

Armacell's Communication on Progress Report for the United Nations Global Compact



18 June 2008

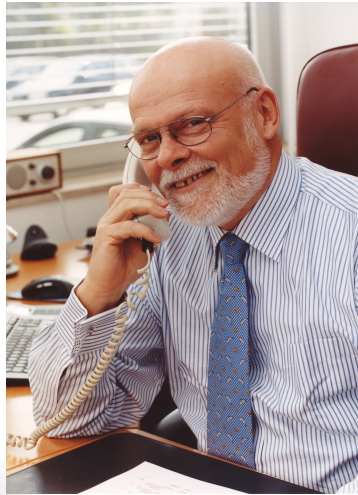
Introduction to the Armacell Group

Our business

- World market leader in flexible technical insulation materials for thermal and low-temperature insulation with main brand ARMAFLEX, and technical foams for non-insulation applications
- About 2,500 employees worldwide representing more than 40 nations
- Manufacturing in 20 production sites in 13 countries around the world, and many more sales offices in additional countries, with head office located in Muenster, Germany



Statement of Continued Support



Ulrich Weimer
President Armacell Group

"Armacell's joining of the UN Global Compact process in 2006 was the logical extension of our ongoing commitment to ecological and social issues. Since then, the Armacell Group is consciously supporting the Global Compact process with its best efforts, advising all our stakeholders to respect our self commitment and to encourage business associates to join the process.

The use of Armacell products brings about enormous energy savings as well as reductions in CO₂ emissions. Focus on environmental protection has long formed the basis of internal business processes as well. But our responsibility for sustainable development does not confine itself to environmental issues only."



Statement of Continued Support

"We clearly understand the importance of the Compact's all ten fundamental principles and take appropriate actions in compliance with them.

We will continue to endorse the UN Global Compact process because we regard its principles as fundamental guidelines for the sustainable development of our business and they represent the ethical base of how we will conduct business in future."

Ulrich Weimer
President
Armacell Group



Measures and practical actions since 2006



**Measures and practical actions
in support of the
UN Global Compact Process**



Measures and practical actions: Principles 1 and 2

Principles 1 and 2:

Businesses should support and respect the protection of internationally proclaimed human rights; and make sure that they are not complicit in human rights abuses

- Strict safety policy in place
 - Commitment to providing a safe work experience for everyone ("zero injuries to people")
 - Necessary training, resources and processes to achieve this goal
- Amongst Armacell management and employees there is great emphasis on the social dimension of sustainability:
 - Public support of GC principles on our website, in speeches, in the press, in product brochures, in contact with customers and suppliers
 - Incorporation of Armacell's GC commitments overall and specifically regarding principles 4, 5, 8, and 9 into corporate presentation (shown to public audiences, customers, suppliers, and other stakeholders)



Measures and practical actions: Principles 1 and 2

- In the framework of the internal Armacell Award system (see p. 12), there is a Community Service Award which recognizes generous and committed volunteer efforts by Armacell individuals to improve the lives of others in their communities
- Support of more than 35 local "good citizenship" projects worldwide; some prominent examples are:

- Regular donations in-kind for schools, hospitals, sports clubs, and facilities for the handicapped in many plants worldwide



ArmaSport mats for street children in Bogotá

- Starting in Spring 2008, organizing and sponsoring of sports programmes for street children in Pindamonhangba / Brasil; long-term re-education programme



Measures and practical actions: Principles 1 and 2

- Organizing and sponsoring discussions, workshops and seminars for pupils and students in and around Muenster/Germany
- Support of project work for needy citizens in many different locations, e.g. North America
- First aid in catastrophes and support of long-term recovery programmes; ongoing programmes comprise:
 - World Vision (regular support of 10 orphans in Sri Lanka following 2005 Tsunami)
 - Financial aid for affected fellow employees in China (earthquake in Sichuan Province in May 2008), organized in all locations worldwide
- **In future, the target would be to focus our global combined efforts on a few key projects with consistent and continuous communication to employees, customers and shareholders about progress / achievements**



Measures and practical actions: Principle 3

Principle 3:

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

- No hindrance to establishment of worker/employee representative bodies (e.g. works councils)
- As a matter of fact, works councils are established in most of our plants
- In all our plants regular interaction between management and employees through various appropriate communication channels



Measures and practical actions: Principles 4 and 5

Principle 4:

[Businesses should uphold] the elimination of all forms of forced and compulsory labour

Principle 5:

[Businesses should uphold] the effective abolition of child labour

- Employees worldwide trained or instructed to comply with these principles
- Since the beginning of 2007 and in connection with support of the UN Global Compact, Armacell has initiated and rolled out a project covering its suppliers worldwide:
 - All Armacell suppliers were informed about our support of all UN Global Compact's fundamental principles, and our special emphasis on principles 4 and 5
 - All Armacell suppliers were approached to confirm that they comply with elimination of forced labour and abolition of child labour, by way of a signed confirmation letter



Measures and practical actions: Principles 4 and 5

- Results up to June 2008:
More than 500 suppliers, among them all of our raw material and packaging suppliers, were contacted. 70% of them confirmed in writing that they specifically comply with the Global Compact's Principles 4 and 5 and/or sent corresponding guidelines; we believe an overall 70% confirmation rate is a good base for complete rollout into Armacell's supplier base
- It is worth mentioning that **all** of our Chinese, Thai, and Australian suppliers already confirmed their compliance with these principles

▶▶ **In the future, our target will be to obtain confirmations of at least 90% of our raw material suppliers worldwide and 100% of our TOP 50 suppliers.**



Measures and practical actions: Principle 6

Principle 6:

[Businesses should uphold] the elimination of discrimination in respect of employment and occupation

- Our personnel departments worldwide have been and continue to be very sensitive to this issue.
- Continuous concern to respect and promote the principle of non-discrimination on all levels of our Human Resources departments worldwide
- Only qualifications, skill and experience as basis for recruitment; placement, training and advancement of staff at all levels
- One example is our system of Armacell Achievement Awards that recognizes the efforts of every single employee regardless of race/ethnicity, country of origin or gender
 - From 2006 up to now, more than 200 employees worldwide were rewarded awards, thereby recognizing outstanding achievements in all areas



Measures and practical actions: Principle 7

Principle 7:

Businesses should support a precautionary approach to environmental challenges

- Environmental protection integral part of business strategy
- Environmental guidelines are in place in all our companies & manufacturing plants: all Armacell employees worldwide to behave responsibly towards the environment and conserve natural resources on and off the job
- Armacell restricts itself to manufacturing products which pose no threat to the environment
- Regular environmental risk assessments concerning environmental status and material risks associated with Armacell sites (by an independent consultancy solely engaged in providing environmental audits)



Measures and practical actions: Principle 7

- Initial steps taken for project on **Life Cycle Assessment (LCA)** based on ISO 14040 methodology in plants worldwide
 - Quantitative data on inputs and performance of Armacell products regarding materials, energy and waste flows collected and evaluated over its entire life cycle (including production, usage and after-use treatment)
 - For example, pay back times for production-related CO₂ emissions⁽¹⁾ are (first assessments):
 - for Armaflex between 20 and 51 days
 - for Tubolit between 7 and 14 days

▶▶ **Planned: LCA analysis and discussion from all Armacell plants**



Measures and practical actions: Principle 8

Principle 8:

[Businesses should] undertake initiatives to promote greater environmental responsibility

- Constant development activities to reduce raw material use, energy consumption and waste rates
 - 16 out of 20 plants worldwide ISO 9001 certified
 - 7 of our plants ISO 14001 certified; the latest in Zhangjiagang / China in April 2007; making Armacell China the only manufacturer of flexible technical insulation materials in China to have gained the ISO 14001 certification for both plants
- ▶▶ **In the long term, all locations to be certified in accordance with the international environmental standard ISO 14001 certificate**



Measures and practical actions: Principle 9

Principle 9:

[Businesses should] encourage the development and diffusion of environmentally friendly technologies

- Increasing concentration on environmental impacts of Armacell products
- By using our insulation products - the main brand being ARMAFLEX for thermal and low-temperature insulation – enormous energy savings have already been realised by customers, in line with significant reduction of CO₂ emission



Insulating sustainably with ARMAFLEX:

By continuously improving technical properties greatly increasing the efficiency of the insulation material

Measures and practical actions: Principle 9

- New product developments like innovative PET core foams for wind-turbine rotor blades - replacing PVC foams which represent environment problems when recycled at the end of their lifecycle, thus also helping to further grow wind energy



ArmaForm PET

completely recyclable; for first time ever now qualified for use in wind turbine construction



Measures and practical actions: Principle 9

- Solar energy products among those with highest sales growth in our portfolio; thus helping to further grow solar energy



DuoSolar: join-split pipes for
Solar hot water systems

- Innovative join-split pre-insulated solution to avoid thermal energy losses between solar collectors and storage tank



Measures and practical actions: Principle 10

Principle 10:

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

- Our personnel departments worldwide are sensitive to this issue
- We carry out unannounced internal audits, also supported by external specialists, to ascertain and certify we are corruption-free

