



**Global Compact
Communication on Progress Report**
October 2011 - December 2013

HAWE Hydraulik SE

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Statement of support

HAWE Hydraulik is represented with production sites in Germany and subsidiaries in Europe, North America and the Asia-Pacific region. Our high-quality hydraulic products are bought by customers from well over 70 different industries in the mechanical and plant engineering sector. More than 2,100 employees work for the success of the HAWE Group.

For the Board of Management and the shareholders of our family-owned company sustainability is a personal commitment to which they attach great importance at HAWE Hydraulik. Consequently we became a member of the Global Compact in 2011 and in 2012 joined the "Blue Competence" sustainability initiative of the VDMA (Verband Deutscher Maschinen- und Anlagenbau e.V. [Association of German machine and plant manufacturer]). Even though we started to implement measures for sustainable actions much earlier this is our first Communication on Progress Report for the Global Compact. It contains examples for our German sites and covers the reporting period from the year end 2011 to the year end 2013.

The measures are based on our "Code of Integrity" that we prepared in 2012 and had approved by the Board of Management of HAWE Hydraulik SE. The Code addresses the areas of "Human Rights", "Labor Standards", "Environment" and "Anti-Corruption" and shall be the principal code of conduct for all employees of the HAWE Group. It shall serve as basis for our actions not only at our sites in Germany but also for our global subsidiaries. The plan for 2014 is to prepare an information brochure for our employees to serve as their guideline for sustainability.

We continue to support the Global Compact and commit ourselves to keep on promoting and implementing the ten principles throughout the entire HAWE Group.

Karl Haeusgen
Speaker of the Board of Management
HAWE Hydraulik SE

I. Human Rights

Principle 1:

Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2:

make sure that they are not complicit in human rights abuses.

Occupational health and safety

HAWE Hydraulik SE is working to obtain a matrix certification for occupational health and safety according to OHSAS 18001 for five German production sites (Munich, Freising, Kaufbeuren, Dorfen, Sachsenkam).

During the period under review, HAWE Hydraulik introduced a management system in 2012 for occupational health and safety at its site in Munich (administration and production). In November of the same year an external auditor found this system to meet the requirements of the OHSAS 18001 standard. In November 2013 a supervision audit was conducted, confirming that HAWE Hydraulik was complying at its Munich site with the standard's stipulations and can furnish proof of a continuous improvement process (CIP).

In 2013 the factory in Dorfen (near Erding/Germany) became the second production site to receive a management system for occupational health and safety. The factory was also awarded the OHSAS 18001 certificate following an audit in November 2013.

A first audit according to OHSAS 18001 is scheduled for the factory in Freising in 2014, and thereafter the factories in Sachsenkam and Kaufbeuren in 2015.

HAWE Hydraulik developed an ergonomic and height-adjustable assembly workstation as special health protection measure for the assembly workers in the new plant in Kaufbeuren. In addition, the pneumatic screwdriver was replaced by an easily accessible EC screwdriver that can be adjusted to the height of the employee along two axes. Moreover, the LED illumination of the workstation saves more energy than normal lighting. This type of assembly workstation will be standard in 2014 for the new factory in Kaufbeuren.

2013 saw the simplification of the skin protection for production employees at all sites, with a switch to new care products, an assessment of the protective gloves and employee trainings. The plan for 2014 is to examine all work processes to optimize skin protection accordingly.

At present trials are being conducted for the production to work with biocide-free cooling lubricants. If the findings are satisfactory, no cooling lubricants containing biocides shall be used anymore as of this year, respectively 2015 by the latest. This way, HAWE Hydraulik wants to prevent any potential health burdens on its employees.

A project for apprentices revealed in 2012 that in the factories the risk of injury at the connection point between the pressurized air line and hose could be reduced. A different type of clamp now better protects the maintenance workers at the Munich plant against injuries and at the same seals leakages. This small, yet effective discovery is duly considered for the installation at the pressurized air lines in the new plant in Kaufbeuren.

The number of reportable accidents for all plants of HAWE Hydraulik SE fell from 2012 to 2013. Since 2012 all accident notifications are analyzed to deduce parameters and specific avoidance measures.

