Sustainability report of the Zwick Roell Group 2014

Intelligent Testing
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About this report

Our intention

This report is the fourth sustainability report of the Zwick Roell Group. Each year, with this report, we want to inform the stakeholders in the company about sustainability aspects in our sphere of influence.

Report period and scope of validity
The 2014 sustainability report relates to the business year January 2014 - December 2014. At Zwick Roell, the business year begins on January 1 and ends on December 31. Unless otherwise stated, the given information, numbers and facts apply to the location of Zwick GmbH & Co. KG in Ulm-Einsingen.

Acquisition of the data and information
The information was acquired through oral and written questioning of the appropriate responsible people.

Future statements
We would like to point out that any statements for the future are based on the current data. Our forecasts and announcements may deviate from this on account of unforeseeable and unknown risks.

Other comments
In this report, we will refrain from using gender-specific duplications, in order to improve legibility. All the formulations are value-neutral. The sustainability report is available in German and English. You can find more company information on our website www.zwick.de and in the annual report.
Foreword

In our guidelines, we have declared a "Passion in customer orientation" to be one of our guiding principles. All of us consider a passion in customer orientation to be a prerequisite for growth and profitability.

We wish to be economically successful as a company in the long term. This requires farsightedness and forward-thinking, i.e. sustainable, actions and thoughts, which must be deeply rooted in the company.

We consider the obligation regarding sustainable actions to be part of our business responsibility and a key precondition for developing our business successfully in the long term. A key requirement for our success is the appreciation on the part of our employees of what we wish to achieve in the medium and long term.

Our sustainability performance can also be seen in the annual expenditure on research and development, which we increase annually. Through the high level of innovation in our products, we help our customers produce top quality products whilst conserving resources.

We are proud that we have, for the second time in succession, compensated for the CO₂ emissions at Zwick through the project portfolio of the "Climate Neutrality Alliance 2025" of the Vorarlberg region in Austria.

Also in the future, we intend keeping up our efforts to find the balance between economic success, environmental protection and social responsibility. Because: Sustainable actions are future returns.

Yours,

Dr. Jan Stefan Roell
Zwick Roell AG Executive Board

Michaela Bergmann
Zwick Roell AG Executive Board
1. Sustainable corporate management

For the Zwick Roell Group, sustainable corporate management and economics mean: We take full responsibility for our products and processes. We work sustainably for the future of the world and our children. Because: Sustainable actions are the returns of the future and must be in harmony with business success, protection of the environment and social responsibility. Our risk management system helps us to control this. Here, risks are analyzed and controlled as a whole, thus making a forward-thinking contribution to sustainable business practices. Subjects such as environmental risks, personnel risks, employee and customer satisfaction are monitored in it and measures for risk minimization are taken.

1.1. Company culture

The Zwick Roell Group is the world leader in static materials testing and the leading provider in dynamic materials testing and fatigue testing. We stand for excellent technical performance, innovation, quality and reliability.

The focus areas of our technological development are in the following five fields:
- Drive technology
- Specimen grips/test tools
- Sensors
- Electronics
- Software

We offer our testXpert® software in the most important world languages.

Since the consolidation in the Zwick Roell Group, the product range has been expanded continuously through the acquisition of further materials testing companies, through stakeholdings or through the establishment of new companies.

In parallel with the expansion of the product range, Sales has worked on the expansion of the sales and service companies in the key markets. Besides free trade representatives, Zwick has established its own sales and service companies in the following markets:
- Zwick USA, USA
- Zwick France, France
- Zwick Testing Machines, United Kingdom
- Zwick Ibérica, Spain
- Zwick Asia, Singapore
- Panambra Zwick Comérico de Máquinas e Equipamentos, Brazil
- Zwick Centro América, Mexico

Today, the Zwick Roell Group is active around the world and employs over a thousand people. In 2014, thanks to our innovation and good cooperation with our customers, we were able to profit from the growth in the world economy and further expand our market position. Thus, the group was able to achieve incoming orders of €210.4 million and was thus 6.9% above the level of the previous year (€196.8 million). The consolidated turnover was €182.7 million and was thus 8.6% above the level of the previous year (€168.2 million).
Guidelines

Our guidelines from 2011 contain the following statement as a central vision:

_We continue to achieve growth and profitability through our passionate commitment to our customers._

This vision is based on three core statements:
- Our customers are at the center of our work
- Our products stand out due to customer benefits and top quality
- Our employees are competent and professional and work as a team

At Zwick, these three core statements are supplemented by environmental policies. As a result, we follow the guiding principle:

"For us, it is an ethical obligation to harmonize the economy and ecology. Through continuous improvements in the development, manufacture and application of our products, we carry the responsibility of our company for our customers and the environment".

Our values are the plumb line for our behavior toward employees, business partners and society:

"We are open and honest: with each other and toward our partners and customers. We ensure continuous communication in the company. Transparent corporate management provides us with clarity about our targets. We are committed to absolute fairness – both in internal cooperation and in our business relationships. The source of our success is passionate commitment to our customers. It provides us with daily motivation to view changes as an opportunity and to become better in everything we do. In so doing, reliability is the basis of our actions – both when dealing with each other and with our customers".

