

Mikron
Sustainability Report 2017

Sustainability Report

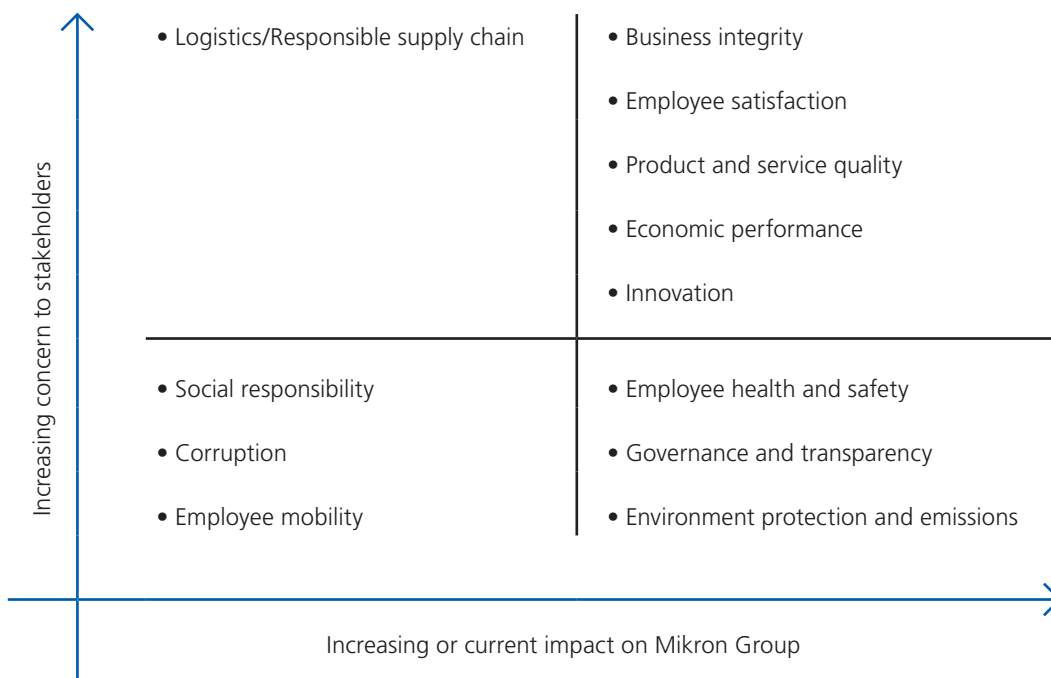
The Mikron Group acknowledges its responsibility towards people and the environment. Its Sustainability Report is guided by the globally recognized principles of the Global Reporting Initiative (GRI). The Group’s aim in this respect is to ensure transparent, standardized, and comparable reporting.

The Mikron Group conducts a regular qualitative survey to determine the indicators that are relevant to sustainability reporting. Customers, suppliers and other business partners along the Group’s value chain take part in this survey, together with authorities and new and potential employees. At the same time, internal focus groups are conducted to identify and prioritize other indicators relevant to sustainability reporting. The accumulated findings are presented in the following matrix.

The areas of innovation, product and service quality, governance and transparency, which are key to Mikron, are dealt with in the present Annual Report.

People

The Mikron Group builds its commercial success on qualified and motivated staff. In interpersonal relationships – be it with colleagues, customers, or business partners – Group management promotes and demands respectful and loyal conduct at all times. The Mikron values provide essential guidance in this respect (see page 30 of the Annual Report 2017).



All employees are obliged to adhere to Mikron's Code of Conduct. This sets out the relevant principles of ethical behavior in writing and applies to all of Mikron's areas and sites. The aim of the Code of Conduct is to ensure that the Mikron Group comes across as a good corporate citizen, complies with legislation, and creates a working environment characterized by mutual respect, openness and personal integrity. The Mikron Group's membership of various industrial associations and interest groups is one way in which it advocates the attitudes encouraged by the Code. In the year under review, employees at all sites took part in an e-learning course in ethical behavior and compliance and practiced suitable conduct by working through concrete example situations. Two sites also held specific compliance awareness workshops on the topic of conduct in difficult situations and to prevent data loss.

