



WE MAGNETISE THE WORLD

# CSR REPORT 2014







**INNOVATION AND ACCELERATION** – these are the drivers of our industry.


**PASSION FOR TECHNOLOGY** – this is the foundation of our company.

**TRANSPARENCY, FLEXIBILITY AND ATTENTION TO DETAIL** – this is how we engineer precision components for the world's leading innovators.

The culture that drives our innovation is the very same culture that defines our approach to Corporate Social Responsibility (CSR). To us, social responsibility isn't a separate pillar in our organisation, but an ambition integrated into our everyday decision-making.

At Kendrion, CSR is not just about being responsible; it is about **TAKING RESPONSIBILITY**.





**TAKING RESPONSIBILITY** is embedded into our culture of innovation. It is what happens when smart, enthusiastic engineers come together in a high-technology environment open to dynamic new ideas. Sourcing smart materials, adopting energy-efficient machinery, conducting business fairly and creating growth opportunities for our employees.

These aren't just CSR issues; they are engineering challenges that are accelerating our business into the future.







To many, being responsible is simply an obligation, a tactic to avoid falling behind. To us, taking responsibility is a strategy to stay ahead. After all, in an industry of innovation taking responsibility isn't just a smart move. It's also **SMART BUSINESS**.



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## CSR mission

It is Kendrion's mission that Corporate Social Responsibility (CSR) and sustainability are intrinsic, integral elements of Kendrion's operations. Kendrion wants to conduct business with consideration for climate effects and energy sources, with a feeling for people and the environment, and on the basis of a responsibility for the chain in which the company operates. This form of entrepreneurship pivots on the creation of multiple value – and consequently not just Profit, but also People and Planet.





## Preface

We are pleased to present Kendrion's 2014 CSR Report to you. In publishing this fourth CSR Report we aim to demonstrate to our stakeholders that our commitment to sustainability and Corporate Social Responsibility (CSR) is of strategic importance to us.

We want to contribute, within the scope of our possibilities, to a sustainable society. This means we must focus continually on our use of materials, our products that we develop for our customers (for instance in terms of emissions and energy savings) and the way in which we treat our employees. Global trends such as climate change, scarcity of resources, renewable energy and population growth also present Kendrion with opportunities and can create value for our stakeholders.

We are pleased to report that a vast majority of our targets that we had set ourselves in this area were achieved in 2014. The highlights of the past year included: the development of a new CSR strategy for the years 2015 to 2017, 'Taking Responsibility'; the further roll-out of our company greensigned logo; the substantial reductions in CO<sub>2</sub> emissions achieved at our largest European plants; the presentation of the second Kendrion CSR Award; the steps we and our suppliers took in our supply chain; and a number of external HR and CSR Awards received by operating companies. Thanks to the efforts of many employees across all our divisions and business units, including the members of our CSR Board, sustained efforts are already underway to achieve new, realistic targets for the next years. We will update you on these efforts in this Report.

Kendrion cannot work miracles by itself. We are keenly aware of the fact that further 'greening' of our internal processes and of the chain will take time and effort. Wherever possible, Kendrion wants to work with its stakeholders and partners in the chain to achieve this. We hold periodic meetings with our customers, suppliers, investors and staff with the intention of getting the best out of each other.

We have observed that many of our customers are working on sustainability developments and are formulating ambitious targets, in particular for reductions of emissions, energy conservation and safety. We are of the opinion that we are in an excellent position to supply our customers the high-grade products and services they need to achieve their targets.

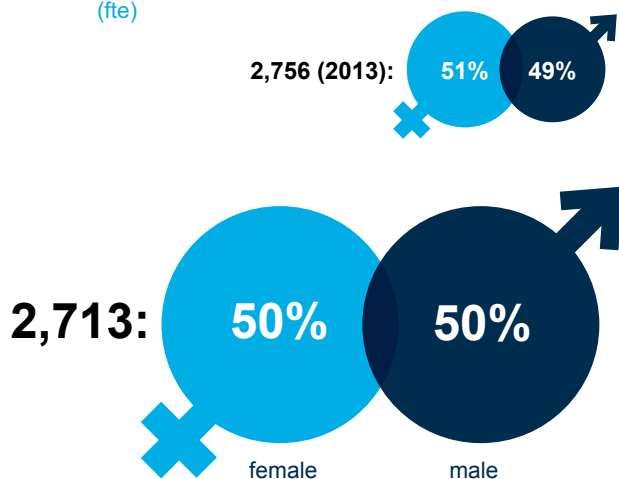
We hope that the readers of this Report will appreciate the efforts we are making in fulfilling our corporate social responsibility.

**Piet Veenema**, CEO Kendrion N.V.

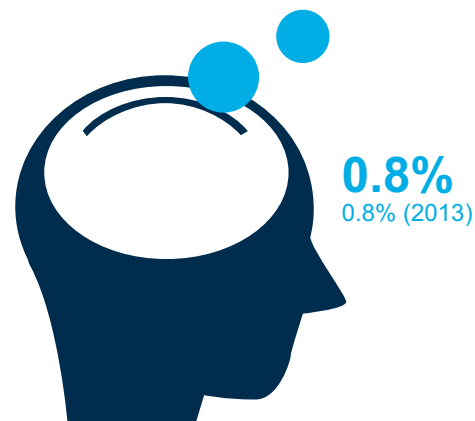
## Short & simple

### PEOPLE

Number of employees  
(fte)



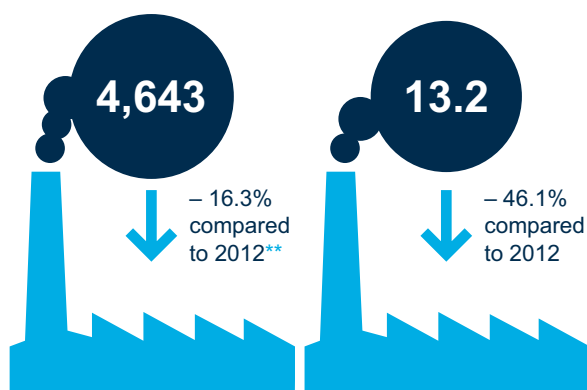
Training costs  
(as a % of wage costs)



### PLANET (targets 2012-2014)

Absolute CO<sub>2</sub> emissions\*  
(tons)

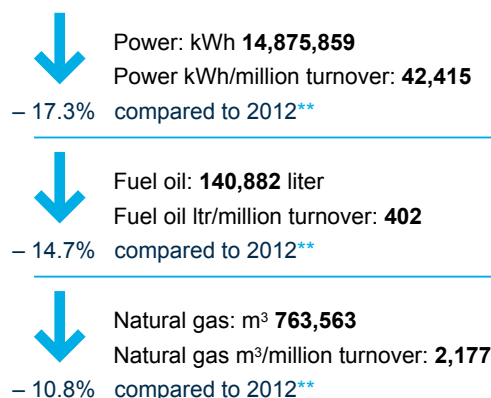
Relative CO<sub>2</sub> emission\*  
(t/million turnover)



\* All plants in Germany, Eibiswald (Austria) and Prostějov (Czech Republic).

\*\* 2012 excluding Kuhnke.

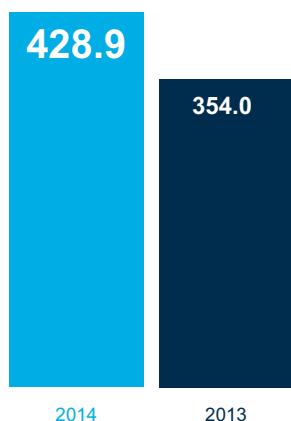
Energy consumption\*



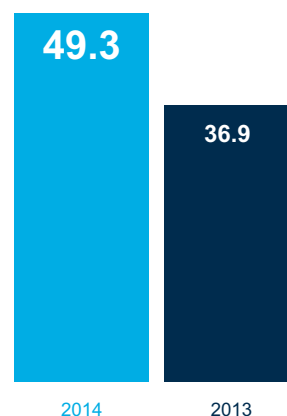
### PROFIT

Revenue  
(EUR million)

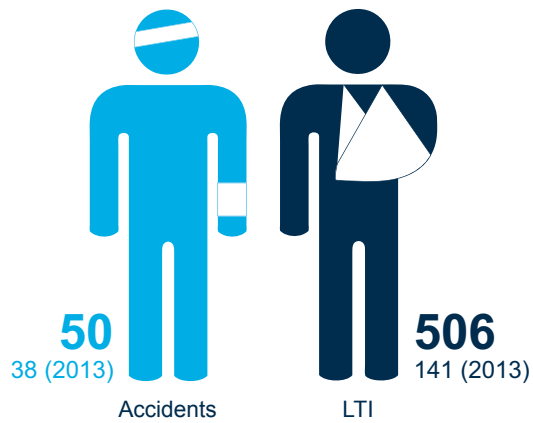
Normalised for  
non-recurring  
items



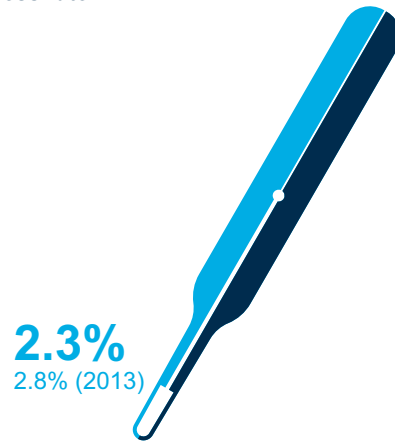
EBITDA  
(EUR million)



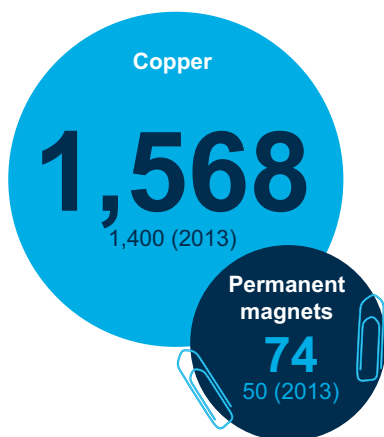
### Accidents and Lost Time Injuries (LTI in days)



