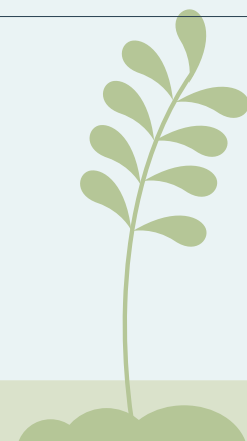# Sustainability report

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

# Facts and figures

Goal:

## 4.2 %

Arbonia aims for a 4.2 % average annual reduction in operational $CO_2$ emissions from Scope 1 and 2 by 2035 (compared to the reference year 2020).

Success:

## 7.6 %

In 2023, Arbonia achieved a reduction in operational $CO_2$ emissions from Scope 1 and 2 of 7.6 % compared to 2022.

Arbonia increases its score in its EcoVadis rating in 2023 and thus receives the

## «committed» label.

**Share of own electricity production of total electricity (in %)**



14.6

85.4
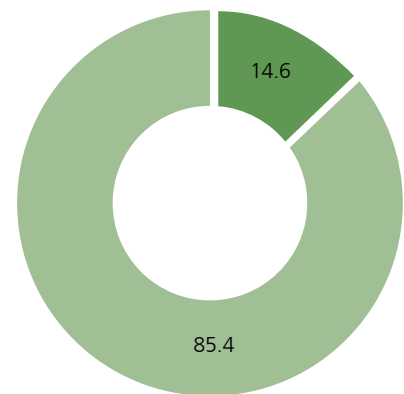
■ Own electricity production
■ Purchased electricity

**WE SUPPORT**

UN GLOBAL COMPACT

We are a member of the

## UN Global Compact

and are committed to its 10 universal principles.

The data situation in

# Scope 3

has been significantly improved. We have collected valid data for all relevant categories in accordance with the Greenhouse Gas Protocol.

**Waste (in tonnes)**

41 199

32 295

26 217

■ 2021
■ 2022
■ 2023

«Once the two new biomass combined heat and power plants are up and running, we will have no further need of heating oil and will be able to do without fossil energy sources.»
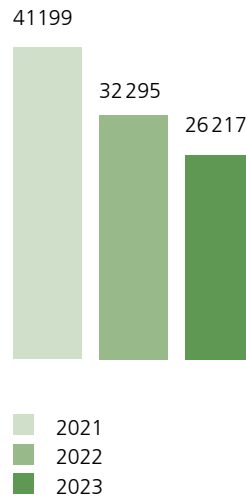
**Horst Lichter, General Manager Technology, Doors Division**

The Climate Division is the first radiator manufacturer to obtain for its steel radiators the

# Environmental Product Declaration (EPD).

We report for the first time in accordance with the requirements of the

# Taskforce on Climate-Related Financial Disclosures (TCFD).

# 12.1

is the average number of years that Arbonia employees work for the company.

We have sharpened our focus on relevant sustainability topics by conducting a new materiality analysis.

Business relevance

Effects on the environment and society
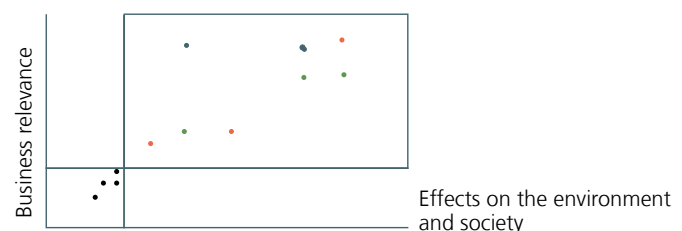
# Dear Readers,

Over the past year, we have made a concerted effort to maintain Arbonia's focus on the key issues for the future in the context of sustainability. Even in economically challenging times, we are continuing to pursue healthy and sustainable growth – a strategy that is becoming closely intertwined with our sustainability targets across all parts of the company. Arbonia is keen to play an active role in the European Green Deal, Europe's major sustainability project. With our innovative products, we can contribute to climate protection efforts in the emission-heavy building sector and live up to our responsibility in this area. The crucial factor, however, is the $CO_2$ reduction targets for our emissions from Scope 1 and Scope 2 in line with the Science Based Targets initiative (SBTi). These targets underline our support for the Paris Climate Agreement and have resulted in tangible success in 2023.

In the reporting year, Arbonia was able to increase the share of electricity that it produces itself from 12.9 % in the previous year to 14.6 % by installing further PV systems on the roofs of the production plants. A further success was the reduction in heating oil consumption for heat production by 32.0 %. General electricity consumption was also around 9.5 % lower than in the previous year. Greenhouse gas emissions from Scope 1 and 2 dropped by 7.6 % overall; however, the greenhouse gas intensity (greenhouse gas emissions in $kgCO_2e$/CHF net revenue) increased by 2.7 % due to a drop in revenue. We were able to improve the data situation in Scope 3 significantly in the reporting year. We can now collect valid data in all relevant categories in line with the Greenhouse Gas Protocol. The next step is to start working on appropriate reduction measures.

In line with our commitment to continuous improvement, the Arbonia Group has also made strategic changes in order to improve the quality and relevance of its sustainability reporting. The Swiss Code of Obligations, an important driver in this regard, has prompted us to recalibrate our reporting methods. This legal framework underlines the importance of precise, comprehensive reporting which ensures that our stakeholders have the information they need to make well-founded decisions. Furthermore, the 2023 report also includes information in accordance with the requirements of the Taskforce on Climate-Related Financial Disclosures (TCFD) for the first time. You can read the TCFD report on pages 50 to 53.

Our sustainability strategy is divided into the sub-areas of Climate (ecological issues), Community (social issues) and – new for 2023 – Compliance (governance issues). We firmly believe that these three elements are closely intertwined and that they must be aligned with each other in order to make our company fit for the future.

One of the most important structural changes in this year's report, however, is the modified approach used to evaluate materiality. Given the dynamic nature of sustainability topics, we have undertaken a comprehensive review of our existing materiality matrix in order to identify and prioritise the most important topics for our company and for our stakeholders.

We know that sustainability is an ongoing process which requires continued commitment and also means constantly dealing with new regulatory requirements. We therefore see this report not just as a snapshot, but as a milestone on our journey to a more sustainable future. It highlights the work we are doing to ensure transparency, accountability and compliance with legal regulations across all areas of our company. We are proud of what we have achieved so far and are motivated to keep getting better.

This report will tell you about the progress we have made and the challenges that lie ahead of us, presenting us with further opportunities for improvement.

We would like to thank our shareholders, partners, customers and employees for supporting us and going on this journey with us. Together we will create a world in which business and the environment can coexist in harmony.

Alexander von Witzleben
Executive Chairman

Daniel Wüest
Group CFO

# Companies of Arbonia

Arbonia is a focused building components supplier and consists of two divisions: Climate and Doors with the Wood Solutions and Glass Solutions Business Units.

**Production companies**

| Company | Site | Division / Business Unit | Manufactured products |
|---|---|---|---|
| AFG RUS | Stupino (RU) | Climate | Steel panel radiators |
| Arbonia Glassysteme GmbH | Deggendorf (D) | Doors / Glass Solutions | Construction glass |
| Bekon-Koralle AG | Dagmersellen (CH) | Doors / Glass Solutions | Shower stalls |
| Brugman Fabryka Grzejników Sp. z o.o. | Legnica (PL) | Climate | Design and steel panel radiators |
| GARANT Türen und Zargen GmbH | Ichtershausen (D) | Doors / Wood Solutions | Interior doors and frames |
| Interwand GmbH | Dörzbach (D) | Doors / Wood Solutions | Glass wall systems |
| Invado Sp. z o.o. | Ciasna (PL) | Doors / Wood Solutions | Interior doors and frames |
| joro türen gmbh | Renchen (D) | Doors / Wood Solutions | Functional doors |
| Kermi GmbH | Plattling (D) | Climate Doors / Glass Solutions | Steel panel radiators Shower stalls |
| Kermi s.r.o. | Stříbro (CZ) | Climate | Special radiators, storage batteries |
| PRÜM-Türenwerk GmbH | Weinsheim (D) | Doors / Wood Solutions | Interior doors and frames |
| PZP Heating a.s. | Opočno (CZ) | Climate | Heat pumps |
| RWD Schlatter AG | Roggwil (CH) | Doors / Wood Solutions | Functional doors |
| Sabiana s.p.a. | Corbetta (IT) | Climate | Ventilation and air-conditioning equipment (air heaters, radiant panels, fan coils, central air conditioners, heat recovery, filter technology, evaporative coolers) |
| Termovent Komerc d.o.o. | Kladovo (RS) | Climate | Air-handling units for cleanrooms |
| TPO Holz-Systeme GmbH | Leutershausen (D) | Doors / Wood Solutions | Special doors incl. door frames and door trims |
| Vasco BV[1] | Dilsen (BE) | Climate | Design radiators, ventilation, pipes for underfloor heating |

[1] The closure of design radiator manufacturing at the Dilsen site was announced in 2023.

**Administration and distribution companies**

| Company | Site | Division / Business Unit | Type of site |
|---|---|---|---|
| AFG Shanghai Building Materials Co. Ltd. | Shanghai (CN) | Doors / Glass Solutions | Sales |
| Arbonia AG | Arbon (CH) | Group | Holding |
| ARBONIA climate AG | Arbon (CH) | Climate | Administration |
| Arbonia Doors AG | Arbon (CH) | Doors / Wood Solutions | Administration, sales |
| Arbonia Doors GmbH | Erfurt (D) | Doors / Wood Solutions | Administration |
| Arbonia France Sàrl | Hagenbach (FR) | Climate | Sales |
| Arbonia Management AG | Arbon (CH) | Group | Administration |
| Arbonia Riesa GmbH | Riesa (D) | Climate | Sales |
| Arbonia Services AG | Arbon (CH) | Group | Administration |
| Arbonia Solutions AG | Arbon (CH) | Climate | Sales |
| Baduscho Dusch- und Badeeinrichtungen Produktions- u Vertriebsgesellschaft mbH | Margarethen am Moos (AT) | Doors / Glass Solutions | Sales |
| Cirelius S.A. | Avintes (PT) | Climate | Sales |
| Kermi Sp. z o.o. | Wroclaw (PL) | Climate | Sales |
| Prolux Solutions AG | Arbon (CH) | Climate | Sales |
| Tecna S.L. | Alcobendas (ES) | Climate | Sales |
| Vasco Group BV | Tubbergen (NL) | Climate | Sales |
| Vasco Group GmbH | Dortmund (D) | Climate | Sales |
| Vasco Group NV | Dilsen (BE) | Climate | Administration, sales |
| Vasco Group Sarl | Nogent-sur-Marne (FR) | Climate | Sales |
| Vasco Group SP. z o.o. | Legnica (PL) | Climate | Sales |

# Energy for the future

The Doors Division is making progress with regard to renewable energy. Two new state-of-the-art biomass combined heat and power plants at Prüm and Garant will provide more sustainable heat and electricity in the future by means of cogeneration. The plants will cover around half of the electricity requirements of the two sites and 100 % of the heat requirements. The plants will be fuelled with residual production materials – i.e. wood waste – from the door production facilities. Horst Lichter, General Manager Technology in the Doors Division, explains how this clever solution contributes to climate protection in this interview.

**Mr Lichter, as General Manager Technology you are responsible for the two new biomass combined heat and power (CHP) plants at Prüm and Garant. Why did Arbonia decide to invest in two new plants at these sites?**

**HL:** The new, highly efficient biomass CHP plants will take over from the existing facilities. Furthermore, they will replace the smaller, decentralised systems previously used to heat the sites – including the heating oil installations. After 30 years of operation, the old heating systems were in need of modernisation. At the same time, updates to the German Technical Instructions on Air Quality Control ("TA Luft") meant that the existing facilities needed to be modernised in order to meet the emissions requirements for certain air pollutants. We therefore got to work straight away designing the two plants for Prüm and Garant, adapting the size of the plants to the planned growth for each company. For Prüm, this was primarily based on the size of the new production halls; in the case of Garant, the old heating systems were too small. So we knew we needed to build larger plants, and we also wanted to tie this in with our climate targets.

**Can you explain the technology to us?**

Of course. A biomass CHP plant uses biomass as fuel. By burning our production waste, such as wood dust and uncontaminated, shredded wood-based materials, we can produce steam at a very high pressure. This steam is then used in subsequent processes to heat the halls and presses and to generate electricity via a steam turbine. Using the steam in multiple ways like this is known as "cogeneration" or "combined heat and power", which is very energy-efficient. At the same time, we have the positive side effect that our wood waste – which we previously had to dispose of at significant expense – can now be used to generate energy.

**What does this have to do with sustainability?**

By recycling our wood waste, not only are we reducing our need for external biomass sources, we are also preventing the release of greenhouse gases which would be produced if the wood waste were burned or left to decompose without energy recovery. Furthermore, the wood waste no longer needs to be transported over 150 kilometres via lorry for disposal, which also cuts down on emissions.

**How does this fit in with Arbonia's general environmental targets and its commitment to climate protection?**

We at Arbonia support the Paris Climate Agreement. With this in mind, we intend to reduce the intensity of our emissions substantially by 2035. In the Doors Division, once the new plants have been completed we will be able to cover 100 % of our heat requirements at Prüm and Garant with energy that we produce ourselves. Furthermore, we want to keep increasing the proportion of electricity that is generated in-house – to this

end, we are combining the biomass CHP plants with our own photovoltaic systems. Once the two new plants are up and running, we will have no further need of heating oil and will be able to do without fossil energy sources. For Arbonia, the construction of the two biomass combined heat and power plants represents an investment in the future that will pay off in the long term, as well as a major contribution to sustainability and, hence, climate protection.

**What challenges did you have to deal with along the way?**

The planning and implementation phases involved a number of challenges due to the complexity of the project and the number of people involved. However, through meticulous planning and close collaboration with our technical teams, we were able to overcome these challenges. We commissioned the plant at Prüm at the end of 2023, and the Garant plant will be completed in 2025.

**How have the local communities around the Prüm and Garant production plants responded to the use of wood waste for energy production?**
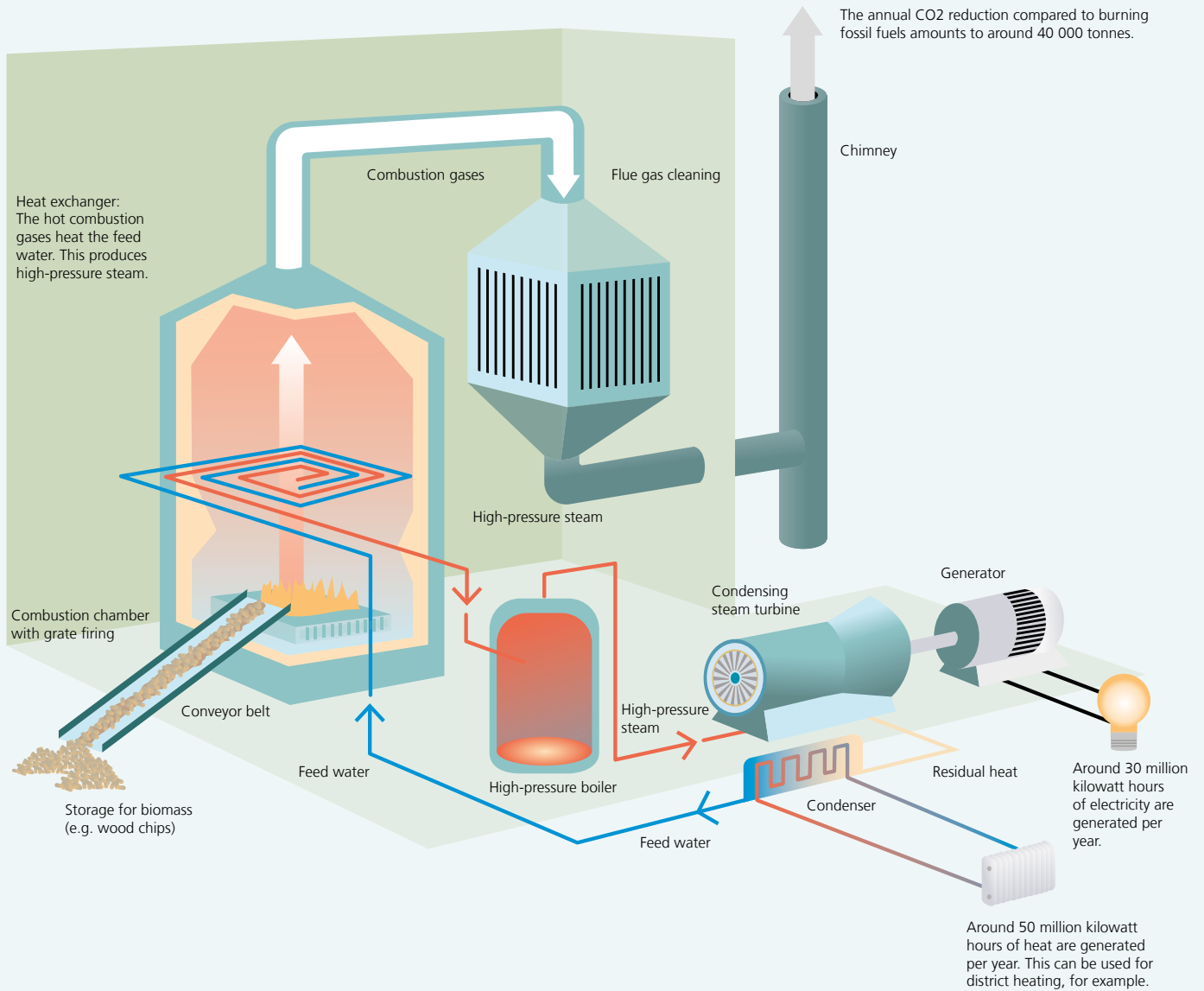
The response has been very positive. The local people appreciate the fact that we are using state-of-the-art flue gas filter technology to help improve the air quality. Furthermore, with the plant at Prüm, we are already able to feed our unused electricity into the grid and cover some of the energy requirements of nearby companies. The plants are running 24/7 – but we only make doors five days a week, which means that we can feed the electricity generated at weekends into the grid. The compensation we receive for this weekend electricity covers the costs of operating the plant. A further advantage for us is that these plants allow us to save on CO2 taxes.

**Is Arbonia planning to integrate further sustainable solutions into its business model?**

The success of these plants will serve as a foundation for future efforts. At Arbonia, we are always actively looking for opportunities to increase our resource efficiency, reduce waste and further minimise our environmental impact. For us, sustainability is an ongoing process rather than just a target, and we are committed to continuous improvement and innovation. We want to use the experience we have gained at Prüm and Garant in other parts of the company too. For example, we are currently working on strategic plans for photovoltaic systems and renewable energy sources at Invado and RWD Schlatter.

## Biomass combined heat and power plants

With consumption of 40 000 tonnes of wood or other biomass, a CHP plant in the 5 MW class will generate around 30 million kilowatt hours of electricity and 50 million kilowatt hours of heat per year. In terms of its operating principle, a power plant of this kind works in the same way as a coal-fired power station.

The annual $CO_2$ reduction compared to burning fossil fuels amounts to around 40 000 tonnes.

Combustion gases

Flue gas cleaning

Chimney

Heat exchanger:
The hot combustion gases heat the feed water. This produces high-pressure steam.

High-pressure steam

Condensing steam turbine

Generator

Combustion chamber with grate firing

Conveyor belt

Feed water

High-pressure boiler

High-pressure steam

Residual heat

Condenser

Around 30 million kilowatt hours of electricity are generated per year.

Storage for biomass (e.g. wood chips)

Feed water

Around 50 million kilowatt hours of heat are generated per year. This can be used for district heating, for example.

# Sustainability approach

For Arbonia, responsible action is an essential requirement for long-term company success. This includes responsible dealings with employees, suppliers, customers and investors, as well as with the environment and natural resources.

Our sustainability strategy is divided into the three sub-areas of **Climate** (ecological issues), **Community** (social issues) and **Compliance** (governance issues). In these areas, we want to continually improve our sustainability performance beyond the legal requirements. As part of the new materiality analysis, the Cash section has been replaced with Compliance. A detailed description can be found on page 85.

