



Global Compact Communication on Progress

January 2014 - January 2015

HAWE Hydraulik SE

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Preface and Statement of Support

The focal point in the year 2014 was the biggest investment project in the history of our family company HAWE Hydraulik. We have completed constructing and moving into what is now our biggest plant in Germany. On a production area of over 30,000 square meters we manufacture and assemble hydraulic components for mobile working machines.

The layout of the work stations, the architecture and energy efficiency of this plant reflect the entrepreneurial responsibility of HAWE Hydraulik. The personnel concept demonstrates that for us employees are not cost factors but fellow people whom we value.

Since 2012 our "Code of Integrity" has enshrined the respect for human rights and labor standards, the meaning of environmental protection and the fight against corruption. In 2014 we handed over to our employees in the administration and the factories a brochure that supports them along this route with action guidelines as defined in the Code of Integrity. In a next step we will internationalize this brochure and provide it to the employees of our subsidiaries outside Germany.

We will continue to support the Global Compact and undertake to promote and implement the ten principles throughout the entire HAWE Group.

The following pages provide an extract of individual measures taken in 2014.

Karl Haeusgen
CEO
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

A successful audit according to OHSAS 18001 (Occupational Health and Safety Management System) was completed for the first time in 2012 for the factories in Munich and Dorfen (2013). In 2014 a control audit confirmed that both sites were still in compliance with OHSAS 18001 and continually improving.

In 2014 the Freising plant underwent its first audit according to OHSAS 18001. An independent external certification agency confirmed that the Freising plant had introduced and applied an occupational health and safety management system in compliance with the requirements under OHSAS 18001.

"Known consignor"

In the past all HAWE products shipped out of Germany were dispatched only from the plant in Freising. The site has been an officially approved "known consignor" since 2012. This means that HAWE Hydraulik complies with the EU safety stipulations for civil air traffic so that the packaged goods can bypass the safety checks at the airport and be handed over directly to the air freight company.

The new plant in Kaufbeuren now provides the company's second such consignment station. The site's infrastructure was set up and authorized access personnel selected and trained so that the Kaufbeuren plant could also be certified as a "known consignor". The goods in the dispatch area are protected against unauthorized access. Since October 1, 2014 HAWE Hydraulik is now also authorized to dispatch goods and merchandise from the Kaufbeuren plant directly to the air freight company.

Visitor Safety

Special flyers have been printed for the safety of visitors to the plants in Freising, Kaufbeuren and Munich. These support HAWE employees in informing visitors before they enter the production and assembly areas of safety-relevant issues, such as escape and emergency routes, potential dangers from in-house transportation or contact with work materials.

Export controls

In 2014 reviews were conducted according to the dual-use Directive on the export controls and adjustment options for material masters. The detailed analysis of the organizational processes and existing software found that there is no need for improvements at the moment.

Conflict Minerals

HAWE Hydraulik aims to comply with section 1502 of the “Dodd-Frank Wall Street Reform and Consumer Protection Act”. For this reason the company asked its key suppliers in 2014 whether products sourced from them contain metals made from the minerals tantalum, tin, tungsten or gold so that these products could potentially be deemed to be "conflict minerals". For its query, HAWE Hydraulik used a template from 'cfsi' (Conflict-Free Sourcing Initiative, Washington D.C./USA). HAWE Hydraulik adheres to the "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from conflict-affected and high-risk areas", to do justice to its duty of care regarding conflict minerals.

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.

Employee representation

In 2014 the employees of HAWE Hydraulik SE elected a new Works Council. Given HAWE Hydraulik's legal form as "Societas Europaea" (SE), the company also has a Works Council for the European subsidiaries. This European Works Council was elected in 2014, as was the Youth and Trainee Council for employees up to the age of 17 and trainees up to the age of 24.

Employee Surveys

At the end of 2013 the employees of HAWE Hydraulik SE were given the option of participating in an extensive employee survey. The results of the survey were evaluated and published internally in 2014. They form the basis for adjustment measures in various different areas.