Health and safety

The health and safety of staff are extremely important to the management of the Mikron Group. Internal processes are regularly reviewed for potential negative effects on health and safety. As in the prior year, there were no significant occupational accidents in 2017. At the same time, various sites organized health and safety courses in a drive to reduce the risk of occupational accidents.

Employment conditions

Mikron staff benefit from attractive working conditions. All employees at the Mikron sites in Switzerland are covered by the collective employment contract of the Swiss mechanical and electrical engineering industries.

Occupational pensions are governed by legislation in Switzerland. Survivors' and old-age insurance (AHV) is the compulsory pension insurance system that applies throughout Switzerland. This secures a basic standard of living following an employee's retirement from work due to old age, or death. Workers in Switzerland with a total annual income of more than CHF 21,060 are additionally insured in the pension fund of their employer. This insurance is also mandatory, and supplements the basic AHV pension benefits. Pension fund contributions are divided 50/50 between employer and employee.

Number of staff

| | 2017 | 2016 |
|---|----------------|----------------|
| Employees (FTEs) <30 years | 299.3 | 244.6 |
| Employees (FTEs) 30–50 years | 550.1 | 562.0 |
| Employees (FTEs) >50 years | 324.5 | 340.8 |
| Total employees (FTEs) | 1,173.9 | 1,147.4 |
| Male employees (FTEs) | 1,064.9 | 1,041.4 |
| Female employees (FTEs) | 109.0 | 106.0 |
| Total employees (FTEs) | 1,173.9 | 1,147.4 |
| Male senior managers (FTEs) | 112.5 | 122.4 |
| Female senior managers (FTEs) | 7.9 | 6.9 |
| Total senior managers (FTEs) | 120.4 | 129.3 |
| of which currently living within 25 km of company as % of total | 64.7 | 69.7 |
| | 54 | 54 |

New employee hires

| | 2017 | 2016 |
|-----------------------------------|--------------|--------------|
| New employees (FTEs) <30 years | 102.3 | 92.1 |
| New employees (FTEs) 30–50 years | 45.2 | 65.6 |
| New employees (FTEs) >50 years | 8.3 | 20.4 |
| Total new employees (FTEs) | 155.8 | 178.1 |
| Male new employees (FTEs) | 138.8 | 161.3 |
| Female new employees (FTEs) | 17.0 | 16.8 |
| Total new employees (FTEs) | 155.8 | 178.1 |

In Germany, the statutory pension insurance scheme (gesetzliche Rentenversicherung, GRV) is an important pillar of retirement provision. Contributions are based on earnings and split equally between employer and employee. They are deducted from gross salary and transferred to the pension insurance fund by the employer. The qualifying age for a standard retirement pension is currently 65. The statutory pension insurance scheme is run by Deutsche Rentenversicherung. Occupational pension schemes (betriebliche Altersvorsorge, bAV) represent another important pillar of retirement provision in Germany. They allow employer and employee contributions to be paid into a private pension insurance plan – up to a statutory ceiling, tax-free and exempt from social security contributions. The employees' entitlement to a pension is guaranteed by the state. In Germany, Mikron staff can take out occupational pension provision offering attractive additional benefits at special conditions through "Mikron Vorsorge+".

In the US, no mandatory retirement system exists. Nevertheless, many companies offer their employees the possibility to join a defined contribution retirement plan, the most common of which is the 401(k) plan. These enable employees to make voluntary tax-deferred contributions from their salaries to the plan. Employers can also add contributions. All employees of Mikron (over 21 years of age) have the possibility to participate in a 401(k) defined contribution plan after 6 months of employment. Individuals can contribute up to a government-capped amount. In addition, Mikron makes a contribution matching up to 4% of compensation. The plan provides retiring employees with multiple distribution options for receiving plan account balances. Lump-sum payments, instalment payments for a fixed number of months and annuities are available distribution methods.