# Sustainability strategy

Our approach is to create (added) value from raw materials in a responsible manner. In line with a sustainable transformation, we are investing in both the product portfolio and the production processes. We also support the Paris Agreement from the Paris Climate Conference as well as the European Green Deal. On this basis, we are pursuing the strategic goal of actively contributing to minimising global warming. The crucial factor in this regard is the $CO_2$ reduction targets for our emissions from Scope 1 and Scope 2 in line with the Science Based Targets initiative. In the reporting year, we made significant progress with regard to the recording of emissions from Scope 3 in particular and also developed approaches for reducing these emissions (see "Emissions and energy", p. 54 onwards). Further information about our climate strategy can be found in the "Strategy" section of the TCFD report (see p. 52).

The Group-wide sustainability strategy applies to the entire corporate group and is supported by the Board of Directors. This is demonstrated by our ongoing commitment to the objectives of the United Nations (UN) Global Compact, which we joined in the last reporting year.

The sustainability goals are centrally defined and coordinated; the Climate and Doors Divisions are responsible for the decentralised implementation. For this purpose, they are developing specific plans with individual measures and expanding their product portfolios so that they contribute to the Group-wide goals.

# Sustainability governance

Arbonia is organised in a decentralised way and has a holding structure. Group Management – consisting of the Group CFO and the two CEOs of the divisions – determines together with the Executive Chairman of the Board of Directors the targets and measures with which the strategy specified by the Board of Directors will be implemented. The responsibility for the operational business lies with the divisions.

Sustainability is an essential part of the Group strategy. The Group CFO is responsible for managing the topic within the Group. This person develops the sustainability strategy together with the sustainability committee and representatives from the Corporate Communications & Investor Relations department, which is responsible for the Group-wide coordination. The sustainability committee consists of a representative of the Climate Division and one representative each from the Wood Solutions Business Unit and the Glass Solutions Business Unit of the Doors Division. The divisions or their companies coordinate individual measures with the Group functions and implement them. Group Management evaluates important initiatives and projects on a monthly basis.

The Board of Directors and Group Management are pursuing a long-term strategy, while always keeping in mind the interests of the company, its employees, shareholders and other important stakeholders. Once a year, they review the strategy and its reporting with regard to the material topics for Arbonia. The Board of Directors of Arbonia is continuously informed about new legal requirements for sustainable corporate governance. It takes on the decision-making and control function for all measures and evaluates the performance on the basis of defined targets.

This concerns Internal Audit and thus risk assessment, for example. In the reporting year, Internal Audit sent the Board of Directors 15 audit reports on risks and the implementation of planned measures. These reports are also available to external auditors. The Board of Directors is also continually involved in examining possible acquisitions in the form of due diligence processes. The Board of Directors can order investigations or call in external consultants via the Audit Committee in all areas of competence. As of the 2023 financial year, quantitative climate targets aimed at reducing the intensity of greenhouse gases have also been integrated into the variable compensation for Group Management.

# Materiality analysis

For our fourth sustainability report we conducted a new materiality analysis in 2023. This involved defining 13 topics which, on the one hand, are relevant to long-term business success and, on the other hand, are relevant with respect to important effects on the environment and society. The analysis was based on frameworks such as the GRI Standards, the Swiss Code of Obligations (see also "Matching material topics with the interests of the Code of Obligations", p. 44) and an initial comparison with the European Sustainability Reporting Standards (ESRS). Additional references included a benchmark analysis with sustainability reports from competitors as well as ESG rating analyses.

A core team consolidated the selection of topics, and an evaluation was then carried out by 23 internal stakeholders including the CFO of the Arbonia Group, the sustainability officers, as well as representatives of the divisions from various areas of responsibility and various corporate functions. The individual topics were rated according to the two dimensions "Effects on the environment and society" and "Business relevance". A threshold value was used to distinguish material topics from non-material topics. A workshop was then held where the stakeholders validated the results together with an external team of experts.

On this basis, nine of the 13 topics were rated as "material"; these topics are shown in the matrix below:

**Materiality matrix**
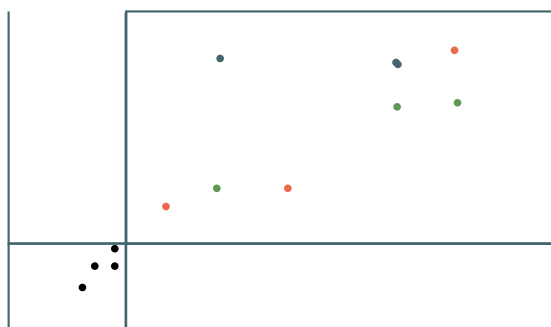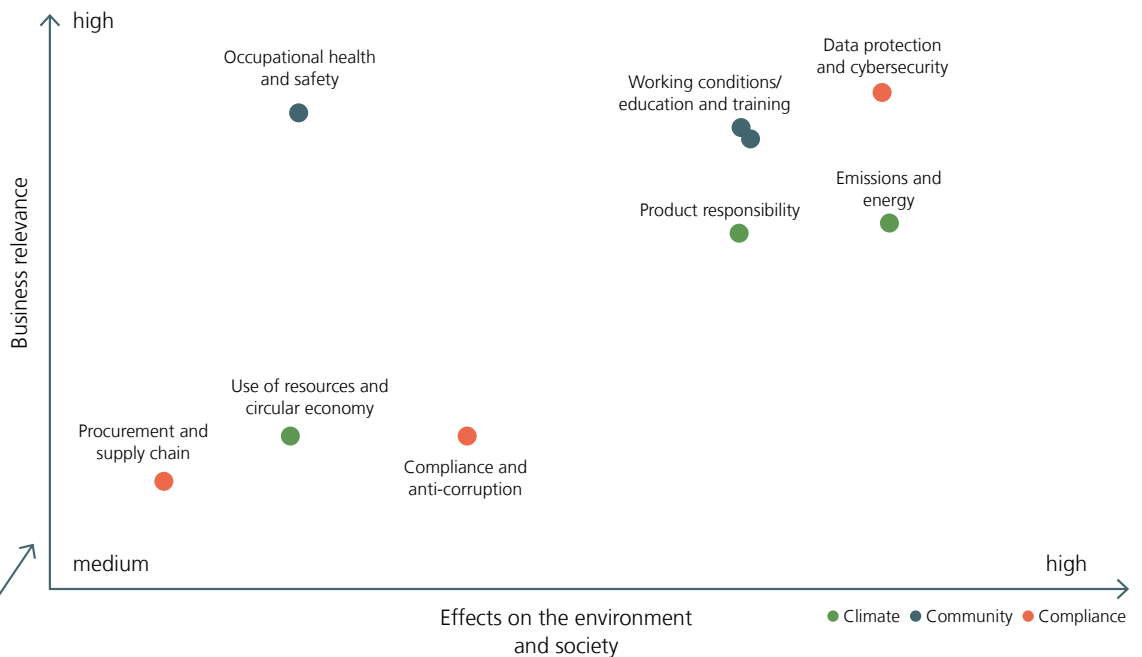


However, the following four topics were rated as non-material: "Equal treatment and opportunities for all", "Social engagement", "Water and waste water", "Biodiversity and ecosystems". While Arbonia is aware that these topics are also highly relevant when considering the topic of sustainability as a whole, their current significance with regard to both business success and effects on the environment and society was rated as significantly lower than that of the other topics in this reporting cycle. Nevertheless, Arbonia is also undertaking measures and initiatives in these non-material areas.

## Article 964a ff. Code of Obligations

**Matching material topics with the interests of the Code of Obligations**

The Swiss Code of Obligations sets out requirements regarding sustainable corporate governance in order to protect people and the environment. These requirements came into force in 2022. They oblige large Swiss companies to produce an annual report on the non-financial risks for the environmental matters, social issues, employee-related issues, human rights and measures aimed at combating corruption. There are also further stipulations regarding transparency in the sensitive areas of child labour and conflict minerals. In this report, the Arbonia Group applies the new regulatory requirements for the first time. The table below matches up the material topics with the areas from the Code of Obligations. Within the report, the detailed requirements of the Code of Obligations are disclosed in a separate paragraph before the respective material topic.

| Material topic of Arbonia | Allocation of material topics in accordance with Code of Obligations, Article 964[ter], B.[1] | Page |
|---|---|---|
| Emissions and energy | Environmental matters | 54 |
| Use of resources and circular economy | Environmental matters | 61 |
| Product responsibility | Environmental matters; Social issues | 65 |
| Working conditions | Social issues | 72 |
| Education and training | Employee-related issues | 77 |
| Occupational health and safety | Employee-related issues | 80 |
| Compliance and anti-corruption | Combating corruption | 86 |
| Procurement and supply chain | Respect for human rights; Environmental matters; Social issues; Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (Seventh section Article 964[quinquies]) | 88 |
| Data protection and cybersecurity | Social issues | 92 |

# Risk management

Given that our risk management process has been institutionalised for some time now, the risk catalogue was updated once again in the reporting year by means of a structured process. The catalogue comprises strategic, operational and external risks that can be translated into a total of 26 risk scenarios.

Key people from the Group and the respective divisions are involved in evaluating the risk scenarios on the basis of both probability of occurrence and extent of loss. The two divisions and the Group representatives evaluate the entire risk catalogue, with the divisions rating the risks more highly overall. As part of the evaluation, the risk exposures are represented on a matrix. The results are compared with the previous year to check their plausibility and consolidated for the Group and the Doors and Climate Divisions. The entire risk profile is presented to the Audit Committee as well as to the Board of Directors.

In the reporting year, the risks differ with regard to individual points or their order. The three highest non-financial risks from the perspective of the Group are in the areas of energy supply (strategic), product portfolio (strategic) and compliance (operational). When aggregated across both divisions, the greatest non-financial risks are in energy supply, materials / raw materials (external) and compliance.

Mitigation measures have been defined for each risk. A status report indicates whether the respective measure is planned, proposed, implemented, or completed, or whether it is an ongoing process. This status report is integrated in a risk management tool which carries out continuous internal monitoring of the risk exposure and the status of the measures.

In the future, more detailed risks that are linked to sustainability aspects will be added to the risk catalogue. Therefore, as an initial step, potential risks were defined and aggregated by the internal stakeholders as part of the new materiality analysis (see p. 43). These ESG risks will be incorporated into the annual evaluation in future by means of comparison with current risk management activities.

# Stakeholder engagement

At Arbonia, we maintain a constant dialogue with all stakeholders who have a significant influence on the economic, environmental 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 sites – but also partners such as transport companies, suppliers, research institutes and associations, as well as the general public. The exchange of ideas with these groups takes place in the context of personal discussions, meetings, conferences and trade fairs, as well as surveys. The table "Inclusion of stakeholders and their concerns" (see below) provides an overview of our interactions with the various stakeholders.

Memberships in the most important chambers and associations – including Swissmem (association of the Swiss mechanical, electrical and metalworking industries), SwissHoldings, or the German-Swiss Chamber of Commerce – allow us to have a continuous dialogue with sector-related companies and relevant interest groups. We have also been a signatory of the UN Global Compact since the end of 2021 and meet all of the obligations arising from our membership.

In addition to our global engagement, we as Arbonia support communities at our production sites. This is demonstrated by numerous donor programmes and support for non-profit organisations. Many companies sponsor sports activities for young people and adults. In addition, the Group sponsors a non-profit association which organises educational projects to prepare children and young people for the challenges of the digital age. We also help to finance scholarships to universities of applied science.

**Inclusion of stakeholders and their concerns**

| Stakeholders | Form of inclusion | Concerns |
|---|---|---|
| Customers | Internal and external customer surveys Personal discussions | Product quality, product life cycle, customer satisfaction |
| Employees | Employee interviews, employee representatives, trade unions, newsletter | Occupational safety, strategy, sustainability engagement, pay negotiations |
| Shareholders and investors | General Meeting, representation by Board of Directors, roadshows, 1:1 discussions | 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 installations 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, website | Current information on the company |

# Arbonia's contribution to the SDGs

Arbonia is aware of its economic, environmental and social responsibility. We are committed to operating more sustainably over the long term.

We make a substantial contribution to climate protection with our products, which reduce energy consumption in buildings. For this purpose, we continually drive innovations in our two core areas of indoor climate and interior doors. In addition, Arbonia strives for a dynamic, open corporate culture and places a great deal of importance on 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 United Nations' goals for sustainable development. In particular, Arbonia is dedicated to supporting the eight Sustainable Development Goals (SDGs) highlighted in colour below.

We are not yet able to fully measure our contribution to achieving the SDGs. However, in the following chapters we will show activities that support the goals of the United Nations for sustainable development. This is identified by SDG icons in the corresponding subchapters.

| 1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION |
| 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION |
| 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS | |

# Climate

As a building components supplier for products and solutions for indoor climate as well as interior doors made of wood and glass, Arbonia has a responsibility for the environment and climate. We see great potential in the transformation into an environmentally compatible economy and would like to substantially contribute to making buildings more sustainable with our product, development and service portfolio. By reducing greenhouse gas emissions along our entire value chain, product innovations and new solutions, we aim to reduce the environmental impact of our business activities and those of our customers
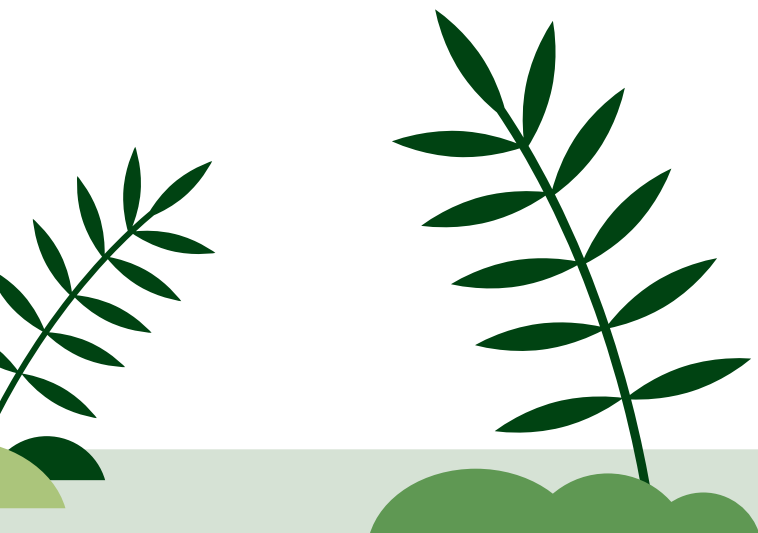
# TCFD report

The report for the 2023 financial year is the first time that the Arbonia Group is reporting on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) with regard to climate-related risks and opportunities. The reporting is based on the requirements in relation to governance, strategy, risk management, as well as key figures and targets. Although the TCFD was formally dissolved in 2023, its standards continue to point the way ahead and are currently being implemented at Arbonia.

In the first TCFD report, Arbonia discloses how physical risks and opportunities which may arise in connection with climate change are identified and handled. The focus in each case is on the financial consequences for the company.

Arbonia's strategic objective and company-wide ambition is to actively contribute to climate protection. Linked to this are the goals of consistently lowering energy consumption and reducing $CO_2$ emissions in Arbonia's own production facilities and in the upstream and downstream parts of the value-added chain.

## 1.       Governance

The overarching strategic responsibility for climate-related risks and opportunities lies with the Board of Directors, while operational responsibility lies with Group Management. As climate-related topics affect all areas of Arbonia's business, they are managed at the highest operational level.
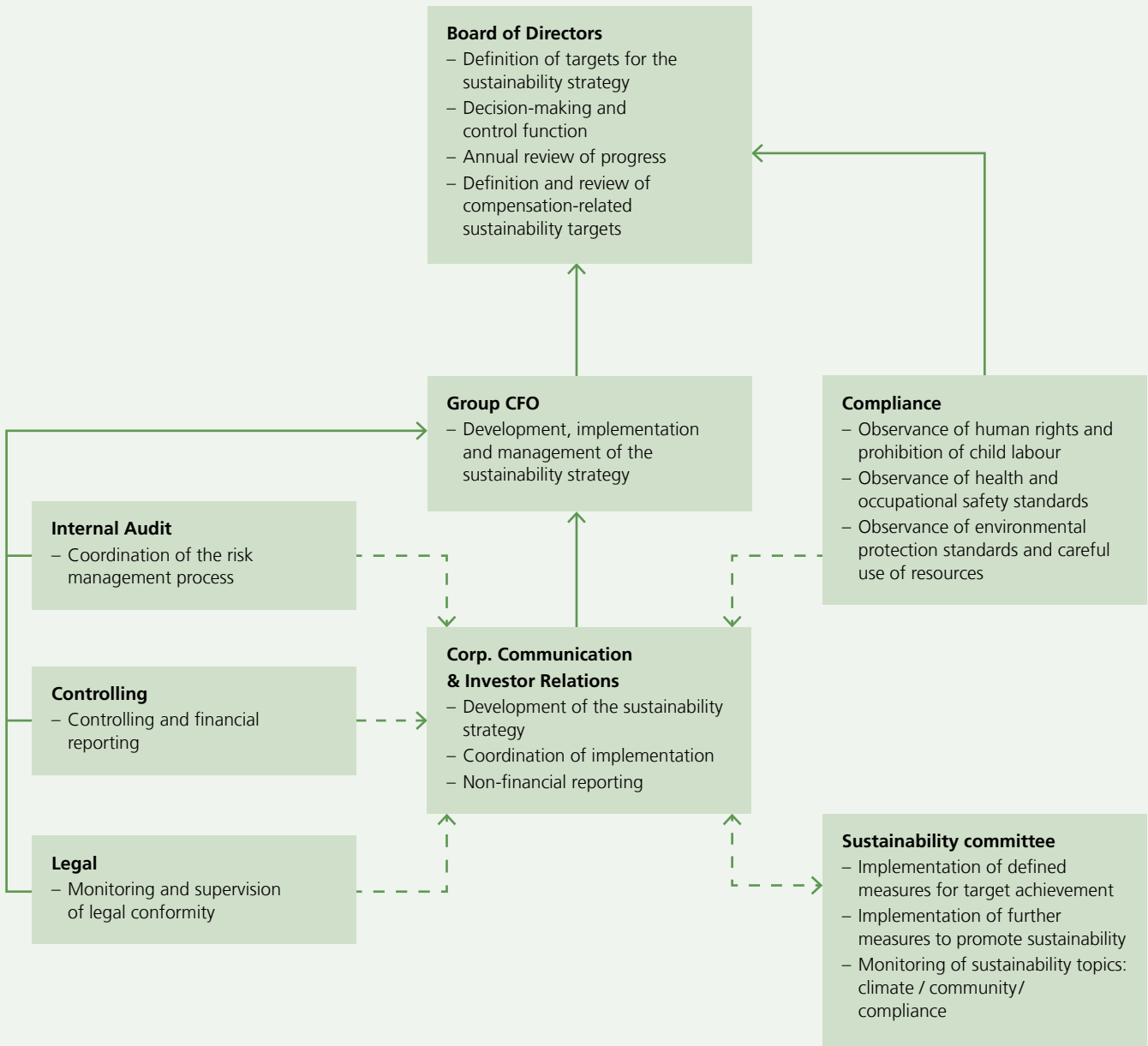
The Board of Directors and Group Management are pursuing a long-term strategy, while always keeping in mind the interests of the company, its employees, shareholders and other stakeholders. Once a year, they review the strategy and its reporting with regard to the material topics for Arbonia. In collaboration with Group Management, the Board of Directors defines the sustainability strategy which also includes approaches relating to the climate strategy. The sustainability strategy covers the material topics of emissions and energy, use of resources and circular economy and product responsibility. Reducing the intensity of greenhouse gases is defined as the central goal and is integrated into the variable compensation for Group Management.

Group Management is responsible for implementing the climate strategy, with the results and degree of target achievement being presented to the Board of Directors at least once a year for review. The Group CFO is responsible for managing the topic within the Group and develops the climate strategy together with the sustainability committee and representatives of the Corporate Communications & Investor Relations department. The sustainability committee consists of a representative of the Climate Division and one representative each from the Wood Solutions Business Unit and the Glass Solutions Business Unit of the Doors Division. The divisions or their companies coordinate individual measures with the Group functions and implement them. Group Management evaluates important initiatives and projects on a monthly basis.