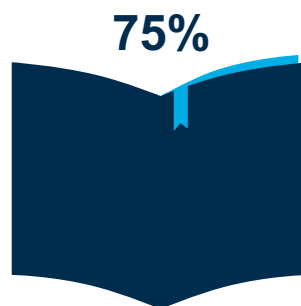
### Illness rate



### Consumption of materials (in tons, best estimate)



### Acceptance of Supplier Code of Conduct (top 20 main material suppliers)

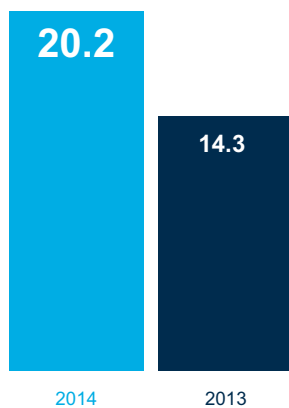


### Number of supplier audits

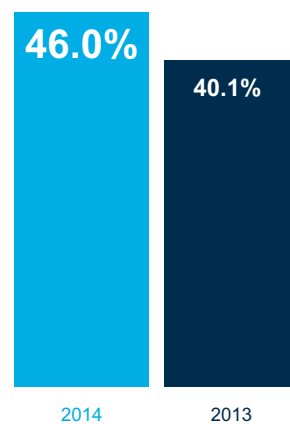


2013 excluding Kuhnke

### Net profit (EUR million)



### Solvency



## Timeline 2014



### CARBON DISCLOSURE PROJECT

Kendrion reports to the Carbon Disclosure Project (CDP) for the first time.



### BEST EMPLOYER AWARD

The Top National Employer Award and 'Kununu' (Germany's largest employer-rating portal) rate Kendrion as one of the best employers in Germany.



### GIRLS' DAY

Girls from different regional schools visit Kendrion locations in Donaueschingen, Malente, Engelswies and Markdorf for Girls' Day. They are given an overview of the possibilities offered by the technical professions and get an impression of what an engineer's working day is like.



### KENDRION SUZHOU AT AAA-LEVEL

Kendrion Suzhou is one of only a few companies awarded the AAA-level by the Suzhou Labour Security Bureau.



### LED PROJECT

The project to replace old lighting with more efficient and environmentally friendly LED systems is launched in plants in Germany.

2014

01

03

05

06

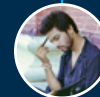
07

08



### KENDRION PROSTEJOV: AAA-EXCELLENT

Kendrion Prostějov is included in a list of the 100 most stable companies in the Czech Republic. Kendrion is awarded the AAA-Excellent status as a result.



### COMMUNITY INVESTMENT

In 2012, Kendrion started a scholarship sponsor programme for disadvantaged students of Engineering Studies in Pune, India. Two more brilliant but financially disadvantaged students were recruited in 2014, bringing the total number of students to six.



### CSR REPORT

Kendrion publishes its 2013 Corporate Social Responsibility Report, based on the General Reporting Initiative (GRI) guidelines, Level B, in late March 2014.



### ISO

Kendrion Industrial Drive Systems in Villingen and Kendrion (Aerzen) GmbH, both in Germany, receive ISO 14001 (environmental management system) certification.





## TAKING RESPONSIBILITY

Kendrion introduces its new three-year CSR Programme Taking Responsibility which covers all its Corporate Social Responsibility (CSR) measures and operations. Clear and ambitious objectives have been formulated for the years to come.



## CSR AWARD FOR KENDRION EIBISWALD

Kendrion Eibiswald is given the Kendrion CSR Award and the Austrian Daphne Award for its achievements in the field of environmental management software for ISO 50001 certification.



## GREENSIGNED

The Kuhnke Econo 208, developed by the Industrial Control Systems business unit, is awarded the greensigned label. The device – part of the Kuhnke Controller Line – is an industrial Microbox PC for professional, embedded systems used for switching-cabinet solutions. It is smaller and lighter than any of its predecessors and uses a lot less energy and packaging material.



## COMPLIANCE

Kendrion adopts an Anti-Bribery and Corruption policy which encompasses issues including the periodic performance of risk assessments, due diligence, communication and training courses. Kendrion introduces an online compliance training course which is compulsory for approximately 300 employees working in purchasing, sales, management and for other specified officers.

09

10

11

12

2015



## REPLACEMENT OF RARE-EARTH MAGNETS

The Kendrion Academy, in cooperation with the University of Technology in Ilmenau, starts a project using a model-based approach to investigate the possibilities of reducing (or even replacing) the rare-earth magnets used in one of the business unit's products without a reduction in performance.



## GREENSIGNED

As part of the greensigned brand, Industrial Magnetic Systems has come up with a unique solution for fire-safety systems in hotels, offices and public buildings which does away with the need for a continuous supply of electrical energy. The profit made from this product is the fact that it helps minimise our CO<sub>2</sub> footprint.



## POWER AND HEATING SYSTEM

The second combined power and heating system is installed at our plant in Villingen, Germany, leading to substantial further savings in energy consumption and CO<sub>2</sub> emissions.



## TRANSPARENCY BENCHMARK

In 2014, Kendrion ranked 42<sup>nd</sup> in the Dutch Ministry of Economic Affairs' Transparency Benchmark which rates the top 500 companies in the Netherlands. Kendrion ranked 96<sup>th</sup> in 2013, which demonstrates the significant progress which has been made.




## VOLUNTEERS@KENDRION

Kendrion's Volunteers Award provides employees with EUR 1,000 for voluntary work projects in the fields of sport, social work, young children and old-age pensioners.

# Organisation


- Development, production and marketing of high-quality electromagnetic and mechatronic systems and components
- 2,700 employees (including about 80 temps) in 15 countries
- Revenue: approximately EUR 430 million
- Listed company on Euronext's Amsterdam Market


INDUSTRIAL



INDUSTRIAL MAGNETIC SYSTEMS


Electromagnetic components and mechatronic solutions for advanced technologies.






INDUSTRIAL CONTROL SYSTEMS


Customised, mechatronic solutions designed to optimise automatic processes.





INDUSTRIAL DRIVE SYSTEMS

Development and production of electromagnetic brakes and clutches for industrial applications.



## >> Profile


**KENDRION N.V.**, a solution provider, develops, manufactures and markets innovative high-quality electromagnetic and mechatronic systems and components for customers all over the world. Kendrion's operations are carried out by two divisions with in total seven business units that are focused on specific market segments:

- *Industrial Division's* Industrial Magnetic Systems, Industrial Control Systems and Industrial Drive Systems business units.
- *Automotive Division's* Passenger Car Systems, Automotive Control Systems, Commercial Vehicle Systems and Heavy Duty Systems business units.

**KENDRION** has leading positions in a number of business-to-business niche markets. Germany is Kendrion's main market, although other countries are becoming increasingly important.



## AUTOMOTIVE



PASSENGER CAR SYSTEMS

Project solutions for specific customer applications in the automotive and special vehicle industries.

BINDER



AUTOMOTIVE CONTROL SYSTEMS

Intelligent automotive control systems for comfort, safety, energy saving and functionality.

KUHNKE



COMMERCIAL VEHICLE SYSTEMS

Individual energy-saving systems for commercial vehicles and off-highway applications.

LINNIG



HEAVY DUTY SYSTEMS

Customised project solutions for the commercial vehicles sector.

KENDRION

### >> Kendrion's activities

**KENDRION** develops advanced electromagnetic and mechatronic solutions for industrial and automotive applications. These are used by customers all over the world in systems such as lifts, door-locking systems, industrial robots, medical equipment, electrical switchbox systems, diesel and gasoline engines, air-conditioning installations, motor cooling systems and beverage dispensers. Kendrion's key customers include a.o. Bosch, Continental, Daimler, Delphi, Evobus, Hyundai, Siemens, ThyssenKrupp Bilstein, Volkswagen, Wabco, Yutong and ZF.

Kendrion's shares are listed on Euronext's Amsterdam market.

Kendrion's strategic spearheads are:

- Niche market leadership in selected business-to-business markets;
- Organic growth in the current operations;
- Utilisation of synergy in and between the business units (locally but also internationally);
- Balanced spread of the operations;
- Targeted add-on acquisitions;
- Enhancement of the innovative capacity;
- Corporate Social Responsibility and sustainability.

# CSR strategy 'Taking Responsibility'

## >> CSR mission

For Kendrion, Corporate Social Responsibility means: *The responsibility of an organisation for the impact of its decisions and activities on society and the environment, through transparent and ethical behaviour.*

It is Kendrion's mission that Corporate Social Responsibility (CSR) and sustainability are intrinsic, integral elements of Kendrion's operations. Kendrion wants to conduct business with consideration for climate effects and energy sources, with a feeling for people and the environment, and on the basis of a responsibility for the chain in which the company operates. This form of entrepreneurship pivots on the creation of multiple value – and consequently not just Profit, but also People and Planet.

## >> CSR strategy

Some of the relevant megatrends in the world are:

- A rapid growth of the world population, especially in emerging markets;
- Urbanisation;
- Increased transportation needs of people and goods;
- An increasing scarcity of natural resources;
- The transition to more sustainable energy;
- Climate change; and
- Scarcity of highly educated (technical) people, especially in Germany.

Some of these megatrends, such as the scarcity of natural resources and the reduced availability or substantially increased prices of energy sources, could in the longer term become a threat to the growth of Kendrion's business and therefore need to be addressed in a timely manner. These trends also offer opportunities for Kendrion, however. Utilising such opportunities and using scarce energy and other natural resources in a responsible way will, in the long run, make an essential contribution to the creation of value for all Kendrion's stakeholders. Therefore, Kendrion has included sustainability and CSR as spearheads in the company's general strategic policy described on page 9 and referred to in more detail in the 2014 Annual Report on pages 8-10.