Using various indicators, we wish to evaluate whether we are living our values and guidelines consistently. These indicators are:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Satisfaction Index (CSI)</td>
<td>≤ 2 / ≥ 80%</td>
</tr>
<tr>
<td>Customer Loyalty Index (CLI)</td>
<td>≥ 85 %</td>
</tr>
<tr>
<td>Customer Recommendation Index (CRI)</td>
<td>≥ 90 %</td>
</tr>
<tr>
<td>Employee satisfaction</td>
<td>≤ 2.4</td>
</tr>
<tr>
<td>Employee fluctuation</td>
<td>≤ 2 % p.a.</td>
</tr>
</tbody>
</table>

*Key indicators according to the guidelines*
Based on and as a supplement to the guidelines, the Code of Conduct of the Zwick Roell Group was created in 2011. It contains the same basic values and is intended to form the basis and be an orientation aid in our everyday work. It offers a binding framework for action when dealing with business partners and each other. It appeals to the individual responsibility of each person.

Compliance

Besides the above-mentioned risk management, our Compliance System serves as the means of control. As a company that operates worldwide, we have a social responsibility toward our customers, suppliers, employees, investors and the public. This social responsibility requires us to uphold the law at all times and in all places, to respect ethical values and to act in a sustainable manner. We take responsibility for products and processes as a whole and wish to make an active contribution for a worthwhile future of the coming generations. Against this background, compliance is a fundamental part of the strategy and is intended to ensure adherence to all the statutory and internal regulations. It must be practiced by all divisions and subsidiaries in Germany and abroad and by all employees equally, i.e. including the Executive Board, the management and each individual employee.

1.2. Product responsibility

Testing machines and testing instruments do not have a particular sustainability character.

However, materials testing can be viewed under the premises of material efficiency and the conservation of resources. Thus, our products support the aims of our customers in this area, who come from many different industries, both in the fields of materials' research and industrial applications.

We place great emphasis on high quality and thus long-life products. We have implemented a special After Sales product area, which deals with the sectors of modernization, accessories and used machines, as well as the value retention and adaption of the state of the art of delivered products.

Supply is handled differently, according to the product area (series, projects, After Sales). In the series area, targets of 2, 4 or 8 weeks are pursued, depending on the machine type. With special machines, the delivery time is agreed with the customer.

Thanks to our global customer support network and rapid procurement of spare parts, we can ensure the shortest possible down times if defects occur. At Zwick, the availability of spare parts is guaranteed for at least 10 years after the discontinuation of a product range. In addition, Zwick tries to maintain the supply for a “Goodwill Phase” of 5 years.
The exchange program contains these services:
- Overhaul and modernization of the load frame, including repainting
- Replacement of the wear parts
- Retrofit of the existing load cell
- Implementation of the modern measurement and control electronics testControl or testControl II
- A testXpert® II test program
- Installation and training
- Packaging and transport
- A warranty of 12 months; optionally, if a preventive maintenance support and calibration contract is completed, the warranty extends to up to 60 months

From the 2014 environmental targets:
- Taking into account of environmentally-relevant aspects in product development (advantage: minimization of environmental impacts to the customer)
- Use of modern machines and resources according to the state of the art (advantage: Efficient production and safe working resources)

1.3. Workplace and health protection

Workplace safety and health protection are integrated in our quality and environmental management system, which has been established and certified for many years.

As qualification in the field of workplace protection, in 2012, we were awarded the certificate for Security Safety Management (SeSaM) from VBG PowerTech.
**Absenteeism**
For many years now, the level of absenteeism (absenteeism in % = ratio of absence days to total days) at Zwick has been relatively low. In 2014, the level of absenteeism in the company was 3.49%.

![Absenteeism at Zwick](image)

**Noise protection**
If required, each employee will receive individual hearing protection. The manufacturer checks these at regular intervals, meaning that safety is always guaranteed.

To reduce noise emissions in the production buildings, profile sawing work is always carried out elsewhere.

**Company health management**
At Zwick, health protection is also high priority. This is reflected, on the one hand, by the creation of safe and ergonomic workstations and, on the other, through a wide range of measures in the scope of company health management.

Health protection includes, amongst other things:

- Skin and colorectal cancer screening
- Inoculation against influenza
- Medical check including blood test
- Hearing and sight test
- Examination of the VDU workstation
- Noise and skin examination for production employees
- Prophylactic workplace medicine investigation G 25 for driving, control and monitoring activities
- General and employment commencement examinations
- Consultation meetings (allergies, depression, eye problems, etc.)
- Follow-up investigations (German youth employment protection act)
- Technical presentations during the training week
And let us not forget our company restaurant, which offers a healthy range of food, including vegetarian meals. The meals are freshly prepared. Besides the two main meals, there is a wide range of side dishes, which can be selected individually. At the request of the employees, organic apples from the region are offered free of charge as a supplement.

1.4. Outlook

Company culture
The global business climate indices show that the global economy will continue to develop in 2015. In addition to the low oil price, the relative weakness of the euro has contributed to an increase in overseas exports. We wish to continue to convince customers of our high innovative capacity and product quality in 2015 as well.