The sustainability committee also develops approaches for deriving climate-related risks and opportunities for Arbonia. This includes, for example, integrating climate-induced consequences into the Arbonia Group's risk management activities. To this end, as an initial step, potential risks were defined and aggregated by the internal stakeholders as part of the new materiality analysis (see p. 43). Climate risks will be incorporated into the annual evaluation in future by means of comparison with existing risk management activities.

Various types of relevant climate data, such as energy consumption, are recorded in a central tool. The data is then distributed to the relevant managers, particularly the plant managers, via an internal reporting system.

**Simplified sustainability governance structure**

**Board of Directors**
– Definition of targets for the
  sustainability strategy
– Decision-making and
  control function
– Annual review of progress
– Definition and review of
  compensation-related
  sustainability targets

**Group CFO**
– Development, implementation
  and management of the
  sustainability strategy

**Compliance**
– Observance of human rights and
  prohibition of child labour
– Observance of health and
  occupational safety standards
– Observance of environmental
  protection standards and careful
  use of resources

**Internal Audit**
– Coordination of the risk
  management process

**Controlling**
– Controlling and financial
  reporting

**Legal**
– Monitoring and supervision
  of legal conformity

**Corp. Communication
& Investor Relations**
– Development of the sustainability
  strategy
– Coordination of implementation
– Non-financial reporting

**Sustainability committee**
– Implementation of defined
  measures for target achievement
– Implementation of further
  measures to promote sustainability
– Monitoring of sustainability topics:
  climate / community/
  compliance

## 2. Strategy

Arbonia's climate strategy aims to reduce the company's ecological footprint. We want to play an active role in reducing environmental impact and promote a more sustainable use of resources. We are committed to continuously optimising our production and supply chain in order to reduce greenhouse gases and minimise energy consumption. In this context, we are focusing on the use of energy-efficient technologies and renewable energies. Furthermore, we are striving to use more sustainable materials and promote the use of alternatives with a lower environmental impact. By promoting environmentally responsible conduct and providing training, we are making our employees more aware of the topic of climate protection and encouraging them to play an active role in implementing our climate strategy.

We will keep reviewing and improving our climate strategy on the basis of international standards and best practices. With transparent reporting and regular progress reviews, we will ensure that we achieve our targets and make a positive contribution to the fight against climate change.

The Arbonia Group's efforts to decarbonise its business activities are based on the 1.5 degree target from the Paris Climate Agreement. The crucial factor in this regard is the $CO_2$ reduction targets for our emissions from Scope 1 and Scope 2 in line with the Science Based Targets initiative (SBTi). In the reporting year, we made particular progress with regard to the recording of emissions from Scope 3 and also developed approaches for reducing these emissions.

When it comes to evaluating climate-related opportunities and risks, Arbonia distinguishes between a short-term (< 1 year), medium-term (2–5 years) and long-term (> 5 years) perspective. In the reporting year, possible opportunities and risks were identified within these timescales and analysed in two scenarios. The basic principles of this initial internal analysis are presented here. In line with the TCFD recommendations, the climate-related consequences for Arbonia fall into the following three categories:

### Physical risks

Physical climate risks encompass direct consequences for companies as a result of climatic changes; for example, potential damage to buildings. These risks result from climate change effects such as drought, water shortage, heat, heavy rainfall and sea level rise. Some of these problems were previously referred to as natural hazards, but climate change is causing an increase in both extent and probability of occurrence. Potential physical risks were prioritised internally in the first analysis in 2023. These risks are to be looked at in more detail for the individual sites in the next few years.

### Transitory risks

Transitory climate risks describe indirect effects for companies as a result of the successive decarbonisation of the national economy and arise from ambitious climate protection policies. Linked to this are factors such as tightening of emissions trading rules, stricter efficiency regulations, or changing market conditions, as well as technological progress.

### Climate-related opportunities

The decarbonisation of the economy brings with it opportunities for company-specific growth. The same applies to the climatic changes that are expected in the coming decades. Competitive advantages may be achieved by changing the product portfolio, adopting a forward-looking approach to market positioning and optimising operational processes.

Within this context, Arbonia is pursuing the goal of generating 60% of the net revenue of the Climate Division via low-emission, energy-efficient growth products by the 2026 financial year. In addition, the company is focusing on the topic of energy efficiency during the use phase as a further strategic growth area.

The characteristics of the three categories of climate-induced consequences described here are linked to scenario analyses. Our initial approach at Arbonia was to investigate two scenarios for global warming by the year 2100 (see graphic on the next page).

## 3. Risk management

The Arbonia Group has a centralised risk management system which is implemented in accordance with an institutionalised process. All potential and material risks are evaluated as part of this system. Key parameters for the evaluation include probability of occurrence, reputational damage and extent of loss. The Arbonia Group's risk management process is repeated on an annual basis and the results are reported to the CFO and the Board of Directors.

The Arbonia Group's risk catalogue (see also "Risk management", p. 45) encompasses a higher-level ESG scenario which takes climatic changes into consideration. In the current evaluation, this scenario is not assigned a high expectancy value at either Group or division level. As the Arbonia Group, we will differentiate this risk in the subsequent evaluations in order to establish a more direct link to individual business units for the evaluation participants.

| Category | Scenario considered | |
| --- | --- | --- |
| | 1.5 °C – 1.8 °C | > 3 °C |
| | Selected potential risks and opportunities identified in the initial analysis: | |
| Acute physical risks | Production interruptions and damage due to flooding | |
| Chronic physical risks | – | Increased electricity costs for cooling and air conditioning due to increasing heat heat and more frequent heatwaves |
| Opportunities due to long-term physical changes | Higher demand for air conditioning products due to increasing heat and more frequent heatwaves | |
| Transitory market risks | Impact of emission targets and target achievement on financial valuations and creditworthiness | – |
| Transitory political / legal risks | Increased costs for emissions accounting and fulfilment of other legal requirements and their tracking in the supply chain | – |
| Transitory market opportunities | Increased demand for Arbonia products due to the attractiveness of construction projects in which energy-efficient and low-emission products are used | – |

In the reporting year, Arbonia launched an initiative in order to prepare for increased integration of climate-related risks into the group-wide risk management activities. A longlist with relevant physical and transitory aspects was produced in a pilot project, based on the recognised scenarios of the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA). As a first step, this list was qualitatively assessed by Risk Management and the Corporate Communications & Investor Relations department, with the project team developing concrete risk scenarios with defined timescales for individual aspects. For an extract of the opportunities and risks under consideration, see "2. Strategy".

As an initial step, these analyses relate to the Arbonia Group's largest sites. Potential consequences for the entire Group are derived from trend descriptions, forecast ranges and financial calculations – on this basis, proposals can be developed for managing the risks under consideration. The aim is to establish a standardised process that uses the longlist as a basis to identify and evaluate risks at regular intervals and transfer them to the central risk management system.

The next step will involve defining suitable measures for mitigation. In the future, this will incorporate the upstream and downstream parts of the value-added chain in addition to Arbonia's own production facilities.

## 4. Key figures and targets

On the basis of the SBTi guidelines, we have determined a path for reducing our own $CO_2$ emissions (Scope 1 and 2) and defined corresponding targets and measures. We are aiming for an average annual absolute reduction of 4.2 % by the year 2035 (reference year 2020). A certified energy and environmental management system reviews the target achievement and the effectiveness of the implemented measures.

The optimisation of energy consumption – and thus the improvement of the $CO_2$ balance sheet – has long since become a task of all companies, departments and areas of the Arbonia Group. All targets in the area of energy efficiency are defined annually and advanced with corresponding measures.

In the reporting year, Arbonia slightly increased the share of electricity that it produces itself from 12.9 % in the previous year to 14.6 % by installing further PV systems on the roofs of the production plants. A further success was the reduction in heating oil consumption for heat production by 32.0 %. Greenhouse gas emissions from Scope 1 and 2 dropped by 7.6 % overall; however, the greenhouse gas intensity (greenhouse gas emissions in $kgCO_2e$ / CHF net revenue) increased by 2.7 % due to a drop in revenue.

Complete monitoring of the key figures in energy management is the most important instrument for Arbonia to continue to pursue the strategic targets relating to energy efficiency and $CO_2$ emissions. This also makes it possible to measure the share of renewable energy.

# Emissions and energy

## Article 964a ff. Code of Obligations

**Concept and due diligence**

Environment-related activities affect all business processes – from research and development through production to logistics and transport. We are aware that our operating activities result in greenhouse gas emissions. As Arbonia, we have been paying special attention to this issue for many years and are continually taking new measures to improve our environmental impact further. Arbonia aims to operate with the lowest possible emissions at our own company, in production and in the area of transport and logistics. The main objective of all companies is to grow responsibly and to aim for maximum energy efficiency. On the basis of the SBTi, we have determined a path for reducing our own $CO_2$ emissions (Scope 1 and 2) and defined corresponding targets and measures. We are aiming for an average annual reduction of 4.2 % (incl. growth) by the year 2035 (reference year 2020). Arbonia is also in the process of identifying the greatest factors influencing the Scope 3 emissions, in order to formulate reduction targets and measures for these as well. The energy efficiency of our production processes is monitored as standard and investigated with regard to optimisation potential. For this purpose, clear competencies and energy officers have been designated. These officers from the areas of production and logistics continuously monitor the target achievement. All targets in the area of energy efficiency are evaluated annually.

**Measures including evaluation of effectiveness**

Arbonia is constantly working to improve its energy efficiency on the basis of certified energy and environmental management systems. New or improved energy-efficient machines play an important part in this. Arbonia is steadily increasing the share of renewable energy in its electricity consumption by expanding the provision of photovoltaic (PV) systems and wind turbines as well as biomass CHP plants at its production sites. Furthermore, Arbonia has expanded its fleet of electric cars and, in 2023, some companies introduced policies stipulating that only electric cars may be used.

**Material risks and how they are handled (own scope of business and, where applicable, business relationships)**

Growing customer expectations regarding sustainability as well as increasing legal requirements entail risks that we are able to counter – both at our own company and in the upstream and downstream parts of the value-added chain – with scientifically substantiated climate targets, an improved data situation and corresponding measures. A higher quantity of data and an improved quality of data will allow us to provide more detailed information about material risks and how they are handled in future.

**Key performance indicators**

The most important key performance indicators are the energy consumption by energy source (MWh) and the composition of energy consumption (MWh). We also record other key environmental figures – these can be found in the table on page 56.

| Priority | Target | Status 2022 | Status 2023 |
|---|---|---|---|
| The Climate Division achieves additive $CO_2$ savings by operating energy-efficient products[1] at customers. | By 2025: aggregated savings of 350 000 tonnes of $CO_2$ | Savings of 175 200 tonnes of $CO_2$ for the years 2020, 2021 and 2022 | Savings of 224 387 tonnes of $CO_2$ for the years 2020–2023 |
| Arbonia reduces its $CO_2$ emissions from Scope 1 and 2. | By 2035: reduction by an average of 4.2% per year | Reduction of 7.9% compared to 2021 | Reduction of 7.6% compared to 2022 |

[1] Among others: heat pumps, X2 radiators

The subject area of "Emissions and energy" is important to Arbonia in two respects: A great potential for reducing greenhouse gases lies in buildings, which are the largest source of $CO_2$ emissions in Europe after mobility, with a share of over 30%. By demonstrating its commitment in this area, Arbonia is aiming to fulfil increasing customer expectations regarding sustainability – there is great demand for products that reduce the energy consumption in buildings and ensure a pleasant indoor climate at the same time. Arbonia identified this trend early on and makes a substantial contribution with its products. Improvements can be achieved in new buildings as well as in renovations – especially through the use of integrated system solutions, as well as through the use of individual components from the Climate Division. Furthermore, the interior doors made of wood and glass also help to lower the energy consumption of buildings thanks to their insulation capacity (see "Product responsibility", p. 65 onwards).

At the same time, we at Arbonia aim to operate with the lowest possible emissions at our own company, in production and in the area of transport and logistics. In particular, the upstream and downstream parts of the value-added chain (Scope 3) make up a large part of the overall emissions. Arbonia is therefore in the process of identifying the greatest factors influencing the Scope 3 emissions in order to formulate reduction targets and measures on this basis.

We are aware that conventional energy generation consumes finite resources that contribute to climate change. In 2023, we started collecting data for Scope 3 emissions from our own operating activities and the value-added chain in order to identify and mitigate relevant risks more effectively. The materiality analysis from 2022 was updated in 2023, with the divisions defining the following categories:

3.1 Purchased goods and services
3.2 Capital goods
3.3 Upstream fuel- and energy-related emissions
3.4 Transport (upstream)
3.5 Waste
3.7 Employee commuting
3.9 Transport and distribution (downstream)

This means that Arbonia now has valid data for all relevant categories of its value-added chain. As a result, the value indicated for Scope 3 (see "Key environmental figures", p. 56) is much higher than in previous years. On the basis of the data collected for Scope 3, Arbonia will define appropriate targets and measures which will be reported from 2024 onwards. The aim for 2023 was to gradually improve the quality and quantity of the data.

As far as Scope 1 and Scope 2 are concerned, we are implementing measures on an ongoing basis – including the construction of PV and CHP plants. In the reporting year, Arbonia slightly increased the share of electricity that it produces itself from 12.9% in the previous year to 14.6% by installing further PV systems on the roofs of the production plants. A further success was the reduction in heating oil consumption for heat production by 32.0%. Greenhouse gas emissions from Scope 1 and 2 dropped by 7.6% overall; however, the greenhouse gas intensity (greenhouse gas emissions in $kgCO_2e$/CHF net revenue) increased slightly by 2.7% due to a higher drop in revenue.

One decisive measure for more energy efficiency is the certification of various production sites according to the ISO standard 50001, which requires a complete monitoring of energy key figures, among other things.

Arbonia is also keen to promote e-mobility. A new company policy stipulates that only electric cars may be used at some sites starting in 2023. Company vehicles with an internal combustion engine will therefore be replaced with electric vehicles on an ongoing basis. Employees are able to charge their cars at many of our sites (charging prices apply) and charging points are also available for visitors.

**Key environmental figures**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| **Energy consumption in MWh** | **283 922** | **303 721** | **325 618** |
| Thereof renewable | 44.9 % | 46.9 % | 41.0 % |
| **Electricity** | **93 588** | **103 402** | **107 268** |
| Own electricity production | 14.6 % | 12.9 % | 12.2 % |
| Total renewable electricity | 35.5 % | 43.3 % | 32.7 % |
| **Heat** | **161 752** | **177 999** | **194 464** |
| Own heat production (wood chips/shavings) | 94 367 | 97 787 | 98 374 |
| Natural gas | 66 177 | 78 485 | 93 806 |
| Heating oil | 1 208 | 1 727 | 2 285 |
| **Fuels** | **28 582** | **22 606** | **23 886** |
| Diesel | 27 027 | 21 534 | 22 624 |
| Petrol and Liquified Petroleum Gas (LPG) | 1 555 | 1 555 | 1 262 |
| **Energy consumption in kWh/CHF net revenues** | **0.26** | **0.25** | **0.28** |
| **Greenhouse gas emissions (Scope 1–3) in tCO$_2$e** | **472 766** | **87 359** | **77 581** |
| **Greenhouse gas emissions (Scope 1–2) in tCO$_2$e** | **55 964** | **60 588** | **65 759** |
| **Scope 1** | **22 844** | **23 858** | **27 719** |
| Own heat production (wood chips/shavings) [1] | 1 428 | 1 480 | 1 520 |
| Natural gas | 13 432 | 15 847 | 19 227 |
| Heating oil | 314 | 461 | 611 |
| Diesel | 7 285 | 5 805 | 6 049 |
| Petrol and Liquified Petroleum Gas (LPG) | 385 | 266 | 312 |
| **Scope 2 (Location-based)** | **33 120** | **36 730** | **38 040** |
| Electricity | 33 120 | 36 730 | 38 040 |
| **Scope 3 [2]** | **416 802** | **26 771** | **11 822** |
| 3.1 Purchased goods and services [3] | 346 923 | – | – |
| 3.2 Capital goods [4] | 3 774 | – | – |
| 3.3 Upstream fuel- and energy-related emissions | 12 143 | 15 038 | 15 104 |
| Energy-related upstream chain electricity | 7 655 | 9 859 | 9 636 |
| Heating-related fuels | 2 809 | 3 883 | 3 955 |
| Transport-related fuels | 1 680 | 1 296 | 1 513 |
| 3.4 Transport (upstream) [5] | 9 292 | – | – |
| 3.5 Waste [6] | 5 826 | – | – |
| 3.7 Employee commuting [7] | 11 275 | 11 733 | 11 822 |
| 3.9 Transport and distribution (downstream) [8] | 27 570 | – | – |
| **Greenhouse gas emissions (Scope 1–2) in kg CO$_2$e/CHF net revenues** | **0.052** | **0.050** | **0.055** |
| **Greenhouse gas emissions (Scope 1–3) in kg CO$_2$e/CHF net revenues** | **0.385** | **0.073** | **0.066** |

[1] Direct emissions due to the production of the greenhouse gases methane and nitrous oxide, which are not absorbed during growth.
Biogenic CO$_2$ emissions emissions are reported outside of scopes according to the GHG protocol and amounted to 33 406 t CO$_2$e in 2023 and 34 616 t CO$_2$e in 2022.
[2] For Scope 3.1, 3.2, 3.4, 3.5, 3.9: headquarters in Arbon (CH), AFG RUS in Stupino (RU) and Brugman Fabryka Grzejników Sp. z o.o. in Legnica (PL) are not part of the scope.
[3] Refers to production-related products from Tier 1 suppliers.
[4] Refers to machinery, equipment, buildings and vehicles from Tier 1 suppliers with a value of CHF/EUR > 10 000.–
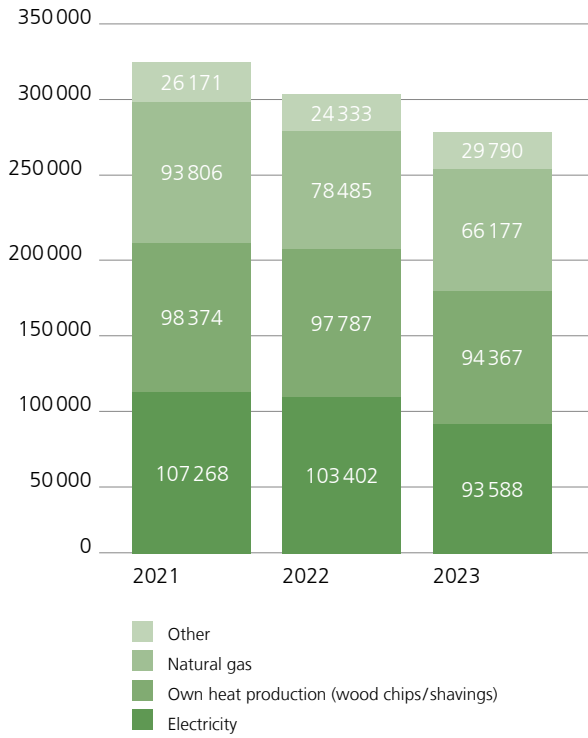[5] Refers to the transport of the goods considered in Scope 3.1.
[6] Refers to the waste of the goods considered in Scope 3.1.
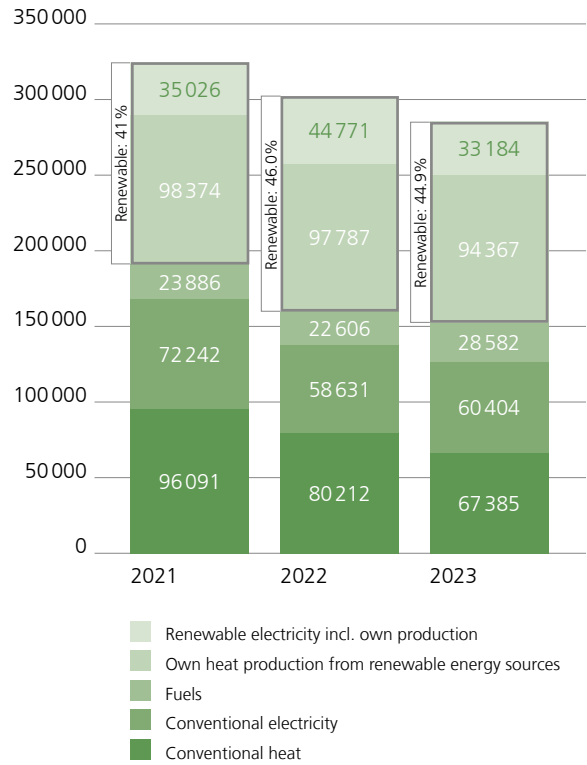[7] The calculation is based on an employee survey on commuter behaviour from 2022.
[8] Transport of the products sold and marketed to customers. Storage is excluded.

