through consistent energy management. An annual budget is available for measures for increased efficiency. Furthermore, some of the companies regularly perform certification audits according to the standards ISO 9001, 14001 and 50001. Energy efficiency is an important factor especially in modernising production lines and peripheral systems because it can reduce electricity consumption. Planned or already implemented investments in state-of-the-art production facilities, as well as the consistent use of energy-saving LED lighting, continually reduce the electricity consumption in the companies of the Doors Division. Garant, for example, set a goal in the reporting year to reduce its energy consumption by 100 000 kWh per year by upgrading the lighting to LEDs. Energy-saving technology is of course also used for new buildings and renovations at the operating sites. And finally, the degree of self-supply is continually increased further by constructing new energy supply systems or expanding existing ones. At the door production plant of Prüm, residual materials from manufacturing are used for heat and electricity produc-

tion: The 30-year-old CHP plant there is currently being replaced by a new plant due to new environmental protection regulations. The new CHP plant, which will go into operation in 2023, can produce twice as much electricity from biomass waste as the old plant. As a result, Prüm will be able to produce up to 60% of its electricity requirements from its own generation. The Garant production plant will be taking a similar path: In 2021 the planning phase was started there for a state-of-the-art CHP plant that will go into operation in 2024. This plant will similarly cover around 50% of the electricity required by the production plant.

### Conservation of biodiversity

One of the most important direct drivers for the loss of biodiversity are climate changes due to the release of greenhouse gases resulting from fossil fuel consumption. The Doors Division therefore implements concrete measures and innovations to protect biodiversity. It has reduced the total solvent emissions for the manufacture of doors by one third in the past years and now relies more on water-based coating materials. The Prüm company has helped to restore a compensation area of 12 567 m<sup>2</sup> and guarantees the financial support for the necessary maintenance of the deciduous mixed forest for the next 30 years. Most recently, the division has dedicated itself to creating beehives and bee colonies as part of its wood training workshop.

### Consistently monitored goals

The Doors Division wants to reduce its own footprint even more in the coming years by reducing its energy consumption and generating its own energy from renewable sources to the greatest possible extent. In addition, not only manufacturing facilities are optimised for increased efficiency but also production processes – such as, for example, with the introduction of a shopfloor management at RWD Schlatter in Switzerland. At Invado in Poland, the electric power consumption

could already be decreased thanks to continuous modernisation of the production facilities. To achieve a maximum effect, the infrastructure components that had a high energy consumption or a high failure rate were replaced first. With further optimisation of the production lines, the use of a monitoring system for electricity consumption, and the replacement of lighting in the production halls, the energy consumption as well as the CO<sub>2</sub> emissions per manufactured product are to be reduced further in the coming years. Specifically, the meta-halogen light sources are to be replaced by energy-saving LED lights at Invado. At the Prüm site, it has been possible to lower the energy consumption per manufactured part to 10.95 kWh – considerably below the target value defined in 2020 – through higher machine productivity, the changeover to LED lighting, and the continuous use of energy-saving motors. At Kermi Sanitär in Platting (D), it was also possible to reduce the energy consumption through a changeover to LED lighting and shopfloor management, among other things. At this site, the consumption is monitored via installed meters.

The cross-divisional energy management systems made it possible to considerably simplify the analysis of consumption values, leading to a higher sensitivity for energy savings. At Kermi and Bekon-Koralle, for example, measurements are carried out in production via a modern data acquisition system at least once a month – sometimes even daily – to identify any weak points and immediately replace inefficient consumers. Prüm and Garant ascertain monthly specified energy performance values and have their energy management systems externally checked and certified every year (TÜV and ICG). At Prüm and Garant, the energy and environmental management is also evaluated as part of the yearly management review. The current consumption during operation is also regularly monitored at Invado in Poland and compared with the figures for the previous year. To check the efficiency of the measures taken, the energy consumption as well as the CO<sub>2</sub> emission is determined for each manufactured product. In addition, audits are carried out at regular intervals. RWD Schlatter also has its own energy management system: Targeted measures are derived from the energy key figures that are collected and analysed at least once a year.

### Progress and successes

At Kermi and Bekon-Koralle, a cross-functional team of the Glass Solutions Business Unit has developed a new concept for reducing packaging material: To reduce transport weight – and thus improve the environmental balance – the previous wooden packages were replaced by equally functional but considerably lighter cardboard honeycomb panels. At the Garant production plant, a comprehensive energetic evaluation of the manufacturing facilities and the associated infrastructure was introduced in 2021. The corresponding results are analysed by the energy team every month so that management can intervene immediately if variances should occur. In the reporting year, the company was able to fill the position advertised for the areas of energy and environmental management with an expert, thus achieving an important step in continually improving its sustainability performance. The future CHP plant at the Prüm site is currently in the implementation phase and will be fully operational at the beginning of 2023. The new plant will cover approx. 60% of the entire electricity requirement of the door production plant and additionally heat an area of around 24 000 m<sup>2</sup>. It will be a challenge to keep the energy efficiency ratio at a low level because the future frame production plant of Prüm will require a great deal of electricity during the construction and start-up phase – without producing a corresponding amount of parts.

The use of a new CNC machine at RWD Schlatter led to an increase in efficiency and a reduction in energy consumption in production. The installation and commissioning of the new plant was carried out despite problems from temporary border closings due to the COVID-19 pandemic. Invado also successfully passed an inspection of the Polish environmental protection agency. In the middle of the year, a new edge plant from Homag was also put into operation that reduces rejects thanks to increased production quality. In combination with increased efficiency, this circumstance has a positive effect on the energy consumption per manufactured product.



## Resource efficiency

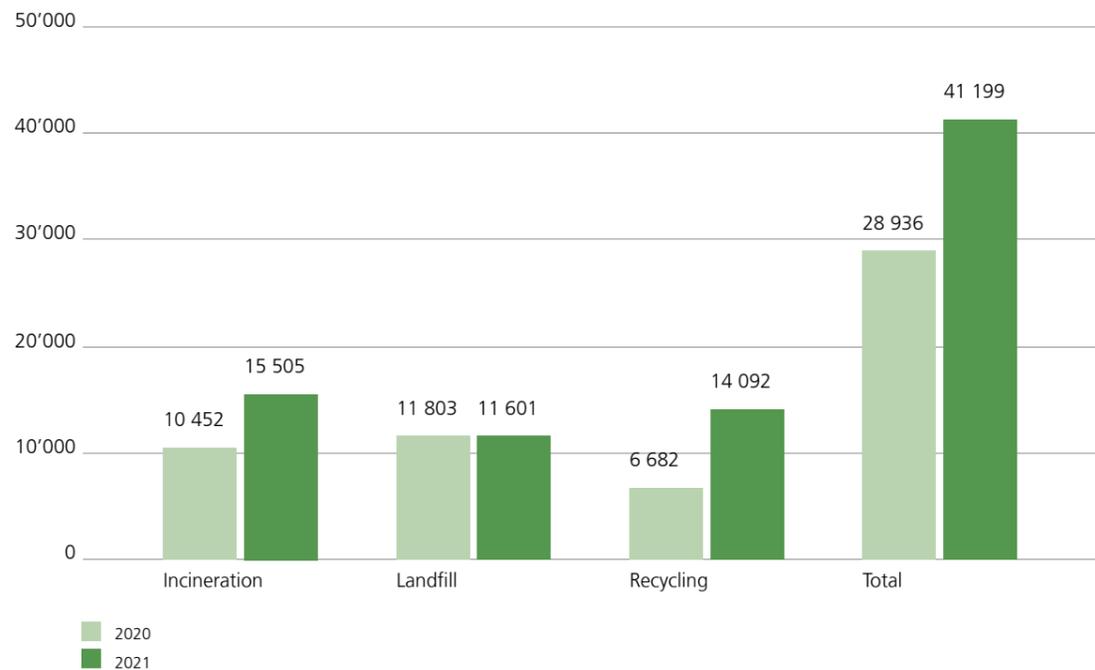
The stated goal of Arbonia is to protect natural resources. A sound resource management and waste avoidance relieves the burden on the environment while reducing material consumption and rejects at the same time. The energy- and material-efficient production on the basis of a good resource management, which extends from energy-efficient procurement of primary materials to the delivery of the products, reduces manufacturing costs and thus increases competitiveness. For this reason, Arbonia takes into account potential energy and material savings in the development of new products as well as in the further development of existing products. Waste that accrues during operation is consistently separated, pretreated where necessary, and sent to recycling. Arbonia companies regularly examine measures for using resources even more sparingly – for example, with a clever product design and a production that is as error-free as possible. To ensure a careful use of resources, in particular regarding water and waste, Arbonia also issued a water policy and a waste policy in the reporting year that went into effect on 1 January 2022.

### Key figures for resource efficiency

	2021	2020	Delta
Error costs in % of net revenues	1.3	1.4	-4%
<b>Waste in t</b>	<b>41 199</b>	<b>28 936</b>	<b>42%</b>
<b>Non-hazardous waste</b>	<b>32 967</b>	<b>19 916</b>	<b>66%</b>
Incineration	9 590	4 422	117%
Landfill	10 738	10 716	0%
Recycling	12 639	4 777	165%
<b>Hazardous waste</b>	<b>8 232</b>	<b>9 021</b>	<b>-9%</b>
Incineration	5 915	6 030	-1.9%
Landfill	863	1 086	-21%
Recycling	1 453	1 905	-24%

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. The survey method was changed, which is why the values for 2020 and 2021 are not comparable. In future, the values will be collected consistently.

Waste by disposal method (in metric tonnes)



## Heating, Ventilation and Air Conditioning Division

### Continuous resource minimisation and recycling

The HVAC Division has the goal of minimising the use of material in production. The error costs within the division are to be reduced to significantly below 1% of the annual turnover – while simultaneously increasing productivity. Furthermore, the division wants to use more recycled materials in all areas. The aim is also to reduce waste and the associated direct and indirect costs. The amount of products that are sent to waste incineration and landfills is also to be analysed and minimised. As a result, employees who have been primarily involved with waste disposal and recycling so far can now be used more for projects for increasing sustainability. Last but not least, the division also makes an important contribution to the careful use of resources with its products as well. Flat panel radiators, for example, are nearly completely recyclable and can be recycled at the end of their lifetime.

Within the division, resource efficiency is continuously monitored by, among other methods, tracking key

figures for internal and external error costs, internal and supplier audits (functional cost and value analyses), or monthly reporting.

### Impressive results from targeted measures

By complying with internal and external guidelines and thanks to efficient processes, it was possible to reduce the reject and error costs further in the reporting year. At Kermi, the current projects for reducing sheet thicknesses were advanced further. The greatest challenged turned out to be maintaining the required pressure stability. At the Střibro site, the packages were optimised: Instead of foil and polystyrene, packages of reusable cardboard are now being consistently used. At Sabiana, it was possible to considerably reduce the copper scrap that occurs. A new ultrafiltration plant allows sustainable water treatment, thereby reducing water consumption. In the reporting year, the Sabiana company also started a consistent waste separation and recycling programme in offices as well as in production.



### Priorities and goals

The HVAC Division reduces the use of materials in production.

### Targets for 2025

Reduction of error costs by 3% annually.

### Status 2021

< 1%



## Doors Division

### Minimise, recycle, optimise

In the Doors Division, the topic of resource efficiency primarily comprises minimising production waste, but also dealing with waste that occurs during operation. An efficient use of resources especially includes reducing production residues, but also an optimum configuration of transports to minimise special journeys.

### Resource efficiency along the entire value chain

Resource efficiency is relevant to the Doors Division along the entire value chain. In order to optimise material consumption and avoid waste, a resource-conserving production is already aimed for in the development stage. The use of old parts or carry-over parts is also checked in this phase. The topic of resource efficiency is closely linked to product quality in the Doors Division – because high-quality products not only mean fewer rejects but also fewer complaints and thus a higher customer satisfaction. In the division, reject and error costs are to be minimised through continuous

monitoring of the resource efficiency. For example, the packaging concept of Kermi Sanitär in Plattling (D) has been changed in the past years to avoid the use of polystyrene and foils as much as possible.