Product responsibility
- Continued expansion of the product range of energy-efficient vibrophores (Vibrophore series with 500 kN)

Workplace and health protection
Implementation of a “Fit at Work” program with the following offers:

- Physiolates
- Nordic walking
- Relaxed body – Relaxed mind
- Active lunch break
- Fitness exercises
- Energetic exercises
- Training on the job (workstation program)
- Special company conditions with
  - Wonnemar Ulm / Neu-Ulm
  - Kieser Training Studio - Ulm

Height adjustable desks and ergometric chairs are taken into account during investment planning. Target: 20% of desks should be height adjustable in the medium term.

Recertification by VGB PowerTech for Security Safety Management (SeSaM), which was introduced in 2012, is due in 2015.

Hazardous substance measurement
There are plans to introduce inhalative hazardous substance measurements in the paint shop.
2. Cooperation with our business partners

For us, a solid, long-term relationship with our business partners is a matter of course. Interest and mutual trust are essential conditions for this. We strive for cooperation as partners. We use trends from the market and offer system solutions from continually improved products and services, creating a market advantage and earnings potential for us and our business partners. We achieve this target with a passion in customer orientation.

In close cooperation with our business partners, we develop and perfect our products and our services, with the aim of the highest possible availability and quality in the testing systems and maximum security of the test results. We provide our customers with target-oriented advice, in order to find the right testing solution for them. Cooperations in research and development help us to implement ideas in customer-specific solutions for a long-term guarantee of joint success. We stand for free and fair competition. We reject express or tacit agreements on prices or the assignment of production or sales quotas as decisively as we do any other cartel or anti-competitive measures. We do not begin trade relations that endanger national security interests or peaceful coexistence in the world, and observe export regulations and the relevant control specifications.

We apply morally and ethically correct standards in procurement and reject child labor. We understand that certain rules must be followed for competition to have a positive effect in the long term. Currently, some of the regulations on the global marketplace are insufficient (child labor, degrading working conditions, missing protection of the environment and natural resources, etc.). As a company, we argue for the establishment of improved rules and, in our corporate activities and interaction with our business partners, try to exclude unacceptable conditions.

2.1. Our markets

The basic aim of the Zwick Roell Partner Program (ZRPP) is sustainable and profitable growth, both for Zwick and its partners. This has produced the following 'subaims':

- Long-term, close and loyal cooperation
- Agreement of long-term targets and milestones for further development and growth
- Standardization and decentralization → Reduction of tangential losses
- High quality and stable processes around the world
- High customer satisfaction and loyalty around the world

These aims should be achieved through certification of the trading partners. The certification specifies that certain requirements are made of the partners and their level of fulfillment is measured. The partners shall then be classified according to their performance in various levels (e.g. bronze, silver, gold) and receive appropriate services or bonuses.
A first draft of the criteria for partner certification has been compiled. The partners shall be able to use their future classification/certification publicly for marketing and for dealings with their customers. This shall mean that the classification criteria must be derived from customer expectations.

Customers can be supported well in a large or small market or by a large or small partner. This means that each partner shall be able to achieve each certification 'status' – irrespective of its size or the size of the market.

In the first draft, customer expectations and the derived certification criteria were defined as follows:

**Customer expectations**

- Perfect consultation (products, application, network, accessories, etc.)
- Reliable & professional service (know-how, tools, handling, etc.)
- Quick response times
- Long-term support
- One contact person
- Hotline help
- Access to all products
- Loyalty to Zwick; fairness; business ethics
- Good reputation (representative fits the Zwick image)
- Good price-performance ratio
- Presence suitable for brand

**2.2. Customer satisfaction**

Through the design of our organization and the products, including the services, we intend to create and maintain a long-term, trust-based customer relationship. We perform satisfaction surveys, in order to evaluate whether our measures for customer responsibility are successful. In so doing, we ask our customers after a new installation about criteria such as technical consultation, document quality, supply, installation and instruction, as well as the quality and functionality of the product components.

In the 2014 reporting year, a total of 409 customers were contacted in the Zwick domestic market (Germany, Austria, Switzerland, Netherlands, Belgium and Denmark), of whom 115 people responded. Here, over 98% of respondents stated that they would take advantage of offers from Zwick/Roell again in future. The further recommendation rate of over 95% is also pleasing. All the evaluations requiring follow-up are processed by the appropriate sales managers. Within the context of internationalization, customers from the area of our representatives in the USA (ZUS) have also been surveyed since 2014.

As a way of saying thanks for participating, Zwick donates €5 to the international aid organization PLAN for each completed questionnaire. In 2014, we supported the project: "Protecting girls and boys against child labor."
2.3. Marketing and events

Zwick wishes to enter into a sustained dialog with its customers. On the one hand, the company wishes to use various digital communications channels to inform its customers and interested parties about new products and applications. On the other hand, participation in trade fairs and the organization of various events are intended to give customers the opportunity to experience products "live" and to be able to talk to the Zwick experts personally.

Digital communication

Zwick wishes to use its digital communication channels to reach customers/interested parties around the world. A key aspect for the company is that international visitors to the Zwick website can view it in their own language. For this reason, in the last five years, Zwick has expanded the language versions of its website from 4 to 24.

