

UN Global Compact - Communication on progress April 2017

1. Schaffner – Shaping electrical power

The Schaffner Group is a global leader in providing solutions that ensure the efficient and reliable operation of power electronic systems by shaping electrical power. The Company's portfolio includes EMI filters, power magnetic components and power quality filters with related services. Schaffner components are deployed in electronic motor controls, in wind power and photovoltaic systems, rail technology applications, machine tools and robotics, electrical infrastructure, as well as in power supplies for a wide range of electronic devices in sectors such as medical technology. For the automobile industry, Schaffner develops and manufactures components for convenience and safety features in cars and filter solutions for electric vehicles as well as their charging infrastructure. Headquartered in Switzerland, Schaffner serves its global customers through its engineering and manufacturing centers in Europe, Asia and in North America. Through significant investments into research and development, the Company strives to expand its leading position in its markets

2. Statement of continued support

"Schaffner is a global corporate citizen with a Swiss heritage. This heritage comes with strong principles to protect the rights of the individual, to preserve the environment, and to conduct business according to high ethical standards. Our whole organization strives to treat all of our employees with equal respect. We see it as our responsibility to provide career opportunities for individuals and contribute to the well-being of our communities. I am personally committed to the consistent application of these principles at every Schaffner location. For these reasons, I wholeheartedly support the principles of the UN Global Compact."

Kurt Ledermann
Interim CEO / CFO

3. Actions

Alignment with the Global Reporting Initiative (GRI)

Schaffner is currently aligning its sustainability reporting with the guidelines of the Global Reporting Initiative (GRI) especially focusing on UNGC principals number 7,8,9 and 10. The Schaffner sustainability report is an integral part of the Schaffner annual report.

3.1 Human rights and labor (principles 1 to 6)

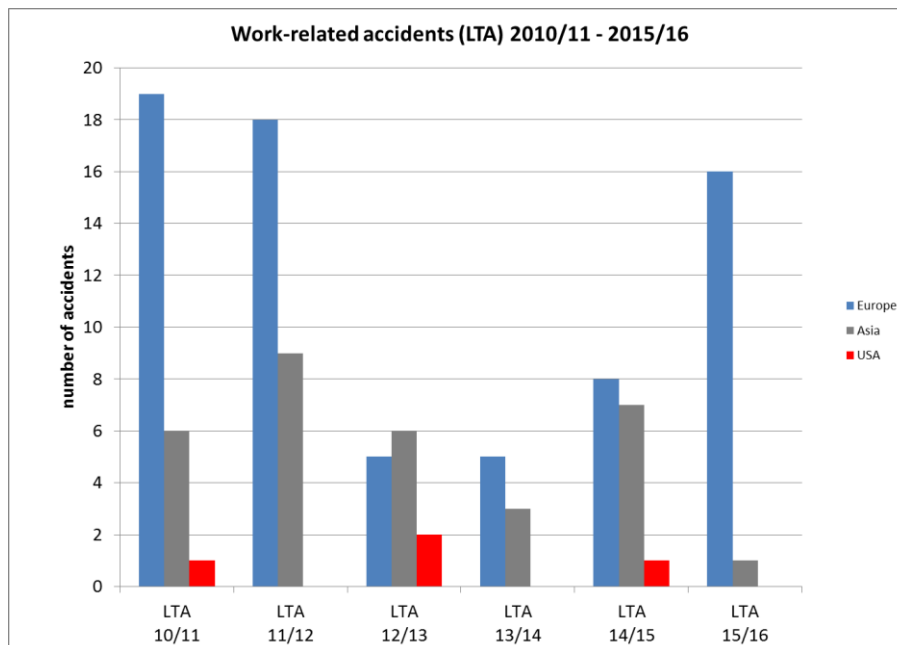
The Schaffner Group strives for a non-discriminatory company culture based upon responsibility and respect, founded on the talents of its global workforce. It is the policy of the Schaffner Group to treat all current or potential employees fairly and without prejudice. Schaffner is committed to eliminating any unfair or discriminatory practices. All employees must be given the opportunity for development within the Schaffner Group regardless of gender, marital or parental status, ethnicity or nationality, sexual orientation, religious belief, political affiliation, age (subject to the contractual retirement age), or disability.