## >> UN Global Compact

Kendrion joined the UN Global Compact in September 2009. The UN Global Compact is the world's largest network initiative that unites companies, UN organisations and civil society in support of ten principles encompassing human rights, labour, the environment and sound business practices. Kendrion endorses these principles. This is a further example of Kendrion's objective of being a company that all stakeholders can be proud of, in particular regarding the company's social and ethical principles and the manner in which these principles are implemented in everyday practice.





Kendrion's customers are formulating more and more sustainability targets and, as a result, expect increasingly more from their suppliers. Kendrion's Automotive Division and Industrial Division took the carefully considered decision to participate in a number of submarkets that accommodate these (mega)trends. Sustainability is at the core of many of the company's products and innovations. Kendrion exploits the specific expertise and experience available within the company as a means of increasing safety and substantially reducing emissions and fuel consumption. More information is enclosed on pages 18-23.

Transparency and supply chain responsibility are both important issues in the chain and, consequently, are also of great importance to Kendrion – for example with respect to the use of materials. For this reason, Kendrion attaches great importance to good relationships with the company's customers, employees, suppliers, other business partners and the communities where Kendrion is active. Cooperation and consultations are essential if Kendrion is to fulfil its ambitions. Kendrion has interpreted these needs for its company processes in the terms explained herein.

#### >> **Materiality analysis**

This CSR Report focuses as much as possible on the issues which are most important to Kendrion, its employees and stakeholders; the key issues. The selection of these key issues is based on a materiality analysis.

The materiality analysis is carried out with due regard for:

- the nature of Kendrion's activities and business processes;
- the demands made of Kendrion and its products by its customers in connection with sustainability in the short and long terms;
- Kendrion's potential impact and influence in the chain in the short and long term;
- the relevant megatrends worldwide (see page 10);
- Kendrion's other strategic spearheads (see page 9); and
- the relevance to stakeholders and the possible influence on them.

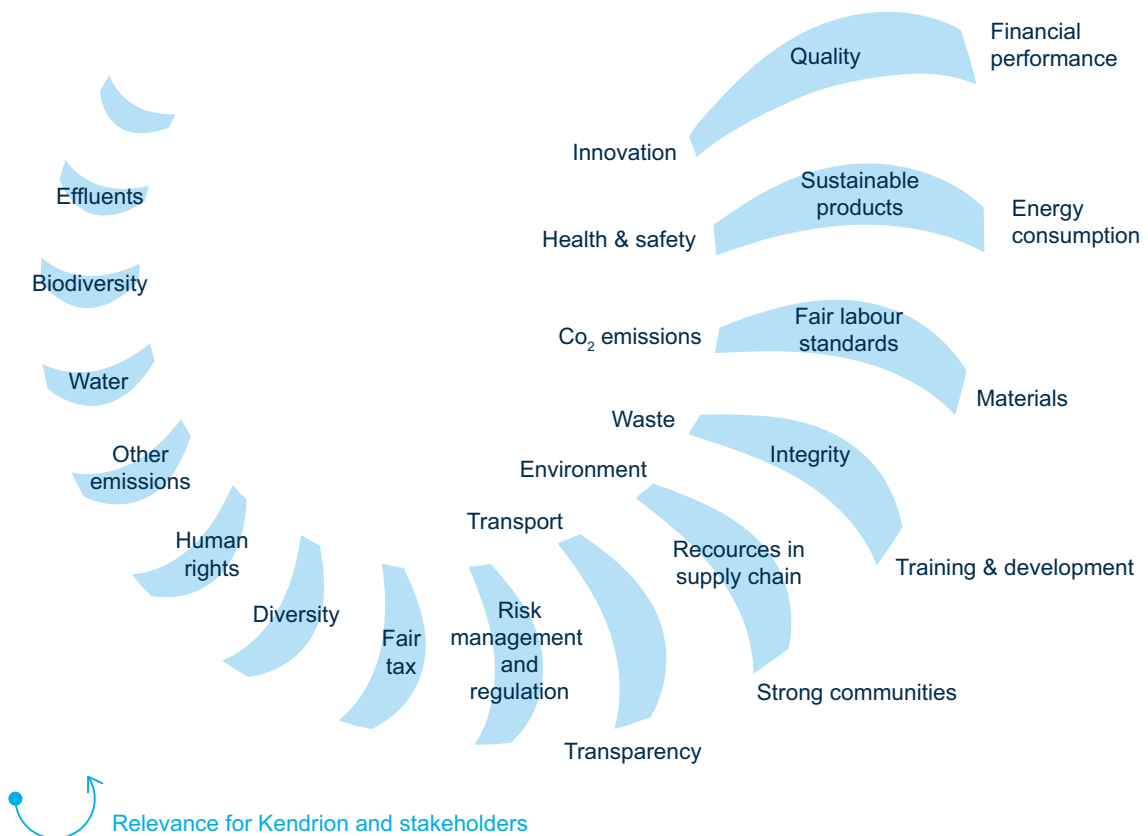
#### >> **Transparency Benchmark**

Kendrion participates in the Dutch Ministry of Economic Affairs, Agriculture and Innovation's Transparency Benchmark, which monitors the Netherlands' 500 largest companies. Kendrion ranked 91 in 2013. Kendrion was ranked number 42 in 2014.

The materiality analysis was carried out explicitly during 2014 in connection with the setting up of the programme for the years 2015 to 2017. First of all, the CSR Board members were asked to classify issues which might be relevant using the criteria mentioned before. The results and the key issues identified were discussed and endorsed by the Executive Committee and the Supervisory Board of Kendrion N.V. The result was finally also discussed with a number of different stakeholders including investors, suppliers, staff and customers. Their feedback was also processed.

The materiality analysis will be repeated and evaluated annually on the basis of the results obtained and where necessary adjusted in line with the CSR Board's proposals.

A diagram representing the outcome of the materiality analysis carried out in 2014 is given below.



The selection of the key issues has been reconfirmed on the basis of the materiality analysis.

The key issues for Kendrion are:

- Sustainable products;
- Responsible use of resources in the supply chain;
- Environmental protection;
- Good labour conditions;
- Fair business conduct; and
- Strong communities.



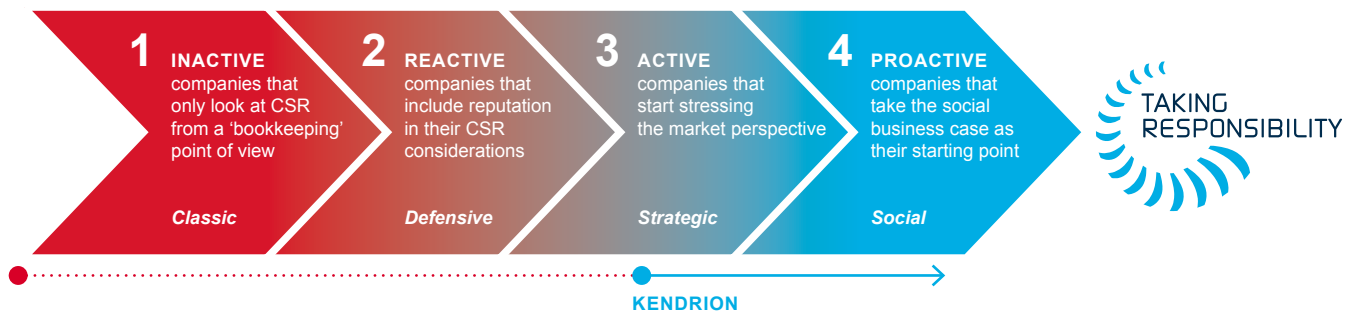
Next, specific targets and KPIs were formulated for those key issues. The key issues, KPIs and targets were discussed and endorsed by the Executive Committee and the Supervisory Board, and are evaluated annually on the basis of the results achieved and where necessary adjusted as proposed by the CSR Board. These evaluations also make use of the feedback Kendrion receives from its investors, suppliers, staff and customers during the meetings held.

## >> Shift to Taking Responsibility

As had been planned the previous year, an assessment was made during 2014 of how best these key issues could connect with the organisation and with other strategic spearheads. There was also a desire to make further progress with the CSR cycle (see outline below) and move towards an even more strategic or even proactive position.

The result was that a CSR programme entitled 'Taking Responsibility' was adopted after consultations between the CSR Board, Executive Board and Top Management. The programme not only aims to anchor further CSR and sustainability in the company's business processes but also to increase the commitment to sustainable products and services with regard to the way customers respond to megatrends. This will demand time, so it was decided to plan three years to the programme (2015 to 2017). Plans include each business unit drawing up its own CSR programme as part of its mid-term plan and agreed budget. You can find more information about the Taking Responsibility programme in the various chapters of this Report. The programme's content and the progress being made will be evaluated every year and adjusted where necessary.

**The CSR cycle** The four CSR stages companies pass through



# CSR organisation

## >> CSR Board and Ambassadors

In 2011, the Executive Committee decided to give further shape to Kendrion's CSR activities by appointing a CSR Board. The Board's members are representatives of the divisions, business units and departments and come from Austria, the Czech Republic, Germany and the Netherlands. The CSR Board had 12 members in 2014. Board members do their CSR work in addition to their regular Kendrion duties. Each member has their area of interest and is responsible for the fulfilment of plans in this field.

In addition to the CSR Board, there are 'ambassadors' in all operating companies who support CSR activities locally.

## >> Objective of the CSR Board

The objective of the CSR Board is to coordinate, communicate, enthuse and accelerate. The CSR Board is empowered to structure and plan all Kendrion's CSR activities. The Board also perceives its duties as including the provision of transparent information about the stipulated CSR targets to the employees and external stakeholders and to communicate the progress in the achievement of the targets. The Board endeavours to make the employees aware of CSR and to generate their enthusiasm for addressing CSR issues within the context of their day-to-day work and responsibilities. Kendrion intends to adopt a practical, realistic and relevant approach.