An efficient use of the required resources is achieved through stable, simple processes and the consistent reduction of rejects. Residues from production are recycled whenever possible. To improve resource efficiency, permanently informing and training employees is also decisive.

The topic of sustainability certification of the manufactured products is continually gaining relevance: More and more customers demand low-pollutant materials and attach importance to a certification. In addition, numerous products already undergo testing for harmful substances and are correspondingly certified according to the guidelines of the ECO Institute. To define the processes, the individual companies place great value on

a close cooperation between the management and the production, maintenance and technical departments. For example, Invado has succeeded in improving the economic efficiency and the resource efficiency of production processes by introducing the one-piece flow principle. The new process ensures considerably lower time, material and resource costs and thus more effective production. Lean manufacturing will make it possible to increase quality and thus reduce the number of complaints to a minimum in the medium term. To achieve the overarching goal – the strengthening and expansion of its market position by providing innovative and reliable products – the division strives to continuously develop and improve its quality management systems. Improvements in manufacturing technology are just as natural as the ongoing modernisation of the machinery and a target-oriented selection of suppliers to improve the quality of raw materials. Other important factors are continuously improving personnel qualifications, involving all employees in implementing all measures, and transferring the responsibility for quality to the employees.

**Ambitious targets**

For the Doors Division, the inclusion of energy-specific and environmentally relevant key figures plays an important role in the planning and design of future production technology. Garant, for example, intends to reduce its energy and resource consumption per manufactured part by at least 3%. This is to be achieved through improved efficiency of the machines, preventive maintenance and servicing, optimisation of production control and reduction of downtimes. RWD Schlatter also wants to make these processes sustainable in the future. With its state-of-the-art machinery, the company has already laid an important foundation for this. Special

attention is also to be paid to a further reduction in production waste and a consistent recycling of residues. Invado has set itself the goal of supplying doors and frames exclusively in cardboard packaging in the future. This approach is currently being tested with a pilot solution for products for the French market. In addition, Invado wants to carry on the principle of continuous improvement. The desired implementation of the SAP system (incl. production and detailed planning as well as production control system) is to help with the planning and tracking of production processes. Thanks to this integrated company management software, the company will be able to monitor the production more efficiently, identify the places that produce the most waste – and initiate improvement measures on the basis of this data. The companies of the division also want to reduce their inventories in order to optimise the use of resources here as well and additionally improve delivery accuracy. The targets are monitored through monthly tracking, among others.

**Successes in the reporting year**

At Kermi and Bekon-Koralle, many of the desired measures could be implemented in the area of resource efficiency despite the ongoing pandemic. The commissioning of the new packaging plant at Kermi led to a significant reduction in production waste. With the use of environmentally friendly and reusable packaging materials, it was also possible to reduce the customers' disposal costs as well. Prüm, Garant and RWD Schlatter were able to further increase their material efficiency in the reporting year. Invado introduced a procedure for monitoring and identification of faulty products to optimise manufacturing processes. This process and the initiated corrective measures have already led to a reduction in rejects.



**Priorities and goals**

The Doors Division reduces its resource consumption for water (in m<sup>3</sup>), gas (in MWh), and waste (in t).

**Targets for 2025**

Annual reduction by 3%



**Procurement and supply chain**

A sustainable supply chain creates innovation and drives the development of new management and production methods, improves reputation and competitiveness, strengthens and maintains customer relationships and attracts investors. Furthermore, a sustainable supply chain makes it possible to control and optimise costs and resources, which can lead to efficiency and savings in the long term.

The topic of procurement and supply chain at Arbonia comprises on the one hand the procurement management for the most commonly used materials and semi-finished goods – in other words, wood, steel, glass and aluminium. On the other hand, the assessment of suppliers according to ecological and social criteria is also a part of it. In this context, respect for human rights in the supply chain is of vital importance. Arbonia also pays attention to maximum sustainability with its suppliers. Since more than 96% of used materials are sourced from suppliers in Europe, a high standard is already enshrined in law.

The group is raising awareness of ecological and social factors in purchasing and is working on a company-wide standard for supplier assessment according to ESG criteria (environmental, social, governance). Starting in 2022, this assessment is to be mapped on the new e-procurement platform of the Group. For evaluation of the suppliers, external key figures (e. g. creditworthiness, risk indicators, ESG ratings) are also to be collected and combined with the internally generated data for a holistic assessment in the future. For this purpose, Arbonia decided in the reporting year to procure external ESG ratings via EcoVadis starting on 1 January 2022. The aim is 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. In Germany, the Bundestag passed the Supply Chain Due Diligence Act in June 2021, which provides a legal framework for the responsibility of companies along the entire supply chain. The law is graduated according to own business operations, direct suppliers and indirect suppliers. Further graduations take into account the type and scope of the business activity, the company's ability to influence the originator of a violation, the typically expected severity of the violation and the nature of the company's contribution to the cause. The new Supply Chain Due Diligence Act is relevant for all Arbonia companies active in Germany. In the second half of the reporting year, these companies started to evaluate the concrete effects of the new legislation and initiated corresponding measures for compliance. The companies operating in Switzerland also started a comparable process to determine the implications of the counter-proposal to the Corporate Responsibility Initiative, the provisions of which went into force on 1 January 2022 and will apply for the first time in the 2023 financial year.

In addition, Arbonia prepared a Supplier Code of Conduct in the reporting year that is to be successively extended to as many suppliers as possible. In order to promote the local economy and minimise delivery routes, Arbonia prefers to procure the required materials, semi-finished goods and products from local suppliers. In the past year, the purchasing volume of Arbonia has been around 800 million Swiss francs. Almost 65% of this was obtained from local suppliers – in other words, from companies located in the same country as the purchasing company.



**Priorities and goals**

Arbonia puts an e-procurement platform with an interface to EcoVadis into operation.

**Targets for 2025**

Increase in the proportion of our purchasing volume that is covered by sustainability ratings



## Heating, Ventilation and Air Conditioning Division

### Holistic view of the supply chain

In the past two years, the COVID-19 pandemic has made it clear that the topic of procurement and supply chain has numerous direct and indirect effects on Arbonia's business. The year 2021, for example, was a challenging year for procurement for the HVAC Division – with price and supply problems in all purchasing categories. The division has therefore taken the widest possible approach: The context of procurement and supply chain not only includes all direct material (all materials that enter the inventory through purchasing and procurement) but also indirect material such as tools and equipment, consultancy and rents. The companies of the HVAC Division take care of this overall demand in the supply chain and consider it part of the value-added chain.

### Increased requirements – new measures

An intensified procurement of sustainable products is a matter of course for the entire HVAC Division. A good example of this is, among other things, the pilot project for procuring decarbonised steel (with green steel certificate) for the production of steel panel radiators at the site in Platting (D). Sabiana also undertook initiatives together with its suppliers to guarantee the sustainability of the supply chain. For example, 80% of the direct expenditures are covered by supply agreements with the most important suppliers. These include ecological aspects (e.g. environmental protection, prohibited substances) and social issues (e.g. respect for human rights, prohibition of child, forced and compulsory labour). The division checks the suppliers' positions on the regulations concerning prohibited materials annually. In addition, Sabiana has initiated a data survey to check the positions of the suppliers on the topic of conflict minerals (3TG). In regard to waste management, the company has concluded a formal agreement with the suppliers to formalise all aspects (disposal licenses,

information on the type, volume and costs of the waste etc.). At Vasco in Dilsen (BE), it was possible to reduce the number of trucks used through a consistent optimisation of the logistics and the logistic partners. In the packaging area, Sabiana launched programmes for different products in which packaging has a great effect on the costs and disposal. For example, the company is involving suppliers in an attempt to introduce multi-use containers, replace conventional wooden pallets with corrugated cardboard pallets, and redesign component packages to avoid waste.

### Clear responsibilities in regard to procurement and supply chain

Products are to be developed that can be manufactured sustainably, in close cooperation with the customers and the marketing and sales departments. The main goal of Sabiana in 2022 is certification in accordance with ISO standard 14000, which evaluates the effects of the supply chain on the environment. The company intends to achieve this goal through the definition of clear competences and responsibilities, regular exchanges of information, as well as status reports and communication of the key performance indicators (KPI). In the reporting year, Sabiana monitored the progress, results, and achievements of smaller projects (supply agreements, RoHS, REACH, 3TG, etc.) monthly and properly registered them with status reports. In this context, the head of logistics has the goal of monitoring transport costs monthly and optimising them in relation to the value of the transported goods.

participation of all companies and customers in the dual system (the Green Point). This system helps ensure that consumers separate waste, while companies pay a fee for the volume of packaging materials (e.g. vinyl, paper) of their products. This is to ensure that valuable raw materials are returned to circulation and the cost of this is already borne in advance.

### Targeted measures for success

Observing criteria in the area of procurement and supply chain is decisive, since audits are also increasingly being carried out by customers. The customers of Invado, for example, regularly check what materials the company uses to manufacture doors and frames and from where raw materials come. To meet the high demands of customers, the division prefers to work with suppliers who have proven themselves for many years.

By avoiding or selling production waste instead of disposing of it, the division wants to reconcile its goals of securing earnings and increasing profit with environmental protection and resource conservation. The effectiveness of the approach taken is checked through continuous tracking of the target indicators. To ensure that the criteria regarding procurement and supply chain are observed, all companies of the division carry out internal as well as external audits in the areas of quality, social issues and energy efficiency. For this reason, a strategic category management was further expanded in the division during the reporting year. This continuously collects and evaluates market information to react to potential risks in the supply chain early on.

In 2021, Kermi and Bekon-Koralle were able to install a completely new packaging concept with a highly automated plant to optimise resources further. This reduced packaging materials by the desired amount (shrink film by 90%, polystyrene by 40% and wood by 67%). By the end of 2022, the Glass Solutions Business Unit will also have achieved the goal of completely film-free packaging. With the selection of new suppliers, it was also possible to minimise the transport routes and thus the CO<sub>2</sub> emission.

In logistics, the material supply in cooperation with local carriers is an important building block for operating efficiently and at optimal cost. The so-called milk run concept is a concept of procurement, production and distribution logistics for providing material as needed within companies and between companies. When a carrier supplies material to the division, it will also often take goods for delivery to customers. Analogously, the division carries materials from suppliers to the production plant after customer deliveries. This prevents empty trips.

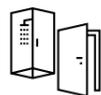
### Increasing vertical integration

With the acquisition of Glasverarbeitungsgesellschaft Deggendorf GmbH (GVG), a subsidiary of the Saint-Gobain Group and one of the leading glass processing companies in the segments of single-pane safety glass and laminated safety glass in Germany, the Glass Solutions Business Unit integrated the processing of its most important raw material, glass, into its own production processes, thereby increasing its vertical integration. This makes it possible to flexibly optimise the procurement times for glass and considerably reduce process costs in handling. The division is also reducing its dependency on external partners, also in respect to the issue of sustainability: The division now has the scope to directly influence the parameters for its economic success as well as for the sustainability of one of its most important raw materials – glass.

### Challenges in the supply chain

As a result of the COVID-19 pandemic, material procurement was also a challenge at RWD Schlatter. Thanks to the outstanding efforts of the procurement team, the company was always able to supply its customers in time. The desired digitisation and modernisation of the procurement and supply chain area are still the focus of RWD Schlatter's efforts, although the resources available for this are sometimes a challenge. In a similar way, the use of a warehouse management system at the Glass Solutions Business Unit was able to contribute to an efficient processing of deliveries.

At Invado, it was possible to maintain the standards specified by the customers in the reporting year. The consistent maintenance of raw material deliveries allowed maximum continuity in production – and thus a punctual delivery of the orders. Here too, problems with the availability of materials and raw materials as well as the related high prices proved to be the greatest challenges.