Employee satisfaction

Every two years, an independent consultancy for personnel and organizational development assesses the level of employee satisfaction in over one hundred industrial companies in Switzerland. In 2016, all Mikron companies participated in the survey. Altogether, 67% of the employees returned the survey, for which data was collected online and in paper format. Overall job satisfaction was rated at 67 points out of 100 (previous survey in 2014: 69 points), which was quite significantly below the average of all companies that were also assessed. Nevertheless, com-

Employee turnover

| | 2017 | 2016 |
|--|--------------|--------------|
| Employees (FTEs) <30 years leaving Mikron | 34.5 | 41.4 |
| Employees (FTEs) 30–50 years leaving Mikron | 57.8 | 67.2 |
| Employees (FTEs) >50 years leaving Mikron | 30.5 | 34.1 |
| Total number of employees (FTEs) leaving Mikron | 122.8 | 142.7 |
| Male employees (FTEs) leaving Mikron | 110.0 | 127.2 |
| Female employees (FTEs) leaving Mikron | 12.8 | 15.5 |
| Total number of employees (FTEs) leaving Mikron | 122.8 | 142.7 |
| Turnover rate | 11% | 13% |

mitment to Mikron was rated higher at 76 points (out of 100). In terms of this aspect, 79% of the companies participating in the survey ranged between 75 and 85 points. The survey also shows that the increasing pace of change represents a huge challenge for a growing number of employees. The detailed results for Mikron were analyzed on different levels by the management teams and specific actions initiated.

Organizations at the individual sites are continually developing. In the year under review, several sites adapted their organizational structure to the current business environment. In connection with this, efforts were also stepped up to assign employees to tasks that allow them to put their skills to maximum use.

Advanced training

In the year under review, the Mikron Group again succeeded in filling all open positions at every site with employees possessing technical qualifications and language skills. As in previous years, though, this entailed considerable effort. Several sites intend to make even greater use of the opportunities offered by dual-track vocational education and training (VET) by taking on additional apprentices. The Denver site launched a new apprentice program supported by the Governor of Colorado. In the year under review, HR officers from the two principal sites of Agno and Boudry were present at a number of school and university information events to wake students' enthusiasm for technical vocations and working for the Mikron Group. Mikron apprentices and trainees attended vocational skills contests, demonstrating the skills they have acquired and earning a number of awards or prizes.

Recruiting, keeping and developing employees and inspiring them to embrace shared goals and practices remain principal challenges at all our locations. Employees in Switzerland, Germany and the US spent over 28,000 hours in advanced training during the reporting year. This is equivalent to an average of 24 hours per staff member in the year under review.

In 2017, 82% (previous year: 86%) of employees received individual feedback from their line managers on their performance over the past twelve months. Individual feedback is important in helping the Group to identify possible advanced training needs.

Training hours

| | 2017 | 2016 |
|--------------------------------|---------------|---------------|
| By employees (FTE) <30 years | 2,757 | 2,696 |
| By employees (FTE) 30–50 years | 22,960 | 13,446 |
| By employees (FTE) >50 years | 2,418 | 1,963 |
| Total training hours | 28,135 | 18,105 |

Headcount

The Mikron Group has around 1,275 employees throughout the world. There were 1,174 full-time equivalents (FTEs) in Switzerland, Germany and the US at the end of the reporting year – 27 FTEs more than in 2016. A total of 123 FTEs in these countries left Mikron in the year under review, while 156 FTEs joined the company. The fluctuation rate decreased by two percentage points from 13% in the previous year to 11%. The rate of absenteeism (working hours absent as a proportion of annual working hours) matched the prior-year figure of 3%, thus remaining at an encouragingly low level.