Employee health and safety

Schaffner is consistently scaling up the promotion of employees' health and safety measures. The Group is proud of the success it made in this area. Since the introduction of a systematic measurement in 2008, significant improvements have been made. After an increase in work-related lost time accidents (LTA) in fiscal year 2014/15, additional measures were successfully launched and have led to an improvement in workplace safety in Schaffner's plants in Asia and North America. Thus, the number of accidents in the Asia region fell from seven to one LTA in fiscal year 2015/16. In North America again zero lost time accidents were reported. Unfortunately, in Europe the measures taken did not result in a reduction of LTA. Actions to remedy the current situation are in preparation.

To further enhance workplace safety, the following additional measures were put in place at the locations affected:

- Supervisors are conducting a daily "safety wake-up call" before the start of every shift and after every shift break.
- If an event occurs that poses an elevated risk to employees' health and/or safety, production is halted immediately and all employees are called together. They are informed of the circumstances of the incident and the appropriate measures for accident prevention.
- Additional safety training is conducted in the departments involved. In addition, designated safety weeks are planned, going into effect by February/March 2017.
- Regular risk assessments are conducted in accordance with the OHSAS 18001 standard.
- When relocating machinery to a new site, the entire equipment being moved is tested to the local safety standards. Safety rules, protective devices and warning signs are adjusted to the national standard.
- The safety compliance declarations on all machinery are regularly inspected.
- The planned introduction of a safety award is intended to raise safety consciousness. The award, which is to be given out regularly at the annual company parties, requires being accident-free for the preceding three years.



Conflict Minerals Policy

The Schaffner Group abides by the Conflict Minerals Act for the protection of human rights in the mining industry, particularly in the mining of ore to produce tin, tantalum, tungsten and gold in conflict regions. The Schaffner Group works closely with its suppliers to verify the origin of the raw materials used.

3.2 Environmental management (principles 7 to 9)

3.2.1 Energy consumption, CO₂ reduction

Recently completed actions

Target	Action	Results
Reduction of electricity consumption at Schaffner's production plant in Thailand	Replacing of existing conventional lighting bulb with highly efficient LED lighting system. Installation of variable speed control for exhaust fan-motors in production lines.	Saving in electricity consumption 100 MWh per year
Reducing energy consumption at the Group's headquarters	Old production building was emptied and heating is completely stopped.	Heating cost will be reduced. Exact figure we will report after one year of measuring.

The reduction of the CO₂ footprint goes hand in hand with the reduction of energy consumption.