## Doors Division

### Local procurement

The companies in the Doors Division work according to the specifications, values and goals of the Group along the entire value-added chain. Suppliers from the EU or the EEA are preferred; ideally they are businesses from the same country as the producing company. This not only shortens transport routes and minimises environmental pollution but also makes it easier to control the production modalities than in a partnership with suppliers from far-away regions. In the context of the supply chain, the companies of the division pay atten-

tion to a consistent control of the wood origin as well as a continuous monitoring of the chemicals used, among other things. This allows the division to avoid toxic substances and replace them with less problematic materials. In addition, the company aims to gradually transition to ecological packaging materials such as cardboard and paper instead of plastic and polystyrene, in addition to avoiding or recycling packaging waste, in order to make the sold products as environmentally friendly as possible along the entire supply chain. In Germany, for example, this is ensured by the consistent

# Community



Arbonia’s employees are the driving force and at the same time ambassadors and implementers of Arbonia’s goal, namely to supply its focus markets with energy-efficient, high-quality and durable products for buildings to promote energy-efficient new buildings and renovations for a resource-efficient future. The employees show themselves to be committed, determined, and reliable in their everyday work.

As an internationally active company, Arbonia is aware of its responsibility for respecting human rights and avoiding child labour. In all countries in which it is active, it complies with the United Nations' General Declaration on Human Rights, the UN Convention on overcoming discrimination against women, the UN Convention on the Rights of the Child and additional international

humans rights protection standards. In the reporting year, Arbonia also initiated the accession to the UN Global Compact and has committed to supporting the implementation of the ten principles in the sub-areas of human rights, labour standards, environmental protection and fighting corruption. The accession was initiated in 2021 and confirmed in January 2022.



## Occupational health and safety

Arbonia promotes a culture of safety and health at a high level by operating safe production plants as well as distribution and logistics sites. Avoiding accidents and injuries is just as much a part of occupational health and safety as a corresponding risk analysis, derived measures and a health-promoting work environment. This is to reduce absences, prevent illness, and reduce physical and psychological stresses. Risk avoidance and health protection are a central topic in employee training at Arbonia; Arbonia continually analyses the corresponding developments internally and externally.

During the reporting year, Arbonia further expanded the company health management system and took targeted measures to minimise non-occupational accidents as well. Safety training takes place depending on the risk profile of the workplaces. For prevention and early detection of health risks of employees, Arbonia regularly holds leadership courses for superiors.

The topics of work and health protection are precious assets for the two divisions of Arbonia and their companies. All sites of Arbonia fulfil the related legal requirements of the respective countries, but there is no certification according to OHSAS 18001 or ISO 45001.

During the ongoing COVID-19 pandemic, the health and safety of employees is a priority topic. All subsidiaries of Arbonia quickly took measures to comprehensively protect the employees in the production plants as well as in the offices. Thanks to targeted prevention and regular, free tests, it was possible to maintain regular operation everywhere at all sites in 2021 as well. At many Arbonia sites, employees were able to receive a coordinated vaccination offer.

### Key figures of occupational health and safety

	2021
Proportion of employees covered by an occupational health and safety management system	97%
Absence rate	5.5%
Accident frequency rate (number of accidents per 200 000 hours worked)	6.9
Rate of accident severity (lost days per 200 000 working hours)	67.8

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. No comparative value is reported for 2020 because the survey method was changed.



### Priorities and goals

By increasing occupational safety, we reduce the number of days lost as a result of occupational accidents.

### Targets for 2025

Reduction of days lost by 25%

### Status 2021

67.8 days lost



## Heating, Ventilation and Air Conditioning Division

### Motivation and productivity thanks to high safety standards

Since health protection and workplace safety directly help to increase employee satisfaction and improve productivity, these topics are of decisive importance to all areas of the HVAC Division. According to this principle, the air quality in offices is just as reliably monitored as measures for increasing safety in the production area. To prevent accidents and injuries, the responsible people of the division regularly evaluate the safety of the production facilities as well as all measures for improving this safety. The same holds true for the risk analysis of the company and the correspondingly derived action plan. Further measures for promoting health and safety are the continuous analysis of the exposure of employees to hazardous substances, an inspection plan for determining risks and improvements, as well as regular safety training. Consistent occupational health and safety is also an important topic for the HVAC Division because of its effects on the operating activities of the companies: Every accident and downtime causes additional costs. Risks involve a slowdown or failures in production, loss of reputation and negative effects on employee morale.

The HVAC Division succeeded in reducing the days lost due to work accidents by 10% compared to 2020 through targeted measures for increasing work safety.

### Prevention thanks to training and process optimisation

All employees of the HVAC Division receive annual safety and fire protection instruction matched to the needs of their work area. Internal and external safety training courses are regularly offered by the division – training to be a first aider and company paramedic every year, for example. In addition, all relevant training courses of their labour unions are also open to the employees.

Every accident report is tracked by an occupational safety officer in the individual companies. It is checked whether similar accidents can be avoided in the future by changing the procedures or by additional safety measures. The Sabiana company is currently introducing an occupational safety management system according to the international standard ISO 45001 that is based on the already implemented and certified quality management system ISO 9001.

Employees are consistently involved in the design of the occupational safety systems because they have valuable suggestions for improvement. At Kermi, all work processes are regularly checked – with the aim of minimising physically demanding or strenuous activities through technical support or the use of machines. In the administrative area, the individual work situation is continuously optimised thanks to regular area inspections by

the company doctors – for example, through the use of height-adjustable desks. At Sabiana, internal area inspections and hazard analyses are standard for all workplaces. Employees benefit from a health insurance that provides preventative medical check-ups for the entire family.

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 accidents or illness should occur, shift paramedics and first aiders are available.

### Less absence – higher employee satisfaction

The main goal of the HVAC Division in the area of occupational safety is to promote and maintain the health of all employees. In addition, effort is made to reduce the accident and illness rate and to establish a consistent health and safety culture. This specifically concerns risk identification in all areas of the company as well as measures for reducing these risks and for eliminating potential hazard sources. Further topics are the optimisation of physically strenuous tasks as well as making employees aware of the topics of accident prevention, occupational safety and health promotion. At all companies, statistics concerning the sickness rate and the accident rate give a monthly overview of the current situation. The low absence rate and the high productivity prove that the HVAC Division is well positioned in respect to occupational health and safety.

### A variety of measures – despite COVID-19

With the "Job Bike" initiative, the HVAC Division gave the employees at the Plattling (D) site access to e-bikes in 2021 as well. Numerous employees took up this offer in order to do part of their personal fitness programme on their way to work and thereby improve their own quality of life and health. At Kermi, a possibility for smoking cessation was offered via the Health Task Force (in a virtual format due to the ongoing COVID-19 pandemic). As a result of the pandemic, no seminars, courses, or lectures on occupational health and safety could be held in the reporting year. Preventative medical check-ups (e.g. skin cancer screening) were also cancelled due to contact restrictions. After the measures due to COVID-19 are repealed, Kermi intends to make these offers available to all employees again. At Sabiana, it was possible to continue the programme for improving machine safety according to the targets.



## Doors Division

### Safety has top priority

For the Doors Division, avoiding accidents and injuries is just as much a part of occupational health and safety as a corresponding risk analysis. A safe and healthy work environment is made possible by regular safety tours with all parties and corresponding improvement measures. The activities in the area of occupational health and safety include raising the awareness of employees, risk assessment at the workplace, ensuring machine safety, as well as the prevention of accidents and occupational illnesses.

### Health promotion, prevention and training

Occupational health and safety are central and decisive topics in the entire value chain of the division. The reasons for this are obvious: Increased safety and prevention can prevent injuries and illnesses – and sometimes even save lives. At the same time, a clear commitment to occupational safety can also improve operational processes and profitability as well as reduce the risk of liability: Healthy, effective employees are the basis for optimised processes with less inactive time and higher product quality.

Because the health and safety of employees always have top priority for the Doors Division, the lowest possible accident and illness rate is aimed for. The individual companies take numerous measures to maintain and promote the health and performance of the employees. This includes, among other things, company health programmes such as the platform "Focus on People" at Kermi and Bekon-Koralle or an extensive range of courses and seminars on a variety of topics. Professional company medical care and preventative medical check-ups can also be taken advantage of.

To identify possible hazards early on, the different committees of the companies (work protection committee, health task force, works council task force, work and health protection) hold regular meetings to analyse the current situation and develop suitable measures. Internal area inspections and hazard analyses have been implemented for all workplaces as a cross-divisional standard. Standardised processes make it possible to

avoid hazards as much as possible. At Prüm, Garant and Invado, specific employee instructions on safety issues are already the norm. At RWD Schlatter, occupational health and safety is part of quality management; it is continually developed further by the safety officers and the shop floor management. In every work contract, the company also commits to its customers to maintain the highest standards of occupational health and safety. External business partners who work on the business premises of the division also commit to observing the previously communicated safety regulations of the division.

All employees of the Doors Division have access to subsidised occupational health services and programmes for health promotion, such as fitness, yoga, or Pilates. The division also provides each production employee with an individually adapted hearing protection. Health problems such as back pain are actively addressed by optimising the ergonomics at the workplace. Newly hired employees receive an in-depth safety instruction for their workplace and are trained for the requirements in their work area in regular courses.

Invado plans to install an automatic unloading unit for stud doors, in order to avoid manual unloading of heavy material in the future. A door buffer station is also being set up behind the machining centre to eliminate the hard manual work in this area. At the other companies, such automation was already implemented a long time ago – which has led to great relief and increased effectiveness.

### Continually checked targets

Invado has set itself the goal of offering a comprehensive occupational safety training not only for newly hired employees but also for the technical and administrative employees as well as managers. Specific training courses are to be increasingly offered for technical staff. To achieve these goals, the company is also relying on the regular feedback of external parties, in addition to internal reviews. Examples of this are area inspections by the factory inspectorate and labour unions as well as external safety audits.

At Kermi and Bekon-Koralle, the monthly statistics on sickness and accident rates provide an overview of the current situation and serve management as a tool for optimising occupational health and safety. In addition, the causes of each accident are carefully analysed. This concept has proven to be extremely successful – absences due to accident or illness only occur seldomly at the two companies. Motivation and loyalty to the employer are correspondingly high.

At Garant, Prüm, RWD Schlatter and Invado, the current situation regarding occupational safety is also continuously checked and assessed. At Invado, this check also includes the analysis of the results of work environment tests (e.g. noise, weights) and medical examinations as well as the performance of risk assessments at the workplace. Occupational health and safety is increased further by continuously monitoring the working conditions and the machine efficiency as well as continuous safety training of the employees.

#### A year characterised by COVID-19

As a result of the ongoing pandemic, no seminars, courses, or lectures on occupational health and safety and health-promoting activities could be held at Kermi and Bekon-Koralle. The magazine "Focus on People" was cancelled along with the preventative medical check-ups offered in the previous years. As soon as the COVID-19 measures are repealed, these offers are to be started up again. There will also be more prevention offers and lectures from the health task force again.

At Invado, all courses also had to be held online due to the COVID-19 pandemic. The work system of the company was adjusted according to the COVID-19 regulations: Fewer people and greater distances in the offices as well as the provision of masks and disinfectants allowed safe working with a reduced risk of infection. The department for occupational health and safety and fire protection additionally launched various measures for improving occupational health and safety conditions. All employees have the possibility to express wishes, complaints and comments on this.



## Dynamic corporate culture

Arbonia practices a dynamic, open corporate culture and creates a pleasant, appreciative and supportive working environment. Wages, social benefits, employment level, contractual conditions and compensation comply with the principles of a responsible group. The positive work environment results in motivated and satisfied employees, which not only increases competitiveness but also reduces the gross fluctuation rate (including retirements). This was reduced further at Arbonia in the reporting year – from 10.7% in the previous year to 9.8% in 2021. To maintain and optimise the high level as a fair employer in line with the market, Arbonia regularly compares itself with other internationally operating companies of a similar size.

The diversity of employees, their equal opportunity, non-discrimination, as well as equal treatment in the company have great importance at Arbonia – regardless of sex, nationality, ethnic origin, skin colour, religion, or impairment. Although the labour market is regulated somewhat differently in each country, at Arbonia, the overarching guidelines of the group and the divisions apply at all sites.