HAWE Hydraulik supports employees' private preventive health care with a contribution to their monthly membership fees in fitness studios. The studios are located close to the sites.

Export controls

Because HAWE Hydraulik exports the largest part of its products from Germany to other countries, export controls are of great importance. Suppliers and new customers alike are automatically scanned against sanction registers. Material masters are pre-classified and can be checked against goods according to the Dual-Use Directive. For 2014 checks are scheduled to verify whether products are still correctly classified. In addition, export controls are to be further automated so that they are always up to date with the latest sanctions registers and reduce the possibility of errors down to zero.

Though the 2012 amended obligation to provide proof with cross-border deliveries within the EU affects the exemption from turnover taxes, it also indirectly serves sustainability. According to law, the recipient of a good has to confirm that the delivery actually reached the actual orderer and the ordered delivery address.

Supply Chain

In 2014 all suppliers shall be contacted, whose products contain the conflict minerals tantalum, tin, tungsten and gold. The aim is to comply with section 1502 of the "Dodd-Frank Wall Street Reform and Consumer Protection Act". It is planned to request corresponding provision of proof.

II. Labor Standards

Principle 3:

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; as well as

Principle 4:

the elimination of all forms of forced and compulsory labor,

Principle 5:

the effective abolition of child labor; and

Principle 6:

the elimination of discrimination in respect of employment and occupation.

Working Conditions

Since 1971 HAWE Hydraulik SE (formerly HAWE Hydraulik GmbH & Co. KG until 2008) recognizes the collective labor agreement of the (German Trade Union) IG Metall. This means that HAWE Hydraulik upholds the right to collective bargaining. The recognition of the collective labor agreement means that employees are paid according to their assignments and that collective wage increases are accepted. In Germany the freedom of association is governed by the Basic Constitutional Law.

HAWE Hydraulik has had an employees' representation for decades already. This Works Council currently represent all employees of HAWE Hydraulik SE, i.e. the administration in Munich, the plants in Munich, Kirchheim, Kaufbeuren, Freising, Sachsenkam and Dorfen. The next election of the Works Council is due in April 2014. Employees up to the age 17 and apprentices up to 24 years of age have a youth and trainee council (JAV), which was newly elected in November 2012. The Works Council convenes an employees' meeting twice every year.

Parallel with the election of HAWE Hydraulik SE's new Works Council the European Works Council is also newly elected. This Works Council was introduced in 2008 concurrent with the change in legal form from HAWE Hydraulik GmbH & Co. KG to a European Stock Corporation (SE). It gives the subsidiaries domiciled within the European Union the opportunity to engage in a dialog with the company's management. The European Works Council is entitled to convene two meetings per year.

The still young legal opportunity of taking parental leave is made use of at HAWE Hydraulik. The company promotes re-entry into working life with a subsidy of up to EUR 500 for the placement and care of children up to the age of four. In addition, HAWE Hydraulik cooperates with two day nurseries and participates in the costs for one crèche.

In 2013 the (German Trade Union) IG Metall initiated the collective agreement on part-time work for purposes of education and training. The same year HAWE Hydraulik approved a company agreement that substantiates this collective agreement.

In 2013 HAWE Hydraulik provided apprenticeships in every plant and had them all fully taken. Apprentices receive a bonus for good performances. This claim derives from a company agreement that was updated in 2013. As a general rule, apprentices are given a workplace after their completion of training.

At the end of 2013 the employees of HAWE Hydraulik SE were given the possibility to participate in an extensive employee survey. The results will be assessed in 2014.

A project to realign the organization in production has been ongoing since 2011. The aim is to find an ideal organizational format for smaller manager-to-employee ratios. Following corresponding workshops and employee surveys in 2011, two production segments have entered a pilot phase in 2012.

III. Environment

Principle 7:

Businesses should support a precautionary approach to environmental challenges,

Principle 8:

undertake initiatives to promote greater environmental responsibility and

Principle 9:

encourage the development and diffusion of environmentally friendly technologies.