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of website languages</td>
<td>11</td>
<td>16</td>
<td>20</td>
<td>24</td>
</tr>
</tbody>
</table>

Development of the languages offered on our website

In addition, the company is active on various "Social media channels", in order to provide information to interested parties sustainably and using various methods. Zwick has operated its own YouTube channel since 2010. 200 videos on the subject of materials testing can now be viewed.

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of YouTube videos on ZwickRoellTV</td>
<td>107</td>
<td>140</td>
<td>176</td>
<td>200</td>
</tr>
</tbody>
</table>

Development of the video offering on YouTube

Zwick uses the Twitter platform as actively as XING, particularly to get in touch with potential new employees. Zwick has also been active on the LinkedIn platform since the end of 2013.

Events

The Customer Relations division organizes all the marketing campaigns, and in particular, the execution of trade fairs and exhibitions. Besides participation in regional exhibitions in key markets, we also place emphasis on our annual in-house exhibition.

Each October, testXpo – the International Forum for Materials Testing – takes place at Zwick's head office in Ulm. In the 2014 reporting year, it took place for the 23rd time. Together with 26 exhibitors, Zwick presented the latest trends and solutions in materials testing on an exhibition area of 2,700 m². Besides product solutions for the various industries, the focus is also on industry-specific services.
The exhibited products and the ability to meet with our specialists draw in customers from near and far. In 2014, 1,756 visitors came to Ulm from all around the world. As such, we are thrilled to welcome guests coming primarily from all over Europe, Russia, the USA and Canada, Japan and China.

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visitors</td>
<td>1673</td>
<td>1925</td>
<td>1668</td>
<td>1658</td>
<td>1756</td>
</tr>
</tbody>
</table>

Through testXpo, Zwick is able to attract new visitors each year. For example, in 2014, 64% of visitors were attending testXpo for the first time.

2.4. Outlook

**Our markets**

In the coming years, we intend to implement our Zwick Roell Partner Program further, thus further developing the partners and Zwick. This will help us to fulfill the above customer expectations.

**Customer satisfaction**

Our long-term aim is to establish customer satisfaction around the world. We want to include yet more countries in 2015 and make the questionnaire available in additional languages. To ensure a standardized procedure, we will compile a handbook for the Zwick customer satisfaction questionnaire, with which our sales partners will also work. The results from the survey are reported quarterly to the management.

**Marketing and events**

It is important to us to implement and extend our CRM (Customer Relation Management) System – PULSE further to include the functionalities of marketing and service. In particular, in the field of marketing, we wish to match our campaigns globally to target groups and industries in the appropriate national language. In addition, we wish to determine how successful our marketing campaigns really are.

Activities will continue to be concentrated on the Web. In future, through further internationalization, the expansion of activities in YouTube, blogging, and, in particular, newsletters, we hope to draw yet more visitors to the Zwick website.
3. Cooperation in the company

Our employees are competent and professional and work as a team. We have written this down in our guidelines. In so doing, the commitment, motivation and qualification of our employees are decisive for corporate success. We operate our personnel policies against this background. As an attractive employer with high performance standards, we wish to create working conditions that contribute to satisfaction and loyalty amongst the employees.

3.1. Training

Very well trained and motivated employees form the basis for the successful expansion of our national and international activities. For this reason, training of the next generation is very important for Zwick. Besides training, we can offer technical and commercial courses in cooperation with state universities and with the Ulm College of Higher Education.

The great value placed on training is also reflected in the high number of training and study places offered each year. According to section 4.2.1 of the collective bargaining agreement on safeguarding employment, there is an obligation to employ 60% of the apprentices. However, even without a relevant regulation, it has been possible in the past to offer an appropriate job to almost every apprentice. This shall continue to be our aim in the future.

With an average of 70 apprentices, they make up around 8% of the total number of employees.

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial training</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Technical/mechanical</td>
<td>8</td>
<td>14</td>
<td>9</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>State University, technical and commercial studies</td>
<td>4</td>
<td>11</td>
<td>12</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Total apprentices</td>
<td>15</td>
<td>29</td>
<td>25</td>
<td>24</td>
<td>19</td>
</tr>
</tbody>
</table>

The average number of applications is approximately 600. This number makes it clear that our training/study offerings are popular amongst young people and that our HR policy is recognized outside the company.

In addition, we can offer students the option for internships, Bachelor’s and Master’s courses and are available as an employer to the graduates after their studies. Training courses at Zwick are made available through a wide range of offerings.
Some examples include:

- Training in our own teaching workshops
- A stay in other German and international Zwick locations
- Theory semesters abroad
- The special further training offers for apprentices
- Reimbursement of travel costs for public transport

**Social week: Strengthening social competences and developing personalities**

Well-developed social and personal competences – that is what is important in today’s schools, universities and work. Learning in other spheres of life strengthens these decisive competences. For a week, the apprentices leave their tried and trusted everyday work and experience another sphere of life. They get to know the lives of old, ill or disabled people, meet young people and children in difficult situations or homeless people and experience what is important to them.