## >> Activities

The Board met eight times in 2014, two of which were conference calls. It gave further consideration to the CSR themes of greatest relevance to Kendrion and developed the new CSR Programme for the years 2015 to 2017, Taking Responsibility. Furthermore, the progress made to realise the targets for 2014 was discussed from time to time. In one of the meetings, the Managing Director of Kendrion (Shelby) Inc., NC, USA, was invited to cover specific attention points for the USA.

## >> Commitment Top Management

The CSR strategy, key issues and objectives are in line with the views of the Executive Committee. The CSR programme, Taking Responsibility, was discussed during the Top Management Meeting in September 2014.

The Supervisory Board recognises the importance of Kendrion's CSR programme and advocates a strong focus on the company's social and environmental standards governing its processes, and the relationship between the overall strategy and sustainability. The Supervisory Board reviewed the achievements and endorsed the CSR Board's plans for 2015 and beyond.

## >> Further guarantees

Many requirements linked to the key issues and the objectives are guaranteed by procedures in various areas. These include ISO norms, safety training and procedures, environmental plans and agreements on working pay and conditions.

CSR and sustainability objectives are included in the performance criteria governing the variable remuneration awarded to top management and members of the Executive Committee. See page 37 for more information. Furthermore, Kendrion has implemented a Code of Conduct in its organisation. The principles and best practices established in this Code reflect the main values that need to guide Kendrion's staff in the performance of their duties. The core themes include corporate social responsibility, the obligation for due care regarding safety and health, the environment, and social interests.

Kendrion attaches great importance to the organisation's compliance with the Code of Conduct. Employees who observe a (suspected) irregularity are encouraged to enter into discussions with those directly involved or with their supervisor. When this is not feasible or fails to achieve results, then they have the opportunity to report irregularities or suspicions of irregularities to the management without jeopardising their (legal) position according to the Kendrion whistleblowers policy.

Kendrion employs Rules and Regulations and Letters of Representation. The Rules and Regulations constitute rules of behaviour governing all Kendrion Managing Directors. All Kendrion companies are requested to sign a Letter of Representation report once a quarter confirming that the (financial) information they have reported is correct and complete and in accordance with the Code of Conduct.

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**CSR Board**, from left to right: Sören Rosenbaum, Managing Director Kendrion Mechatronics Center; Heinz Jankowski, Facility Manager (KGS); Wijnert Gooijer, General Counsel and CSR Coordinator (Kendrion N.V.); Kathrin Grahl, Human Resources (ICS); Wencke Volkmann, Controlling (ACS); Wilma Stuijver, Executive Assistant (Kendrion N.V.); Josef Porta, Production Manager (PCS); Martina Svobodova, Human Resources (PCS); Bertram Heimgartner, Head of Commercial Department (CVS); Beate Hermannstädter, Marketing Coordinator (IDS); Wolfgang Mayer, Head of Quality Department (CVS) and Volker Buhl, Sales Manager (IMS).







## Stakeholders dialogue

### >> General

Kendrion attaches great importance to good relationships with its customers, employees, suppliers, other business partners and the communities in which Kendrion is active. Kendrion engages in transparent communications in a manner in which the company carries out CSR activities. Exchanges of ideas, the involvement of business relations in the implementation of initiatives and the utilisation of the experience and networks of others will further the implementation and integration of Kendrion's CSR policy within the company. The selection of stakeholders was partly based on questions such as who might be positively or negatively affected by the organisation's decisions or activities, who can help the organisation address specific impacts, who can affect the organisation's ability to meet its responsibilities and who in the value chain is affected?

### >> Customers and suppliers

A substantial number of Kendrion's customers are major Tier 1 suppliers and OEMs in the automotive sector or other large industrial companies. Some of these customers have implemented CSR and sustainability requirements for suppliers. Kendrion complies with their requirements, including their quality and environmental requirements, by an ample margin.

Kendrion provided more insight into the company's CSR efforts to its customers. Accordingly, Kendrion highlighted its CSR policy in a wide range of material published in the course of 2014. In 2014, various business units engaged in constructive dialogue with a number of important customers to discuss the company's CSR efforts in more detail. The customers Kendrion consulted on its CSR strategy largely responded favourably.

Kendrion successfully introduced a Supplier Code of Conduct in 2012. A large number of main suppliers signed this Code of Conduct in 2013 and 2014. Kendrion also started to integrate this Supplier Code of Conduct in supplier selection. Also a substantial number of CSR audits were performed. The aim is to continue Kendrion's dialogue with suppliers on their performance in this area, with a view to jointly pursuing improvements if necessary.



#### » Management and employees

Kendrion regards its employees as the company's greatest asset. The support of Kendrion's CSR policy by the company's employees is of essential importance. As in past years, Kendrion devoted continual attention to CSR issues in the Magnetised international staff magazine in 2014 and will continue to do so in 2015. The company's employees will also be expressly involved in the continued roll-out of the Taking Responsibility programme.

#### » Investors

Sustainability is also becoming an increasingly important issue for Kendrion's investors. Kendrion held discussions with a number of its major shareholders and banks in the bank consortium. Kendrion presented its strategy, key issues and objectives, and also discussed the investors' CSR and compliance policies within the context of their investments. These parties welcomed the sustainability and CSR efforts within Kendrion. There were further discussions on Rabobank's circular economy challenges and possibilities. This bank also provided the opportunity for one of our German plants to participate in a pilot Life Cycle Assessment project.

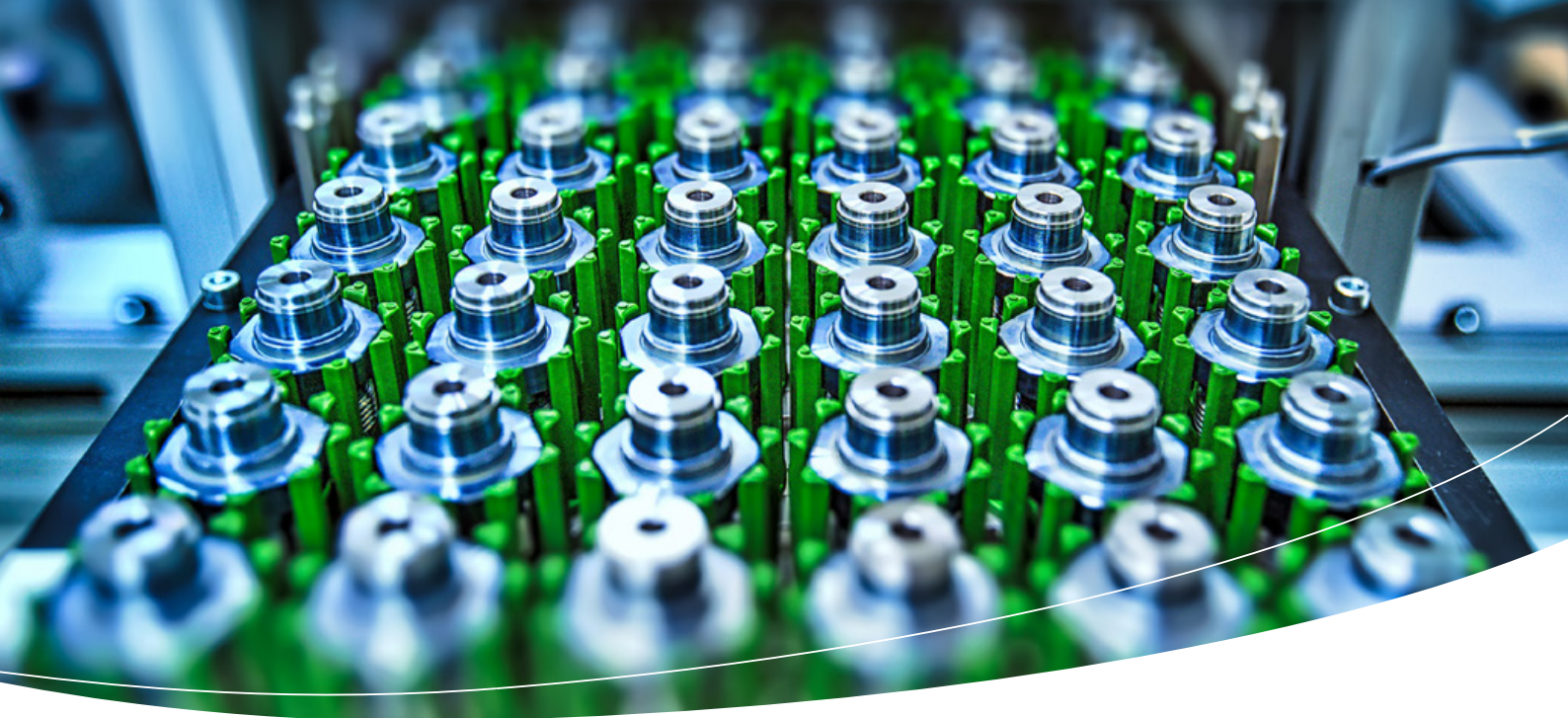
Kendrion maintains good relations with the Dutch Association of Investors for Sustainable Development (VBDO – Vereniging van Beleggers voor Duurzame Ontwikkeling).

#### » Local communities



Kendrion is active in a number of countries in which, in a general sense, the standard of living, working conditions and human rights exhibit room for improvement. Kendrion endeavours to make a modest contribution to these improvements by means of including (mostly small scale) local community investment programmes. Kendrion appreciates the importance of good contacts with the local authorities. These contacts are important for reasons including the safety of the production facilities, accessibility, ties with the employees and the enhancement of local communities.

More information about stakeholder engagement is enclosed in the various sections of this Report.