Environment and Energy Management

HAWE Hydraulik started the consistent implementation of an environment management in 2007. By 2012 the production facilities in Munich, Freising, Sachsenkam, Kirchheim, and Dorfen all had a certified environment management system. From 2010 to 2013 the company introduced an environment management system at these same sites in accordance with EN 16001 and ISO 50001 respectively. Regular monitoring audits were conducted and positively concluded.

As the site in Munich has production as well as central administration functions, such as procurement, transport logistics or marketing, HAWE Hydraulik received a matrix certification for its environment and energy management.

The introduction of the energy management system at the Dorfen plant deserves special mention as it unearthed numerous possibilities to reduce energy demand. Their implementation resulted in savings of approximately 320 MWh over the previous power and gas consumption.

Energy-efficiency Networks

Since 2010 HAWE Hydraulik SE partakes in "Energy-efficiency Networks". These are founded on the "30 pilot networks" promotional program and the climate protection initiative of the German Federal Environment Ministry (BMU). The program's objective is to increase the energy efficiency of the participating companies and to lower their CO₂ emission by 10%. The networks are scheduled to last for three years.

Between 2010 and 2013 the HAWE plant in Freising was party to the energy efficiency network 'Munich-Upper Bavaria'. The participants committed themselves to reduce their energy consumption by 7% and CO₂-emissions by 10% within three-and-a-half years. According to the network's concluding report of July 2013, the Freising plant had cut its energy demand by 14.41% against 2008 and lowered its CO₂-emissions by 18.82%. The best step to increase energy efficiency at the Freising plant was to link the air compressors to the heat recovery system. The compressors' thermal discharge is now fed into the heating circuit. With this action alone HAWE Hydraulik annually saves 261 MWh in natural gas and 58 tons of CO₂. The Freising plant and the other participants are continuing the Munich-Upper Bavaria network.

At the end of 2010 and early 2011 the production facilities in Dorfen and Sachsenkam also joined energy efficiency networks of their region. Already today it is clear that the Dorfen plant will continue in its network, which is due to close officially in mid 2014.

Production

The experiences gained from the energy efficiency networks outlined above have been integrated into the design of the new Kaufbeuren plant. Thus, shed roofs will provide 18% of the halls' illumination with daylight. Power uptake for the artificial illumination is lower as it is fine tuned to the light penetration. The factory is fully fitted with LED lighting, making it probably one of the few larger production facilities in Germany where this technology is used so extensively despite the extra acquisition costs.

The thermal dissipation from the compressors for pressurized air is fed completely into the heating and warm water circuits.

Waste water from the new plant's production floor is cleaned in a vaporization system and 100% reintegrated into the process. Among other things, it is used for floor cleaning and preparing the cooling lubricants in the machining tools. These steps were preceded by the positive experiences made in the Freising plant. In 2012 Freising installed a vaporization system for waste water and reduced the amount of waste water being transported off-site by an external disposer. In the Freising plant the vaporized water that is free from harmful substances is discharged into the sewerage system. Merely one tenth of the waste water has to be collected by the disposal agent.

Since 2012 the operating and hazardous substances used in HAWE Hydraulik's production facilities comply with the (German) water hazard classifications 1 and 2. Where substances from the water hazard classifications 3 are excluded, this reduces not only the environmental damage in a potential accident but also the potential harm to employees' health and wellbeing.

HAWE Vehicle Fleet

In Germany HAWE Hydraulik operates a vehicle fleet of truck and passenger cars. During 2013 the vehicles' fuel consumption was partly recorded. Over 2014 these figures are set to be recorded in more detail, in order to calculate the entire CO₂-emissions of HAWE-owned trucks and cars and devise saving potentials.

2014 is also likely to see the procurement of the first electric vehicles and charging stations.

Paper Consumption

In 2013 the paper procured for the printers at HAWE Hydraulik SE was switched from 80 gram paper to 75 gram. This way the company uses up less cellulose, water and energy during the papers' production.

Also in 2013 the standard settings for computer print-outs were switched from one-sided color print to two-sided and black-and-white. The first figures for the actual paper savings generated by these measures will be available at the end of 2014.