#### Close social partnership

The close cooperation with employee representatives in all countries is a decisive factor for the commercial success of Arbonia. In Switzerland, the collective labour agreement of the Swiss mechanical, electrical and metalworking industries (Swissmem) is applied at all companies – unless other mandatory collective labour agreements are valid. The contacts with the social partners in Switzerland therefore generally take place via this association, with which all companies in Switzerland are affiliated. The code of conduct (see "Ethics & integrity", p. 45), the 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 consistently implemented across all levels down to the local sites. The group supports the divisions in succession planning and leadership development just as much as in collecting key performance indicators to review the effectiveness of measures taken. If necessary, personnel issues are also discussed and addressed across divisions.

#### Lawful and transparent starting position

The individual divisions communicate with their employees about relevant wage agreements via information boards and screens. In addition, the

contracts can be viewed via the employee representation. It should be noted that there is no uniform procedure at Arbonia, since the requirements differ depending on the company and the domestic market. However, regular meetings take place everywhere between the company managers and employee representatives of the labour unions. The divisions have a standardised process when an employment relationship is terminated.

#### Training programmes as a matter of course

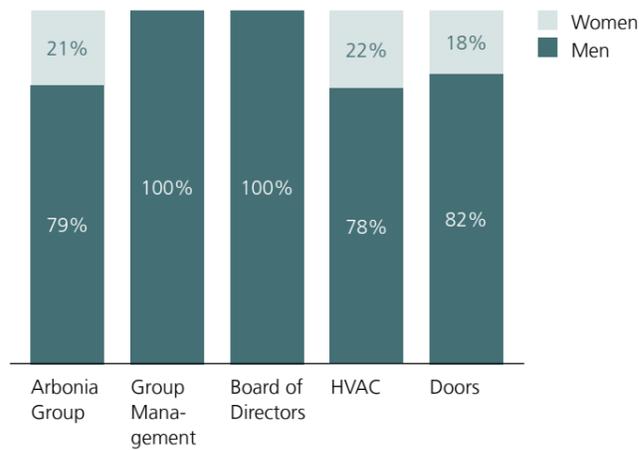
The number of trainees, who largely work at Kermi, Prüm and Garant in Germany, declined slightly – from 160 in the previous year to 156. Arbonia supports the vocational further development of employees with educational leave and shares the costs in some cases. To promote young college students in a practical and targeted manner, the Group offers "dual study places" every year. Internal and external training courses ensure that employees are quickly familiarised with all technical innovations and can thereby optimally prepare themselves for changing technical requirements. Course rooms and exhibits at the production sites offer employees the unique possibility to get to know manufacturing processes during operation. Arbonia determines the further training needs with the help of annual performance reviews and via the close cooperation between superiors and the human resources department. Employees evaluate the quality of the further training after completing the programme and superiors and external training institutions also sometimes fill out an evaluation document.

#### Composition of the workforce as of 31 December

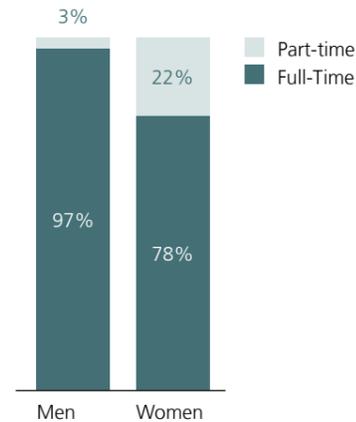
	2021	Share	2020 <sup>1</sup>	Share
Employees (permanent employees only; in FTE)	6 040		5 515	
Employees (permanent employees only)	6 232	97.6%	5 708	97.3%
Apprentices, interns and trainees	165	2.4%	160	2.7%
<b>Employees by employment type (permanent employees only)</b>				
Full-time		93.0%		93.3%
Part-time		7.0%		6.7%

<sup>1</sup>The companies Temovent, Cicsa and GVG, which were newly acquired in the reporting year, were not taken into account in the previous year.

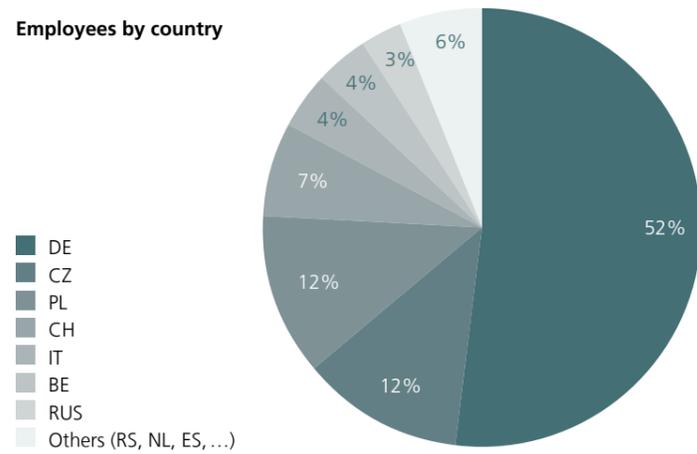
**Diversity by gender**



**Diversity by employment type**

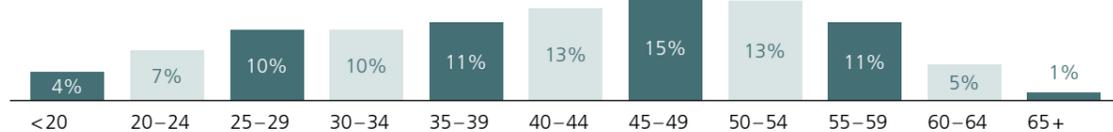


**Employees by country**



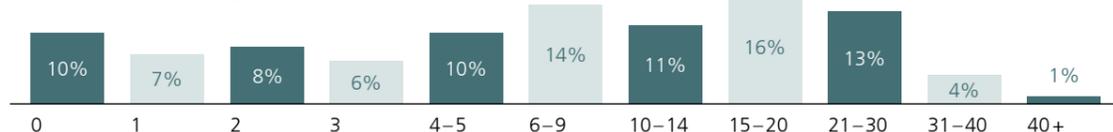
**Age structure**

Arbonia Group: Ø 41.7 years



**Seniority structure**

Arbonia Group: Ø 11.0 years



## Heating, Ventilation and Air Conditioning Division

### Principles for a dynamic corporate culture

A dynamic corporate culture makes it possible to exchange and combine experiences and different perspectives that can improve performance within the company. Because this topic is relevant on all levels and in all areas, the companies of the HVAC Division pay special attention to observing and promoting a dynamic corporate culture.

The division places value on strict compliance with legal principles and the current regulations, including the General Equal Treatment Act (AGG) and the company's code of conduct. In the case of infringements, disciplinary actions are correspondingly initiated. In the reporting year, Sabiana launched a programme for improving human resources management, in order to evaluate the expectations of employees and the management approach in this area. In the case of complaints, employees of the HVAC Division can contact their superiors or the Group's human resources or compliance departments at any time – complaints are always handled anonymously. In the case of complaints regarding the protection of personal data, employees can use an e-mail address provided for this purpose.

### Target-oriented for higher employee satisfaction

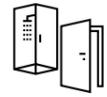
As part of their dynamic corporate culture, the companies of the HVAC Division have set high goals for themselves: Kermi aims to react quickly to changing conditions. A reduction in the fluctuation rate and increasing employee satisfaction remain core goals, which are to be achieved by, among other things, implementing further personnel development measures as well as increasingly integrating employees with a migration background. Concretely, for example, Sabiana aims to reduce fluctuation to below 2% through increased employee satisfaction. It reviews the satisfaction of its employees every two years with a survey. In addition to the survey, an analysis of mental health and

work-related stress factors is also carried out. The evaluation is presented to the Managing Director and various measures are evaluated on the basis of this data.

To fill employment vacancies quickly with qualified people, Kermi would like to emphasize employer branding more in the future. Through a targeted recruitment of new employees and increased retention of current employees, the company wants to try to master the demographic development without any loss of quality. Sabiana is basically pursuing the same objectives and intends to partner with a company from the same line of business to promote employee satisfaction via an exchange programme for highly qualified employees. The success of these measures will be evaluated based on the key performance indicators and the fluctuation rate. The division offers various work and part-time models and offers mobile work depending on the technical possibility.

### Talent acquisition and retention

At Kermi, all advertised positions and offered apprenticeship places could be filled over the course of the business year, despite the shortage of skilled workers. In-house trainees from the company's own vocational training are prepared for higher tasks through targeted support. The same holds true for college graduates, who can qualify for specialist activities through targeted assignments. Vacant leadership positions at the HVAC Division are mostly filled with in-house young staff. The shortage of skilled workers on the labour market remains one of the greatest challenges, though. This problem is cushioned by the low fluctuation rate and the long employment lengths. At Sabiana, the high level of employee satisfaction has become the most important key performance indicator. In addition, the companies always strive for non-discrimination and gender-neutral recruitment processes in recruiting.



## Doors Division

### Corporate culture as part of corporate identity

The dynamic corporate culture is extremely relevant in the Doors Division as well: Because this topic is a major part of employer branding and reflects the social responsibility of the individual companies, it has a correspondingly high importance. The observance of all legal principles and internal regulations is consistently implemented at Kermi. Invado has introduced expanded and detailed guidelines as part of its dynamic corporate culture – including work rules, an anti-bullying policy and an anti-discrimination policy, as well as a complaints procedure for employees. Concretely, the division has set up an external, neutral reporting office for complaints. The division also provides the inter-company reporting office of Arbonia, the Group Head of Legal and Compliance, for complaint reports. Last but not least, Invado supports its employees with an in-house social fund when necessary.

### Measures in the corporate culture area

The main goals of the individual companies in the Doors Division are largely identical: A further increase in employee satisfaction is to keep fluctuation low and decrease it if possible. Measures for employee retention are, for example, increased efforts in the area of HR development or an improved integration of employees with a migration background. A clear employer branding is to emphasize the characteristics of the individual companies better. In this way, the Doors Division hopes

to fill vacant positions with qualified employees faster. At Garant, for example, it was possible to reduce the fluctuation rate in the reporting year. In addition to reducing the fluctuation rate, the company also wants to shorten the duration of the rehiring process, among other things with professional onboarding systems as well as by developing new key performance indicators in human resources. In general, the division is pursuing the goal of meeting changing circumstances faster and more flexibly. The progress in achieving these goals is checked by means of key performance indicators such as fluctuation rate or length of employment. At Invado, the goals – which include a further diversification of top management with currently 40% women – are checked at regular intervals by external audits.

### Qualified workers

Although the situation on the labour market remained tight, there were no significant problems in recruiting at Kermi and Bekon-Koralle: All advertised positions and offered training places were able to be filled promptly in the reporting year. As in the past, vacant leadership positions were mostly filled internally. The support of trainees and college graduates proved to be a great advantage in this respect once again. However, despite a low fluctuation rate and long employment lengths, the lack of skilled workers remains challenging. At Invado, COVID-19-related absences occurred and, as a result, a noticeable staff shortage.



## Creating and securing jobs

As regional employers, the companies of Arbonia have a central importance: They create and secure jobs, generate income, and pay public levies in the form of taxes. They are thus an important economic factor in the respective regions. Many Arbonia companies have significantly influenced their environment: Because most employees live in the direct vicinity of the operating sites, the companies leave behind a reflection of their respective corporate culture in the regions. The stated goal of the Group is to permanently ensure the attractiveness of its sites, thereby increase employee retention further, and secure valuable know-how and many years of experience. The measures for this are varied and range from strengthening employer branding, to cooperation with schools and colleges, up to regional measures in human resources marketing, for example,

through trade fair appearances and sponsorships. In order to demonstrate innovative strength, social commitment and a positive impression for employee recruitment to the outside world, all companies of Arbonia maintain permanent relationships with their local stakeholders. To remain attractive as an employer, Arbonia relies on long-term capacity expansion: It aims to increase efficiency not only through investments in infrastructure but also through increased digitisation measures and synergy effects within the Group. The increasing automation of routine tasks further increases the quality of the jobs. Arbonia thus provides its employees with modern facilities and offers them attractive, future-oriented workplaces as well as a wide range of development and career opportunities.



## Heating, Ventilation and Air Conditioning Division

### Clear goals for creating and securing jobs

The companies of the HVAC Division are basically pursuing the following goals in creating and securing jobs: A consistent use of the regional labour market and a fast identification of potential employees, for example, through internships, is intended to further strengthen workforce at the respective sites in terms of quality and quantity. These goals can be checked quickly and easily: They have been achieved when jobs can be filled, when

the employee numbers remain constant and when the site remains competitively attractive.