## Sustainable products

Target 2014	Result	Ambition 2015	Ambition 2017 Taking Responsibility
More products with greensigned label		At least two more products with greensigned label	Well developed and recognised greensigned product portfolio
Continuation of study by Kendrion Mechatronics Center and R&D departments regarding sustainability in the supply chain		Continuation of study by Kendrion Mechatronics Center and R&D departments regarding sustainability in the supply chain	Continuous optimisation of product portfolio to meet the (CSR) megatrends

### >> General

Sustainability is at the core of many of the company's products and innovations. Kendrion exploits the specific expertise and experience available within the company as a means of increasing safety and substantially reducing emissions and fuel consumption. Kendrion is inspired by the desire to secure a sustainable and 'green' environment for generations to come, fully appreciating and assuming its responsibility for achieving this objective.

### >> Market trends and Kendrion products

The megatrends referred to on page 10 can be interpreted in terms of a number of subrends. The scarcity of natural resources and climate change, for example, are resulting in the transition to more sustainable energy sources. Urbanisation and the rapid growth of the population are leading to increased transportation needs for both people, energy and goods. Areas in which many people congregate are governed by increasingly stringent, building and transport system safety and environmental requirements. Population growth – and in some regions the ageing population – are accompanied by increasing healthcare requirements. These are accompanied by the trend towards continually smaller, lighter and faster products.

The product portfolios of the business units are tailored to the current trends in Kendrion's customers' markets. A number of the submarkets targeted by Kendrion's business units are focused on these specific trends, such as the Industrial Division's safety technology, renewable energy and medical engineering, and the Automotive Division's



fuel efficiency, engine management, sound design, cooling and safety & comfort technologies. This enables Kendrion to create both added value and competitive advantages for its customers in a changing landscape that is governed by increasingly stringent standards, for example for emissions and safety. More information about these submarkets and the unique properties of Kendrion's technologies and products is available in the 'Industries' section of Kendrion's website.

## >> Quality

The majority of Kendrion's products play a critical role in the systems and products of the company's customers and end users, including systems and products such as lift braking systems, vehicle clutch systems, industrial robots, medical equipment and fast trigger solenoids for high voltage circuit breakers. For this reason quality and functionality are essential for all Kendrion products. This is in turn the reason why many projects have a lead time of a number of years, when large amounts of time and funds are invested in the development and testing of products in cooperation with the customer. Kendrion is renowned for the company's technological know-how, innovative strength and high quality. Specific protocols have been implemented for dealing with quality issues raised by customers. Kendrion agrees on guarantee schemes with the company's customers. The company's suppliers also undergo comprehensive screening to verify compliance with Kendrion's stringent quality standards.

## >> Greensigned

In 2013 Kendrion carried out investigations into whether a green logo could be introduced for one or more products of the business units. Key aspects of this were that the right criteria were adopted, and that a transparent system was introduced that tests products against these criteria before a green logo is assigned. The introduction of a green logo must not only take place for marketing reasons; it also has to be apparent to customers and other third parties that the products in question provide a clear added value in the area of sustainability. This resulted in the introduction of the greensigned label for the KOBRA in 2013. Two more products were granted the greensigned logo in 2014. More information is provided on pages 22 and 23 of this Report.

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**Safety** is one of Kendrion's core values and business drivers. Kendrion is involved in the production of the Sommital universal safety-bar locking system of ski lifts. The bar automatically locks and unlocks thanks to a special Kendrion solenoid. Kendrion is passionate about making skiing safer!



*Whoever believed that innovation in the automotive sector had just about reached its limits was wrong. Continental and Kendrion Passenger Car Systems (PCS) have collaborated on a project which takes as its starting point haptic responses from the accelerator pedal. Will this be the next great thing in driving?*



## The next great thing in driving?

The Kendrion product itself is an electrodynamic actuator – high force level, long stroke – which includes a proportional stroke sensor. At PCS, the project is known as the LDDA project (Linear Direct Drive Actuator). Continental has built this proportional solenoid into an accelerator pedal, called the Accelerator force Feedback Pedal (AFFP®). Wolfgang Keller, PCS Sales Manager at Kendrion Villingen in Germany: 'This new generation haptic-accelerator pedal is now being used in the Mercedes plug-in hybrid S-class and C-class. At the end of the year, the next OEM in the automotive sector will start installing the AFFP®.'

### Information

Most cars these days have all kinds of information systems. Think of sensors, cameras and navigation. Driving can be made more comfortable, easier and safer by interconnecting, monitoring and processing this information. The AFFP® can play a vital role in the process.

Wolfgang Keller: 'The AFFP® can be equipped with a number of very special features and characteristics. It can for instance indicate the moment of transition from the electric to the combustion engine. The pedal gives a haptic signal which indicates that, by pressing the pedal a bit harder, the combustion engine will be started. A second feature tells the driver when to gear up or down. Changing gears at the right moment helps save fuel and reduce CO<sub>2</sub> emissions. This is really important for OEMs, who might have to deal with CO<sub>2</sub> credits in the near future.'

### Mass markets

'A third feature is a warning signal in case of dangers, such as being too close to the car in front of you or the road ahead being blocked by something. It is also possible to have the accelerator pedal adapt to the local speed limit automatically.'

Not all features need to be implemented. The OEM can choose to have one or more features installed, depending on the car,' explains Wolfgang. 'Research has established that a haptic signal leads to a reaction 10 times faster than with other response-generating signals. Extensive testing has demonstrated that the AFFP® helps you save seven to ten per cent in fuel. One can understand why both we and Continental think this is a product with huge market potential. We have already started working on the next generation to make it suitable for mass markets. With their "smart pedal" system, Continental is the benchmark at the moment and we are proud to supply the most important part of this system.'

Accelerator force Feedback Pedal (AFFP®)





*An important part of new business is driven by megatrends. These are evolutionary and revolutionary developments that either gradually change the world or bring it explosive innovation. Megatrends should therefore be included in the focus of every company that aims to play a role in co-shaping these developments. All this helps explain why Kendrion chose megatrends as the central theme of its recent bi-annual Symposium.*

## Kendrion Symposium: marketplace for megatrends

The world has quickly turned into a global village. Developments seem to accelerate. With the help of modern means of communication, some of these developments become worldwide, irreversible trends. And the biggest of these, megatrends, are important drivers of innovation. During the Kendrion Symposium, Sören Rosenbaum, Managing Director of the Kendrion Mechatronics Center, identified four topics around which megatrends that have direct links with Kendrion's core business are evolving: urbanisation, life expectancy, resources and technical infrastructure.

### Focus

Megatrends which are connected with these four central issues include: mobility (emissions, autonomous driving, all-electric driving, parking), the aging of the population (work-life balance, support and assistance, medical technology), energy sources (sustainability, raw materials, wind/solar/water) and the internet of things (interconnectivity, mechatronics). Kendrion is active in most of these fields through its two divisions and their massive product portfolios. An important focus is on social responsibility issues: reducing CO<sub>2</sub> emissions, saving energy, enhancing safety and improving the quality of life.

### Sessions

A total of 14 separate sessions during the Kendrion Symposium dealt with a variety of topics, all centred around and derived from the aforementioned megatrends. Internal and external specialists and experts highlighted the most significant developments in their specific areas of interest. Professor Rüdiger Deike from the University of Duisburg-Essen for instance talked about resource efficiency against a background of changing international markets for industrial metals. He described the sudden rise in use of raw materials and the consequent increase in price. But he also drew attention to a recent reduction in prices and a growing trend towards recycling and re-use.

### Inspire

A vital role was played in virtually all sessions by (aspects of) economic, ecological and technological megatrends, displaying Kendrion's engagement in 'innovating for a better world'. Subjects ranged from the impact of design variations on energy-conversion efficiency and maximum consumption savings achieved by demand-orientated cooling, to the Linear Direct Drive Actuator for the Accelerator Force Feedback Pedal and risk avoidance in plant and machine engineering. The Kendrion Symposium inspired not only customers and business partners but also Kendrion staff.





*Kendrion greensigned products excel in the very efficient use of energy and can even achieve zero energy consumption. As part of the greensigned brand, Kendrion Industrial Magnetic Systems has come up with a unique solution for fire-safety systems in hotels, offices and public buildings. It is available either as one system or as separate constituent parts.*



## *Kendrion greensigned brand opens new doors*

You will have come across them halfway down long hotel corridors, in ships, offices or other public buildings; seemingly useless doors, not giving access to new rooms but only there to block the way and isolate part of the building in case of fire. In normal circumstances, these doors are held permanently open by magnets. These relatively simple products consist of a solenoid. This is a cylinder with a flat surface, holding an armature plate fitted on the door. Until now, a continuous power supply was needed to keep the door permanently open. Kendrion Industrial Magnetic Systems R&D engineer Ernst Bauer: 'But there are materials in nature, such as permanent magnets, that make it possible to hold an armature plate permanently without a continuous supply of electrical energy. You only need energy to disconnect or release the magnet in order to close the door in case of fire or for testing or cleaning purposes. Imagine the amount of energy that could be saved!'

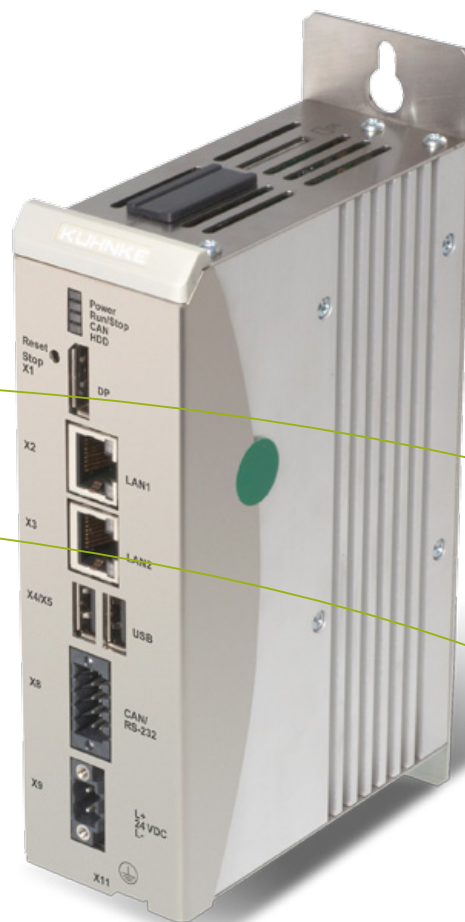
### **Battery system**

Supplying the energy needed to release the door and disconnect the armature plate can be done the conventional way, i.e. through wiring. Sensors supported by cables activate a central control station, which sends a pulse to the appropriate magnet, de-energising it and closing the door. Ernst Bauer: 'But this can also be done by using a battery and connecting the control station without the use of wires to an addressable solenoid. Every single door can be addressed individually and closed when necessary. A battery in itself is not very environmentally friendly but the battery system we have developed can disconnect a solenoid 100,000 times. In order to increase the battery life cycle even further, we have developed a patent pending switch that indicates to the second when the armature plate has left the surface of the solenoid. At that very moment, the battery supply is switched off again, thus saving energy.'