**Energy consumption by energy source (MWh)**

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| Other | 26 171 | 24 333 | 29 790 |
| Natural gas | 93 806 | 78 485 | 66 177 |
| Own heat production (wood chips/shavings) | 98 374 | 97 787 | 94 367 |
| Electricity | 107 268 | 103 402 | 93 588 |

**Composition of energy consumption (MWh)**

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| Renewable electricity incl. own production | 35 026 | 44 771 | 33 184 |
| Own heat production from renewable energy sources | 98 374 | 97 787 | 94 367 |
| Fuels | 23 886 | 22 606 | 28 582 |
| Conventional electricity | 72 242 | 58 631 | 60 404 |
| Conventional heat | 96 091 | 80 212 | 67 385 |
| Renewable | 41 % | 46.0 % | 44.9 % |

**Data and calculation basis**

The calculation of the greenhouse gas inventory follows the guidelines of the WRI/WBCSD Greenhouse Gas Protocol.

Scope 1: Emissions from fuels.
Scope 2: Emissions that result from the production of purchased electricity. Country-specific emission factors are used here ("location-based approach").
Scope 3: The categories 3.1 Purchased goods and services; 3.2 Capital goods; 3.3 Upstream fuel- and energy-related emissions; 3.4 Transport (upstream); 3.5 Waste; 3.7 Employee commuting and 3.9 Transport and distribution (downstream) are reported in accordance with the Greenhouse Gas Protocol. Country-specific emission factors are also used here ("location-based approach").

Emission factors used: IEA (2023), DESNZ (2023), LfU Bayern, AIB (2023), US EPA (2023) and Ecoinvent 3.10

# Climate Division

**Conserving energy – and producing it ourselves**

The Climate Division is continually expanding its capacities for generating its own electricity and heat from renewable energies. In 2023, a PV system with 300 kWp was installed on the roof of the production plant in Stříbro (CZ) to supply the production facilities with renewable energy. Plans are under way to expand this system by 400 kWp. A further 100 kWp system will be installed at the second Czech production site in Opočno in 2024, with plans in place to gradually expand this system in future too. The PV system at the production site in Kladovo (RS) is already generating around one third of the site's own power requirements (11 482 MWh in the reporting year). This share is set to be increased to 50 % by employing a more efficient means of feeding power into the grid. The heat production and cooling take place through heat pumps with higher capacities, so that the need for gas is eliminated entirely.

In 2023, the PV system in Plattling (D), which has a capacity of 1.6 MW, produced around 1 500 MWh of electricity. This system was also expanded in the reporting year and is about to be put into operation. From 2024 onwards, the division is expecting to produce around 2 500 MWh of PV electricity in total at this site, corresponding to around 14 % of the site's power requirements. In combination with the new CHP system, the share of self-produced electricity is set to rise to around 21 % in 2024.

Sabiana in Corbetta (IT) is also gradually increasing its share of self-produced electricity. At the moment, the site covers 62 % of its total electricity consumption thanks to the PV systems on all production plant roofs, saving 535 tonnes of $CO_2$ emissions each year. The approval of a new investment will make it possible to increase energy production to 1 660 kWp, covering 75 % of the total consumption and saving 654 tonnes of $CO_2$ per year. This new PV system started production at the end of 2023 and will be fully operational in 2024. Another initiative helping to reduce energy consumption at this site is the replacement of traditional lighting in the factories/offices with energy-efficient LED lamps. This work was completed in 2023. In addition, the Corbetta production site (IT) already has charging stations for electric cars and new electric vehicles have been added to the company fleet.

At the site in Dilsen (BE), around 60 % of the total power requirements are covered by a wind turbine with an output of 2 MW. The site also has a PV system to help generate green electricity. Additionally, the offices were ecologically renovated in the reporting year. Heat pumps were installed here as well, so that gas is no longer needed to generate heat.

In Opočno (CZ) up-to-date energy standards have been taken into account with regard to the new construction of the heat pump plant and an investment in new compressors. A heat pump – developed in-house – was also installed to heat the entire site. The reduction of the energy consumption is analysed and monitored at this site in the framework of Six-Sigma projects, a management system for process optimisation.

**Improved logistics**

The division wants to decrease traffic in logistics by optimally bundling loads together. With this in mind, Termovent in Serbia has increased the quantity of goods loaded on each transport pallet by around a third, roughly halving the number of transports. In addition, the division uses telematics data to review and optimise driving behaviour and driving distances. High-emission vehicles are being replaced by new ones; for example, at the Corbetta (IT) site, where the fleet was switched to the "Euro 6" emissions standard.

**Greening at local sites**

Maintaining biological diversity is closely connected to engagement in the area of emissions and energy. The creation of green spaces and planting of additional trees on the company premises will promote biodiversity at the local sites of the division. After an analysis of the biodiversity at the Plattling (D) site, initial measures were initiated to protect and strengthen the flora and fauna. In September 2023, the division acquired a new plot of land in Corbetta (IT), close to the existing production facilities, to allow production capacity to be expanded in future. Around 100 m² of the land will be dedicated to biodiversity.

In addition to greening at production sites, efficient production and sales processes also play an important role. Despite volume growth, the Climate Division is committed to manufacturing in existing or reduced spaces to consolidate production. Intensively built areas in the production plant are compensated for with organically cultivated compensation areas.
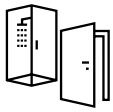
# Doors Division

**Numerous measures for greater climate protection**

A large proportion of the companies in the Doors Division regularly carry out certification audits according to the standards ISO 9001, 14001 and 50001. Energy efficiency is an important factor especially in the modernisation of production lines and peripheral systems because it allows significant reductions in power consumption. And the degree of self-sufficiency is continually increasing through the construction of new or the expansion of existing energy generation systems. Attention is also paid to energy-saving technology in new buildings and renovations at the operating sites. For example, in 2023 all lighting systems in the production facilities were fitted with the latest LED technology and movement sensors. At Invado alone, an area of over 21 000 m³ was equipped with new LED lighting in 2023.

A compensation system for high-frequency reactive components was installed as a pilot project at the Prüm site, making it possible to filter non-usable energy components directly without incurring any costs. As a result, energy costs were reduced by up to 3%. The project is now going to be rolled out to other sites. Optimisation measures are under way in procurement to ensure that collection and return transport arrangements are agreed with as many suppliers as possible in order to avoid empty trips. An energy efficiency analysis project is also ongoing with the aim of deriving new measures. The production facilities were optimised in the reporting period, leading to increased energy efficiency. Progress was also made with regard to using residual materials from door production to generate heat and power: At the end of 2023, the old CHP system was replaced with a more modern and more efficient biomass CHP plant which can produce more than twice the amount of electricity. This means that, from mid-2024 onwards, the site will be able to generate up to 60% of its power requirements internally and also supply power to neighbouring companies. Furthermore, the new biomass CHP plant will no longer use evaporative cooling during operation. Cooling is carried out using radiators that are connected to a closed circuit, reducing total water consumption by up to 25%.

RWD Schlatter also installed another PV system on the new logistics centre in Roggwil (CH), allowing around 335 MWh to be fed into the power grid per year. The flow of goods has also been optimised thanks to this new logistics centre. Various stock relocations and transport routes have been eliminated, saving around 15 tonnes of $CO_2$ per year. Furthermore, as part of the construction work, RWD Schlatter pre-equipped all of its parking spaces for the subsequent installation of charging stations and installed 18 charging points for electric cars. Two electric cars have already been purchased for business purposes.

In 2021, the Garant production plant in Ichtershausen (D) started the planning phase for a state-of-the-art biomass CHP plant which is set to commence operations in 2025. This plant will cover around 50% of the power requirements of the production plant.

Meanwhile, Invado has installed a PV system with an output of 50 kW and a silo measuring 50 m³ for biomass. Invado has also obtained approval to build a PV system with an output of up to 2 100 kW and plans to start construction in 2024.

In the Glass Solutions Business Unit, work was completed on a new production hall at the end of June 2023. The new hall features up-to-date insulation values and was partly built to replace old parts of the building. In October 2023, a new PV system with an annual capacity of 402 000 kWh was put into operation in Dagmersellen (CH). The new hall is heated with a modern heat pump and a new heating system featuring state-of-the-art technology was also installed in the old building.

In addition, the division is also optimising its production processes – for example with the implementation of shop floor management at various sites. Furthermore, packaging material will no longer contain any films whatsoever in the future, saving 60 tonnes of packaging foil per year. An additional 280 m³ of gas will be saved every year by dispensing with a shrink film machine.

We are also focusing on sustainability when it comes to the construction materials for our buildings. Lignum Holzwirtschaft Schweiz, the umbrella organisation for the Swiss forestry and wood industry, awarded RWD Schlatter AG a certificate for the construction of its new warehouse. Only certified Swiss wood was used for the entire structure, with the 171 m³ of timber binding 126 tonnes of $CO_2e$ according to the certificate.

**Maintaining biodiversity**

The Doors Division is implementing concrete measures and is driving innovations to minimise the negative impact on biodiversity. It has reduced the total solvent emissions for the manufacture of doors by one third in the past ten years, for example and is now increasingly relying on water-based coating materials. As a result, the proportion of solvents used was only around 5.1% in 2023. By changing over the painting process, Prüm and Garant have also succeeded in achieving considerable savings in paint consumption. They have reduced the consumption by 18 and 40 tonnes to less than 100 tonnes of paint per year respectively. Prüm has also contributed to the renaturation of a compensation area of 12 567 m² and has guaranteed financial support for the required maintenance of the deciduous mixed forest for the next 30 years.

For their practice and test pieces, the trainee workshops only use leftover wood from the neighbouring wood processing company that would otherwise be disposed of. This means there is no need to purchase any new sawn timber or building timber. The new spraying robot at Prüm will be operated with a cyclone separator in future, keeping the system's water consumption to a minimum.

**Consistently monitored objectives**

A certified energy management system has made it possible to considerably simplify the monitoring at several companies. This has led to a greater sensitivity for energy savings. At the Plattling (D) site, for example, measurements are regularly taken in production via a state-of-the-art data acquisition system to identify any weak points and immediately replace inefficient consumers. At the Weinsheim (D) site, approximately 100 in-plant energy measurement points are in operation for the machines and the infrastructure. At the Deggendorf site (D), all consumption is called up in real time with a state-of-the-art energy management system. An automated reporting system makes it possible to take countermeasures when defined limit values are exceeded. An annual budget is available for measures to increase efficiency.

Prüm and Garant each have an energy team which is responsible for the current status and initiates improvements. Both companies determine energy key figures defined on a monthly basis and have their energy management systems externally checked and certified (TÜV and ICG) according to ISO 50001 on an annual basis. At Prüm and Garant, energy and environmental management is also evaluated as part of the annual management reviews. The power consumption at the Invado site in Poland is also regularly monitored and compared with the figure for the previous year. To check the effectiveness of the measures taken, the power consumption as well as the $CO_2$ emission is determined for each manufactured product. Audits are additionally carried out at regular intervals. RWD Schlatter also has an energy management system: Targeted measures are derived from the energy key figures that are collected and analysed at least once a year.

# Use of resources and circular economy

## Article 964a ff. Code of Obligations

### Concept and due diligence

Our declared objective is to conserve natural resources and establish a materials cycle that is as circular as possible, thus also cutting down on the amount of energy required for transporting and processing those raw materials. Various areas of the company share responsibility for the cross-cutting issue of resource management. Product Management and Development have the task of designing products that can be produced in as resource-efficient a manner as possible. The production managers are responsible for ensuring that processes are designed with resource efficiency and a circular economy in mind. Within this context, the divisions and companies of Arbonia have also set themselves their own targets in some cases. For example, the Climate Division intends to minimise the use of materials in production and reduce error costs to well below 1% of annual turnover. In the Doors Division, Garant has set itself the target of reducing energy and resource consumption per manufactured part by at least 3% per year. A waste policy has been in place across the entire Group since the 2022 financial year. This policy aims to raise awareness of consistent separation of operational waste, stipulates that production must be reviewed with regard to resource-efficient processes and states that volumes of waste must be measured.

### Measures including evaluation of effectiveness

The introduction and expansion of digital systems supports resource-efficient operations at Arbonia, which led to less waste, reduced water consumption and optimised use of resources in the reporting year. Arbonia has established a forward-looking resource management system, focusing on high quality and production that is as free of defects as possible in order to prevent rejects and complaints. Energy and material savings are to be taken into consideration when developing new products and improving existing ones. Usable production waste or old parts are used again in manufacturing where possible. In 2023, the divisions were able to increase the proportion of recycled materials and replace plastics in both products and packaging with cardboard. At the same time, the proportion of recyclable products and the use of recycled packaging are increasing and more and more products are undergoing sustainability certification. Arbonia is also keen to protect resources when it comes to its construction activities – for example, by using domestic woods where possible. In 2023, RWD Schlatter received a sustainability award for the use of Swiss wood in its construction work.

### Material risks and how they are handled (own scope of business and, where applicable, business relationships)

Market distortion and supply chain problems can cause (raw) material and freight prices to rise, or result in products and services being unavailable. It is not possible for higher manufacturing costs to be passed on to the customer in full, or they cannot be passed on quickly enough, resulting in additional expense, delivery delays, a decrease in revenue and loss of margins.

### Key performance indicators

Our key performance indicators relate to the use of resources and the circular economy as well as water consumption, waste by disposal method, waste and error costs (see table on p. 62).

| Priority | Target | Status 2022 | Status 2023 |
|---|---|---|---|
| The Climate Division reduces material use in production. | By 2035: reduction of error costs to less than 1% yearly | Error costs of 0.68% in 2022 | Error costs of 0.85% in 2023 |
| The Doors Division reduces resource consumption for water (in m³), gas (in MWh) and waste (in t). | By 2035: annual reduction of 3% | Natural gas reduced by 33%, waste reduced by 29%, water consumption measured for the first time in 2022[1] | Natural gas reduced by 33%, waste reduced by 17%, water consumption reduced by 10% |

Arbonia is keen to conserve natural resources and is pursuing a forward-looking resource management strategy in line with the principle of continuous improvement. The company is also using digital solutions to support the planning and implementation of production processes. Energy- and material-efficient production based on good resource management simultaneously reduces manufacturing costs and thereby increases competitiveness. We therefore strive for energy and material savings in the development of new products as well as in the improvement of existing products. The use of old or common parts is also checked in this phase. The aim is to achieve a decrease in waste and the associated direct and indirect costs. We measure the quantity of waste and analyse the error costs in order to assess the effectiveness of the measures. The waste resulting at the company is consistently separated, pretreated where necessary and then recycled. The quantity of products that are disposed of through waste incineration and in landfills is also to be analysed and minimised. The companies of Arbonia regularly check how resources can be used even more carefully – for example, through clever product design and production that is as free of defects as possible. The goal here is to minimise reject and error costs by means of continuous monitoring.

The subject of sustainability certificates for the manufactured products is becoming increasingly relevant: More and more customers are demanding low-pollutant materials and attaching importance to certification. Furthermore, many products also go through a pollutant test and are certified according to the guidelines of eco-INSTITUT.

On the basis of lean manufacturing, quality can be increased and thus the number of complaints reduced. Improved quality management will contribute to the overriding aim of strengthening and expanding the market position through innovative and reliable products. Improvements in manufacturing technology are a matter of course, as is continuous modernisation of the machine park and a targeted selection of suppliers to ensure consistently high raw material quality. Significant factors also include continuous improvement of personnel qualifications, cross-company implementation of all measures and the transfer of quality responsibility to employees.

To ensure constant improvement, employees must be provided with information and training on a continuous basis – via shop floor management or company meetings, for example.

**Key figures for resource efficiency**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Error costs in % of net revenues | 1.5 | 1.3 | 1.3 |
| **Waste in t** | **26 217** | **32 295** | **41 199** |
| **Non-hazardous waste** | **22 598** | **29 198** | **32 967** |
| Incineration | 11 826 | 15 306 | 9 590 |
| Landfill | 2 758 | 2 992 | 10 738 |
| Recycling | 8 014 | 10 900 | 12 639 |
| **Hazardous waste** | **3 619** | **3 097** | **8 232** |
| Incineration | 293 | 200 | 5 915 |
| Landfill | 1 148 | 1 506 | 863 |
| Recycling | 2 178 | 1 390 | 1 453 |

The figures for non-hazardous 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 treatment and disposal of waste at Garant was changed in 2022, resulting in significant shifts within the survey methods.

**Key water consumption values**

| | 2023 | 2022 |
|---|---|---|
| Water consumption in m³ | 210 293 | 273 373 |
| **Water consumption in m³ / CHF net revenues** | **0.19** | **0.23** |

**Waste by disposal method (in metric tonnes)**
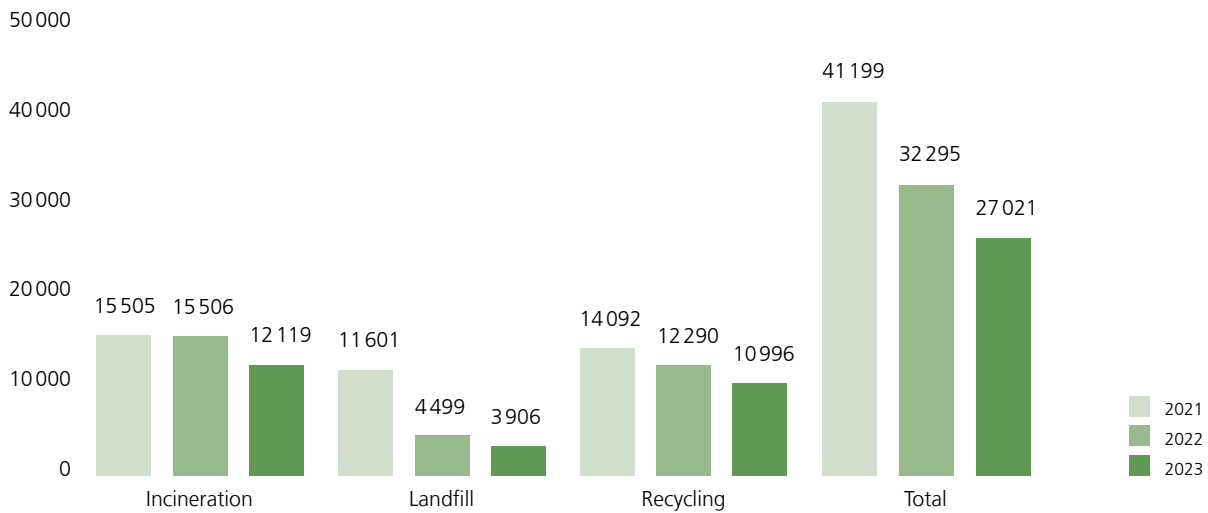
## Climate Division

**Continuous resource minimisation and reuse**
The Climate Division has set itself the target of minimising the use of materials in production. The aim is to reduce error costs to well below 1% of the annual turnover – while simultaneously increasing productivity. In addition, the division wants to use more recycled materials in all areas. Within the scope of the digitisation projects, Industry 4.0 and Logistics 4.0 are leading to considerably increased efficiency with a reduced use of resources.

Last but not least, the division is also making a contribution to the careful use of resources with its products. Steel radiators, for example, are nearly completely recyclable and can be reused at the end of their life. In the production of radiant panels, less material is now required due to an improved product design; the same holds true for the production of heat exchangers.

**Examples for an efficient use of resources**
The division has a number of initiatives and projects aimed at contributing to resource efficiency and a circular economy. In the reporting year, for example, reject and error costs were reduced beyond the set target, resulting in error costs of just 0.85% in 2023.