### Constancy even during challenging times

In the HVAC Division, material availability was maintained even during the pandemic. With the introduction of innovative new products, the number of employees and highly qualified experts will increase further in the coming years.



## Doors Division

### Regional anchoring

The companies of the Doors Division are clearly committed to their respective sites and are aware of their great economic and social responsibility in creating and securing jobs. To increase its own attractiveness as an employer, Garant offers various employee incentives, such as easier access to e-bikes or reduced admission to fitness studios and swimming pools. A specific integration management allows employees with health restrictions to return to the workplace. HR development is being further strengthened and expanded with a new approach that is currently in the development phase. Invado, for example, also maintains a close and effective cooperation with the state employment agency, which has a positive effect on the local labour market and has already reduced unemployment in the region. In addition, the company has good experience with a recommendation programme.

### Goals with success monitoring

Overarching goals of the companies in the Doors Division are to secure and strengthen the respective site through increased employee retention and effectively filling vacant positions. Indicators for checking these goals are the vacancy filling, the competitiveness and the attractiveness of the respective site. Garant measures its success with regular comparisons of relevant KPIs such as fluctuation and illness rate as well as by comparing

progress in the establishment of new management systems in the area of human resources. At Invado, the progress is regularly checked in the context of internal and external audits.

### A year characterised by COVID-19

At Kermi and Bekon-Koralle it was possible to keep the employment figures constant in the reporting year as well – despite the COVID-19 pandemic and a demanding situation in relation to material availability. The development of workplaces – including connection for mobile working – has progressed further. The number of employees will increase further with the launch of new, innovative products. Measures for managing the COVID-19 crisis included, among others, the introduction of home office in administration and the introduction of performance reviews in the entire company. The strengthening of employer branding turns out to be the greatest challenge: In light of the very tight recruitment market, a clear and distinctive profile is necessary to recruit enough qualified employees in the future as well.



## Compensation structure

The Compensation Report (see p. 113) of Arbonia sets out the compensation governance, the principles of the compensation system, as well as the structure of the compensation of the Board of Directors and Group Management of Arbonia. It also contains information on the compensation of the Board of Directors and Group Management in the respective financial year.

The compensation report has been compiled in accordance with the Ordinance against Excessive Compensation in Listed Companies Limited by Shares ("OaEC") and the guideline concerning information on corporate governance (RLCG) of the SIX Exchange Regulation from 18 June 2021.



## Cybersecurity

Arbonia can only maintain its IT security together with its employees and thus protect the Group's operating activities and competitiveness against damage: The security awareness programme under the motto "THINK BEFORE YOU Click.Post.Type." helps employees to successfully recognize real threats and potential attacks and react to them correctly – in both their business and private lives.

### Together for more IT security

Increasing networking, digitisation and the Internet are leading to a rapid rise in cyber crime. The threat situation has become even more acute and also more complex. Attacks on the digital infrastructure and on the data of the Group can lead to outages and supply bottlenecks and thus to considerable financial losses. An adequate information protection cannot be achieved by technical measures alone; rather, it depends on the employees' behaviour and handling of data and information systems. Arbonia employees are a central link in the security chain in the area of cybersecurity and must assume corresponding responsibility. The most common attack tool for cyberattacks is e-mail – followed by social engineering (manipulating or influencing a person) and the Internet. For this reason, it is extremely important to recognise, avoid and report suspicious sources. With targeted measures to strengthen so-called cyber resilience, Arbonia tries to reduce the risk of cyber attacks to an absolute minimum. The Group pursues a comprehensive security approach with technical measures, processes, guidelines and standards, the observance and implementation of which is checked on the Group level by the in-house ICT security officer and his team. The goal is to prevent cyber attacks of all types and to increasingly train and sensitise employees about this topic. The comprehensive security approach in the context of the information security strategy is continually checked via audits and penetration tests.

### THINK BEFORE YOU Click.Post.Type.

The security awareness campaign under the motto "THINK BEFORE YOU Click.Post.Type." contains various elements. Arbonia took a variety of measures in the course of the campaign, for example, training courses. In this context, employees were invited to participate in various awareness and training units, whereby in-depth training courses were provided specially for IT administrators and other exposed persons. These training courses provide information on the secure handling of data and information systems and aim to make everyday life more secure. At the same time, Arbonia called attention to security issues and threats with various poster subjects. For practical implementation, employees received an anti-phishing button as an Outlook extension that they could use to report a possible threat to the IT department with only a few clicks. To prepare and sensitise employees for an emergency, they also randomly received various phishing e-mails during the reporting year.

On the basis of a high cyber resilience and e-mail security, Arbonia generally strives not to experience any safety-critical events and thus to ensure a smooth course of business. For this purpose, penetration tests or attack simulations are also carried out and the results are used as the basis for continuous improvement. To manage security, for example, the cyber maturity is measured using defined standards. Further improvements and key performance indicators will follow in connection with upcoming projects such as, for example, the development of SIEM incidents (Security Information and Event Management).



### Priorities and goals

Arbonia is increasing the participation rate in e-learning in the area of cybersecurity.

### Targets for 2025

Participation rate of 100%

### Status 2021

Average participation rate of 58%

# Arbonia protects itself

Interview with Thomas Zehnder, ICT Security Officer (ICT = Information and Communication Technology) at Arbonia since 1 February 2019.

## What is your responsibility as ICT Security Officer at Arbonia?

My area of responsibility is extremely varied. I am responsible for formulating and further developing the ICT information security strategy, for identifying and assessing risks, security threats and vulnerabilities, as well as for defining corresponding security measures to ensure and continuously improve the cyber resilience of Arbonia. In addition, planning, implementing and measuring the ICT security quality measures as well as security policies, processes and standards also fall within my responsibility. I also assist employees with all questions concerning information security.

## What skills do you need to be able to fulfil these responsibilities?

The role requires that you understand the technical aspect as well as processes and procedures. With my bachelor's degree in computer science and my master's degree in information systems with a focus on technical security as well as security management, I cover both aspects. Continuous current knowledge and relevant further training in the area of information security and risk management are just as essential for this work as analytic abilities, networked thinking, as well as experience in handling high complexity. In addition, skills in the area of communication and self-management are also advantageous.

## How is Arbonia positioned in respect to ICT security?

Basically, the responsibility for the ICT security of the entire Arbonia Group lies with me and the IT Board, which consists of the Group CIO, the Group CFO, as well as IT representatives of the two divisions and of the Group. The relevant issues are always coordinated and presented with the responsible people from the divisions and Group Management. In the implementation of all topics, I am supported by the local IT teams and ICT security officers as well as further ICT security specialists, who are my interfaces to the sites and the companies. A single person would not be able to realise the issues and projects in a Group with so many companies and sites – it is essential to have a well functioning team who support each other.

## What were the biggest challenges in the past year 2021?

We prepared a detailed security programme with many projects and continuous improvement processes that we are implementing throughout the Group – the limiting factor is especially the personnel resources on the Group level, but also in the companies, who have to help us with the implementation. In addition, there are some maturity differences among the companies that we have to balance as well as the integration of newly acquired companies. As a group with networked systems, we rely on everyone fulfilling the defined security standard, in the spirit of "think globally, act locally".

## What priorities did Arbonia have in the area of cybersecurity in the financial year 2021?

Among other things, we have tried to raise the employees' awareness of cyber risks with an ongoing phishing and awareness programme. In addition, we have developed and adopted an information security strategy with different approaches and a resulting multi-year security programme. The goal was to achieve a stable cyber resilience with targeted, smaller measures across all companies. Furthermore, we implemented several large and Group-wide projects, such as, for example, the introduction of SIEM/SOC, a central collection and evaluation of relevant security logs in connection with an external 7x24h monitoring – or also the establishment of new Group-wide guidelines, for example, for connecting third parties to Arbonia systems.

## How has the view of cybersecurity changed at Arbonia since you have held this office?

Previously, each subsidiary took care of the topic of cybersecurity mostly by itself. There was no overarching approach. In the past three years, awareness of the need for measures in this area in particular has increased considerably – among employees as well as especially among management. This has caused the commitment and the willingness to become active to increase. In the meantime, almost everyone has realised that cybersecurity is also a business enabler.

## Why is the topic of cybersecurity also relevant to sustainability in your opinion?

Digitisation in general is a central issue in the area of sustainability. Smart processes and systems that control and optimise the use of resources in a targeted manner and thereby reduce environmental impacts to the greatest possible extent are decisive. As a result of their networking, however, such systems are also a target for attackers, which is why cybersecurity is so central for maintaining them. The number of cyber attacks has strongly grown in the last years and months and the

threat situation has drastically increased. Finally, cybersecurity is the business enabler – when the systems are paralysed, a company cannot do business at all in most cases. Not doing business means not being able to exist sustainably, and it is very important to Arbonia to ensure that employees in particular have a sustainable work security.

« A single person would not be able to realise the issues and projects in a Group with so many companies and sites – it is essential to have a well functioning team who support each other. »



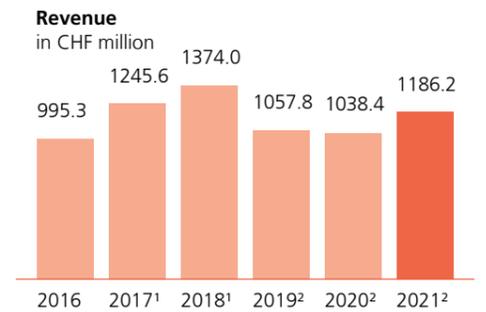


One of the important sustainability issues at Arbonia is the long-term economic stability of the company. The organic revenue growth and the operating profit on the EBITDA level are the central financial control parameters of Arbonia.



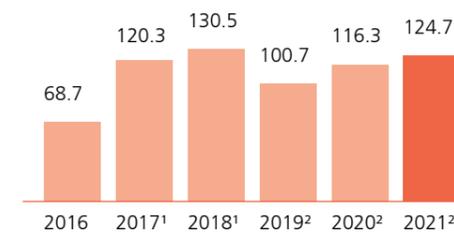
### Sustainable business strategy and market orientation

Following the sale of the Windows Division and the integration of the Sanitary Equipment Division in the Doors Division, Arbonia focused on the two divisions Heating, Ventilation and Air Conditioning (HVAC) and Doors in the reporting year 2021. These divisions are independently pushing the relevant megatrends of **energy efficiency, urbanisation, digitisation**, as well as **automation**.



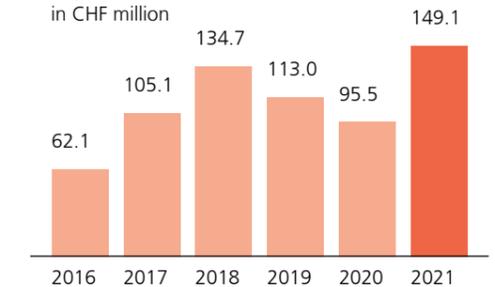
<sup>1</sup> Continuing operations (without Profile Systems and Industrial Services)  
<sup>2</sup> Continuing operations (without Windows Division)

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



<sup>1</sup> Continuing operations (without Profile Systems and Industrial Services)  
<sup>2</sup> Continuing operations (without Windows Division)

**Capex**  
in CHF million



#### Priorities and goals

	Targets for 2026	Status 2021
Organic revenue growth (CAGR 2021–2026)	> 5% p.a	11.6%
EBITDA (without M&A)	> CHF 200 M	CHF 134 M
Capex in % of revenue (maintenance and growth)	4–5%	9.5%
Annual dividend increase from the financial year 2022	15%	20%

# Arbonia brings the sun home

## Introduction

In the current year 2022, Arbonia will launch a battery on the market that allows homeowners to store their solar electricity. This new product offers buyers a high added value and simultaneously underscores the innovative strength of the Group. The HVAC Division of Arbonia also completes its product portfolio with the energy storage: It can now offer a complete, coordinated system of products for heat and energy management of living space. This energy storage will also contribute to the energy transition in general and the energy self-sufficiency of houses in particular.