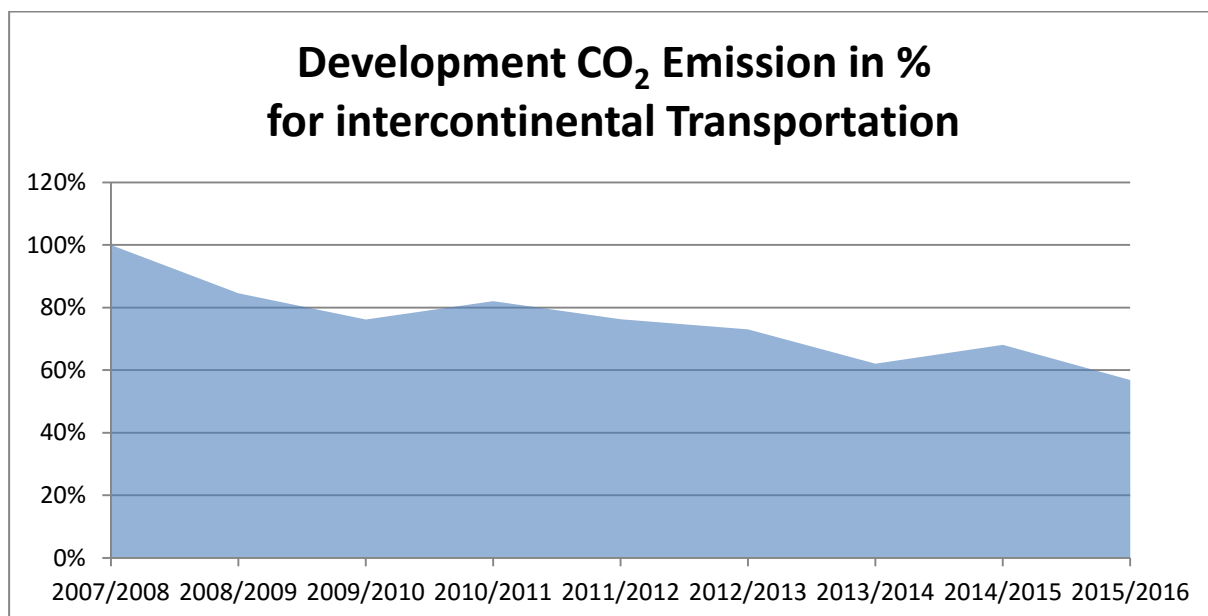
Reduce CO₂ emission

Schaffner's goal is to significantly cut carbon dioxide emissions and to be a role model for such efforts. To accomplish this, the Group launched a project to study its global potential for emission savings and plan the necessary investment. The findings to date showed that most of the CO₂ emissions are generated by materials transport, manufacturing plants, logistics hubs and the Group's headquarters.

Based on the analysis, further emissions reduction investment is being planned and implemented. As well, employees are being sensitized to the need to reduce energy consumption and to be prudent stewards of the available resources.

Transportation

With production centers in Asia, Europe and the USA, the Schaffner Group is able to manufacture its products in close proximity to customer delivery locations, thus substantially reducing shipping costs. Over the years, Schaffner has reduced the share of air freight in favor of sea freight. The associated CO₂ emissions (per unit of weight and distance transported) were substantially lowered. Schaffner is aiming for a further significant reduction in CO₂ emissions in the coming five years through continuous optimization of processes and the increase in the share of sea freight. In fiscal 2014/15, the proportion of air freight increased again, as customer projects are demanding ever shorter delivery times and more flexibility. New approaches to this challenge are planned.



The calculation is based on the air- and sea freight transportation mix of the fiscal year 2007/08 and capacity neutralized.

Production

The activities aimed at cutting down CO₂ output in the Group's plants are bearing fruit. Awareness of the link between CO₂ emissions and global warming was further raised. Training events highlighted the negative consequences of the greenhouse effect, thus encouraging employees' understanding and engagement in order to help achieve large effects through many small measures taken. Despite a rise in automation, the CO₂ emissions from production plants have successfully been stabilized. The optimization programs are steadily maintained. Energy consumption continues to be monitored in line with the GRI reporting guidelines for relevant aspects focusing on UNGC principals number 7,8,9 and 10.

Planned actions

Target	Action	Expected Results
Reducing CO ₂ emission (Energy consumption) within Schaffner Group	The global project "Carbon footprint" has been started in January 2016. Global KPIs are defined and monitored globally and locally. Based on the measurement results local projects and investments will be initiated.	Significant reduction of CO ₂ emission until 2020
Reporting of the CO ₂ emission focusing on manufacturing and international transportation.	Establish GRI reporting for the principals 7,8,9 and 10.	Further reduction of the CO ₂ emission.

3.3 Anti-Corruption Policy (principle 10)

An Anti-Corruption Policy has been part of all employment agreements in the Schaffner Group since fiscal 2012/13. The policy is supported through training programs at the Group sites, and compliance is monitored.

In 2016 two incidents have been reported. None of them were bribes. Furthermore, the internal guidelines were obeyed by the staff all the time.

Planned actions

Target	Action	Expected Results
Strengthen the awareness of local management for relevant trends in the Swiss law.	Group wide anti-corruption program focusing on local management teams and key employees in sales and procurement departments. All participants must successfully complete the basic UN-anti- corruption training within 2017.	Enhance mutual understanding about the relevant Swiss law, and the UN-anti-corruption convention as well as local regulations.

Completed actions

Target	Action	Results
No corruption cases within the Schaffner Group.	Continuous training and auditing related to complying with the rules and regulations of Schaffner's anti-corruption policy.	No suspicious cases have been reported via assigned email address and taken care off by Schaffner's business ethic committee.