**Team development days for apprentices: Incorporating Zwick values**

The will to change, transparency, dynamics, honesty and reliability shall be deepened. In three shared days, Zwick guidelines and values are worked through and internalized.

**Active participation in the Zwick junior company**

The idea for a junior company was formed in 1994 to create attractive training content at Zwick. All the apprentices are included in the various divisions, such as finance, marketing, production, etc. The aims of the junior company are the learning effect, an improved overview of the company interdependencies, obtaining of qualification characteristics, independent problem-solving and decision-making and acceptance of responsibility and team work.

**School partnerships**

To discover young talent, Zwick works as a cooperation partner with all three types of school. Fixed partnerships with the Johann-Vanotti-Gymnasium in Ehingen and the comprehensive school in Erbach are a component part of these cooperations. The primary and secondary modern school in Einsingen and the International School in Ulm/Neu-Ulm are also supported by Zwick. The content of these cooperations are company tours, research, internships for students and teachers, applicant training, material support for technology lessons, financial support of the Johann-Vanotti-Gymnasium for their school partnership with Nanjing (China), financial donations to support pupils in the procurement of language certificates, and much more.
The technical vacation program at Zwick: "Fun technology"
In 2014 too, the technical vacation program, created in 2012, was a fixed component part of Zwick's social responsibility. In the first week of the summer vacation, 20 young people between the ages of 12 and 15 again came to our premises and participated in the program. At the heart of their activities was the construction of a solar-powered helicopter. The young people were able to show or discover their technical abilities while sawing, filing, bending and soldering. In addition, the youngsters found out more about our materials testing machines and carried out various materials tests in the applications test laboratory. A visit to the 64th helicopter squadron of the German army in Laupheim rounded off the vacation program.

3.2. Employee promotion

Besides the training of young people, Zwick is also investing in the further training and personnel development of the employees. For this reason, technical and personal development play a major role. A comprehensive further training budget is planned and made available for this each year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>200,200</td>
</tr>
<tr>
<td>2011</td>
<td>254,100</td>
</tr>
<tr>
<td>2012</td>
<td>291,000</td>
</tr>
<tr>
<td>2013</td>
<td>366,800</td>
</tr>
<tr>
<td>2014</td>
<td>328,300</td>
</tr>
</tbody>
</table>

Further training budget 2009 - 2014
Central further training program 2015 - 2016
The central further training program was given a regular update for the years 2015 / 2016. It again comprises a wide range of further training measures, for which the manager can register their employees, as required. Here too, it was compiled in a demand-oriented manner, in close cooperation with the Academy of the Bildungswerk der Baden-Württembergischen Wirtschaft e.V. and the company divisions.
Extract from the content: Communication / working techniques, managing, specialist topics, customer orientation, sales, purchasing, English, IT, health, workplace and environmental protection.

Training week 2014
The training week, instigated in 2010, was held for the fifth time in succession and was warmly received by the employees. They took advantage of the numerous further training measures on the total of five afternoons and also on the Saturday. Employees used the topics of internal and external speakers to gain new insights or to refresh existing knowledge.

<table>
<thead>
<tr>
<th>Year</th>
<th>Filled places</th>
<th>MA</th>
<th>Training courses / MA</th>
<th>With external trainers</th>
<th>With internal trainers</th>
<th>Presentations of BG and BAD</th>
<th>Total costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1373</td>
<td>457</td>
<td>3</td>
<td>34</td>
<td>70</td>
<td>4</td>
<td>€66,323</td>
</tr>
<tr>
<td>2011</td>
<td>1364</td>
<td>446</td>
<td>3</td>
<td>33</td>
<td>55</td>
<td>7</td>
<td>€52,851</td>
</tr>
<tr>
<td>2012</td>
<td>1335</td>
<td>445</td>
<td>3</td>
<td>33</td>
<td>57</td>
<td>5</td>
<td>€49,572</td>
</tr>
<tr>
<td>2013</td>
<td>1579</td>
<td>490</td>
<td>3</td>
<td>47</td>
<td>50</td>
<td>11</td>
<td>€64,703</td>
</tr>
<tr>
<td>2014</td>
<td>1502</td>
<td>499</td>
<td>3</td>
<td>54</td>
<td>38</td>
<td>8</td>
<td>€60,637</td>
</tr>
</tbody>
</table>
In addition, countless individual and specific further training measures were performed for the employees during 2014. The approximately 80 service technicians in field services also received a wide range of further training over the course of the year.

### 3.3. Employee satisfaction

Employee satisfaction is determined through regular employee surveys every four to five years. In so doing, all the employees are asked about their current level of satisfaction. The results of the employee survey form the basis for the implementation of company improvements and are also intended to show development trends over recent years. The last employee survey took place in 2011. On a scale of 1 to 6 (1 = best grade), total satisfaction was (2.48). From these results, broken down into the individual divisions and departments, appropriate measures were derived and implemented with regard to the key topics of procedures / structures, further training, information and communication, processes and working time.