## Advantages of an energy storage

In many European countries, the mix of electricity used is still dominated by fossil fuels such as coal or natural gas. However, people who live in a modern, energy-efficient house do not want to operate their environmentally friendly heat pump with fossil energies. Renewable energies, however, have the decisive disadvantage that they are dependent on external factors such as wind or sun and therefore supply more or less electricity at times.

In a house with its own photovoltaic system, which is now standard in many places in Europe, more electricity is generated during the day when the sun shines than an average household actually consumes. In the morning and evening hours when electricity is mainly needed, though, the system does not generate any electricity. Today, this already leads to the paradoxical situation that due to a lack of storage possibility the electricity generated in the daytime hours is cheaply sold to the grid and has to be bought back in the evening at a higher price (in Germany a price difference of around 20 cents per kWh). While this loss is limited with subsidised systems, there are already very many systems in Germany, for example, that have lost their state-guaranteed feed-in remuneration after 20 years of producing electricity. In this case, the feed-in remuneration decreases so much that the photovoltaic system can hardly be operated economically, whereas using the produced

electricity oneself would allow significant savings. This is where the new battery from Arbonia comes in. It allows self-produced solar electricity to be stored during the day and retrieved in the morning and evening hours. This considerably increases the degree of own use.

## The technology

Many batteries already available on the market use the lithium-ion technology that is also used in electromobility or in compact applications such as mobile telephones. The disadvantage of this technology is that it uses controversial raw materials, the batteries lose significant capacity after around 10 years and are also easily inflammable. The advantage is the high power density, which makes the batteries relatively small and light.

The redox flow technology of Arbonia weighs considerably more with the same output, but this is irrelevant for stationary use in buildings. On the other hand, it offers decisive advantages: It can be charged and discharged much more often without losing power and can therefore be operated economically for more than 20 years, whereas lithium-ion batteries experience a steady reduction in capacity after 10 years. Furthermore, it is not inflammable, which allows it to be used in residential buildings without risk.

The electrical charge in redox flow batteries is stored in a liquid. When energy is required, two differently charged solutions are directed past each other in a so-called stack, which releases the electricity again. The liquid, which essentially consists of vanadium dissolved in water, is not dangerous.

In addition to the mentioned advantages, this technology also offers a production-related advantage: The capacity of the battery can be easily scaled via the size of the two tanks.

## Arbonia's product

For the reasons described above, Arbonia has decided in favour of the redox flow technology. This has been researched and used as a buffer in larger applications such as power plants or wind turbines since the 1970s. However, some research work was necessary to make this technology small enough for use in a household size. For this purpose, the research and development centre at the Plattling (D) site cooperated with Volterion, a spin-off of the Fraunhofer Institute for Environmental, Safety and Energy Technology. Together with the institute, the HVAC Division optimised the product for use in housing construction, so that it can be introduced onto the market in mid-2022.

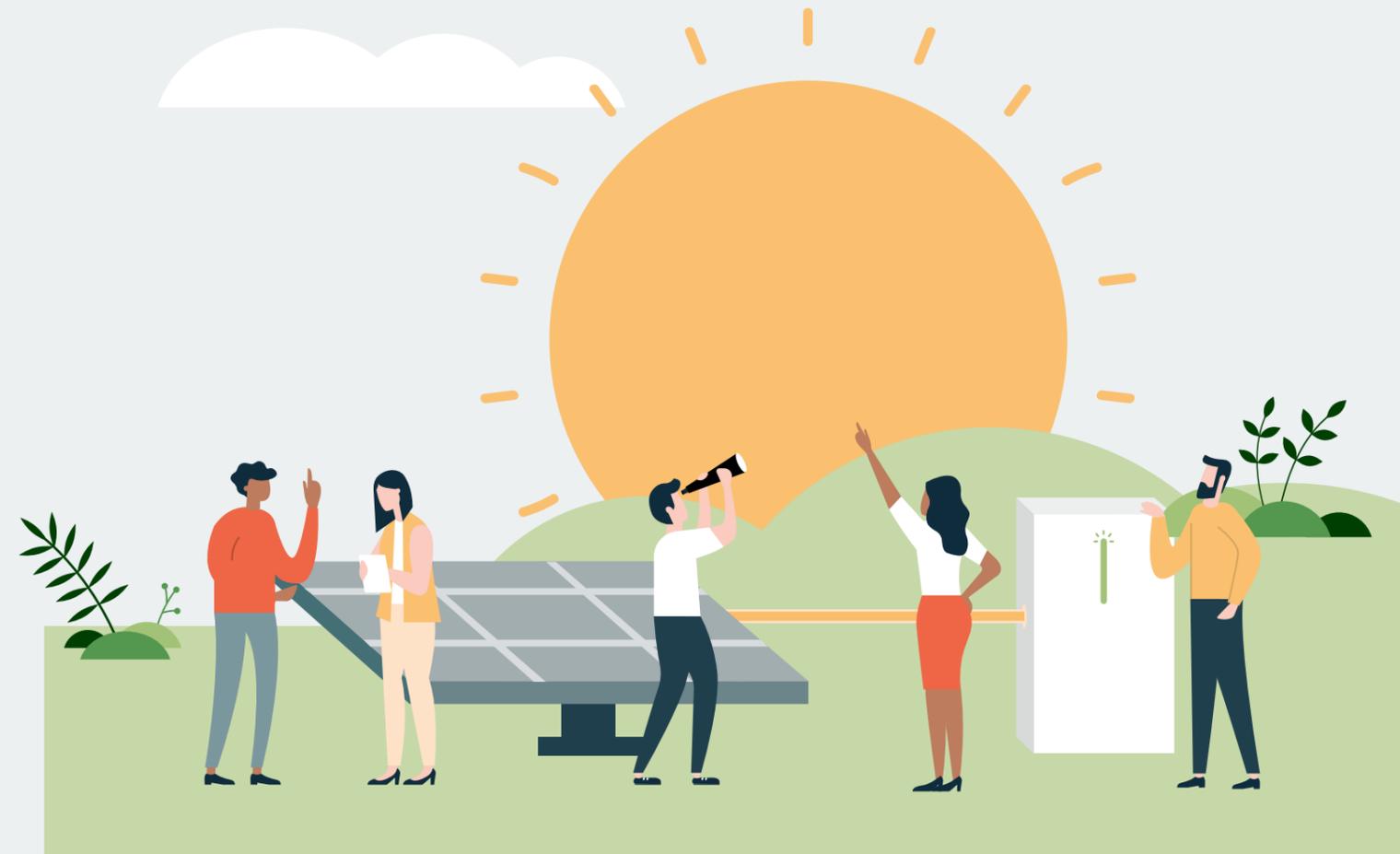
Several pre-series units are currently in the testing and optimisation phase. Series production will start on schedule for the market launch in mid-2022 at Kermit in Plattling (D).

Sales will initially start with a model with 6 kWh storage capacity, which is roughly the size of a normal refrigerator. In this size, the degree of own use is already significantly increased, so that a heat pump can be

operated with high efficiency, for example. A single-family house (based on the average consumption of a four-person household of around 10kWh) does not yet achieve complete independence from the electricity grid with this model, however. From 2023, models with a capacity of 10kWh and 15 kWh will also be available.

The storage battery will first be sold in the German market and then offered in other countries as well. In Germany alone, with around 110 000 home batteries sold in 2020, the potential is huge. This market is expected to multiply to over 660 000 batteries by 2030, which is why Arbonia is convinced of the growth opportunities of this product.

There is an additional added value for the user as well as for the installer when the matching products for modern heat generation and optimum heat exchange as well for energy storage are completely purchased from Arbonia as systems: The individual components only have to be connected to each other and switched on. The system does not have to be extensively set up and calibrated but immediately provides the desired optimum indoor climate.





## Heating, Ventilation and Air Conditioning Division

The strategy of the HVAC Division clearly reflects the relevant megatrends of "CO<sub>2</sub> reduction" as well as a "healthy and comfortable indoor climate". With regard to the development of the product portfolio, the focus is on new products for the growth markets while at the same time expanding the strong position in the established product groups. In the reporting year, targeted investments were made to underpin the product and production strategy based on the following four pillars:

- "Best in class" production for radiators
- Use of renewable energies with heat pump and battery storage products
- Radiant heating and cooling for modern buildings
- Ventilation and indoor air quality

The comprehensive climate protection package of the EU Commission, which has climate targets of 55% greenhouse gas savings by 2030 and climate neutrality by 2050, proves that the HVAC strategy is correct. For several years now as well as in the reporting year, the division has consistently pursued its strategy of being an innovative provider of holistic heating systems and their components: from modern heat generation and optimum heat exchange to energy storage for all types of buildings and application areas, both for the new construction and renovation markets.

With the construction of the new production plant in Opočno (CZ), the division is ideally positioned in the market for heat pumps, which is currently recording strong growth. In line with this strategy, a new resource-saving, highly efficient generation of air-to-water heat pumps for the lower and medium output range

was launched in the reporting year. As an optimal addition to the heat pump range, a new hot water and layered buffer storage tank was also launched, which offers many advantages thanks to its modular design and high degree of pre-assembly. In addition, the division is currently developing a battery storage based on sustainable redox flow technology, a future-oriented alternative to conventional lithium-ion batteries for both private and commercial residential construction (see "Arbonia brings the sun home" p. 80). This product offers convincing features such as non-flammability (an important safety aspect), a high number of charging cycles without loss of capacity and attractive economic efficiency.

In addition to the four key pillars of the strategy, the HVAC Division is optimising its production footprint further by consolidating the production volume of steel panel radiators with the planned closure of the production plant in Tubbergen (NL). Other projects have also been initiated to reduce complexity and lower costs.

With the acquisition of the Serbian company Termovent as of 1 July 2021, the HVAC Division was not only able to expand its geographical presence in South-Eastern Europe but also significantly deepened its expertise in the area of air handling units. Cleanroom technology is the second focus of Termovent and completes the division's product portfolio in the commercial and industrial ventilation systems segment. In the first half of 2021, the HVAC Division also acquired the Spanish company Cicsa to strengthen its sales position in Spain and Portugal.



### Priorities and goals

	Targets for 2026	Status 2021
The HVAC division is increasing its share of growth products <sup>1</sup> in relation to the total revenue.	> 67%	~ 50%
The HVAC Division is developing sustainably and achieving a revenue growth as well as an increase in the EBITDA margin.	Revenue > CHF 800 M EBITDA > CHF 100 M EBITDA margin > 12.5%	Revenue CHF 631 M EBITDA CHF 71 M EBITDA margin 11.2%

<sup>1</sup> Ventilation, heat pumps, fan coils, air handling units, energy storages, design radiators



## Doors Division

In the middle of the reporting year, the Sanitary Equipment Division with its shower doors and partitions was integrated into the Doors Division as the Glass Solutions Business Unit. 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 Wood Solutions Business Unit with functional and interior doors will be expanded to include shower doors, and in the medium term the glass doors and glass partitions area can be expanded for interiors.

The focus of the Wood Solutions Business Unit continues to be on the multi-year investment programme for increasing productivity and expanding capacity with the goal of improving delivery performance. Most of the investments flowed into the capacity expansion of the two German door plants Prüm and Garant. The largest items were the purchase of the property of Garant and the second high-bay warehouse, the combined heat and power plant (CHP), and the construction of the new frame plant near Prüm. Arbonia also invested in a coating robot at RWD Schlatter and started the planning for a raw materials and finished goods warehouse at this Swiss location.

After the investments, the Wood Solutions Business Unit can produce around 900 000 more doors with corresponding frames than before.

The division additionally invested in IT and the digitisation of processes. It is in the process of rolling out SAP S4/Hana at the Wood Solutions Business Unit, for example. Harmonising the ERP system will make the future cooperation between the four door companies more efficient.

A very important milestone in the reporting year was the acquisition of Glasverarbeitungs-Gesellschaft Deggen-dorf mbH (GVG). The Glass Solutions Business Unit is thus increasing its vertical integration by sourcing processed single-pane safety glass within the Group now. The separation of GVG from the Saint-Gobain Group and its integration into the Glass Solutions Business Unit of the Doors Division is proceeding according to plan. This sets the stage for future growth and further process improvements.