In Stříbro (CZ), progress was made with the ongoing projects aimed at reducing pipe wall thicknesses. In Corbetta (IT),

further improvements were made with regard to the proportion of fully recyclable products and packaging. Furthermore, rather than packing heat exchangers in single-use packaging when transporting them internally between the production plants, they are now packed in a recycled plastic box which can be used for 10 years. This initiative, which began in 2023 and will be completed in 2027, will gradually reduce the quantity of plastic and paper materials used in internal packaging. By 2027, the aim is to have completely eliminated the 336 kg of plastic used in 2023, as well as reducing the number of wooden pallets in use. The company is switching to plastic pallets for internal transport, which means that the 25 210 kg of wood used in 2023 will be reduced to zero by 2027. A further aim is to reduce the use of plastic and cardboard in production and logistics processes as well as in administrative tasks in the company's offices.

Sabiana's goal is to integrate recycled materials into its operations. One example of this is the use of sintered expanded polystyrene (recycled EPS instead of "pure" EPS) as padding in packaging. The proportion of recycled EPS in use is currently minimal, but the division is planning to implement a gradual substitution between now and the end of 2027. By then, 60% of the packaging material should feature 35% recycled EPS and the remaining 40% should feature 15% recycled EPS. The integration of recycled material is also being evaluated in relation to other internal assembly/production processes.

Furthermore, EPS is to be replaced with cardboard within the packaging process in order to reduce the amount of non-renewable packaging materials in certain product lines. Using cardboard instead of plastic in product and packaging components has already reduced the amount of plastic used in several product families. In total, 21 440 kg of plastic was saved in 2023. The ultrafiltration system installed in 2022 allows water to be treated, thus reducing water consumption. Sabiana is also keen to reduce the number of plastic water bottles used by employees and has therefore provided free water coolers in the offices and production facilities.

In Serbia, the division has installed various workstations to optimise all process steps further. The objective is to use scrap for production – for example for metal plates and profiles. In 2023, the Plattling (D) site initiated a project which involves filtering the water from test basins and reusing it, thus saving up to 60 % fresh water.
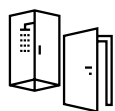
## Doors Division

**Working towards an ambitious target**
For the Doors Division, energy-related and environmental key figures play an important role in the planning and application of the future production technology. For example, Garant wants to lower the energy and resource consumption per manufactured part by at least 3 % per year. This is to be achieved through greater machine efficiency, preventive maintenance and continuous servicing, optimisation of manufacturing control and minimisation of downtimes. In 2023, digital solutions allowed the companies in the Doors Division to reduce their inventories and improve delivery accuracy. The targets are also monitored through monthly tracking, among other things.

With regard to glass solutions from Kermi, a shop floor management system introduced in 2023 has improved production planning, thus reducing excess production and inventories. RWD Schlatter is also working to make its processes more sustainable in the future with the help of its state-of-the-art machinery. Particular attention is also to be paid to the continued reduction of production waste and consistent use of leftover materials. Invado has set itself the goal of delivering doors and frames exclusively in cardboard packaging in the future. By the end of 2023, the company had managed to replace around two thirds of the polystyrene corner protection with cardboard. The plan for 2024 is for all corner protection to be made of cardboard.

# Product responsibility

## Article 964a ff. Code of Obligations

**Concept and due diligence**
Product Management implements all new requirements on the part of customers and/or legislators at the interface between the company and the market. The team assigns responsibilities within the company, defines specifications for quality assurance and regulates the labelling requirement including corresponding certifications in line with technical conformity. The team is additionally responsible for product compliance with regard to legal regulations and standards, ensures health and safety for (end) customers and controls the handling of problematic components such as dangerous chemicals.

**Measures including evaluation of effectiveness**
With our measures, we especially want to extend the service life of the products. Key factors are the continuous optimisation of the quality management system and production methods, the modernisation of the machinery as well as the careful selection of suppliers with the highest standards. Corresponding training courses for employees aim to continuously increase responsibility for product quality.

**Material risks and how they are handled (own scope of business and, where applicable, business relationships)**
New sustainability requirements may lead to a lower product margin as customers are unwilling to pay higher prices. At the same time, there is a risk of damage to the company's image or reputation if the product portfolio is not sufficiently sustainable or if the products being developed do not correspond to market demand.

Furthermore, there is a particular focus on product safety or technical defects which may have legal consequences. Strict quality controls and high safety standards are therefore required.

**Key performance indicators**
We collect data on the revenues that result from new products and use this to analyse the success of our product innovations. Feedback from customers and end users significantly contributes to a qualitative assessment as well. Furthermore, the proportion of certified sites (ISO 14001 and ISO 50001) plays an important role in the assessment for product management (see table on p. 66).
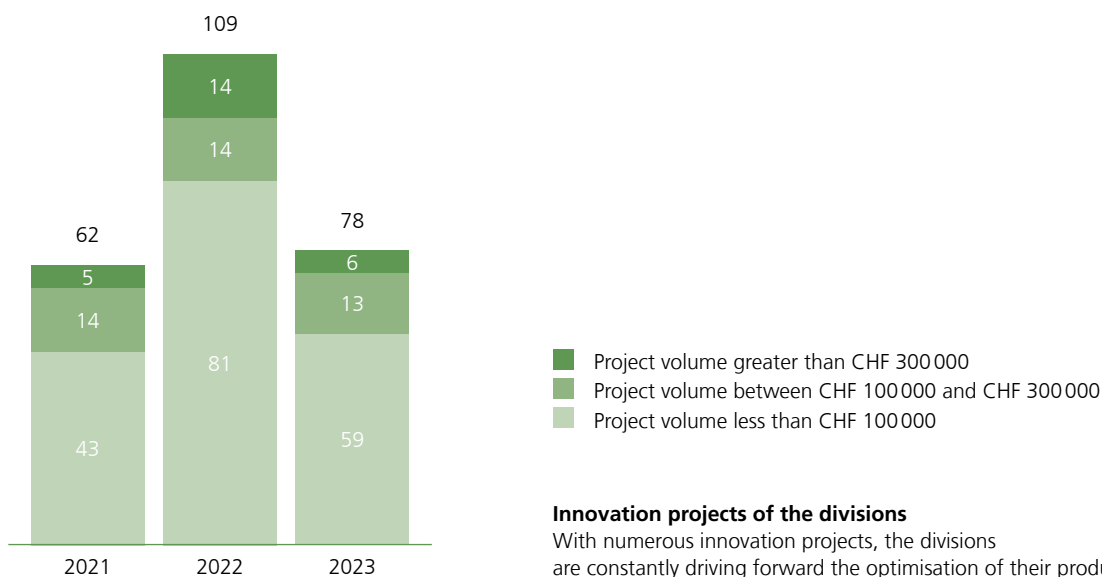
Our product strategy is based on optimising existing production processes and existing products as well as developing innovative solutions with a focus on energy efficiency. We expect green technologies to provide us with further impetus and development breakthroughs. This is our way of responding to the increasing demands of customers, residents and legislators. At the same time, these innovations allow customers to reduce energy consumption and thus save money. In addition to these performance requirements, standardised processes aimed at ensuring product safety are an integral part of operational workflows. This involves checking material quality and functionality as well as applicable safety guidelines. Training programmes ensure that all relevant employees are applying the processes.

New requirements on the part of customers or legislators feed directly into product programme planning and roadmap development. The sales managers of the individual markets are kept informed through close collaboration and the Development department implements the defined projects accordingly. A large portion of our production sites operate with certifications for environmental management (ISO 14001) and energy (ISO 50001).

**Key figures for product responsibility**

|  | **2023** | **2022** | **2021** |
|---|---|---|---|
| Total production volume[1] in TCHF | 819820 | 833586 | 851671 |
| of which at ISO 14001 certified sites | 46.0 % | 47.8 % | 42.7 % |
| of which at ISO 50001 certified sites | 66.0 % | 71.6 % | 64.9 % |

[1]Production costs of goods produced at the site, excluding purchases



- Project volume greater than CHF 300 000
- Project volume between CHF 100 000 and CHF 300 000
- Project volume less than CHF 100 000

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

# Climate Division

The strategy of the Climate Division is clearly oriented towards the relevant megatrends "CO₂ reduction" and "healthy and comfortable indoor climate". In regard to the development of the product portfolio, the Climate Division's focus is on growth products while simultaneously expanding its position in the original product groups. In the reporting year, it was possible to make targeted investments to reinforce the strategy for products and production that is based on the following four pillars:

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

At the same time, the product strategy of the Climate Division is oriented towards the climate change package of the EU Commission, which aims to reduce greenhouse gases by 55 % by 2030 and achieve a climate-neutral economic area by 2050. The division has already been pursuing a consistent strategy of further developing integrated heating systems and corresponding components by means of innovations for several years. This strategy comprises modern heat generation and optimum heat transfer as well as systems for energy storage for all building types and application areas. Within this context, the Climate Division offers solutions for new buildings as well as the renovation market. A recent example of our innovations is the development of a new heat pump generation which uses natural cooling agents.

**Products with certification and success monitoring**
At all companies of the Climate Division, the product development follows a systematic process with defined milestones. In this regard, the revenue development of new products as well as qualitative feedback from the market enable reliable success monitoring. These new products as well as most of the other products of the Climate Division are subject to product certification with the quality marks RAL and NF for radiators, EHPA for heat pumps and DINCertco approvals for underfloor heating pipes. Fan coils have multiple Eurovent certifications, while chimneys have the IMQ certificate.

Sabiana has obtained relevant certifications in the fields of environmental management, product health and safety and employee safety (ISO 9001 and ISO 14001). Furthermore, Sabiana follows the rules of the Ridomus/Ecoped consortium for the management and disposal of products that have reached the end of their life cycle and may contain electrical and electronic components.

In the reporting year, Sabiana made a start on the process of obtaining EPD (Environmental Product Declaration) certification. The Cassette ECM (low energy consumption electronic motor) product family was selected as a representative product in terms of volume and revenue. The corresponding EPD was verified and then published on the Environdec international platform (Sweden) in October 2023. The starting point for EPD certification involves developing the relevant Product Category Rules (PCR) which define the carbon footprint over the entire life cycle of the product. The PCR were submitted to Environdec in July 2023 and are scheduled for publication in March 2024. The definition of all further EPDs and their publication is taking place as planned on the basis of the priorities defined for the various product families (Carisma). The corresponding EPD certification was verified in September 2023 and published in October 2023.

Kermi also obtained an Environmental Product Declaration (EPD) for all steel radiators in the reporting year. Awarded by the IBU Institut für Bauen und Umwelt e.V., an association of building product manufacturers, this certification makes the environmental impact of the products transparent and comparable across the entire process chain. The label makes it possible for building designers and contractors to gain a competitive advantage in tenders by using products with a lower environmental impact. Kermi is the first company in Germany to obtain EPD certification for all steel radiators in its product portfolio.

**Energy efficiency thanks to new products**
Developing innovative heat pumps and storage batteries is a key priority for the Climate Division due to their sustainability credentials. In addition to the actual product development, this also concerns the further process optimisation and system integrations. In addition to the existing 7 kWh and 11 kWh devices, the division introduced an air/water heat pump for outdoor use with an output of 18 kWh in the reporting year. The introduction of a storage battery with an output of 10 kWh is planned for the first quarter of 2024 in order to be able to equip larger properties as well.

The Climate Division is keen to gain additional impetus for its innovation work through participation in trade fairs, cooperation with universities, studying specialist literature, participation in industry associations and standardisation bodies, as well as continuous training of employees. New developments are protected by applying for industrial property rights if possible. Systematic product optimisation is based on the regular exchange of ideas between management and production as well as professional monitoring of deadlines and costs.

Sabiana is keen to promote the use of an electrostatic filter system instead of a mechanical one and is using information materials and training to raise its profile among installers, dealers and end customers. This filter is more energy-efficient and resource-efficient. Electrostatic filtration leads to reduced steel and aluminium consumption due to the longer life cycle and does not generate any hazardous waste. Furthermore, this filter system reduces energy consumption by 70%, improves indoor air quality and kills germs. In 2023, Sabiana increased the production quantities of electronic motors (ECM) for all fan coil models. These motors result in reduced energy consumption compared to conventional asynchronous motors. For example, the energy consumption of ECM cassettes with the same air flow is reduced by 35% at high speeds and up to 75% at low speeds.

**Key figures for product responsibility: Climate Division**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Employees in research & development (FTE) | 85 | 80 | 72 |
| Expenditure on research & development (TCHF) | 10 367 | 11 106 | 10 649 |
| Expenditure on research & development as a share of revenues | 1.8 % | 1.7 % | 1.7 % |
| Share of net revenues from third parties with new products[1] | 9.8 % | 12.3 % | 10.8 % |
| Expansion investments in % of total investments | 46.6 % | 65.7 % | 25.3 % |

[1] New products are defined as products introduced during the last three years.
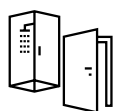
# Doors Division

The innovative products and solutions of the Doors Division are very important for the pursuit of new market shares. The emphasis is on mass production as well as the manufacturing of wooden and glass doors according to individual customer requirements. The division is also pushing the development and manufacturing of technical doors and fire protection doors as part of a joint project within the entire Wood Solutions Business Unit. Production is supplemented by various service solutions. Intensive support of customers during the construction phase is thus just as much a matter of course as preserving the value of manufactured products. This is done by providing specific cleaning agents and maintenance instructions/work, for example.

**Customer-oriented products**
The basis for developing high-quality products with optimised material use is in-depth market observation: Through regular customer surveys, the division ensures that the requirements and demands of customers are taken into account in the innovation process. In the context of product development, the division not only concentrates on technical progress but also on an innovative design that aims to convince users and fitters in equal measure. The exchange of experience between the companies of the division as well as the contact with research centres form a solid basis for this.

The division aims to expand its leading position in the European doors market by developing customer-oriented products, optimising the existing portfolio, reducing delivery times through targeted investments and strengthening customer relationships. Important drivers for this progress are digitisation and the reduction of packaging material – as well as the development of new product groups. A good example is the PU edging system at the Roggwil (CH) site, which can be used to produce long-lasting doors for the hospital area. The robust edge means that the doors can be used for longer. The same effect is achieved by the aluminium frames. DigiDoor is another innovation. This technology is based on a digital twin and allows faster access to product-specific information. This accelerates maintenance and repair work and means that the technician can have the appropriate spare parts ready when they arrive on site.

Success monitoring for new developments is ensured with systematic project management and regular reporting to management. The companies of the division make an important contribution to establishing future standards and regulations through their active participation in bodies and committees. This also makes it possible to identify trends early in order to adjust the strategic orientation.

**Key figures for product responsibility: Doors Division**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Employees in research & development (FTE) | 47 | 51 | 50 |
| Expenditure on research & development (TCHF) | 4 777 | 4 957 | 4 950 |
| Expenditure on research & development as a share of revenues | 1.0 % | 0.9 % | 0.9 % |
| Share of net revenues from third parties with new products[1] | 18.5 % | 16.5 % | 21.4 % |
| Expansion investments in % of total investments | 57.2 % | 58.7 % | 48.6 % |

[1] New products are defined as products introduced during the last three years.

**Certification and quality assurance**

Internal product management in the Doors Division ensures that even highly specialised customer requirements are fulfilled in every detail and all legal regulations and common standards are observed without compromise through standards-compliant production. In this way, the sales volume for certified products can be successively increased. In the Doors Division, consistently high product quality is ensured in part by the ISO 9001 quality management system as well as further certification bodies such as ift and SIPIZ.

Risk and hazard assessments are carried out in the development process as a matter of principle and measures are implemented to reduce hazards where appropriate. Furthermore, particularly in the case of products with electrical and/or electronic parts, extensive internal and external testing is carried out; for example, regarding electrical safety and electromagnetic compatibility. If necessary, modifications are made to products following these tests. It was also possible in the reporting year to test products' practical suitability more effectively thanks to the company's own certified laboratory with a test bench.

Quality assurance monitors the materials used during manufacturing, supervises production control and checks the manufactured parts. The assurance of the highest quality standards – the heart 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 in accordance with valid legal regulations and standards. This requires in-house production control; documentation is carried out by the respective quality assurance department at the individual companies.

**Quality characteristics and conformity**

The innovative spirit of the division is based on active participation in various bodies as well as on the division-wide exchange of know-how and experience. As a result, customers always receive innovative, high-quality and durable products. The shower stalls of the Glass Solutions Business Unit, for example, are characterised by exceptional durability. The products are tested in accordance with the strict standards EN 14428 (CE) and PPP 53005 (TÜV/GS). This covers characteristics such as sturdy materials, seals and easy-care use. The use of single-pane safety glass up to ten millimetres thick is documented in accordance with the standard EN 12150.

In the reporting year, Prüm and Garant each passed the audits by FSC®, PEFC, WPK ift and WPK SIPIZ, concluding the investment programme for these sites. The division is continuing to invest in IT and the digitisation of processes. The ERP system at Invado has already been switched over to SAP S4/HANA; the roll-out to Prüm and Garant is still ongoing. The harmonisation of the ERP system will make future cooperation between the companies more efficient and increase productivity.

# Community

Our employees are the driving force for the further development of our company. At the same time, they act as ambassadors for our values. As an overall objective, Arbonia promotes a resource-friendly future with energy-efficient, high-quality and durable products by outfitting highly energy-efficient new buildings and renovations. The employees show themselves to be dedicated, determined and reliable in their day-to-day work.

# Working conditions

## Article 964a ff. Code of Obligations

**Concept and due diligence**

It is our stated aim to permanently secure the attractiveness of our sites, further increase employee retention and pool our many years of experience. At Arbonia, we provide our employees with modern facilities and offer them attractive, future-oriented jobs as well as a wide range of development and career opportunities. We believe that integrating employees with a migration background is an integral part of a modern working culture. Guidance is provided in our Code of Conduct, while overarching Group-wide guidelines on equal opportunities and freedom from discrimination establish a framework in which diversity can be put into practice.

Within the corporate group, the respective HR officers of the divisions as well as of the Group are responsible for the further development of the Arbonia culture within the workforce. They report to the CEOs of the divisions or the CFO of the Group. A regular exchange among the HR officers ensures that any insights or ideas are shared across all companies. Close cooperation with employee representatives in all countries is a crucial factor in our business success. Regular meetings take place between the management teams at all sites and employee representatives.

**Measures including evaluation of effectiveness**

In order to be perceived as an attractive employer, we want to increase employee retention, strengthen our employer branding and make sure that our recruitment processes are up to date. Our compensation system is structured in line with common market practices. Location-specific employee benefits also contribute to our attractiveness as an employer. We have continued to make our workplaces more flexible, with options for mobile working as well as various models for flexible working hours and part-time working.

**Material risks and how they are handled (own scope of business and, where applicable, business relationships)**

Staff absences and departures (retirement, turnover, illness, overwork, etc.), hiring mistakes for key positions, labour shortages on the European work markets and inflation can result in staff bottlenecks, leadership shortage, loss of know-how and higher personnel costs. These factors can jeopardise Arbonia's financial targets.

The recruitment market remains tight. This bottleneck is already reflected in longer recruitment processes. The shortage of skilled workers is one of the greatest challenges at the moment and poses a potential risk for competitiveness.

**Key performance indicators**

The key performance indicators are the turnover rate, period of employment and gender distribution in management. Details can be found on page 75.

At Arbonia, we foster a dynamic, open corporate culture. In doing so, we aim to create a pleasant, appreciative and supportive work environment and live up to our corporate responsibility. As regional employers, the companies of Arbonia make a contribution by creating and securing jobs, generating income and paying public charges in the form of taxes.

Wages, social benefits, employment level, contract set-up and compensation are to follow the principles of a responsible Group. For this purpose, three central leadership principles were determined: Firstly, colleagues maintain direct, personal working relationships with each other and are open to ideas or other points of view. Secondly, day-to-day business is characterised by pragmatism and realism; decisions are based on facts. Thirdly, managers take time for their employees and do not regard them only as workers but also as people. These principles also apply to the development of employees alongside day-to-day work.

Diversity is a key priority at Arbonia. We promote an inclusive culture in which all employees are treated equally regardless of gender, ethnicity, age, sexual orientation, religion, or other characteristics. Values such as equal opportunities, equal treatment and freedom from discrimination are extremely important to us. Although the labour market is regulated differently in each country, the overarching guidelines of the Group and the divisions apply at all Arbonia locations.