The **Company suggestions scheme, CIP** (continuous improvement process), revived in 2007, is well accepted. The simple handling means that rapidly achievable suggestions are particularly promoted. The CIP Master ensures sustainable processing of the suggestions.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of submitted suggestions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>221</td>
</tr>
<tr>
<td>2011</td>
<td>177</td>
</tr>
<tr>
<td>2012</td>
<td>253</td>
</tr>
<tr>
<td>2013</td>
<td>373</td>
</tr>
<tr>
<td>2014</td>
<td>289</td>
</tr>
</tbody>
</table>

Submitted CIPs 2010 - 2014
Submitted CIPs since 2010 and outlook for 2014:
A total of 1,313 CIPs were submitted between 2010 and 2014. A further instrument to promote motivation and employee participation is our Wincentive system, which was introduced in 2005. In the context of this system, managers award Wincentive points to employees and teams to reward above-average performance. In addition, employees can award points to teams. The employees/teams can then convert the collected points into various rewards.

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenses for Wincentive rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>€131,060</td>
</tr>
<tr>
<td>2011</td>
<td>€151,120</td>
</tr>
<tr>
<td>2012</td>
<td>€125,900</td>
</tr>
<tr>
<td>2013</td>
<td>€127,600</td>
</tr>
<tr>
<td>2014</td>
<td>€160,520</td>
</tr>
</tbody>
</table>

Expenses for Wincentive rewards 2010 - 2014

Fluctuation rate 2014
According to the current guidelines, the fluctuation rate should not exceed 2% per year. The fluctuation rate for 2014 is 1.14% and thus again well below the 2% limit specified in the guidelines. The rate does not take into account retirements, departures for further training measures and departures due to termination of contracts, nor changes to part-time workers.
3.4. Outlook

Training
In 2015, we will put greater emphasis on promoting the training of girls in technical professions. Targeted information at careers' days in the schools and participation in the Girls Academy will be the most important actions taken.

In 2015, we will again offer a vacation program for children aged between 12 and 15. Subject as in 2014: Construction of a solar-powered helicopter.

Employee promotion
- A further training budget of €388,800 is planned for 2015.
- Sixth training week from April 4, 2015 – April 21, 2015. The training week continues to be a fixed component of the training program and thus employee promotion at Zwick.
4. Environmental protection in the company

Starting with the introduction of a quality management system in 1993, which was expanded over time to include the topics of environmental and workplace protection, we now have a comprehensive management system in place, which views the requirements as a whole. This applies both to our manufacturing process at the Ulm-Einsingen site and also to our products with their claim to top quality, customer benefits and safety of application.

In 2014, we were again able to successfully complete the continuous inspection of our management by TÜV SÜD Management Service GmbH with the recurring recertification of the quality management system and the monitoring of the environmental management system.

We attach great value to a pleasant and safe working environment in our company. The division of the site reflects the suitable external framework, characterized by a large amount of green spaces. In total, the company site in Ulm-Einsingen has an area of 73,266 m².

In 2014, a nature project was implemented on the company site in cooperation with the local representative of BUND, in order to increase biodiversity. Thus, during the training week, a planting campaign was undertaken with regional shrubs and bushes.

The following section provides insights into the corporate environmental protection of Zwick GmbH & Co. KG in Ulm-Einsingen using characteristic numbers and targets.
4.1. Material efficiency and conservation of resources

Material efficiency and the conservation of resources are defined as an aim in our environmental policy as follows:

- Responsible and careful interaction with our environment and its resources in the entire process chain of business actions through application of the best available technology within the scope of our business possibilities.
- Before introduction, materials, methods and products are carefully and critically tested for their environmental compatibility. Depending on requirements, customers will be informed of environmentally relevant aspects with regard to our products.
- Our production methods, systems and activities are checked for risk potential with the aim of avoiding, reducing or eliminating environmental loads in normal operation and, in exceptional situations, on the local environment.
- We participate in the recycling system.

One example of the implementation of this aim is our machine park in parts’ production. With the so-called general construction plan for production, we continually ensure a modern machine park and thus that our parts’ production can offer high quality, efficiency and, at the same time, compatibility with the environment. Thus, in 2014, a new processing center and three cyclical lathes were procured.

There is a checklist for the evaluation of safety and environmental aspects in the procurement of fixed assets and for construction measures.

Examples of optimized production processes with a resultant reduction of environmental impacts include:
- Efficient boxing of metal parts to optimize material requirements
- The installed mixing system for lubricoolants ensures optimum preparation of the medium
- Through regular pH value measurements of the lubricoolants, it is possible to increase their lifespan by two to three times
- Sort-specific separation of metal waste (aluminum, steel, stainless steel, brass, copper)

A further example is waste disposal. We introduced sensible waste separation some time ago. Here and there, potential for further improvements has been detected in individual areas. For example, two further card presses were procured in 2014 to compress the packaging material to be disposed of.

For some time, we have been using low-consumption company vehicles. Almost 100% of our vehicles now run on diesel.
4.2. Energy efficiency and climate protection

For a production company, corporate growth produces increasing energy requirements. Set against this background, we feel obliged to concentrate on new technologies for improving energy efficiency and climate protection.

The main energy sources at the site are electricity and gas (for heating, combined heat and power plant and paint shop). After the commissioning of a photovoltaic system with 30.00 kWp in 2008 and the combined heat and power station (run on gas) in 2010, we expanded our contribution to the generation of regenerative energy (power) in 2012 through a second photovoltaic system with 26.52 kWp.