### Priorities and goals

	Targets for 2026	Status 2021
The Doors Division is developing sustainably and achieving a revenue growth as well as an increase in the EBITDA margin.	Revenue > CHF 725 M EBITDA > CHF 110 M EBITDA margin > 15.0%	Revenue CHF 552 M EBITDA CHF 76 M EBITDA margin 13.8%



## Product management

In addition to the product responsibility including quality assurance, product management also comprises product labelling. This includes all communication and marketing services concerning the individual products as well as the corresponding certifications. Product management is the interface from the company to the market and identifies changes to customer requirements and the legal framework. These changed requirements are implement-

ed in the development. The responsibility of product management includes observing valid regulations and standards regarding product compliance, safety and health for (end) customers, as well as dealing with problematic components such as chemicals. A large portion of Arbonia's production sites operate with certifications for environmental management (ISO 14001) and energy (ISO 50001).

### Key product management figures

	2021	2020	Delta
Total production volume <sup>1</sup> in TCHF	851 671	742 613	15%
of which at ISO 14001 certified sites	42.7%	41.7%	
of which at ISO 50001 certified sites	64.9%	68.8%	

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



### Priorities and goals

Arbonia increases the proportion of production volume that is covered by ISO certifications by having further sites certified.

### Targets for 2025

> 80%

### Status 2021

74.3%



## Heating, Ventilation and Air Conditioning Division

### Interface to the market

As the interface between the individual companies and the market, product management identifies changes in customer requirements so that they can already be taken into account during development. Special attention is also paid to the legal framework: With a strict observance of regulations and certifications, product management is the basis for demonstrating the technical conformity of all products. Standards and regulations for building products are continually becoming more extensive and more demanding. It is a correspondingly great challenge for the product management of the HVAC Division to implement new and existing demands with innovative products. To guarantee this, the division is active in various bodies – such as in the German Institute for Standardisation (DIN) and the Federation of German Heating Industry (BDH). These partnerships make it possible to help shape technical progress and incorporate innovations into product management early on. For this purpose, the processes and product range planning are continually adapted in the HVAC Division and the responsible employees are trained for new trends and standards as

early as possible. Adapted and newly developed products also have to be documented, certified and protected by patents. For a positive perception on the market, however, aesthetic aspects are also considered in the product design to supplement the sustainably positive effects from use. To increase public interest, selected innovations are presented in the context of design competitions.

### Increasing trend of energy efficiency

Kermi was able to introduce the radiator "x-flair" in the reporting year. This supports the use of heat pumps: The flow temperature of the heating system is reduced to an efficient level for heat pumps, which considerably simplifies the use of this technology – especially in existing buildings. In the quest for better environmental compatibility, identifying trends in the European regulations for climate policy – especially in regard to future-capable refrigerants and energy sources – remains the greatest challenge, despite the involvement in various bodies and organisations. One of the steps that Sabiana took in 2021 despite the uncertainties was to advance the development of control and monitoring

systems with the goal of optimising the use and the energy consumption of installed equipment and devices.

### Products with maximum customer value

The goal of all companies of the HVAC Division is for all products to meet current and future customer requirements as well as existing standards and laws. The division is already making a significant contribution to reducing CO<sub>2</sub> emissions in the building sector today with innovative products and system solutions. In addition, it also continues to advocate for achieving the desired climate neutrality: The division strives for a CO<sub>2</sub> reduction of 1 million tonnes through the use of its own products in the market by 2025. The division also takes into account other environmental aspects of its products, for example, the groundwater neutrality of decomposition products in the case of damage. At all companies of the HVAC Division, the product development follows a systematic process with defined milestones. In this context, the sales development of new products and feedback from the market environment allow a reliable success monitoring. These new products as well as most other products of the HVAC Division are subject to product certification with the quality marks RAL and NF for radiators, EHPA approval for heat pumps

and DIN Certco approval for underfloor heating pipes. Fan coils have multiple Eurovent certifications, while chimneys have the IMQ certificate.

### Guaranteed product safety

Upon delivery of the products, customers receive assembly instructions with corresponding safety information on use, assembly and maintenance. The customer service of the HVAC Division is also available via a hotline and e-mail. For electrical work, customer service employees of the HVAC Division attend a training course that qualifies them for work on electrical equipment for corresponding assembly. The division has optimised the processes specifically for the heat pump product, which requires ad hoc service, to provide immediate assistance to customers: In the first step, the back office provides 1st level support. If the problem cannot be solved here, the office-based technical support takes over in the 2nd level and checks the heat pump via remote maintenance – up to 70% of the problems can be solved in this way. In the 3rd level, a customer service technician is commissioned to check the system on site or, alternatively, support is provided by a specialist in the technical department.



## Doors Division

### Product management as a success factor

In light of the increasingly extensive and demanding regulations and standards for building products, a comprehensive product management has long since become essential. The relevance of this area is correspondingly high for the Doors Division as well. The internal product management makes sure that even highly specialised customer requirements are met in every detail and all legal regulations and common standards are observed without compromise by manufacturing in conformity with approvals. In this way, the sales volume of certified products can be successively increased.

Safeguarding product quality is ensured in the Doors Division with the quality management system ISO 9001. In this framework, quality assurance checks the materials used in manufacturing, oversees the production control and checks the manufactured parts. Guaranteeing the highest quality standards – the core of the standard EN ISO 9001 – makes it possible to maximise customer satisfaction. The building products manufactured by the Doors Division are subsequently placed on the market according to the relevant legal regulations and relevant

standards. This requires an in-house production control; the corresponding documentation is ensured by the individual companies in the respective department for quality assurance.

The Doors Division also provides its customers with assembly instructions, training courses and a customer service in order to guarantee safe handling of the products.

### Outstanding quality with maximum conformity

Through active participation in various bodies and through the division-wide exchange of know-how and experience, the companies of the Doors Division are able to help shape technical progress considerably and incorporate innovations early on. This ensures that customers always receive innovative, high-quality and long-lasting products. The shower stalls of Kermi and Bekon-Koralle, for example, are characterised by exceptional durability. The products are tested according to the strict standards EN 14428 (CE) and PPP 53005 (TÜV/GS) and are therefore characterised by maximum stability, water-tightness and ease of maintenance. The use of single-pane safety glass up to

10 millimetres thick is documented according to the standard EN 12150.

Garant, Prüm, RWD Schlatter and Invado also strive for continuous quality improvements: Key factors are the on-going optimisation of quality management and manufacturing processes, the modernisation of machinery, as well as the careful selection of suppliers with the highest quality standards. To motivate employees to take even more responsibility for the quality of products, the Doors Division offers corresponding training courses.

The operations of Invado in Poland and RWD Schlatter in Switzerland are certified according to the ISO standard 9001: Standardised processes not only guarantee the quality of the products but also the delivery reliability and correct product labelling. Well-known certificates for wood from sustainable forestry, testing for harmful substances by the ECO Institute, the Environmental

Product Declaration (EPD) and the RAL quality mark of the German Institute for Quality Assurance are further seals of approval for the companies of the Doors Division.

Product safety and suitability for everyday use are the overarching goals for product management at the Doors Division. As a consequence, these two points are continuously monitored – for example, by the internal control system and quality management. The in-house production controls of the individual companies are verified annually as part of external audits. Invado, for example, was successfully recertified in the operating year according to the standard ISO 9001. The standard EN 14351-2, which has still not been harmonised, proved to be a challenge, however. In addition, there are still no clear regulations for product labelling in application of the EU regulation 2019/515.



## Digitisation

Digitisation is understood to be the conversion of analogue processes and work steps into digital formats and the storage of information in digital systems. At Arbonia, for example, cooperation at construction sites is simplified thanks to increasing digitisation – such as through Building Information Modelling (BIM) and Product Information Management (PIM). These and other digital processes eliminate sources of error and reduce the manual effort for employees. The direct access to information and services, as well as simpler processes and faster processing times, are increasingly expected by customers, partners and employees. In this

way, digitisation offers a possibility to stand out among competitors. Since the beginning of 2021, the divisions have been responsible for the digitisation process again. They let themselves be guided by the users' requirements when implementing the corresponding projects. Agile working methods and lean management principles are applied here. The digitisation process is already showing an impact: Customers, partners and employees are becoming increasingly aware of Arbonia's digital competencies.



## Heating, Ventilation and Air Conditioning Division

### Efficiency thanks to digitisation

The companies of the HVAC Division understand digitisation as the use of new technical possibilities to further develop their own business and processes and to make them even more efficient. Digitisation is essential to the division because it makes it possible to work faster and more accurately as well as to use the time gained for activities with added value. At the HVAC Division, digitisation is the topic that affects business activity the most, apart from decarbonisation. For example, the company achieves a consistently automated handling process for each order through the consistent use of all relevant SAP modules.

### Digitisation as a competitive factor

For the HVAC Division, digitisation is relevant throughout the entire value chain – from development to production and logistics up to administration. Basically, all processes can be digitised and thereby improved. Digitisation can not only support internal processes but also make the individual companies more competitive and more attractive. In manufacturing digitisation is consistently advanced – for example, through the increasing networking of the production plants via the control room technology. Industry 4.0 and Logistics 4.0 lead to a considerably increased efficiency and reduced use of resources in production and logistics. Digitisation also has a great relevance in product development, because the products are increasingly being linked within the division to improve energy efficiency further.

Processes are also being increasingly digitised and automated in administration and sales. At Kermi, for example, classic sales is gradually developing into multi-channel sales. The use of social media and the development of proprietary product apps is just as natural for the company as the use of the Intranet as a comprehensive information platform. At Sabiana, a new role has been coordinating the cooperation of the IT department with projects to increase the digitisation in production and administration since 2019. The corresponding progress is checked semi-annually.

### Digital in development and production

A concrete digitisation project in the area of development is, for example, the market launch of a new energy storage for photovoltaic systems with an integrated energy management system (EMS) at Kermi: With networking of all components, the EMS allows the generated electricity to be optimally used. The system ensures that as much as possible of the self-generated electricity is used in one's own household and as little as possible has to be purchased. At Sabiana, one of the main goals of digitisation is the internal configuration and implementation of the new Manufacturing Execution System (MES) in the entire production and the implementation of the Computerized Maintenance Management System (CMMS). Further goals are the introduction of a new production process control (digital kanban) to reduce inventories, the introduction of a warehouse management system (WMS), as well as the introduction of a new production planner and a code configurator. At Vasco, an upgrade of the ERP system has been started; the go-live is planned for June 2022. Afterwards, the company wants to devote itself to implementing artificial intelligence (AI) and robotic process automation (RPA) while continually increasing the security in the area of information and communication technology at the same time. The desired objectives are checked with regular feedback from the stakeholders, comparisons with competitors, and a semi-annual assessment.

### Networking in products and production

At Kermi, the networking of system components proceeded in the reporting year as planned. The expansion of knowledge in the area of new technologies is a challenge that can be managed well, however, thanks to intensive cooperation with colleges, institutes and specialised companies. In the reporting year, Sabiana was able to realise the installation of 70 digital workplaces and a new Manufacturing Execution System (MES) in production.

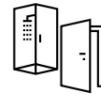


### Priorities and goals

The HVAC Division introduces an energy management system for the operation of its energy storage, thereby making operation easier for customers.

### Targets for 2026

Energy management system has been successfully introduced

 **Doors Division**

**Harmonisation of the digitisation roadmap**

In addition to the comprehensive investment programmes in the modern production plants, the Doors Division is also focusing on the topic of digitisation. This holds many opportunities, such as making work processes easier and reducing errors through automation. In 2019, the Wood Solutions Business Unit initiated a digitisation roadmap, along which it has since substantially renewed the existing IT landscape to make the systems ready for the future.

The core of this IT strategy is the introduction of SAP S/4 Hana as a modern and harmonised ERP system for the entire Business Unit and the related automation of the core business processes – from paper to digital. The changeover to this uniform "foundation" allows the division to create a solid basis for future growth and for further digitisation projects. An important advantage of this uniform system is that additions and new products only have to be developed once instead of individually for each company of the Wood Solutions Business Unit (e.g. MES for production, web shop etc.). In the reporting year, the division intensively advanced the changeover of the system landscape of Invado in Poland, which will take place in the first step, followed by the other companies of the business unit.