### **Creating value**

The use of permanent holding magnets and a battery supply is not cheaper compared to conventional systems. However, when implementing the sustainability principles of the Kendrion greensigned label, other value-creating elements are introduced. Not every benefit can be expressed in terms of money. The real profit made from this product is how it helps minimise our CO<sub>2</sub> footprint. By applying permanent-magnet technology, CO<sub>2</sub> emissions have so far been reduced by 560 tonnes. Bernd Dullenkopf, Product Manager in the field of safety equipment: 'We supply all the separate components but are also working on a very flexible Kendrion integrated electronic board which offers all solenoid, battery and monitoring functionality.'

*The Kendrion greensigned brand comprises products which are developed, produced and distributed in as environmentally friendly a way as possible. Their relevant specifications include the use of recyclable materials, energy-saving production processes and transport, and low energy consumption when they are used.*



## Kendrion Industrial Control Systems launches first greensigned product

### State-of-the-art

Continuous focus on the specific properties needed to fulfil the basic conditions of the greensigned label has resulted in two more approved products. One of these is the Kuhnke Econo 208, developed by the Industrial Control Systems business unit. This device – part of the Kuhnke Controller Line – is an industrial Microbox PC for professional, embedded systems used for switching-cabinet solutions. It is a state-of-the-art and highly flexible example of next-generation IPCs and offers measuring and control software functions through standard CODESYS V3 Soft PLC packages. It also handles visualisation tasks, data storage and processing, and supports a complete range of communication systems.

### Less energy

Ralph Köhler, Control Technology Project Manager at Industrial Control Systems, was closely involved in the development of the Kuhnke Econo 208: 'We have been making industrial PCs since 2006. So the technology is not new to us. In building this new version, however, we have applied the latest technological building blocks and have managed to make it smaller and lighter than any of its predecessors. This IPC is very stable and compact because of its stainless steel housing. It also uses a lot less energy and packaging material. This fanless embedded PC is very easy to take apart, maintain and repair. That is why we can be confident the Kuhnke Econo 208 belongs in the greensigned product portfolio. The device can be used for the control of machines and equipment in all




kinds of industrial production processes, with the textile industry, paper industry and food industry as its main markets.'

### Growing interest

The Kuhnke Econo 208 was developed with a view to the future. It has industrial-compliant interfaces and all kinds of extension possibilities for connecting new modules such as WLAN or Bluetooth, for the extension of memory using modules and for making new fieldbus connections such as EtherCAT®, Profinet and so on. Ralph Köhler: 'We already have a customer base for our existing IPC products and are pleased to see increasing interest in this new product. We recently started production and are already successfully selling it to the first users.'



## Supply chain management

Target 2014	Result	Ambition 2015	Ambition 2017 Taking Responsibility
100% of main material suppliers comply with Supplier Code of Conduct		100% of main material suppliers comply with Supplier Code of Conduct	All material suppliers comply with Supplier Code of Conduct
Five CSR supplier audits per business unit		At least five CSR supplier audits per business unit	CSR audit fully integrated part of supplier audits
Fix framework for score and relation to other supplier requirements		<ul style="list-style-type: none"> <li>Fully integrate supplier audit scores in supplier requirements</li> <li>First results study on permanent magnet reduction</li> <li>Initiative pilot to reduce copper use</li> </ul>	CSR fully integrated in supplier selection process

### » General; the supply chain

The chains in which Kendrion is active have an impact on people, the environment and society that cannot be specified in unequivocal terms. Kendrion's production processes are not polluting, in the sense that they do not result in large quantities of residual products with a great impact on the environment and which cannot be recycled. Nor do they result in large emissions of substances with an environmental impact (other than CO<sub>2</sub>). Many of Kendrion's products enable the company's customers to reduce the environmental impact of their products, for example in terms of emissions and energy consumption.

Kendrion wishes to play a significant role in the chain in which the company is active. However, in many instances Kendrion is a relatively minor link between. As a result, Kendrion's sphere of influence is limited.

In order to achieve the best results possible, it is of great importance that Kendrion continues the dialogue with its suppliers and, in the selection and assessment of suppliers, that it continues to consider their performance as regards sustainability.





## » Supplier Code of Conduct

Major customers in the industrial sector or automotive industry regularly request Kendrion to sign their Supplier Code of Conduct. The customers introduce these Codes with the objective of giving more shape to the chain's responsibility for CSR. Nevertheless, Kendrion has decided to develop an own Supplier Code of Conduct in 2012. Kendrion attaches great importance to responsible and honest operations throughout the supply chain. Consequently, this Code requires suppliers to assume their responsibility for issues including the environment, human rights, working conditions and fair trade. The suppliers are also requested to introduce rules of this nature further in the chain whenever possible. A copy of the Kendrion's Supplier Code of Conduct is available on Kendrion's website.

Kendrion has set a target in 2014 stipulating that the Supplier Code of Conduct shall be accepted by all main material suppliers in all business units. All new material suppliers will be requested to conform with the Code, also by means of including the incorporation of the Supplier Code of Conduct in Kendrion's standard procurement terms and conditions. This was particularly applicable to German and other European suppliers.

The scope and grouping of suppliers who were requested to comply with Kendrion's Supplier Code of Conduct were extended at the end of 2014. The term material suppliers refers to all suppliers who provided materials for production processes in 2014. All ten of the main material suppliers of Kendrion have signed. The term main material suppliers refers to the largest suppliers with regard to procurement in 2014.

Signed Supplier Code of Conduct	2014	%
Material suppliers top 10	10	100
Material suppliers top 20	15	75
Total	214	

There are no known cases of suppliers deliberately not wishing to sign the Code of Conduct, and no abuses have come to light as a result of the request to comply with it.

## » Supplier selection and audits

The extent to which a potential supplier addresses environmental and social issues and business ethics plays a role, in addition to standard criteria such as product quality, in the ultimate selection of suppliers. In 2013, Kendrion began to conduct CSR supplier audits to review whether the suppliers continue to comply with the required standards. Audits that result in unsatisfactory assessments and that reveal that the relevant supplier does not meet the minimum requirements for compliance with the Supplier Code of Conduct are followed by a meeting to prepare a plan and review means of achieving rapid improvements. Failure to follow up the improvement plan or follow up

the plan to an adequate extent can result in the termination of the relationship with the relevant supplier. All the circumstances in the specific case are taken into account when reaching any such decision, including the strategic importance of the supplier and the country in which the supplier is based.

Number of supplier audits	2014 23
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For 2014, the aim was to make compliance with the Supplier Code of Conduct a part of supplier audits, at a minimum of five suppliers per business unit, in a more structured way. Through open discussion, the state of affairs at these suppliers was discussed and any difficulties have been identified. Where possible, an action plan will be formulated together. The number of audits increased substantially in 2014 to 23 (the target was however 30). The results of supplier CSR audits have in general been positive. Further stress will be laid on the willingness of suppliers to take CSR initiatives in relation to their own suppliers and human rights issues, or to join the UN Global Compact. The same target has been set for 2015. Furthermore, the aim is to fully integrate the CSR audits in the regular supplier-audit process with regard to at least the main suppliers, and to fully include CSR in the regular-supplier selection process.

#### >> Life Cycle Assessment pilot project, True Pricing

A Life Cycle Assessment pilot project was launched at the operating company Kendrion (Aerzen) GmbH in Germany during 2014. The objective of the project was to calculate the environmental footprint of the company's various products and processes. Once the results of the pilot project have been analysed in the first half of 2015, an assessment will be conducted to determine whether the method or other true pricing concepts can also be used at other plants.

#### >> Conflict minerals

Under the Dodd-Frank Act the US Securities and Exchange Commission (SEC) requires US listed companies to disclose their use of conflict minerals (tin, tantalum, tungsten and gold and their derivatives) sourced in the Democratic Republic of Congo (DRC) and countries adjacent to the DRC.

*Kendrion does not add any conflict minerals from the DRC to its products during its own production process. In the event that it were reported that suppliers or sub-suppliers of Kendrion use such conflict minerals, Kendrion would undertake commercially reasonable efforts to gradually replace them in the supply chain and would ask its suppliers to do the same.*

This rule has been implemented due to the concern that the exploitation and trade in conflict minerals by armed groups is helping to finance conflicts in the DRC region. While it is not prohibited to use conflict minerals from the DRC, the idea is to encourage markets to create substitutes for materials or even a market for conflict-free minerals. Conflict minerals can be found in many common consumer products such as mobile phones and computers but also in industrial products.

Kendrion is not listed in the USA and is thus not under an obligation to issue a conflict mineral report. But, as (indirect) supplier of many listed US companies Kendrion has also been asked to provide information on the extent to which its products contain conflict minerals. Kendrion has decided to adopt a group-wide approach as much as possible to collect the relevant information from its suppliers. This is a burdensome process but Kendrion aims to serve its customers efficiently in this manner.

#### >> Rare earth metals

In some of Kendrion's products, permanent magnets are used. The category of permanent magnets with the highest energy density contain a number of what are referred to as rare earth metals. These metals are not referred to as 'rare' because they are so scarce – they are more abundant than copper – but because of the small quantities of economically extractable resources.