Shipping Logistics

In Germany HAWE Hydraulik ships to customers mainly with a general haulier company and "DDP" (delivered duty paid). This spells out as less delivery traffic between HAWE's centralized delivery point in Freising and the customers' sites, and hence less strain on the environment. Wherever it makes sense, HAWE Hydraulik delivers directly to customers in Austria, Italy and France since mid 2012 without a "stopover" at the subsidiaries' sites. Shorter transportation routes relieve the environment as lesser fuel is consumed and fewer CO2 emitted. Moreover, there is no need to repackage the goods anew.

Where customers do not request special packaging of goods, HAWE Hydraulik uses small parts containers and reusable packaging.

HAWE Hydraulik's procurement department also lets suppliers' goods be collected by a haulier to avoid trucks from each and every supplier driving to HAWE Hydraulik.

Since early 2012 HAWE Hydraulik makes use of DHL's "Go Green" service for shipping parcels within Germany. Under the scheme DHL calculates the CO2 emissions generated for each delivery by aggregating the fuel consumed in transportation and the energy uptake for handling the parcels in DHL's facilities. The calculated emissions are then balanced out through a contribution to a climate protection project.

Desertec Partner

HAWE Hydraulik is partner to the Desertec Foundation since 2012 and thereby supports indirectly projects for the generation of electric power from renewable energies in sun-, water- and wind-rich locations around the globe.

HAWE Products

Products from HAWE Hydraulik facilitate energy-efficient hydraulic controls. In machine tools for example, the combination of hydraulic power packs in intermittent service with zero-leakage seated valves and hydraulic accumulators cuts down power uptake. Even if the hydraulic system is just "one" of multiple subsystems in a machine tool, significant savings can be generated depending on the machine's functions and operating cycles. Thus, a HAWE solution could cut the power uptake of the hydraulic system in a machining center for example from 1.15 kW/h to 0.23 kW/h, simply by deploying a customary hydraulic system.

HAWE Hydraulik has been canvassing these cost saving effects for years in its external communication. The relevant target groups shall be sensitized to this issue through advertisements, press work, the Internet and customer communication. The energy efficiency of our products also features prominently at trade shows.

The same applies to products used in mobile work machines, such as construction equipment, agricultural and forestry machines. In 2013 HAWE Hydraulik presented new models of its variable displacement pumps via various communication channels. The pumps come in multiple construction sizes and are designed to provide only that power which the machine's hydraulic consumers momentarily require. This avoids unnecessary waste of the work machine's fuel.

HAWE Trade Booths

Every year HAWE Hydraulik has a presence at numerous trade shows. For years already a modular system is used for the trade booths' layout. A new look was introduced in 2012 with particular attention given to make reusable as many of the booth's components as possible. This enables a repeated deployment of walls, presentation platforms and furniture, among others.

IV. Anti-Corruption

Principle 10:

Businesses should work against corruption in all its forms, including extortion and bribery.

By commissioning an auditing company with the annual "Fraud Check", HAWE Hydraulik SE adheres to the statutory risk management. The audit examines HAWE Hydraulik SE in Germany and its international subsidiaries. The focal points of these audits vary. Central to the 2013 audit was the award of contracts for the trade sections in the new plant in Kaufbeuren. Independent of such fraud checks, spot checks are also carried out on business transactions of HAWE Hydraulik SE and its subsidiaries.

The sales and procurement departments require the signature of employees from two hierarchical levels to place and/or award an order. 2014 shall also see the introduction of a written signature regulation for the recruitment of employees.

Clearly defined criteria are used in the selection of suppliers. In addition, the head of procurements has one or two meetings every year with his employees to sensitize them to the problem of corruption. Procurement employees are asked to notify any corruption attempts by suppliers. Any gifts received by post for Christmas for example are given to employees without external contact. For 2014 the company plans to formalize and document the meetings held within the procurement department on the issue of corruption.

The sales department in Germany is cautious with the hand-out of giveaways. Employees are asked to show restraint when choosing gifts for clients, also over the Christmas season. High-value presents are generally ruled out.

Together with the introduction of the "Code of Integrity" an e-mail account "integrity@hawe.de" was created. Every employee with a query or issue regarding the Code of Integrity can write to this address. Awareness of the e-mail address shall be promoted in 2014.

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