**Linking of machines and processes**

In the course of the SAP introduction, Invado started introducing a system for operating and machine data acquisition (MES) in the reporting year; this will ensure a seamless linking of machines and business processes and thus increased efficiency. In addition, the existing web shop of Invado will be replaced with a new, more modern solution that is directly connected to the new SAP system, reducing internal effort.

**Efficient door calculation tool**

With the planned introduction of DoorIT, the Prüm and Garant companies will completely digitise their offer process for customers in the future. This is a web-based door calculation tool that is supplied with the most current figures and information. This will markedly reduce error rates and time expenditure for the customers as well as for the companies.

**Digital twin**

RWD Schlatter is working on a new solution to drive its own digitisation and to increase customer loyalty in the maintenance business in particular. The planned solution will allow customers to view the options and the state of their doors online. They also have access to all documents at all times. In this way, information on opening and closing cycles, moisture, vibrations and temperature can be read to determine the ideal maintenance time. In addition, the customer can directly trigger a report to the maintenance team via a QR code at the door. All relevant data are available to the corresponding contact people at RWD Schlatter at all times. This saves time, since time-consuming queries and clarifications are no longer necessary. Thanks to this solution, RWD Schlatter helps to make its customers' everyday life easier while the company also optimises its internal processes.



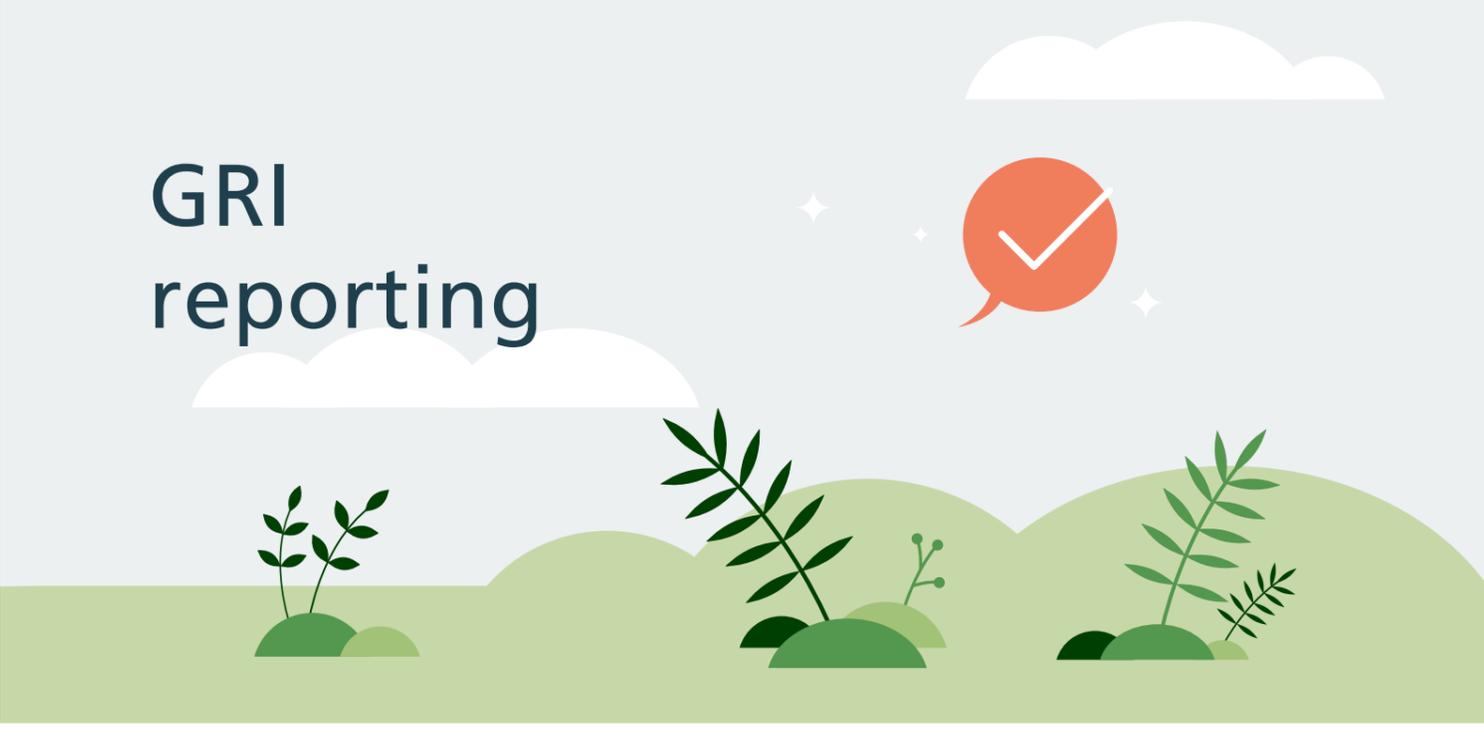
**Priorities and goals**

The Doors Division optimises the offer process for customers by introducing the web-based door calculation tool at Prüm and Garant.

**Targets for 2026**

Order processing through the intuitive calculation tool

# GRI reporting



This report has been created in accordance with the GRI standards: "Core" option. The report refers to the reporting period from 1 January – 31 December 2021. There is an annual reporting cycle – the last report was published on 2 March 2021. No significant changes were made to the reporting compared to the previous report. Starting with the reporting period from 1 January – 31 December 2021, information concerning the Doors Division also contains information that concerned the former Sanitary Equipment Division. Information that concerns the Windows Division, which was sold in the reporting year, is not included (see page 9). The scope of consolidation of the annual report is found on page 205. The report is not subject to any external audit.

## GRI content index

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The GRI Materiality Disclosures Service was performed on the German version of the report.



Disclosure	Title	Pages / information
<b>GRI 101:2016 Foundation</b>		
<b>GRI 102:2016 General Disclosures</b>		
<b>Organisational Profile</b>		
102-1	Name of the organisation	Arbonia AG
102-2	Activities, brands, products and services	12, 20, 34
102-3	Location of headquarters	Arbon, Switzerland
102-4	Location of operations	34 – 35
102-5	Ownership and legal form	96
102-6	Markets served	4 – 5
102-7	Scale of the organisation	140 – 146
102-8	Information on employees and other workers	69 – 70
102-9	Supply chain	61 – 63
102-10	Significant changes to the organisation and its supply chain	4, 79, 96
102-11	Precautionary Principle or approach	42 – 43
102-12	External initiatives	46
102-13	Membership of associations	46
<b>Strategy</b>		
102-14	Statement from senior decision-maker	3 – 8
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards and norms of behavior	45
<b>Governance</b>		
102-18	Governance structure	96 – 97
102-32	Highest governance body's role in sustainability reporting	43
<b>Stakeholder Engagement</b>		
102-40	List of stakeholder groups	47

Disclosure	Title	Pages / information
102-41	Wage agreements	34%
102-42	Collective bargaining agreements	46
102-43	Approach to stakeholder engagement	47
102-44	Key topics and concerns raised	47

### Reporting Practice

102-45	Entities included in the consolidated financial statements	89
102-46	Defining report content and topic Boundaries	44
102-47	List of material topics	44
102-48	Restatement of information	89
102-49	Changes in reporting	89
102-50	Reporting period	89
102-51	Date of most recent report	89
102-52	Reporting cycle	89
102-53	Contact point for questions regarding the report	240
102-54	Claims of reporting in accordance with the GRI Standards	89
102-55	GRI content index	90 – 93
102-56	External assurance	89

## Topic-specific standards

Disclosure	Titel	Pages
<b>Innovative products and solutions</b>		
<b>GRI 103:2016 Management approach</b>		
103-1	Explanation of the material topic and its Boundary	49 – 51
103-2	The management approach and its components	49 – 51
103-3	Evaluation of the management approach	49 – 51
	Personnel and monetary expenditure for innovation	50 – 51
	Innovation projects	49
<b>CO<sub>2</sub> and energy</b>		
<b>GRI 103:2016 Management approach</b>		
103-1	Explanation of the material topic and its Boundary	52 – 53, 55 – 57
103-2	The management approach and its components	52 – 53, 55 – 57
103-3	Evaluation of the management approach	52 – 53, 55 – 57

Disclosure	Titel	Pages
<b>GRI 302:2016 Energy</b>		
302-1	Energy consumption within the organization	52 – 53
302-3	Energy intensity	52 – 53
302-4	Reduction of energy consumption	52 – 53, 55 – 57
<b>GRI 305:2016 Emissions</b>		
305-1	Direct (Scope 1) GHG emissions	52 – 53
305-2	Energy indirect (Scope 2) GHG emissions	52 – 53
305-4	GHG emissions intensity	52 – 53
305-5	Reduction of GHG emissions	52 – 53, 55 – 57
<b>Ressource efficiency</b>		
<b>GRI 103:2016 Management approach</b>		
103-1	Explanation of the material topic and its Boundary	58 – 60
103-2	The management approach and its components	58 – 60
103-3	Evaluation of the management approach	58 – 60
<b>Procurement &amp; supply chain</b>		
<b>GRI 103:2016 Management approach</b>		
103-1	Explanation of the material topic and its Boundary	61 – 63
103-2	The management approach and its components	61 – 63
103-3	Evaluation of the management approach	61 – 63
<b>Occupational health and safety</b>		
<b>GRI 103:2016 Management approach</b>		
103-1	Explanation of the material topic and its Boundary	65 – 68
103-2	The management approach and its components	65 – 68
103-3	Evaluation of the management approach	65 – 68
<b>GRI 403:2018 Occupational health and safety</b>		
403-1	Occupational health and safety management system	65 – 68
403-2	Hazard identification, risk assessment, and incident investigation	65 – 68
403-3	Occupational health services	65 – 68
403-4	Worker participation, consultation, and communication on occupational health and safety	65 – 68
403-5	Worker training on occupational health and safety	65 – 68
403-6	Promotion of worker health	65 – 68
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	65 – 68
403-8	Workers covered by an occupational health and safety management system	65
403-9	Work-related injuries	65

Disclosure	Titel	Pages
<b>Dynamic corporate culture</b>		
<b>GRI 103:2016 Management approach</b>		
103-1	Explanation of the material topic and its Boundary	69 – 72
103-2	The management approach and its components	69 – 72
103-3	Evaluation of the management approach	69 – 72
<b>GRI 401:2016 Employment</b>		
401-1	New employee hires and employee turnover	69
<b>GRI 405:2016 Diversity and equal opportunity</b>		
405-1	Diversity of governance bodies and employees	70
<b>Creating and securing jobs</b>		
<b>GRI 103:2016 Management approach</b>		
103-1	Explanation of the material topic and its Boundary	73 – 74
103-2	The management approach and its components	73 – 74
103-3	Evaluation of the management approach	73 – 74
<b>Compensation structure</b>		
<b>GRI 103:2016 Management approach</b>		
103-1	Explanation of the material topic and its Boundary	74
103-2	The management approach and its components	74
103-3	Evaluation of the management approach	74
<b>Cybersecurity</b>		
<b>GRI 103:2016 Management approach</b>		
103-1	Explanation of the material topic and its Boundary	75
103-2	The management approach and its components	75
103-3	Evaluation of the management approach	75
<b>Sustainable business strategy and market orientation</b>		
<b>GRI 103:2016 Management approach</b>		
103-1	Explanation of the material topic and its Boundary	42 – 43
103-2	The management approach and its components	73, 82 – 83
103-3	Evaluation of the management approach	73, 82 – 83
<b>Product management</b>		
<b>GRI 103:2016 Management approach</b>		
103-1	Explanation of the material topic and its Boundary	84 – 86
103-2	The management approach and its components	84 – 86
103-3	Evaluation of the management approach	84 – 86
<b>Digitisation</b>		
<b>GRI 103:2016 Management approach</b>		
103-1	Explanation of the material topic and its Boundary	86 – 88
103-2	The management approach and its components	86 – 88
103-3	Evaluation of the management approach	86 – 88