**Employee satisfaction and equal opportunities**
An attractive work environment is demonstrated by motivated and satisfied employees. This increases competitiveness and is reflected in a lower gross turnover rate (incl. retirements). In the reporting year, however, this increased slightly from 10.7% in the previous year to 14.6%. The duration of employment relationships is also an indication of employee satisfaction. The average period of employment at Arbonia is 12.1 years. In order to live up to Arbonia's reputation as a fair employer in line with the market and to make changes when necessary, we regularly compare ourselves with other internationally active companies of a similar size.

**Balanced compensation structure**
Arbonia's compensation system is based on the conviction that the success of a company depends to a considerable extent on the quality of work and dedication of employees. We want to use our compensation system to attract and retain employees with the necessary skills and qualities and to motivate them to deliver a consistently high level of performance. The compensation system is designed to ensure that the interests of top managers are consistent with the interests of Arbonia and its shareholders.

The two divisions offer additional benefits for the companies that are subject to collective labour agreements in order to ensure attractive compensation beyond the industry-standard pay. These benefits include a programme for obtaining e-bikes and discounted memberships for fitness studios and swimming pools.

In companies that are not subject to collective labour agreements, the compensation for the core workforce is significantly above the legal minimum wage. We ensure that our compensation level is in line with the market by means of agreed principles and internal groupings, as well as regular analysis in collaboration with the employee representatives, taking into account the labour market and developments in the region.

In developing the compensation structure, we follow common market practices of similarly situated companies that operate on the capital market. A benchmark analysis commissioned in 2020 showed that the compensation of the members of Group Management is of a similar magnitude to that of the two comparison groups. In addition, Arbonia's salaries are reviewed annually by an external service provider and compensation levels are amended in the event of significant deviations.

On the occasion of each Annual General Meeting, the Board of Directors proposes that the Compensation Report be approved by means of a non-binding consultative voting process. In the reporting year, the Compensation Report was confirmed with a qualified majority. The Compensation Report (see p. 123) of Arbonia presents the compensation governance and the principles of the compensation system of the Board of Directors and Group Management. In addition, it contains information on the compensation of the Board of Directors and Group Management in each financial year, on the roles that the members of the Board of Directors and Group Management exercised at other companies with economic purpose and on the shareholding rights held by the members of the Board of Directors and Group Management.

The Compensation Report has been compiled in accordance with the regulations on compensation at companies whose shares are listed at a stock exchange in the Swiss law that supplements the Swiss Civil Code (Part Five: Code of Obligations) in the fourth section on corporate law and the Directive on Information relating to Corporate Governance (DCG) of 29 June 2022 of the SIX Exchange Regulation.

For the financial year 2023, Arbonia has included a quantitative sustainability target in the variable compensation of Group Management for the first time. This was determined by the Board of Directors at the request of the Nomination and Compensation Committee in the previous year. The aim is to create incentives for efforts towards a more sustainable corporate governance.

**Close social partnership**

We work constructively with the trade unions in all countries in which we operate. One example of this collaboration was the development of a redundancy programme as part of the plans to close radiator production in Dilsen (BE) in 2023. 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 in effect. Contact with social partners in Switzerland is therefore generally established through this association. Most of the German companies are also subject to collective labour agreements – either via an in-house wage agreement or the regional collective agreement of the trade unions.

The Arbonia Board of Directors approves all important internal frameworks and general agreements. These include the Code of Conduct (see "Compliance and anti-corruption", p. 86–87), the salary system, management development, collective labour agreements and wage agreements, as well as the strategic guidelines for HR management over all levels down to the local sites. The divisions receive support from the Group in succession planning and management development as well as in recording key performance indicators. In addition, personnel matters are also discussed and addressed across divisions depending on their relevancy.

Employees can see the conditions of the relevant wage agreements on information boards and screens at the production plants or via the Intranet at all times in addition to through communication by the social partners themselves. At the same time, there is no uniform procedure for the entire Group, since the requirements differ according to the company and local regulations. However, regular meetings take place between the management teams at all sites and employee representatives from the trade unions. When an employment relationship is terminated, the divisions have a standardised process.
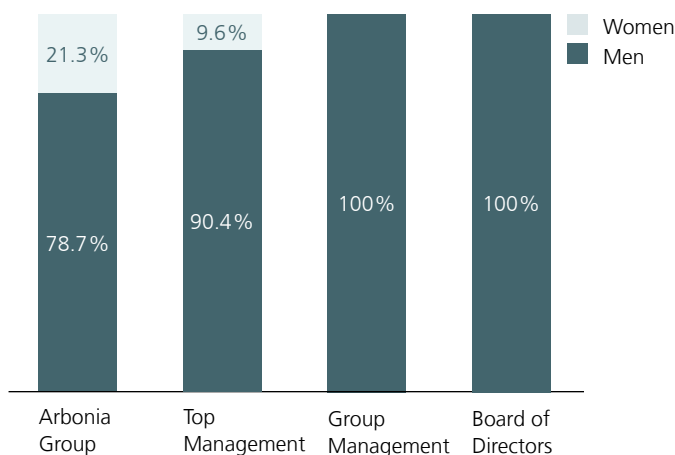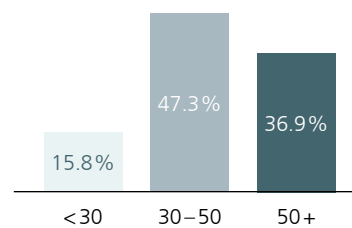
## Composition of the workforce as of 31 December

|  |  | 2023 | Share in % | 2022 | Share in % | 2021 | Share in % |
|---|---|---|---|---|---|---|---|
| Employees (permanent employees only; in FTE) |  | 5 893 |  | 6 132 |  | 6 040 |  |
| Employees (permanent employees only) |  | 6 213 | 97.3 % | 6 341 | 97.3 % | 6 232 | 97.6 % |
| Apprentices |  | 159 | 2.6 % | 176 | 2.7 % | 165 | 2.4 % |
| Interns |  | 4 | 0.1 % |  |  |  |  |
| Employees who are not permanent [1] |  | 142 | 2.2 % | 203 | 3.1 % | – | – |
| Employees by employment type | Full-time |  | 92.5 % |  | 93.1 % |  | 93.0 % |
|  | Part-time |  | 7.5 % |  | 6.9 % |  | 7.0 % |
| Employees by gender | Female |  | 21.3 % |  | 21.0 % |  | – |
|  | Male |  | 78.7 % |  | 79.0 % |  | – |
| Employees by age | < 30 years |  | 15.8 % |  | 17.8 % |  | – |
|  | 30 – 50 years |  | 47.3 % |  | 47.1 % |  | – |
|  | >50 years |  | 36.9 % |  | 35.1 % |  | – |

[1] Such employees were mainly employed in logistics, assembly and production in the reporting year.

### Diversity according to gender



| | Women | Men |

- Arbonia Group: 21.3 % / 78.7 %
- Top Management: 9.6 % / 90.4 %
- Group Management: 100 %
- Board of Directors: 100 %

### Age structure



- <30: 15.8 %
- 30 – 50: 47.3 %
- 50+: 36.9 %

All of our companies maintain continuous relationships with their stakeholders in order to communicate innovative strength, social commitment and a positive aura externally for the purposes of employee recruitment. Investments in the infrastructure as well as the progressing digitisation create further synergy effects within the Group and thereby provide high efficiency gains. The growing automation of routine activities increases the quality of jobs.

By directly addressing the regional labour market and identifying potential employees early on – for example, within the context of internships – the quality and quantity of the workforce at the respective sites is to be strengthened further. These targets can be reviewed by looking at whether vacancies can be filled and, if so, how quickly. Furthermore, tailored integration management allows employees with health impairments to return to the workplace.

# Climate Division

**Targeting higher employee satisfaction**
The companies of the Climate Division have set themselves high targets as part of their dynamic corporate culture. The aim is to react quickly to changing conditions, with HR development measures playing a key role in this regard. Integrating employees with a migration background has been an objective of the division for a number of years. At the same time, however, our principle of inclusion also encompasses the creation of jobs for people with a disability. In the reporting year, Kermi was declared to be an "Inklusionsmotor 2023" (driver of inclusion) by a subsidiary of the VdK Bayern social association in recognition of its outstanding social engagement in this area.

The division reviews the satisfaction of its employees at individual sites every two years by means of a survey. In addition, mental health and work-related stress factors are also analysed. Various measures are derived on the basis of this data.

To fill vacant positions quickly with qualified people, the division would like to place greater emphasis on employer branding in future. The division is aiming to overcome the demographic development through targeted recruiting of new employees and increased retention of existing ones. In Italy, for example, the division intends to promote employee satisfaction with an exchange programme for highly qualified employees in partnership with a sector-related company. The success of these measures is measured based on key performance indicators such as the turnover rate. The division offers various work and part-time models and enables mobile working if technically possible.

**Promoting and retaining talent**
At the Climate Division, vacant leadership positions are mostly filled internally with the division's own junior staff. The shortage of skilled workers, however, remains one of the greatest challenges for the division and is evident in longer recruitment processes. This problem is cushioned by the low turnover rate and long periods of employment. The division always strives for non-discrimination and gender-neutral recruitment processes in personnel recruitment.
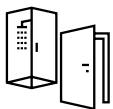
# Doors Division

**Measures in the area of corporate culture**
The division regards a dynamic corporate culture as an important part of employer branding. It also reflects the social responsibility of the individual companies and is therefore a high priority.

Measures for retaining employees include increased efforts in the area of HR development or an improved integration of employees with a migration background. In addition to reducing the turnover rate, the division also wants to speed up the process of filling vacancies with qualified employees; for example, by using professional onboarding systems as well as by developing new key performance indicators in human resources. In general, the division aims to respond to changing conditions faster and more flexibly. The progress in achieving

these objectives is checked using key performance indicators such as the turnover rate or period of employment. At Invado, the targets – which also include further diversification of the top management – are reviewed by external audits at regular intervals.

At Prüm, views on culture and cooperation in the workforce were surveyed as part of a psychological risk assessment. The results were discussed with the employees in workshops and appropriate measures derived as necessary.

The small number of risk factors that resulted in measures were incorporated into the division-wide manager training sessions. There were also tangible measures in relation to working environment conditions.

# Education and training

## Article 964a ff. Code of Obligations

**Concept and due diligence**
With our HR work, we want to help people reach their full potential and we invest in internal and external further training for this purpose. This will enable us to respond to changing conditions faster and more flexibly. We are continuing to expand our education and training activities in the context of individual HR development and we are using talent promotion initiatives to open up internal development opportunities. When it comes to recruitment, we work with schools and universities and take part in regional activities in the field of personnel marketing, such as trade fair appearances and sponsoring, to help us find suitable candidates.

**Measures including evaluation of effectiveness**
Employees are prepared for new requirements with internal and external training. In addition to specialist further training, this also includes seminars for strengthening methodical expertise, educational leave, advancement qualification and courses on project management. Training rooms and exhibits at the production sites give employees the opportunity to familiarise themselves with the manufacturing processes as well as with the product application.

**Material risks and how they are handled (own scope of business and, where applicable, business relationships)**
Given the constant need for staff, declining applicant numbers and a trend towards academic education paths pose a risk for Arbonia's revenue targets. For this reason, our brand as an employer is set to play an increasingly important role in our efforts to combat the shortage of skilled workers. We are therefore stepping up our commitment to employer branding, looking for new recruitment channels and focusing on increasing employee retention – particularly for junior staff.

**Key performance indicators**
The number of apprentices, most of whom are employed by Kermi, Prüm and Garant in Germany, fell by 10% to 159. The average time spent on training per Arbonia employee amounted to 8.2 hours in the reporting year. This key figure was recorded for the first time in the 2023 reporting year.

In order to be seen as an attractive employer, we promote professional development, nurture employees' individual skills and focus on increasing employee satisfaction and retention by ensuring that we are always developing and improving. We foster a culture of continuous learning at Arbonia and identify gaps in knowledge and skills by means of employee interviews, performance reviews and feedback. Based on the company targets and strategies, we determine the necessary key competencies and knowledge areas.

**Education and training as a matter of course**
For Arbonia, cooperation with schools and universities is playing an increasingly important role in demonstrating the attractiveness of its training opportunities to potential applicants at the earliest possible stage. This includes, for example, offering "taster" internships in the production companies. Furthermore, we involve our trainees in our communication activities in order to harness their persuasive power and creativity when it comes to social media and appealing to the younger generation directly.

At Arbonia, we support employees' professional development with internal and external further training and contribute to the majority of costs. At some sites, we also offer dual study places on an annual basis in order to support university students in a practical environment. We determine the need for further training with the help of annual employee interviews as well as through close cooperation between supervisors and the Human Resources department. In principle, any employee can take part in further training. However, the training must follow a clear objective and is subject to evaluation once it has been completed. This applies to internal as well as external programmes.

The training portfolio ranges from subject-specific and management training to soft skills and on-the-job qualification programmes. In particular, the efforts put into ensuring that junior staff have the right qualifications have paid off with regard to filling demanding specialist and management positions and the associated internal careers.

## Climate Division

Supporting employees' professional development is one of the medium- to long-term targets of the Climate Division. In order to achieve this target, a number of measures have been introduced at the various sites; for example, the promotion of "high-potential" profiles or internships for students in Italy. The aim of this project is to support professional development in various company positions and processes as well as for individual employees. The division has initiated projects with the university in Castellanza, Italy, in order to identify potential skilled workers.

To this end, a rotation system was introduced for production employees involved in production assembly processes. In addition, the division offers an international job rotation programme which is targeted at young talent from various foreign subsidiaries and aims to develop their management skills. Internal finance courses were held for new recruits along with refresher courses for all employees in order to improve the corporate culture and communication within the company.
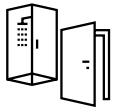
# Doors Division

Professional development and training are important topics for the Doors Division too. To combat the shortage of skilled workers across all training paths, the division is focusing on developing attractive training opportunities in order to recruit motivated and talented junior staff and fill specialist and management positions.

In addition to the traditional dual education system, we are introducing a dual study programme in future-relevant areas such as IT as well as expanding opportunities for student workers and internships for schools and further education institutions. In this context, it is crucial that our communication is tailored to the target group in question and that our trainers are aware of the target group's needs, as the younger generations have different expectations when it comes to aspects such as work-life balance. By working with schools and attending school fairs, we are also able to use teachers as "multipliers" to help raise our profile.

We have also been working on improvements in order to retain existing employees. For example, the concept of the employee interview has been expanded and standardised and has undergone further digitisation so that potential can be identified more quickly. Further training has been individually tailored to the topics relevant to the division and the subsidiaries and programmes have been introduced for managers and prospective managers. Furthermore, the division is offering courses on programs such as Excel, training in project management, coaching, as well as sales and trade fair training.

# Occupational health and safety

**8 DECENT WORK AND ECONOMIC GROWTH**

## Article 964a ff. Code of Obligations

**Concept and due diligence**
Our concept for occupational health and safety is based on a three-pillar concept. The first pillar provides measures for prevention. The second pillar integrates absence management, which relates to interventions. The third pillar contains case management, which promotes integration or re-integration. All three pillars are supported and developed together with the relevant stakeholders – Group Management, managers, HR employees, business partners, as well as social partners. The production managers, HR managers and the works council are responsible for occupational health and safety. In addition to this, specific people are designated as responsible within the individual companies.

**Measures including evaluation of effectiveness**
Risk avoidance and health protection are central topics in all employee training at Arbonia. We continually analyse the processes internally and externally; for example, through special workplace inspections together with the responsible people. If accidents occur, they are immediately analysed and measures are initiated to minimise the risk of accidents in future. To avoid and identify health risks to employees early on, we hold leadership courses for supervisors on a regular basis. Employees can take advantage of professional company medical care as well as

preventative medical check-ups. During the reporting year, we further expanded the health management system and took specific measures to minimise non-occupational accidents as well. These include courses for stress management, first aid courses and psychological support services. The measures are aligned with the needs of the workforce via corresponding employee surveys.

**Material risks and how they are handled (own scope of business and, where applicable, business relationships)**
Consistent occupational safety is also an important topic for us due to its impact on the operating activities of the companies: Each accident and downtime causes additional costs. The consequences can be a slowdown or downtimes in production. This is associated with reputational damage and a lower work morale.

**Key performance indicators**
The key performance indicators for occupational health and safety are the proportion of employees covered by an appropriate management system, the absence rate, the accident frequency rate, the accident severity rate and the number of deaths. Details can be found in the table on page 81.

| Priority | Target | Status 2022 | Status 2023 |
|---|---|---|---|
| By increasing occupational safety, we reduce days lost to work accidents. | By 2025: Reduction of lost days by 25 % compared to 2021 | Increase of 4.3 % compared to the base year | Increase of 38.0 % compared to the base year, partly due to a change in the survey method. |

As Arbonia, we ensure a health and safety culture at a high level by operating safe production plants as well as distribution and logistics sites. This involves the prevention of accidents and injuries, continuous risk analysis with derived measures, as well as proactive heath promotion in the workplace. The aim is to lower absences, prevent illnesses and reduce mental and physical stress.

All of our sites fulfil the legal regulations for the respective countries, which means that we could in principle apply for certification according to OHSAS 18001 or ISO 45001. This has not been necessary so far, though.

**Key figures for occupational health and safety**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Proportion of employees covered by an occupationa health and safety management system | 97.1 % | 97.5 % | 97.0 % |
| Absence rate | 6.3 % | 7.2 % | 5.5 % |
| Frequency of minor accidents (number of accidents per 200 000 working hours) | 5.2 | 3.2 | – |
| Frequency of major accidents (number of accidents per 200 000 working hours) | 3.8 | 2.7 | – |
| Total number of accidents at work[1] | 327 | 235 | 328 |
| Number of work-related fatalities | 0 | 0 | 0 |
| Accident frequency rate (number of accidents per 200 000 working hours) | 8.6 | 5.9 | 6.9 |
| Accident severity rate (days lost per 200 000 working hours) | 93.6 | 70.4 | 67.8 |

[1] The survey method used at multiple companies was changed in 2023, which means that the key figures are not comparable.

# Climate Division

**Prevention thanks to training and process optimisation**
All employees of the Climate Division receive safety and fire protection instruction tailored to their workplace on an annual basis. Internal and external safety training is regularly offered by the division – training to be a first aider and company paramedic, for example, is offered every year. The employees also have access to all relevant training courses of their respective employers' liability association.

Employees are consistently involved in designing the occupational safety systems through their valuable suggestions for improvement. At the Plattling (D) site, all work processes are regularly reviewed – with the aim of minimising physically difficult or stressful activities through technical support or the use of machines. In administration, individual work situations are continually optimised through regular inspections by the company doctors – for example, by using height-adjustable desks. In Corbetta (IT), internal area inspections and hazard analyses are also standard for all workplaces. Employees benefit from health insurance that provides preventative medical check-ups for the entire family. The employees of the division are provided with the protective equipment and work safety clothing necessary for their work free of charge. In addition, defibrillators are available at all locations. If accidents or illnesses should occur, shift paramedics and first aiders are available. Internal statistics on the sickness and accident rates allow a monthly overview of the current situation at all companies.

**A wide range of measures**
With the "Jobcycle" initiative, the Climate Division provided employees at the Plattling (D) site with access to e-bikes during the reporting year. An opportunity to quit smoking was also offered through the health working group. Further support services included shoulder/neck screening and a presentation on healthy eating in the workplace.

# Doors Division

**Health promotion, prevention and training**

Company health programmes are also offered in the Doors Division. Examples include the "Focus on People" platform at the Glass Solutions Business Unit and a comprehensive range of courses and training. Employees can also take advantage of professional company medical care as well as preventative medical check-ups. Various committees of the companies (occupational safety committee, health working group, works council committee, occupational health and safety protection) hold regular meetings to analyse the current situation and develop suitable measures. The division also promises its customers in every work contract to maintain the highest standards in respect to occupational safety. External business partners who work on the business premises of the division also communicate and apply the same safety rules. All employees of the Doors Division have access to subsidised, occupational health services and health promotion pro-grammes such as fitness, yoga and Pilates. Health problems such as back pain are actively addressed with ergonomic workplaces.