Diversity

As in other industrial companies, most of the employees of the Mikron Group in Switzerland, Germany and the US are men, who account for 90% of the workforce. The management of the Mikron Group is keen to promote diversity within the workforce. At the same time, however, those responsible for recruiting staff are dependent on the labor and training market. In Switzerland, it is still the case, for example, that considerably more men than women gain technical qualifications: the proportion of women pursuing initial training in engineering and technology amounts to 6.7%, with 9.7% studying technical subjects at universities of applied sciences and 29.1% at university (source: Swiss Federal Statistical Office).

There was virtually no change to the average age of employees at the Mikron Group's Swiss, German and US locations during the reporting year: when broken down by age group, it is still the 30 to 50-year-olds that are most strongly represented, making up 47% of the workforce. The proportion of under-30s increased by four percentage point year-on-year in 2017 to 25%, and the proportion of over-50s by two percentage points to 28%.

The Mikron Group has employees of a number of different nationalities at its sites in Switzerland, Germany and the US: alongside Swiss (39%) and Germans (17%), Italians (24%) and Americans (11%) are most widely represented. The relatively high proportion of different nationalities is due to the geographic location of the Agno and Boudry sites: Agno is on the border between Switzerland and Italy, while Boudry is fairly close to France. Mikron employees come from a total of 56 different nations.

Other data

| | 2017 | 2016 |
|--|-------------|-------------|
| Total hours of staff absent | 57,583.5 | 63,848.6 |
| Total hours worked ytd (standard) | 2,289,710.5 | 2,403,113.2 |
| Rate of absenteeism | 3% | 3% |
| Number of employees (FTE) insured at work | 18.2 | 1.2 |
| Number of workrelated fatalities (FTE) | 0.0 | 0.0 |
| Number of employees (FTEs) receiving individual feedback | 943.8 | 981.8 |

In the year under review, 54% of employees at Senior Management level lived no further than 25 kilometers from where they worked (as in the previous year).

Environment

Thanks to its highly efficient machining and automation solutions, the Mikron Group helps to ensure that its customers can produce in an environmentally friendly way. The increasing scarcity of energy and raw materials is a major challenge, to which the Mikron Group is resolutely facing up: we take our responsibility for the environment very seriously, at every link in the value chain. All Swiss sites have ISO 14001:2004 (environment) certification; Agno additionally has OHSAS 18001:2007 (occupational health and safety management) certification. In both Agno and Boudry, quality managers ensure that these certification requirements are complied with and that the Mikron Group continually develops in terms of environmental performance. The German sites in Rottweil and Berlin meet the strict legal requirements of Germany's Energy Services Act, but do not have ISO 14001 certification. They are required to conduct an energy audit every four years to verify what measures the company has taken to reduce CO₂ emissions and whether these are having the desired effect. Audits were conducted at the two sites during the year under review – both sites passed.

Like the German locations, the US sites do not have any special environmental certification. The production site in Denver is, however, certified to ISO 9001. In the US, the Environmental Protection Agency (EPA) is responsible for protecting human health and the environment. It has many regulations that affect industries within the manufacturing sector and which are monitored by the quality manager.

In 2015, Mikron Boudry signed an agreement with the Canton of Neuchâtel to increase energy efficiency. By doing so, the site undertakes to use water, oil and electricity more efficiently in the coming years. In addition, Mikron Boudry produced a risk analysis regarding the environmental impact of all its activities.