Kendrion is primarily exposed to Neodymium, Praseodymium and Dysprosium, metals which are also used in products such as mobile telephones, electric cars (rechargeable batteries) and wind turbines. China is currently still the producer of more than 90% of the world's rare earth metals. Western companies are currently (re)opening mines and starting production. However, the dependency on China will remain for several years.

Mining and refining rare earth metals are both difficult and highly energy-intensive. Moreover, they are often further complicated by the mining and refining by-products that cause environmental pollution. A paradox lies in the fact that, for reasons including climate change and the need for alternative sources of energy, for example the use of wind turbines and electric cars is being encouraged whilst these products actually exacerbate the shortage of rare earth

metals and the environmental pollution caused by their extraction. The recycling of rare earth metals is still in its infancy. Another paradox is that the use of permanent magnets in products increases their functionality, for example the torque. As a result, less material is required and the product is lighter – which in turn reduces energy consumption and emissions.

Unfortunately, Kendrion's relatively small position in this market does not enable the company to exert a great influence on the processes. However, when possible Kendrion does endeavour to limit the company's dependency on these metals by seeking alternative techniques or products and to look for industry initiatives in this respect.

The majority of the permanent magnets are used by two business units, Industrial Drive Systems and Commercial Vehicle Systems.

*The Kendrion Academy initiated further research into replacing or optimising the use of rare-earth permanent magnets in 2014. The work is being carried out jointly with the Commercial Vehicle Systems business unit and the Technical University of Ilmenau in Germany. The first results will be available in mid-2015.*

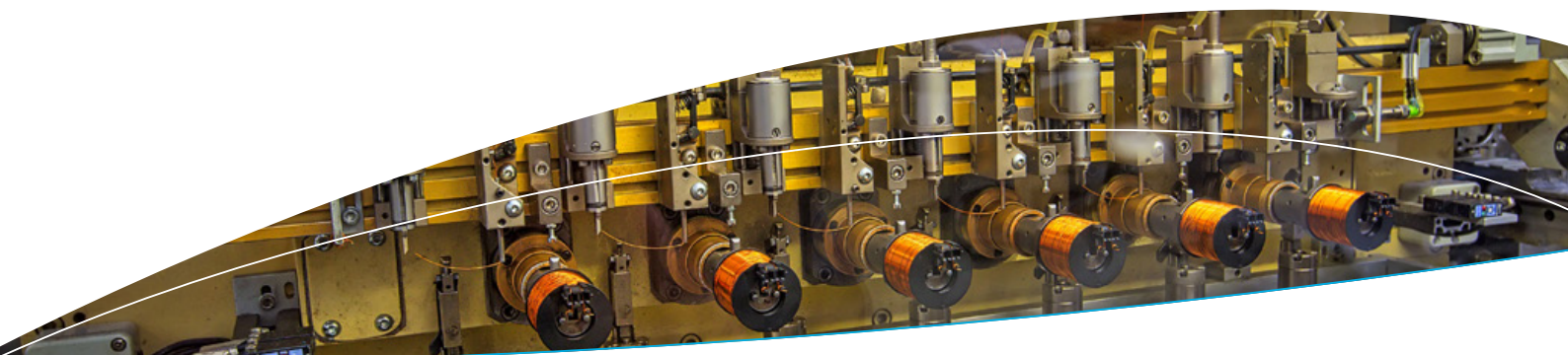
## >> Other materials

The most recent assessments have revealed that few critical materials are used other than those referred to in this chapter. In 2014, a number of further ideas were developed at a strategic level on the feasibility of reducing the use of certain potentially critical or expensive materials, or materials with a relatively high environmental or health impact, or replacing them with other materials. Specific examples are the substitution of certain sprays or cleaning agents in the production process. This has also resulted in the decision to endeavour to dismantle what is referred to a 'plating area' at one of Kendrion's operating companies in 2014, and to relocate this non-core activity elsewhere. Another plating area will be dismantled in the course of 2015.

In the recent years, Kendrion used the following raw materials in the manufacture of the company's products:

Consumption of materials (in tons, best estimate)	2014, incl. Kuhnke	2014	2013
Copper	1,568	1,387	1,400
Permanent magnets (rare earth + alloyings)	74	62	50

A special pilot project to reduce the amount of copper used in each part of certain applications has been launched at one of Kendrion's business units.







## Sustainable operations

Target 2014	Result	Ambition 2015	Ambition 2017 Taking Responsibility
<ul style="list-style-type: none"> <li>Waste data plan for all European plants</li> <li>Preparations for inclusion of US plants</li> </ul>		Waste data plan and number of subtargets for all European plants and US plants	Waste data plan including subtargets implemented in all plants
<ul style="list-style-type: none"> <li>ISO 14001 in two locations of the business unit Industrial Drive Systems</li> <li>Preparations for ISO 14001 for two other locations of Industrial Magnetic Systems</li> <li>ISO 50001 at Kendrion (Eibiswald) GmbH, Austria</li> </ul>		<ul style="list-style-type: none"> <li>ISO 14001 in two locations of the business unit Industrial Magnetic Systems</li> <li>ISO 50001 at Kendrion (Villingen) GmbH, Germany and preparation for Kendrion Kuhnke in Malente, Germany</li> <li>ISO TS 16949 at Kendrion (Markdorf) GmbH, Germany</li> </ul>	<ul style="list-style-type: none"> <li>ISO 14001 at all locations except for smaller (sales) offices</li> <li>ISO 50001 at least at five plants</li> </ul>
		Start preparation of annual CSR plan on business unit level	Annual CSR plans at business unit level
		Start integration sustainability in major business processes	Sustainability requirements integrated part of all major business processes
		Start circular economy pilot project in both divisions	

### >> A circular economy

Most current business models are based on a linear economy (take-make-dispose). Raw materials are extracted from natural resources, products are created for consumption and then thrown away. Business growth in this scenario is coupled with negative ecological impact. Models involving a circular economy build and retain value because they involve for example refurbishment or remanufacturing.

Together with an external specialist, Kendrion carried out a limited analysis of its current business models in 2014. There are a couple of instances of circular economy within Kendrion's business at the moment. One good example is the way the Commercial Vehicle Systems business unit collects used angle gearboxes from customers. The angle gear boxes are remanufactured at the plant and after being tested, they are sold again under warranty.

The regulations governing the automotive industry mean a large amount of recycling of cars and parts already takes place in the sector. Kendrion has little or no influence on this as the company is a relatively small player in the supply chain. Its products only account for a small part of a complete vehicle and the products themselves are made up of a

number of materials. The logistical consequences and costs of retrieving parts, should parties further along the chain be open to the idea, are outweighed by the potential advantages. The same applies to a certain extent to products manufactured by the Industrial Division's business units.

Kendrion is however convinced that circular business models represent a meaningful contribution to creating value and to reducing the production of waste and the exhaustion of natural resources. In this context, Kendrion considers it best to focus initiative on the end product. Kendrion is ready to join its partners in fleshing out this idea and intends to launch suitable pilot projects in this area.

#### **>> Waste & recycling**

Kendrion aims to minimise waste, with a view to its environmental and cost impact. All Kendrion companies which have been awarded ISO 14001 certification keep records of their production and processing of waste, such as oil, cleaning agents, packaging materials and inks and toners. Internal instructions at these companies are issued for the safe use of materials and the separated collection and disposal of waste. The companies work solely with certificated waste processors. As part of the certification process, each year new waste reduction measures must be implemented, and measures that reduce the use of dangerous goods are externally audited. Those measures can differ from plant to plant.

Kendrion worked hard on the streamlining of the data and database of waste and hazardous substances in recent years. This process takes time. As a result, the data for the largest European plants are processed and reported on a uniform basis. The objective is to gradually roll out this system across the group, also in the USA, in 2015.

Kendrion has reviewed how the company can optimise the use and recycling of materials and reduce waste and waste costs even further. A further study was carried out at a number of local operating companies for the development of a 'paperless office' proposition, for example in part based on e-invoicing and e-order projects and digital meeting management. Last year, Kendrion has set a target prescribing a 20% reduction in the group's consumption of paper in 2015 compared to 2013. In line with the new Taking Responsibility programme, Kendrion no longer considers reducing the use of paper within the group to be one of the most important issues. It is still, however, deemed relevant and worthwhile.

Kendrion's products are often integrated in larger systems by Tier 1 suppliers or OEMs. Partly for this reason, it is not possible for Kendrion to determine what proportion of the materials used is recycled. If recycling is at all possible for such systems, it does not relate to the parts supplied by Kendrion. Nor is Kendrion able to influence this in any way. However, Kendrion supports broader consultation in the chain on the possibility of developing new recycling options.

Kendrion considers a healthy and safe working environment part of the rights of its employees. Within Kendrion, the quality, environmental and safety systems are usually combined in one system that forms the basis for the implementation of many projects. Virtually all of Kendrion's operating companies comply with the most stringent quality and safety requirements.

#### **>> ISO certification**

Kendrion's environmental management systems at eleven plants (2013: nine) comply with the ISO 14001 standard. Two German plants, Industrial Drive Systems in Villingen and in Aerzen, completed the certification process for ISO 14001 in 2014. Two more German plants will follow in 2015: Industrial Magnetic Systems in Donaueschingen and in Engelswies.

The preparations for the award of this certification included mapping the potential environmental impact of the relevant plant's operations. The ISO 14001 certificate confirms that the plant complies with all the relevant environmental legislation. A number of annual environmental targets are also set for each of these plants.

This system includes the appointment of a number of Safety Officers and the organisation of training programmes to increase the employees' awareness of environmental issues. All procedures are laid down in writing. Audits of the system are conducted at regular intervals.

Eleven of Kendrion's plants have been awarded ISO EN 9001 certification. Six plants have been awarded ISO TS 16949 certification. ISO EN 9001 lays down general requirements for the company's quality management system, while ISO TS 16949 has been developed specifically for the automotive industry and imposes the most stringent requirements on suppliers. The plant in Markdorf, Germany, will be audited in 2015 with a view to receiving its ISO TS 16949 certificate.