In the reporting year, Invado installed two new automatic unloading units – one for flat doors and one for adjustable frames. Both units also have a sorting feature which saves time and takes the strain off employees during assembly. A door buffer station was also set up behind the machining centres, eliminating the manual work in this area. Automation solutions of this kind were implemented at the other companies a long time ago – taking the strain off employees and increasing effectiveness.

RWD Schlatter has its own health management system which is looked after by a five-person health panel. Current topics are discussed on a regular basis in collaboration with those responsible for Arbonia's company health management scheme and measures are initiated as appropriate.

Some of the measures developed and implemented by the health panel include:
– Discount on herbal remedies to strengthen the body's defences
– Ear protection for employees in production
– First aid course, fire extinguishing course
– Campaign for flu vaccinations
– Analysis of illness rate as a result of occupational and non-occupational accidents

**Continually reviewed targets**

In addition to internal reviews, the division also relies on regular feedback from external agencies to help achieve its targets. The division receives important feedback through area inspections by the industrial inspectorate and trade unions as well as from external safety audits. Occupational safety is also continually checked and evaluated at Garant, Prüm, RWD Schlatter and Invado. At Invado, this check also comprises analysis of the results of work environment tests (e.g. noise, weights) and medical examinations as well as the performance of risk assessments in the workplace. Occupational safety is further ensured by continuous inspections of work conditions and machine efficiency as well as ongoing safety training for employees.
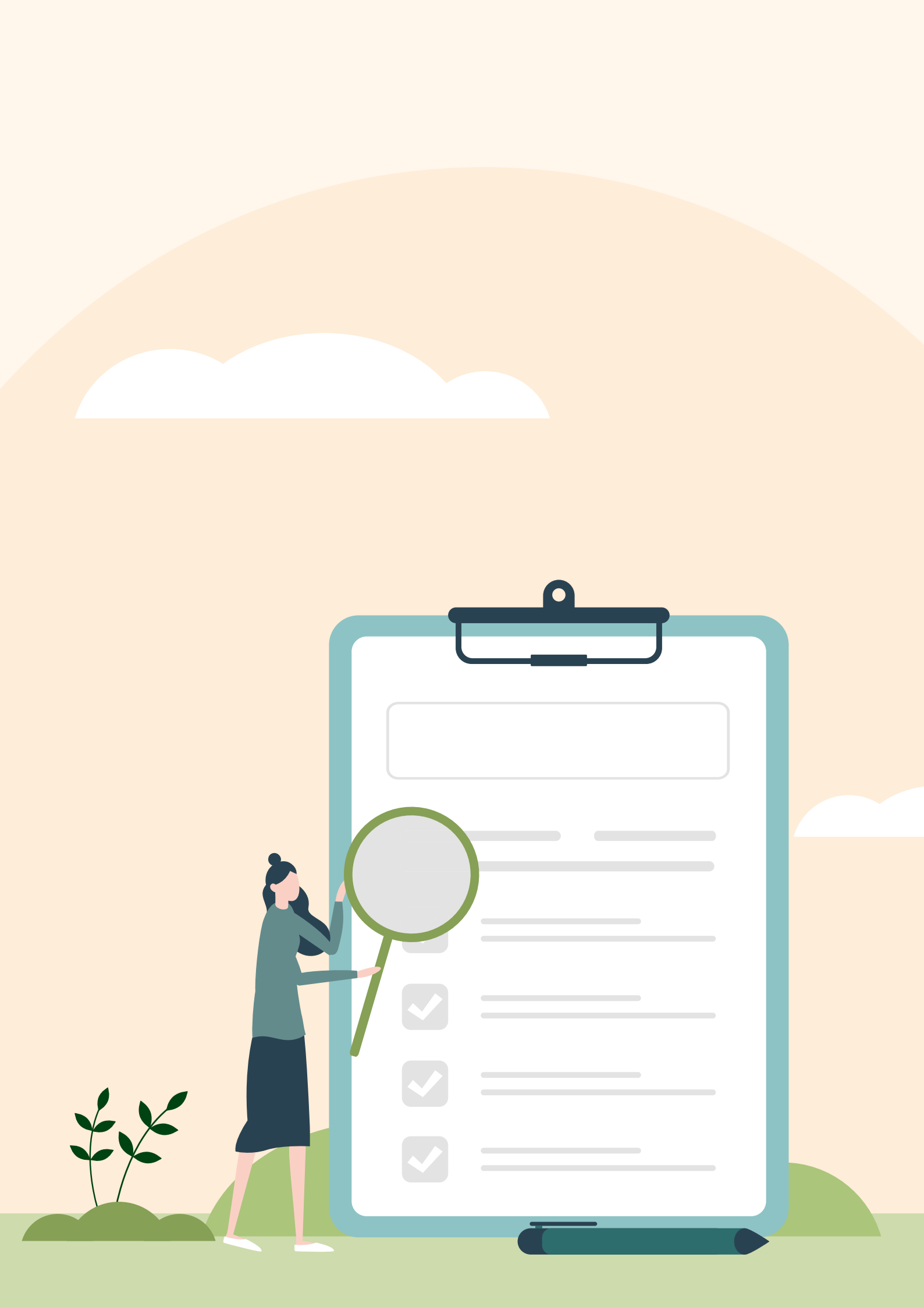
# Compliance

For Arbonia, integrity and law-abiding business practices lay the foundation for sustainable corporate governance and hence a future-proof company. The spectrum of topics covers numerous ethical principles relating to our internal collaboration and our work with business partners. Furthermore, the topics of data security and data transfer are becoming more and more important. In addition to our own business practices, we are also placing increasing emphasis on due diligence in the supply chain. In all countries in which Arbonia operates, it adheres to the Universal Declaration on Human Rights of the United Nations, the UN Convention on the Elimination of All Forms of Discrimination against Women, the UN Convention on the Rights of the Child and other international standards for protecting human rights.
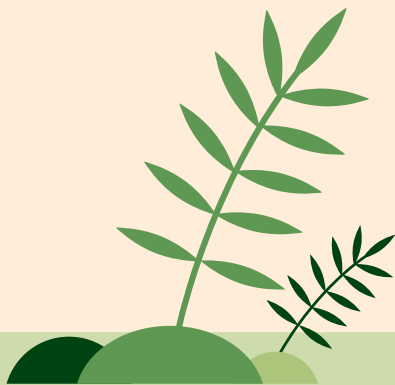
# Compliance and anti-corruption

## Article 964a ff. Code of Obligations

**Concept and due diligence**
Employees are called upon to participate actively in observing the Code of Conduct, including the "Supplement to the Code of Conduct" for production employees (blue collar) [jointly referred to as "Code of Conduct" in the following]. For this reason, the Board of Directors issued a whistleblowing directive in 2013 and has introduced whistleblowing reporting units. The whistleblowing concept was further developed in 2023 based on the EU Whistleblowing Directive and in accordance with the national regulations of the individual EU countries. The process for dealing with reports was defined in a policy which was made available to our subsidiaries in the EU together with an information sheet indicating the relevant reporting units.

Arbonia has designated a compliance officer in each division. These people are responsible for implementing Group specifications in the corresponding subsidiaries. All employees who identify violations of the Code of Conduct are requested to report them to the internal or legally prescribed external reporting units. The CEOs of the divisions, the divisional compliance officers, the Head of Compliance and the Head of Internal Audit function as internal reporting units. The protection of the reporting employees is a central element of the whistleblowing concept. Whistleblowers must not be subject to any disciplinary, legal, or other actions that could be to their detriment due to their reporting. In the reporting year, Arbonia introduced a supply chain policy for minerals from conflict and high-risk zones as well as for products or services with a risk of child labour. This policy is to be incorporated into a risk management system. In addition, risk officers were appointed and risk assessments were carried out. No suspected cases of child labour were identified during this process.

**Measures including evaluation of effectiveness**
Upon joining the Arbonia Group, all employees sign the Code of Conduct and commit to upholding the company's values as well as its ethical and social principles. Internal Audit checks that all new employees have signed the Code of Conduct and also checks selected aspects of the Code. The Board of Directors receives an internal audit report with the results. In addition to the Code of Conduct, the Board of Directors issued the "Supplement to the Code of Conduct" in 2018, which is specially addressed to production employees. This contains in-depth regulations for production – for example, concerning resource handling, occupational safety and environmental protection. It does not contain topics such as competition law. The "Supplement to the Code of Conduct" is hung in the factory halls in the form of posters and explained to the employees by means of the blue collar training video.

After new national whistleblower legislation came into force at the end of 2022 and in 2023, the people responsible for this area in our subsidiaries received training on the EU Whistleblower Directive and the need to implement a local whistleblower reporting unit. To take into account digitisation in the field of compliance as well, Group Management approved the introduction of various compliance e-learning courses for office employees (white collar) and a training video with the most important contents from the "Supplement to the Code of Conduct" for production employees (blue collar). The blue collar training video was made available to the divisional compliance officers on 1 June 2023 for use at the production sites. The e-learning courses, starting with the "Compliance principles" module, were sent to selected office employees in December 2023 as part of a pilot project. The "Compliance principles" module is set to be rolled out to all office employees in 2024. Selected office employees will also receive one or more of the following modules: "Fair competition", "Data protection" and "Fair supply chains". The directive regarding the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (VSoTr) was introduced at the Group companies in Switzerland, accompanied by training sessions.

**Material risks and how they are handled (own scope of business and, where applicable, business relationships)**
The subject of compliance is an integral part of the risk management process of the Arbonia Group. It is defined as an operational risk and encompasses the infringement of existing laws, regulations and contracts with subsequent sanctioning. At Group level, compliance is currently classified as a medium-high risk. Possible violations relate to tax payment, transfer pricing, infringements of the Code of Conduct at production sites, corruption cases, embezzlement, infringements of competition law and cartel law, data protection breaches, or the unlawful sharing of software licences. Consequences may include fines and reputational damage.

**Key performance indicators**
Following the establishment of the new e-learning platform for compliance topics, the number of people participating in the corresponding courses represents a relevant performance indicator.

We are aware of our economic, ecological and social responsibility and commit to the following in our Code of Conduct:
– Respecting human rights, with particular regard to the prohibition of child labour,
– Ensuring the health and occupational safety of employees,
– Cooperating with suppliers who have committed to sustainable operating activities and fulfil their social responsibility,
– Observing environmental protection standards and
– Using resources carefully.

### Managing risks

In 2023, Arbonia started work on the introduction of a management system for handling risks. This included developing a supply chain policy for minerals and metals potentially originating from conflict and high-risk zones and another for products or services where there is reasonable suspicion of child labour. Furthermore, Arbonia is working on a system for tracing back the supply chain. This involves appointing employees to determine and evaluate the risk of harmful consequences in Arbonia's supply chain. They create a risk management plan and implement measures to minimise the identified risks. In addition, they ensure that compliance with due diligence obligations regarding minerals and metals is checked by an independent specialist. The underlying rules are based on internationally recognised regulations, particularly the guiding principles of the OECD.

### Directives

The Code of Conduct was updated in the reporting year with some minor changes. In addition, amendments were made to a number of directives which supplement the general Code of Conduct within the Arbonia Group. These directives include the anti-corruption directive, the directive on gifts and the directive for protection against sexual harassment, bullying and discrimination. The competition directive was also updated in 2022. The Code of Conduct and some of the further directives have been translated into up to twelve languages and are available on the Intranet for office employees. A water policy and a waste policy have also been in place in the company since the 2022 financial year.

Two further compliance directives were introduced in the reporting year. The first of these relates to the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (VSoTr). The first step is to check whether the import and processing quantities exceed the threshold below which a company is exempt from the due diligence and reporting obligations regarding conflict minerals. The purchasers at the Swiss companies confirmed that the legal thresholds were not exceeded for 2023.

The next step is to check whether there is a particular risk of child labour in relation to products distributed by the Swiss subsidiaries within Switzerland or worldwide. Companies that can prove they only have a low risk of child labour are exempt from the due diligence and reporting obligations. For the 2023 financial year, the purchasers at the Swiss companies as well as the Head of Corporate Procurement and supply chain compliance officer confirmed that there was a low risk of child labour for the Arbonia Group.

The other new directive relates to working with tools based on artificial intelligence (AI) (see "Data protection and cyber-security", p. 92). The use of ChatGPT and translation tools such as DeepL or Google Translate entails risks with regard to trade secrets and personal data. For this reason, Arbonia has defined restrictions for AI-based tools: The directive contains a list of key terms which are not permitted to be entered in AI-based tools.

### Whistleblowing concept

The Board of Directors is informed about all whistleblowing reports and the associated investigations as well as initiated measures. Two cases were reported through whistleblowing in the reporting year. In both cases, the subsequent investigations did not find any indication of unlawful conduct or any shortcomings within the company. No sanctions were imposed due to non-compliance cases either.

### Code of Conduct training

The compliance training previously provided virtually and in person by Arbonia Compliance is now being replaced by the compliance e-learning courses. These courses deal with all key topics of the Code of Conduct and go into more detail on individual directives and topics, such as conflicts of interest, insider trading, data protection, competition and cartel law, fair supply chains, as well as corruption.

# Procurement and supply chain

## Art. 964a ff. Code of Obligations

**Concept and due diligence**
Arbonia takes its responsibility very seriously with regard to upholding human rights and preventing child labour within its own scope of business and in relation to business partners. A new policy targeting more sustainable procurement was developed in 2023. This policy aims to bring Arbonia's strategic and operational procurement practices in line with the most important international standards, the UN Children's Rights and Business Atlas, the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) and the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (VSoTr), as well as outlining the steps required to implement these principles. This policy is intended to ensure that Arbonia's procurement processes are sustainable, ethical and transparent.

As part of a risk analysis relating to the LkSG and the Swiss Code of Obligations, the due diligence process was expanded in the reporting period to include suppliers with a purchasing volume of more than CHF 0.5 million. The risk analysis also incorporates an assessment based on product groups. Suppliers from countries with an elevated risk in relation to human freedom, child labour risk and slavery risk are checked regardless of the purchasing volume. When assigning product groups and countries to risk categories, Arbonia follows internationally recognised standards such as the UN Children's Rights and Business Atlas.

**Measures including evaluation of effectiveness**
Arbonia has developed a Supplier Code of Conduct which has been approved by Group Management. The document is to be successively extended to all suppliers if possible and is already part of most orders. In this document, our suppliers expressly commit

themselves to the Universal Declaration of Human Rights of the United Nations, the UN Convention on the Elimination of All Forms of Discrimination Against Women and the UN Convention on the Rights of the Child.

Arbonia uses external key figures when assessing the suppliers and combines these with internally generated data to produce an overall evaluation. Since the 2022 financial year, we have primarily been using ratings from EcoVadis for this purpose. In 2023, we were able to cover around 70 % of the purchasing volume of the German companies or around 50 % of the purchasing volume of all Group companies with EcoVadis or comparable ratings. Suppliers without an external rating have to guarantee in a suitable way – for example, with a code of conduct – that human rights are respected and that child labour and forced labour in particular are prevented.

**Material risks and how they are handled (own scope of business and, where applicable, business relationships)**
The main material risks are liability risks as well as a reputational risk in the event of misconduct by direct/indirect suppliers. Linked to this is the risk of a lack of transparency on the part of our suppliers. These risks may occur in connection with transportation and logistics issues, where the risks can include climate-related interruptions to the supply chain and delivery delays. More generally, there is also a risk of increasing procurement costs.

**Key performance indicators**
Key performance indicators include the number of suppliers for which we have ratings and the number of suppliers which have a code of conduct.

A more sustainable supply chain brings a multitude of advantages for Arbonia. It creates innovation and drives the development of new management and production methods forwards. In addition, it improves reputation, strengthens customer relationships and increases the interest of investors. Furthermore, a more sustainable supply chain provides business benefits, since it improves the monitoring of costs and resources and can thus lead to savings.

As a corporate group, we are continuously raising awareness of ecological and social factors in direct and indirect purchasing. For this purpose, we are working on a company-wide standard for supplier assessment according to ESG criteria and are providing staff in our purchasing departments with training on sustainable supply chains. Nevertheless, negative effects can also occur due to risks within the supply chain. This concerns ecological aspects such as Scope 3 emissions as well as human rights violations. We are conscious of this challenge and strive for greater transparency and compliance with due diligence obligations in relation to our suppliers.

In the reporting year, our procurement activities were affected by geopolitical events as well as volatile energy and material prices. In this respect, Arbonia has intensified its efforts to cover all requirements relating to value creation. The context of procurement and supply chain not only comprises all direct materials that enter inventory through purchasing and procurement, but also indirect materials such as tools and equipment, consultation and rent.

We preferably work with suppliers from the EU or the EEA; ideally with companies from countries in which Arbonia is active with production sites. In the reporting year, 78 % of the purchasing volume was procured from local suppliers; i.e. from countries where we have our own production sites. This improves our ability to monitor production means compared to a partnership with suppliers from remote regions.

The topic of procurement and supply chain at Arbonia comprises, on the one hand, 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 this. At the same time, respect for human rights in the supply chain is of vital importance. Since more than 95 % of materials used are sourced from suppliers in Europe, a high standard is enshrined in law for the majority of the procurement volume.

As a corporate group, we are continuously raising awareness of ecological and social factors in direct and indirect purchasing. For this purpose, we are providing staff in our purchasing departments with training in the form of Ecovadis Academy modules on sustainable supply chains. At the same time, we are working on a company-wide standard for supplier assessment according to ESG criteria. In a first step, all direct suppliers will be checked and prioritised according to the sales volume. As soon as this process is established, indirect suppliers will also follow according to the same assessment criteria. When assessing the suppliers, Arbonia is increasingly collecting external key figures (e.g. solvency, risk indicators, ESG ratings) as well and combining these with the internally generated data to produce an overall evaluation. In the reporting year, we primarily used ratings from EcoVadis for this purpose. The scope was extended to include suppliers with an annual purchasing volume of more than CHF 0.5 million. As a result, we were able to cover around 70 % of the total purchasing volume in Germany or 50 % of the global purchasing volume with EcoVadis or comparable ratings.

Suppliers from countries with an increased risk in relation to violations of human rights, child labour and slavery are under observation regardless of the purchasing volume. However, these make up less than 1.5 % of the global purchasing volume. Suppliers without an external certificate have to guarantee in a suitable way – for example, with a code of conduct – that human rights are respected and that child labour and forced labour in particular are prevented.

We at Arbonia also underwent an evaluation by EcoVadis ourselves in the reporting year. The progress we have made is demonstrated by our increased score and the "Committed" label we achieved. The focal points of the evaluation criteria changed in the reporting year and significantly more companies applied for a rating. This is why we did not achieve a bronze rating this year, despite improving our score. With this in mind, Arbonia will step up its efforts.

In Germany, the Bundestag passed the Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) in June 2021, which provides a legal framework for the responsibility of companies along the entire supply chain. This is relevant for all Arbonia companies active in Germany. They are evaluating the specific impacts of the new legislation and initiating corresponding compliance measures. The companies active in Switzerland have also initiated a comparable process to determine the implications of the counterproposal to the corporate responsibility initiative, the provisions of which came into force on 1 January 2022 and are applied for the first time in the 2023 financial year.

# Climate Division

**Increased demands – new measures**

Intensified procurement of more sustainable products is a matter of course for the entire Climate Division. The pilot project for procuring decarbonised steel (with Green Steel certificate) for the production of steel panel radiators at the Plattling (D) site was successfully implemented. The division is currently focused on a concerted approach between sales and marketing for a green steel panel radiator strategy.

In respect to waste management, the Corbetta (IT) site has concluded a formal agreement with the suppliers to formalise all aspects of the process (disposal licenses, information on the type, volume and costs of the waste, etc.). At the Dilsen (BE) site, it was possible to reduce the number of lorries used through consistent optimisation of logistics and logistics partners. Sabiana has launched programmes for different products for which the packaging has a great effect on costs and disposal. For example, the company is trying with its suppliers to introduce reusable containers, replace conventional wooden pallets with pallets made of corrugated board and reduce waste with component packages.