The following overview presents the development of the amount of energy generated and fed into the public network. The power generated by the combined heat and power plant is used internally.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total generated [kWh]</th>
<th>Total supplied [kWh]</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>153,268</td>
<td>32,718</td>
</tr>
<tr>
<td>2011</td>
<td>540,186</td>
<td>43,316</td>
</tr>
<tr>
<td>2012</td>
<td>491,979</td>
<td>42,639</td>
</tr>
<tr>
<td>2013</td>
<td>645,217</td>
<td>54,677</td>
</tr>
<tr>
<td>2014</td>
<td>368,825</td>
<td>60,885</td>
</tr>
</tbody>
</table>

Current generated and supplied to the public network

Of note is the energy-efficient air-conditioning system installed in our server room. Special features: Freecooling technology: The compressor only responds when recooling via the external temperature is insufficient. It is controlled via two heat exchangers, one on the roof and one in the server room. Efficient airflow in the server room: Cold air is blown into the server cabinets and the warm air is fed to the compressor for cooling.

Based on a company suggestion for improvement, a charging point for electric cars was also set up next to the e-bike charging station.

A comprehensive energy analysis of the Ulm-Einsingen site was carried out in 2014 along with an external consultation. This measure is good preparation for the energy audit to be carried out by December 6, 2015 in line with the Energy Services Act.
Emissions

How Zwick contributes to CO₂ compensation:

Since the end of 2010, Zwick has been compensating for the CO₂ emissions caused by business flights using a private flight company through a corresponding donation to atmosfair. €1,429 was paid to atmosfair in 2014, corresponding to around 62 tonnes of CO₂. This was confirmed by a certificate.

atmosfair was created as part of research project by the German Ministry of the Environment in 2004. In so doing, standards for voluntary CO₂ compensation were developed.

As a special globally-aligned sustainability project, we have compensated for the greenhouse gas emissions determined in 2013 from the fields of primary energy (scope 1), secondary energy (scope 2) and subareas of indirect emissions from corporate processes (scope 3) by purchasing and retiring high-quality climate protection certificates. The determined Corporate Carbon Footprint, at a level of 4,500 tonnes, was compensated through the project portfolio of the Vorarlberg "Climate Neutrality Association 2025". The Climate Neutrality Association is a voluntary grouping of companies, who wish to realize their responsibility in the field of climate protection and unavoidable emissions through the use of high-quality climate protection certificates.

4.3. Environmental statistics

The key environmental data have been compiled and internally published since 1998 in the form of an "ecological balance sheet". Below is an insight into the individual areas.

Raw materials and resources

Metals represent the largest components of purchased materials.
Energy and emissions

The absolute energy consumption increases relative to company growth. In 2014, the absolute energy consumption was around the level of the previous year.

The development of absolute energy consumption and the energy consumption/turnover is shown in the following graphs:

- The energy consumption in MWh for the years 2010 to 2014:
  - 2010: 8,321 MWh
  - 2011: 8,963 MWh
  - 2012: 9,624 MWh
  - 2013: 10,393 MWh
  - 2014: 10,151 MWh

- The energy consumption/turnover in MWh/million € for the years 2010 to 2014:
  - 2010: 75.4 MWh/million €
  - 2011: 68.1 MWh/million €
  - 2012: 69.5 MWh/million €
  - 2013: 76.1 MWh/million €
  - 2014: 67.3 MWh/million €
Energy consumption can be subdivided into three main subareas.

Information on diesel: The complete Zwick car pool is taken into account minus estimated private trips.

The largest component of the greenhouse gas emissions is made up of the field of purchased secondary energy in the form of power. The emissions are given in the unit CO₂ equivalent. The basis for calculation is the data of the GEMIS database, Version 4.2, of the Ökoinstitut Freiburg.
Water consumption

Water consumption in m³

Water consumption per employee in m³/employee

The absolute and relative water consumption show a similar course. A fall in consumption could be seen in the year 2014/2015.
4.4. Outlook

Material efficiency and conservation of resources:
Investments for the modernization of the machine park and a new assembly building are planned. With the new building, we are taking corporate growth into account and will create modern workplaces in the projects and laboratory fields.

Waste disposal:
Further "Blue Bins" are to be installed for the temporary storage of large quantities of waste paper at selected locations.
Two further card presses are to be procured for the compression of card for disposal.

Energy efficiency and climate protection:
Environmentally-aware handling of energy has taken on a global dimension. Thus the Energy Efficiency Directive has taken effect at a European level, introducing a mandatory energy audit for companies that are not small and medium-sized companies. Due to the voluntary energy analysis performed in 2014, we are already well prepared for the 2015 energy audit.
With the aim of neutralizing the CO₂ emissions of the company activities through participation in suitable projects after a business year, we also wish, in the coming year, to compensate the determined Corporate Carbon Footprint through the project portfolio of the Vorarlberg "Climate Neutrality Association 2025".