Personnel concept for the Kaufbeuren plant

The new plant in Kaufbeuren has around 360 employees and 45 trainees (as per September 2014). This core workforce was made up of jobs relocated from the sites in Munich and Kirchheim, later on from rented facilities in Kaufbeuren, as well as new recruits. Social aspects played a major role during the relocation of workplaces, so that a solution was sought and also found for those for whom employment at the new site was not an option. Consequently, no one was made redundant for operative reasons and no settlement of conflicting interests or a social plan were necessary. Over a period of five years new employees from the region were recruited expressly for later employment in the new factory. Some of these were already working locally again with the move into the rented hall in Kaufbeuren.

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.

Energy and Environmental Management

For a number of years now the Munich and Dorfen factories have been maintaining an environment and energy management system in compliance with the DIN EN ISO 14001 and ISO 50001:2011 standards. In 2014 an external auditor examined both sites once again, reaching a positive finding.

Research

For the research project entitled "FOREnergy", HAWE Hydraulik cooperates with the Institute for Machine Tools and Industrial Management from the Technical University of Munich (TUM) and investigates the issue of "Reduction of peak loads and energy uptake management of production facilities".

As part of the project a syndicate of five research institutions and 28 industrial partners are examining the various ways to make the energy demand of industrial sites more flexible. All aspects of a factory are being examined, from the planning process, the technical building equipment through to the production facilities. In addition, the research also concentrates on finding suitable tariff models for appropriate remuneration. The Bavarian Research Foundation is also supporting the project.

HAWE Hydraulik and the TUM's Institute for Machine Tools and Industrial Management are working with clamping machining tools to investigate how their power uptake can be affected, taking due account of the sensitive main process and without adverse effects on turnover times. Utilizing all the technical potential to make the energy demands of a factory more flexible could become a proposition that could be offered to energy providers so that they adjust their loads over short periods of time or smooth out their load provision for the entire factory.

Building and Production Engineering

Production technologies and building equipment reflect the objective of continually bringing down the energy uptake of HAWE Hydraulik. Thus, the network supplying pressurized air in the new Kaufbeuren plant, for example, has a leakage rate of less than 10%, which is very low compared with other German production sites. A heat exchanger integrates the machines' thermal dissipation into the centralized cooling system and reuses it for cooling the machines. A combined heat and power station warms the factory halls and to make sure the heat doesn't seep out, an air-tightness meter (blower door test) checked the building shell for

insulation leaks. These and many other building measures and equipment at this new factory enable HAWE Hydraulik to exceed the stipulations of the German energy savings ordinance (EnEV) by 39%.

Moreover, the energy uptake is set to decrease still further. To this end, HAWE Hydraulik joined the energy-efficiency network "Vorarlberg" with its new site in Kaufbeuren as early as May 2014. Though the network is only going to define its energy saving targets in 2015, one can already assume today that in a few years the energy efficiency of the Kaufbeuren plant will be even better than it is today. The management of the buildings' automation equipment will be geared to production mode over two years so that its energy uptake can be optimized accordingly.

HAWE Hydraulik's second biggest factory in Freising is also a member of an energy-efficiency network. Between 2010 and 2013 the Freising plant improved its energy efficiency in this initiative by a good 20% against the reference year 2010. The associated lower demand for electric power and gas translated into lower emission of CO₂, down by 16.6%. The objective for 2014 was also attained at 3.1%. Thus, the uptake of electric power fell by 96 MWh/a and that of gas by 17.5 MWh/a. For the environment this meant that around 35 tons of CO₂ was saved in 2014 compared with the reference year 2010.

One measure for cutting energy demand at the Freising plant was the introduction of new standards for pressurized air guns. Taking due account of energy efficiency and safety at work, the new air guns now come with a reduced air flow. The previous air guns required around 400 liters per minute, while the new models consume only around 180 liters per minute.

Paper Consumption

In 2013 the standard settings for computer print-outs was switched from one-sided color print to two-sided and black-and-white. This way, paper consumption fell by over 100,000 sheets of paper between 2013 and 2014.

IV. Anti-Corruption

Principle 10:

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

Logistic partners

HAWE Hydraulik commissions reliable logistics partners with a long-term focus for its national and international freight. The selection process does not take the most cost-sensitive companies into consideration, but renowned logistics companies. Only those where corruption can be ruled out and fair treatment of employees, above all the truck drivers, can be expected, are suitable partners for HAWE Hydraulik.

Signature Matrix

In 2014 Hydraulik SE passed a signature ruling for all human resources documents. This ruling is available to all employees in the company Intranet.

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