**Clear responsibilities regarding Procurement and supply chain**

In close coordination with customers and the marketing and sales departments, products are to be developed that can be manufactured more sustainably. The main goal of Sabiana remains certification in accordance with ISO standard 14000, which assesses the effects of the supply chain on the environment. For this purpose, the company assigns clear responsibilities, creates regular exchange formats and develops a status report including key performance indicators. Furthermore, the company launched a project in the reporting year to evaluate its own supply chain in relation to sustainability aspects. A new platform (CERVED) is being implemented for this purpose. Progress reports relating to various sustainability topics are being produced in line with the internal supply chain guidelines. The first 50 suppliers are to be evaluated using the platform over the course of 2024. The company is aiming to evaluate 150 suppliers by 2026.
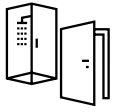
# Doors Division

The companies of the division are focusing on consistent certificates of origin for wood, among other things. At RWD Schlatter, a new timber trade regulation specifies a PEFC share of 80%; for FSC-certified wood, the share is 20%. At Invado, 100% of the wooden panels are made of raw material of European origin (EUTR documents). Complete monitoring of the chemicals used is also important. In this way, the division avoids toxic substances and replaces them with less problematic materials. Additionally, the division is gradually changing over to packaging materials made from renewable raw materials such as cardboard and paper and is increasingly eliminating plastic or polystyrene. At RWD Schlatter, residual material from Sonitus mid-layers is used as an intermediate layer for transport. Furthermore, as of this year, Arbonia Doors AG in western Switzerland is FSC® and PEFC-certified.

**Measures in supplier management and in logistics**
On the customer side as well, audits are increasingly being carried out to determine whether the Doors Division complies with sustainability criteria. For example, the customers of Invado regularly check what materials the company uses to manufacture doors and frames and where the raw materials come from. For this reason, the division prefers to work with suppliers who have proven themselves for years. At the same time, initiatives for avoiding or recycling production waste are becoming more and more important. Ultimately, conserving resources also has a positive effect on profitability. For this purpose, the division carries out internal as well as external audits in the areas of quality, social issues and energy efficiency. The expansion of a strategic category management system is also continuing for this reason. This system continually collects and evaluates market information in order to react to potential risks in the supply chain early on.

# Data protection and cybersecurity

## Article 964a ff. Code of Obligations

**Concept and due diligence**
At Arbonia, we have expanded the Information Security Management System, which contains a holistic security programme. In addition, further guidelines have been issued; for example, on general IT security, password security, or the information security requirements for third parties. Our comprehensive security approach is continually reviewed using audits and penetration tests in the context of the information security strategy. Cyber risks are an integral part of the risk management process, as is the risk transfer to insurance. Arbonia has taken the necessary measures with regard to the new Swiss Federal Act on Data Protection (DSG).

Responsibility for the information security of the entire Arbonia Group essentially rests with the Chief Information Security Officer and the IT Board, which consists of the Group CIO, the division CIOs and the Group CFO as well as IT representatives of both divisions and the Group. The relevant topics are always coordinated with the division officers and Group Management and are presented to the Board of Directors if necessary. When it comes to implementing individual measures, the local IT teams and ICT security specialists provide support as interfaces to the sites and companies.

**Measures including evaluation of effectiveness**
The security awareness programme helps employees to successfully recognise real threats and potential attacks in both their work and private lives and to react to them correctly, in accordance with the motto "THINK BEFORE YOU Click.Post.Type". The effectiveness of the awareness programme is checked on a regular basis; for example, by means of pretend phishing emails or test calls to employees.

In 2023, to ensure compliance with the GDPR and Swiss law, Arbonia began to update its websites, maintain records of processing activities and enter into data processing agreements with service providers who collect personal data.

**Material risks and how they are handled (own scope of business and, where applicable, business relationships)**
Unauthorised parties may gain access to sensitive customer data as a result of insufficiently secured access and data connections (virtual and physical), or sensitive data may get into the wrong hands due to a lack of due diligence on the part of an employee. This will result in additional costs and criminal proceedings. Stakeholders are included in the further development of the IT security architecture by means of regular user surveys. An inadequate IT infrastructure (network, firewalls, servers, etc.), outdated ERP systems, incorrect use of IT (internally), or a cyber attack may impede digitisation and lead to an IT failure, data loss and insufficient competitiveness. This may in turn result in operational restrictions, delivery delays, additional costs and/or financial losses.

**Key performance indicators**
Various key figures give Arbonia an overview of the implemented security measures. For example, the company keeps a record of the number of training sessions held annually in order to teach employees about these sensitive topics as well as the rate of participation in these sessions. Further key figures are collected via SIEM incidents (security information and event management) for all companies.

| Priority | Target | Status 2022 | Status 2023 |
|---|---|---|---|
| Arbonia increases the participation rate in e-learning courses in the area of cybersecurity. | By 2025: Average participation rate of 100% | 68% | 87 % |

As Arbonia, we can only maintain information security together with our employees. Our aim is to protect the operating activities and competitiveness of the Group against attacks on business and customer data. The employees of Arbonia are a central link in the security chain in the area of cybersecurity and must assume responsibility accordingly. The most common attack tool for cyber attacks 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.

**Together for more information security**
Through targeted measures to strengthen cyber resilience, we at Arbonia are trying to reduce the risk of successful cyber attacks to a minimum. We are pursuing an integrated security approach with technical measures, processes, guidelines and standards, compliance with and implementation of which is checked by the Chief Information Security Officer and his or her team at Group level. Cyber attacks of any kind must be recognised early on and repelled. Accordingly, employees are increasingly being trained and made aware of this topic.

This involves a number of policies. The password policy describes and defines principles for the creation, handling and use of passwords in the Arbonia Group. The policy on information security requirements for third parties sets out the security standards and requirements that must be fulfilled by service providers and suppliers who come into contact with sensitive information or IT systems belonging to Arbonia. It aims to ensure that third parties implement appropriate security practices in order to protect the confidentiality, integrity and availability of information. Furthermore, in 2023 Arbonia responded to the development of AI by issuing "Instructions for using AI-based tools". These instructions cover benefits, risks, data protection and restrictions regarding use of such tools. Furthermore, a "Data Privacy Statement for Employees" was compiled, providing information about the data Arbonia collects from employees and the purpose for which it is used. Arbonia has also started to enter into agreements with service providers who process personal data from Arbonia. In addition, the privacy policy was updated on all Arbonia websites in line with the GDPR and Swiss law.

**THINK BEFORE YOU Click.Post.Type.**
The security awareness campaigns under the motto "THINK BEFORE YOU Click.Post.Type" contain various measures. In this context, employees are regularly invited to participate in various awareness and training units, whereby more in-depth training courses are pursued specially for IT administrators and other exposed persons. These courses provide information on the secure handling of data as well as information systems and aim to make everyday life more secure. The participation rate was 87% in the reporting year (previous year: 68%) and should increase to 100% by 2025.

On the basis of high cyber resilience and e-mail security, Arbonia's general objective is not to experience any security-critical incidents and thus ensure a permanently smooth course of business. For this purpose, the results of the attack simulations are used to strengthen resilience. To control security, cyber maturity is also measured on the basis of defined standards. Further key figures are collected via SIEM incidents (security information and event management) for all companies and are used to improve cyber defence. In this process (malicious) incidents and the reaction to them are continually recorded. The management system classifies these incidents according to their type and severity and evaluates the defence measures according to filter functions and existing use cases. As a further protection level, a project for NDR (network detection and response) has been implemented.

# Appendix
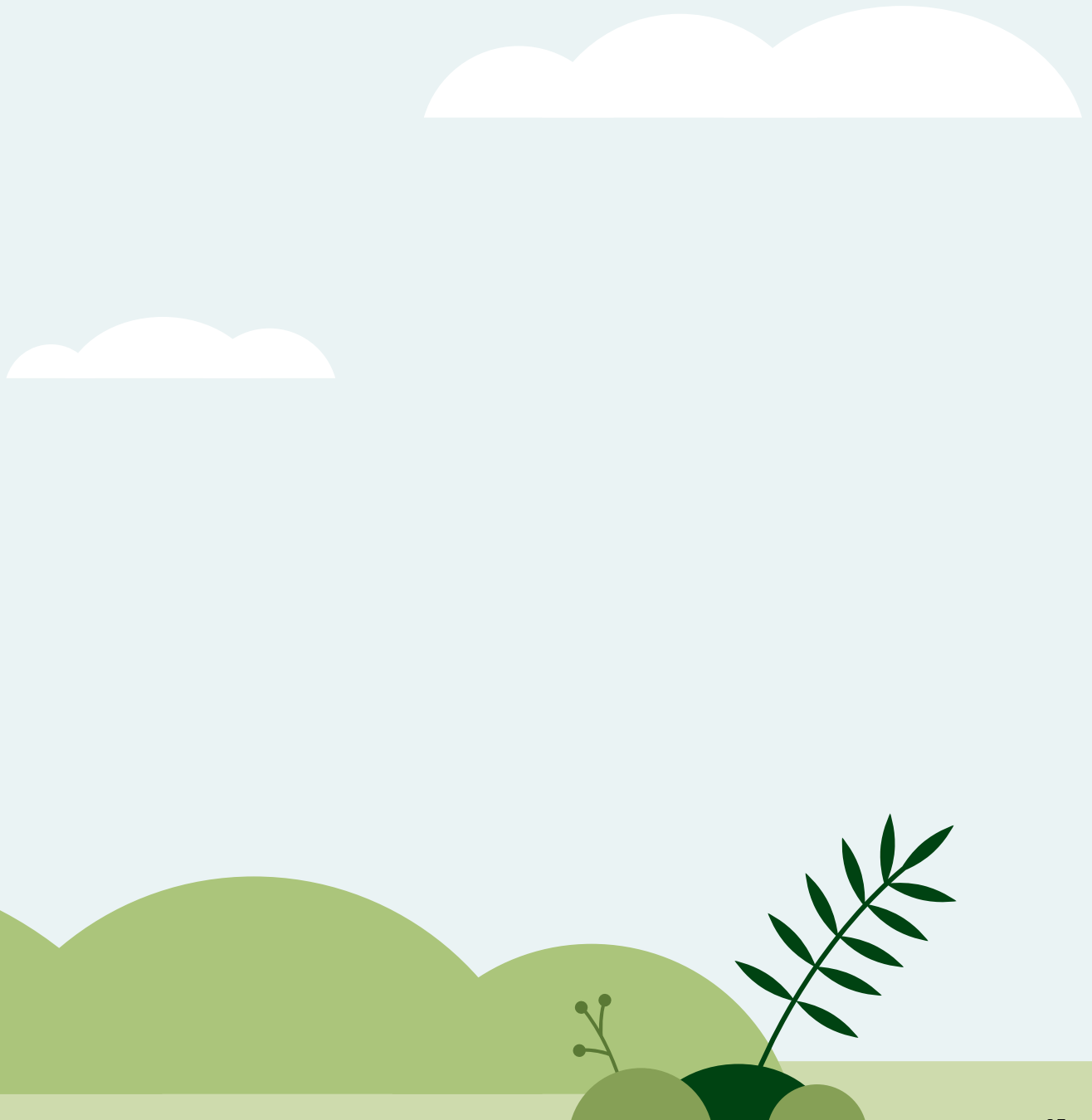
# Report profile

With this sustainability report, Arbonia AG is publishing non-financial information on its operating activities for the fourth time (date of publication: 27 February 2024). It thereby enshrines ecological, social and economic sustainability in its corporate development. Arbonia documents its impact on the climate and the environment, specifies strategic sustainability targets and reports on the degree of target achievement for the material topics. The information includes overarching management approaches for the entire Group. In addition, the targets and measures are described on the level of the Climate Division (formerly HVAC) and the Doors Division.

This report has been created in accordance with the GRI Standards 2021. All information refers to the reporting period from 1 January to 31 December 2023 (by analogy with the financial reporting). The indicators were selected based on an updated materiality analysis in which various internal and external stakeholders were surveyed (see also p. 43). As a result, nine material topics were defined. Further guidelines for the content structure are ESG rating analyses, guidelines of the Task Force on Climate-related Financial Disclosures (TCFD), as well as the Sustainable Development Goals (SDGs) of the United Nations.

The key environmental figures of this sustainability report include the resource consumption of all manufacturing companies of the Arbonia Group as well as the Corporate Center in Arbon, Switzerland. Alongside information about its direct (Scope 1) and indirect energy-related emissions (Scope 2), Arbonia provides extensive data about its overall supply chain (Scope 3) in this report. Pure administration and distribution companies were not included due to their low environmental impact. The key figures in relation to employees include all companies. Some Arbonia sites produce for several companies, which is why the corresponding site is often given in the report instead of the brand name.

There is an annual reporting cycle – the last report was published on 28 February 2023. Due to the effective requirements of the Swiss Code of Obligations Art. 964a ff., this report is divided into a mandatory part and a voluntary part. The scope of consolidation of the annual report is given on page 34–45.

The sustainability report has been created on behalf of Group Management and approved by the Board of Directors. It is not subject to any external audit.

# GRI index

The Sustainability Report 2023 was submitted to GRI Services for the "GRI Content Index – Essentials Service". This involved checking that the GRI Content Index is presented in a way that is consistent with the reporting requirements of the GRI Standards and that the information in the index is clearly presented and accessible to stakeholders. The service was created on the basis of the German language version of the report.

| Use declaration | Arbonia has reported in accordance with the GRI Standards for the period from 1 January to 31 December 2023. |
|---|---|
| **GRI 1 used** | GRI 1: Foundation 2021 |
| **Applicable GRI sector standard(s)** | none |

| Standard / Disclosure | | Location | Comment / Omission |
|---|---|---|---|
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| Standard / Disclosure | | Location | Comment / Omission |
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# Glossary

**Biomass combined heat and power (CHP) plant:** Generates electrical energy by burning solid biomass such as wood chips. A biomass CHP plant also provides heat which can be used as district heat, local heat, or process heat. A systematic representation of a biomass CHP plant can be found on page 39 of the sustainability report.

**ChatGPT:** Computer program which uses artificial intelligence to communicate with users via text-based messages and images. It can understand questions/prompts and generate answers and interacts with a human via a dialog window.

**Common parts:** Components that can be used unchanged in different products but are not standard parts. A high proportion of common parts is at the heart of the platform concept.

**Cyclone separator:** A device used in process engineering and industry to separate solid particles from a gas stream. The cyclone uses centrifugal force to achieve this separation. The term "separator" refers to the primary function of removing particles from the gas.

**DEFRA – Department for Environment, Food & Rural Affairs:** The British Department for Environment, Food & Rural Affairs is responsible for environmental protection, landscape development, landscape and nature protection, sustainable development, agriculture and various aspects of animal protection.

**Digital twin:** A digital representative of a material or immaterial object from the real world in the digital world. Digital twins enable comprehensive data exchange. They are more than pure data – they consist of models of the represented object and can contain simulations, algorithms and services that describe characteristics of the represented object.

**EcoVadis:** The platform provides holistic assessments in the area of sustainability (environment, labour and human rights, ethics and sustainable procurement). On the one hand, this gives companies a better understanding of their own performance in these areas. On the other hand, companies can also see assessments of their suppliers through this platform and thereby obtain a more comprehensive picture of their supply chains.

**EHPA – European Heat Pump Association:** This seal of approval was created to ensure a sustainable, high quality level for heat pumps. It defines technical, planning-related, as well as service-specific quality guidelines for heat pumps in order to ensure high energy efficiency and operational safety.

**EUTR – European Timber Regulation:** This regulation requires all European market participants to accept their responsibility in the worldwide procurement of timber and timber products.

**Feed water:** Water that is specifically treated and made available for use in steam generators or boilers. It is heated in a boiler in order to produce steam.

**FSC – Forest Stewardship Council:** An international certification system for more sustainable forestry. The wood of furniture, toys, books, notebooks and pencils with the FSC symbol comes from forests that are sustainably managed.

**Greenhouse Gas (GHG) Protocol Initiative:** A partnership of different companies, NGOs and governments. The initiative is coordinated by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The goal of the initiative is to develop internationally recognised standards for greenhouse gas accounting.

**Green energy:** Electrical energy that is generated without the climate-damaging greenhouse gas carbon dioxide ($CO_2$) is called green energy or eco-power. It is generated in an environmentally friendly manner; for example, with hydroelectric plants, wind turbines, or solar cells.

**GRI – Global Reporting Initiative:** The GRI standards for creating sustainability reports were developed to provide organisations with guidelines for creating reports on their economic, environmental and/or social impacts.

**Heat exchanger:** A device used to transfer thermal energy from one material flow to another. The two elements do not come into direct contact with each other; they are conveyed past each other.

**IEA – International Energy Agency:** A cooperation platform in the area of research, development, market introduction and application of energy technologies.

**ISO – International Organization for Standardization:** The International Organization for Standardization develops international standards that help to improve the quality and safety of goods and services as well as simplifying trade between countries and companies.

**Lean manufacturing:** Corporate philosophy involving effective and efficient production design. The design of the value-added chain focuses on the areas of customer orientation and avoidance of waste, which reduces costs at a company.

**LkSG – Supply Chain Due Diligence Act:** The German federal law controls the economic action of companies based in the Federal Republic of Germany – generally with 3 000 or more domestic employees – by subjecting them to duties of care with respect to human rights within their supply chains.

**NDR (network detection and response):** Describes security solutions that continuously monitor and analyse network traffic in order to identify and automatically react to suspicious data traffic. Artificial intelligence (AI) and machine learning (ML) methods are used to analyse network traffic and identify anomalies.

**PEFC – Programme for the Endorsement of Forest Certification Schemes:** Certification system for larger and smaller forest owners as well as wood-processing and wood-selling companies that are committed to sustainable management and fair as well as transparent trade.

**quinquies:** This Latin word is often used in legal texts to indicate that a particular article, section, or paragraph has been amended or supplemented five times.

**SASB – Sustainability Accounting Standards Board:** The purpose of the SASB is to develop and disseminate standards for sustainability accounting that help public companies to disclose essential, decision-relevant information for investors. It is an independent, non-profit organisation.

**SBTi – Science Based Targets initiative:** An initiative of different organisations that specifies reduction targets for greenhouse gas emissions. It specifies how much and how quickly a company has to reduce its greenhouse gas emissions to limit global warming to less than 1.5 °C in line with the Paris Agreement.

**Scopes:** To distinguish between direct and indirect emission sources, the GHG Protocol defines three areas of validity for reporting and accounting greenhouse gases.
**Scope 1:** All emissions that we cause directly.
**Scope 2:** Indirect $CO_2$ emissions from purchased energy such as electricity, steam, district heating, or cooling.
**Scope 3:** All indirect emissions that occur along our value-added chain.

**SDGs – Sustainable Development Goals:** The 17 goals for sustainable development are political objectives of the United Nations (UN) which aim to ensure sustainable development on an economic, social, as well as ecological level. With the Agenda 2030, all UN member states – including Switzerland – have committed to achieving these goals by 2030. The basic principle of the agenda is "Leave no one behind", because sustainable development can only be successful and efficient when the poorest and most neglected populations are reached first.

**Shop floor management:** This term refers to the work and management tasks at a manufacturing facility. It covers the organisational and management practices that can be implemented directly in the production area; i.e., on the "shop floor".

**SIEM – Security Information and Event Management:** Performs a real-time analysis of security alarms from various sources, applications and network components and thereby contributes to the IT security of an organisation.

**Six Sigma:** A management system for process improvement, a statistical quality objective and at the same time a method of quality management. Primarily a procedure model for eliminating deviations. Sigma stands for the Greek letter used to represent the standard deviation in a statistical normal distribution.

**Social engineering:** Interpersonal influencing with the goal of provoking certain behaviours in people; for example, motivating them to reveal personal information, buy a product, or release financial resources.

**Sonitus mid-layer:** The inside of a door is also called the mid-layer and is enclosed by the frame and cover plates. Sonitus mid-layers are primarily used with sound insulated doors. The residue of the relatively soft material is also well suited to protecting doors from scratches during transport. This reduces the need for other protective material and means that residue can be reused instead of disposed of.

**UN Global Compact:** A worldwide compact concluded between companies and the UN to make globalisation more social and ecological. These companies commit to observing certain social and ecological minimum standards.