Nature project on company premises
Besides the planting action of regional shrubs and bushes on our company premises in the 2014 training week, we next intend to create a partial flower meadow. Thus it could be possible to set up a "Wild Bee Hotel" on the company premises, creating a further project with the local BUND representative.
5. Social commitment

Corporate success produces obligations. This does not only apply with regard to our employees and customers, but also toward society. As a family company with strong regional roots, Zwick has thus long attempted to make a positive contribution toward supporting needy people and helping young people.

5.1. Social commitment

Besides our personnel commitment for research and development, Zwick supports education facilities, as well as various social projects, also in a financial manner. In 2014, the level of donations was €54,436, of which approximately 55% went to the FAW Research Institute, approximately 11% to a project for medical aid and approximately 8% to training facilities.

The annual level of donations for social facilities or projects is the result of various campaigns. On the one hand, the donation from the annual proceeds of the Christmas drawing. The company doubles this donation. In 2014, the donation went to the association for promoting emergency funds "Kind willkommen". In addition, €5 is donated for every customer who participates in the Zwick satisfaction analysis.
Zwick’s social commitment is documented through the membership of various industrial associations. For example, Zwick is an active member of the Ulm chamber of industry and commerce. In addition, the Chairman of the Board Dr. Jan Stefan Roell is a member of the board of the Südwestmetall employer’s association and is regularly in contact with other interest groups.

In this context, it is also important to mention the commitment of other subsidiary companies and stakeholdings. For example, Zwick Ibérica supported the retrofitting of a hostel used solely for people with disabilities. GTM Gassmann Testing offers regional aid, from which the Bickenbach Voluntary Fire Brigade and Lebenshilfe Darmstadt profited in 2014. In addition, the company Toni Technik gave a donation to the SOS Kinderdorf charity. CaTs³ in England finances the studies of two of its students. In addition, polymerphys IK, through the support of the Opel Zoo in Kronberg since 2008, has shown that donations can also do good in other projects.

5.2. Education

Joint developments with universities

Every year, joint products are created with regard to a Zwick materials testing machine, in cooperation with universities and research facilities. The HCCF compression test device for testing composite materials is just one long-term example of this. This machine was created together with the IMA in Dresden.

At the Chair of Metal Forming and Casting at the Technical University of Munich, a dissertation was written about a new kind of compression test device for the execution of cruciform biaxial tensile tests. This cruciform biaxial tensile device was derived from the second prize of the 2011 Zwick Science Award, submitted by a Japanese student at Nihon University. An agreement was reached with Nihon University that Zwick would construct and develop this unit based on their design. Further examinations are taking place as part of a doctorate. The Chair of Metal Forming and Casting is investigating alternative sample geometries to understand this experiment better.

In 2014, Zwick exhibited the cruciform biaxial tensile device at testXpo as a standard product of the Series company division.

In addition, Zwick is supporting the Chair of Metal Forming and Casting at the Technical University of Munich in a further project. Support is being provided in an AiF project, advance costs from industry (vAW) are being paid for the PRO-KERN research project through participation in the project committee and provision of experimental systems and devices.

University sponsoring

Zwick is also committing itself here to supporting universities. Currently, a sponsoring project has been agreed with the Kempten University of Applied Sciences. In this context, Zwick performs a free annual calibration of the Zwick materials test machines, which are in the “Zwick Roell Laboratory” at the university.
**Zwick Roell Forums**

Zwick stages regular information events at universities, together with the corresponding faculties. The aim of these events is to present current developments in materials testing and research to a wide audience.

**5.3. Zwick Science Award**

Since 2009, Zwick GmbH & Co. KG has presented the Zwick Science Award to young scientists for exceptional publications in the field of materials testing. Here, the winner is awarded both a prize of €8,000 and also the Paul Roell Medal.

An international jury of three people evaluates the submitted publications, which have previously been reduced to a shortlist of 10 by the branch manager for universities.

In the following year, the winners are awarded their prizes in the context of the Academia Day organized by Zwick. During this small conference, the prizewinners are given the opportunity to present their scientific discoveries to an international audience.

**5.4. Outlook**

**Social commitment**

Under the slogan "New perspectives for young Indians in Chennai", we are planning to begin a training program in India with our partner Don Bosco Mondo e.V. (a non-governmental organization). The intention is that young people, with little chance of obtaining good training are to be helped to learn an attractive profession and, building on this, to take control of their own lives. The project will be implemented in 2016.

**Education**

Forums will be held at various universities in China, Mexico and the domestic market during 2015. In addition, a Bachelor thesis at Lucerne University on the subject of a micro specimen grip is being supported by Zwick... A first prototype will be presented at testXpo 2015 in Ulm and will then go to the Norwegian University of Science and Technology in Trondheim for testing. In addition, we want to compile a white paper on the standardization of micro specimens together with Prof. Lang of Lucerne University. A "Zwick Center" is set to open at IIT Delhi in early 2015, which we will equip with 6 machines at special university conditions.

**Zwick Award**

After Ulm, RWTH Aachen University, Munich Technical University, Manchester University, the Universidad Rey Juan Carlos de Madrid, the Academia Day will take place at the ETH Zurich in the spring of 2015, at which the Zwick Science Award will also be awarded.