Fuel consumption

| | 2017 | 2016 |
|------------------------------------|-------------|-------------|
| From renewable sources (TJ) | 0.0 | 0.0 |
| From non-renewable sources (TJ) | 16.9 | 17.1 |
| Total fuel consumption (TJ) | 16.9 | 17.1 |

| | | |
|--------------------------------------|--------------|--------------|
| From renewable sources (TCHF) | 0.0 | 0.0 |
| From non-renewable sources (TCHF) | 415.0 | 348.7 |
| Total fuel consumption (TCHF) | 415.0 | 348.7 |

Electricity consumption

| | 2017 | 2016 |
|---|-------------|-------------|
| Electricity consumption (TJ) | 33.9 | 30.4 |
| For cooling system (TJ) | 3.2 | 3.7 |
| Total electricity consumption (TJ) | 37.1 | 34.1 |

| | | |
|---|----------------|----------------|
| Electricity consumption (TCHF) | 1,506.6 | 1,314.5 |
| For cooling system (TCHF) | 154.9 | 183.3 |
| Total electricity consumption (TCHF) | 1,661.5 | 1,497.8 |

Mikron Agno signed a target agreement for reducing CO₂ emissions and increasing energy efficiency under the energy model run by the Swiss Private Sector Energy Agency, which has awarded the site CO₂ reduced certification (valid until 2018).

Water

The sites included in the report consumed 132,100 m³ of water in the year under review (previous year: 153,600 m³). At 88%, groundwater still made up a high proportion of the total water consumed (previous year: 88%). Virtually all the water Mikron used was fed back into the water cycle as usable water, either directly or via state-run wastewater treatment plants. Effective water consumption is thus low.

Waste

Mikron makes every effort to ensure that waste is dealt with in an environmentally compatible way. In 2017, the Group produced 473.7 tonnes of waste in Switzerland, Germany and the US (2016: 453.7 tonnes), corresponding to an increase of 4%. Part of the waste at Mikron Automation was attributable to customers' test parts that had to be disposed of at Mikron. This volume varies considerably.

Suppliers

As a globally active company, the Mikron Group has a highly heterogeneous procurement chain. Depending on location and business area, the Group uses both international and local suppliers. Mikron Automation and Mikron Machining organize their own procurement. The Swiss sites generate most of their sales in euros. This also affects the choice of suppliers: in order to minimize currency translation losses, they deliberately place orders with suppliers in eurozone countries. In the reporting year, steps were taken to broaden the systematic assessment, monitoring and cultivation of suppliers. The Agno site also evaluated new suppliers in Italy as well as in Eastern Europe – a few outsourcing projects have been successfully implemented. The Boudry site awarded an increasing number of orders to Asian suppliers and is now having some of its basic electrical cabinets assembled externally. At the same time, the site now produces pallets cost-effectively in-house. The Mikron sites in Switzerland,

Water withdrawal and discharge

| | 2017 | 2016 |
|--|--------------|--------------|
| From groundwater (1000 m ³) | 116.5 | 135.2 |
| From water utilities (1000 m ³) | 15.6 | 18.4 |
| Total volume of water withdrawal (1000 m³) | 132.1 | 153.6 |

Waste

| | 2017 | 2016 |
|---|--------------|--------------|
| Reused (t) | 0.0 | 0.2 |
| Recycled (t) | 213.3 | 245.9 |
| Burned (t) | 165.9 | 153.3 |
| Hazardous waste disposed (t) | 90.7 | 51.3 |
| Disposed otherwise (t) | 3.8 | 3.0 |
| Total weight of waste disposed (t) | 473.7 | 453.7 |

Germany and the US also use local suppliers: in the year under review they placed 15% of their order volume with suppliers based no more than 25 kilometres away from them (2016: 15%).

Compliance

The Mikron Group makes every effort to strictly abide by all laws, and conducts ongoing checks – both internal and external – to ensure that this is the case. No substantial complaints were received in this respect at the Swiss or German locations in 2017.

State support

The Mikron Group received financial support totaling CHF 973,000 from state organizations in the reporting year (2016: CHF 450,000). Around CHF 221,000 of this amount came from the Canton of Neuchâtel and around CHF 404,000 from the Canton of Ticino for research and development, approx. CHF 339,000 was awarded to the Group for investments in apprentice training at Boudry and Agno. All contributions were allocated by Swiss federal organizations, none of which are Mikron Group shareholders.

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