Kendrion (Eibiswald) GmbH in Austria received, as the first Kendrion location, the ISO 50001 certificate. ISO 50001 is a relatively new international energy management standard. This standard is focused on the reduction of organisations' energy consumption on the basis of a detailed insight into their energy consumption and use of energy. ISO 50001 also imposes requirements on the results from the organisation's management system, which must focus on continual improvements in its energy performance, the provision of the information and resources required to achieve the targets, and the provision of assurances for compliance with the relevant statutory requirements. The efforts of Kendrion (Eibiswald) GmbH were rewarded with the second Kendrion CSR Award. The location was also granted the Daphne Award by the Austrian authorities. Preparations are ongoing to enable Kendrion's biggest plant, that in Villingen in Germany, to gain this certificate in 2015. Kendrion intends to roll out the certification process to other companies during the following years.

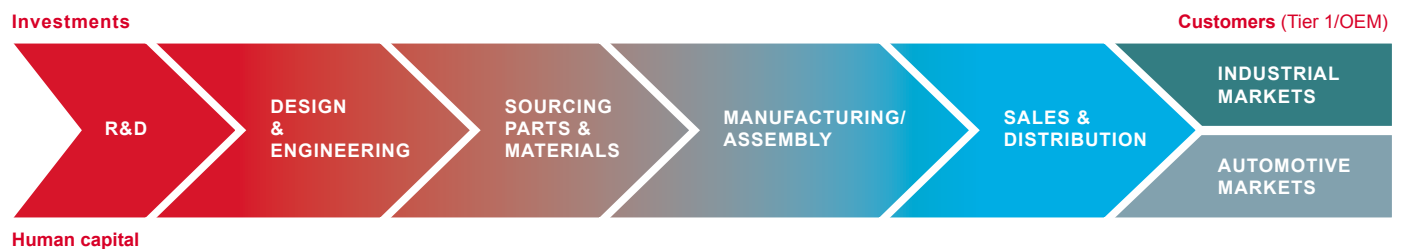
## » Business processes

*One of the spearheads for the coming years contained in the Taking Responsibility programme is to interlink the key CSR topics and targets further with the strategic targets and the day-to-day business processes of the operating companies.*

A number of measures related to this will be introduced from 2015. Parts of the measures related to the ISO 50001 certification process, independent of the certification process itself, will be implemented in various companies. This will involve such things as requirements in the areas of sustainability, safety and ergonomics being laid down in relation to machines and production equipment ordered by Kendrion. Furthermore, each business unit will make a start on drawing up its own annual CSR plan which will be integrated as much as possible with the regular budget and midterm business plan. The parts of the variable remuneration of top managers which relate to CSR objectives will eventually be able to be connected with the business units' individual CSR plans.

In the course of 2015, a Taking Responsibility toolkit will be prepared designed to offer business units and plant managers as much support as possible in this whole process. The toolkit will include as many potential measures and best practices as possible. In this way, Kendrion creates the right preconditions for the business units to become even more (pro)active in this area.

### Value chain Kendrion





*The environment, energy, waste, HR issues, labour standards, sustainability, recycling, CO<sub>2</sub> reduction are all aspects of the Kendrion corporate social responsibility programme. The CSR Board was introduced to coordinate and advance our CSR strategy. Meet Wencke Volkmann and Kathrin Grahl, who have been CSR Board members since the integration of Kuhnke into Kendrion.*



CSR Board members  
Kathrin Grahl (l) and  
Wencke Volkmann (r)

## *‘CSR within Kendrion is much more than a slogan’*

‘The topics and issues the CSR Board deals with were not new to us at Kuhnke. Before we joined Kendrion, we had people working on all these concerns,’ explain Kathrin Grahl and Wencke Volkmann. ‘But it is good to combine all the separate efforts in one headline goal. The CSR Board brings it all together and tries to make connections between what’s happening at the corporate level and what’s happening at the different locations. This ensures we are all moving in the same direction and contributing to the overall strategy.’ All members of the CSR Board have their own individual activities and responsibilities. Kathrin’s duties involve the coordination between the CSR Board and the divisional / business-unit levels on HR topics such as health management and labour standards. Wencke is responsible for transparent, standardised and accountable reporting on the progress made.

### **Standardisation**

Kendrion complies with the UN Global Compact standards by achieving its CSR objectives. The UN standards provide a framework to help companies integrate human rights, labour standards, environmental stewardship and anti-

corruption into their strategy and operations. In conforming to these standards, Kendrion has committed itself to applying a comprehensive sustainability reporting framework, developed by the Global Reporting Initiative (GRI). Wencke Volkmann: ‘Progress can be made by using standards, comparisons between companies and reliable statements as to our position. Our CSR Report is based on a selection of key performance indicators (KPIs). At the end of 2014, we adapted these in line with the latest version of the GRI standards and our new CSR Programme ‘Taking Responsibility’. This all took a huge effort. The quality of the CSR Report, the reporting process and the data collection system will be reviewed in an external audit.’

### **Challenge**

Kathrin Grahl: ‘Implementing CSR is a dynamic process, focusing on continuous improvement. We have developed a long-term strategy which embraces all relevant topics and actions. I think we are on the right track. CSR within Kendrion is much more than just a slogan. But there is still a lot of work to be done. Our aim should be to inform everybody even more

transparently and completely. CSR should be at the top of everybody’s agenda because, as far as I’m concerned, Kendrion is not only about business and profit, but also about people and the environment.’

Wencke Volkmann: ‘I find it an interesting challenge as a controller to combine our profitability goals with our CSR-related goals. Investments in CSR should always be measured against their returns. In some cases though, it’s still hard to express these returns in financial terms. CSR also generates non-financial profits. This sometimes leads to very interesting discussions between CSR Board members.’

Kendrion Eibiswald in Austria is the proud recipient of the first ISO 50001 certificate. It also received the Daphne Award from the Austrian authorities for its efforts.



## Energy & CO<sub>2</sub> reduction

### Target 2014

15% reduction of absolute and relative CO<sub>2</sub> emission compared to 2012 for biggest European plants (including Kuhnke)

Energy scans in US plants and Kuhnke plants

Second combined heating / power unit in Villingen, Germany

### Result



### Ambition 2015

10% reduction of relative CO<sub>2</sub> emission and energy consumption compared to 2014 for biggest plants in Europe, USA and China

Preparations for new energy systems in Malente, Germany and Shelby, NC, USA

Preparations for heating / power unit in Engelswies, Germany

LED project roll out to biggest plants in Europe

### Ambition 2017 Taking Responsibility

25% reduction of relative CO<sub>2</sub> emission compared to 2014 for the group

New energy systems installed at Malente and Shelby

### >> General

Kendrion bears and wishes to assume its responsibility for environmental issues. Kendrion endeavours to make efficient and less use of energy, and encourages the company's employees to make continuously improvements to environmental procedures. This can represent a meaningful contribution to combatting climate change and the exhaustion of fossil fuels. It can also lead to direct financial savings for the business.

### >> Production process

The environmental risks associated with Kendrion's production processes are generally relatively low. The processes require the use of relatively few substances with a potential environmental impact.

## >> Energy consumption

The energy consumption reduction programme in 2013 and 2014 focused on the company's five plants in Germany, the plant in Austria (Eibiswald) and the plant in the Czech Republic (Prostejov) representing approximately 80% of the group turnover. Kendrion will gradually include the energy data of other plants over the coming years, starting with the plants in the USA and China. The consumption of power, fuel oil and natural gas in 2012, 2013 and 2014 can be presented as follows:

Energy consumption		Conversion	2014, incl. Kuhnke	2014	2013	2012
Power	kWh	–	14,875,859	10,936,099	10,730,518	11,604,604
Fuel oil	ltr	1 ltr = 10.1 kWh	140,882	140,334	100,292	106,529
Natural gas	m <sup>3</sup>	1 m <sup>3</sup> = 11.2 kWh	763,563	586,249	650,704	552,775

Energy consumption			2014, incl. Kuhnke	2014	2013	2012	Δ % (2014/2012)
per EUR million turnover							
Power	kWh		42,415	45,715	48,119	51,279	(17.3)
Fuel oil	ltr		402	587	449	471	(14.7)
Natural gas	m <sup>3</sup>		2,177	2,451	2,958	2,442	(10.8)

The 2014 target specified a 15% reduction per EUR million turnover, including the Kuhnke plant in Germany, compared to 2012. The target was nearly achieved.

## >> Investments

Kendrion invested more than EUR 2 million in energy-efficient systems for the largest European plants during last years, with limited payback periods. These investments include the installation of two new combined heating and power systems in Villingen, Germany. Several further projects in various plants are executed or still in progress. In combination, these projects will result in relatively substantial energy and CO<sub>2</sub> savings. An example is the implementation of energy and air pressure metering systems per production line in Eibiswald, Austria. This led to the group's first ISO 50001 certificate.

In 2014, Kendrion once again devoted a great deal of effort to the reduction of production-line energy consumption in and around the workplace, for example by a more efficient use of equipment and of air-conditioning systems. LED lighting pilot projects were also launched at a number of plants and will be expanded to several more plants in the course of 2015.

## >> Reduction targets for emissions

The CO<sub>2</sub> emissions (Scope 1 and 2 of the Greenhouse Gas Protocol) from the company's plants in Germany, the plant in Austria and the plant in the Czech Republic can be presented as follows:

CO <sub>2</sub> emissions		2014, incl. Kuhnke	2014	2013	2012	Δ % (2014/2012)
Absolute						
emissions	tons	4,643	2,319	5,047	5,548	(16.3)
Relative	t / million					
emissions	turnover	13.2	9.7	22.6	24.5	(46.1)

The calculation of the CO<sub>2</sub> emissions is based on the following conversion factors:

- Electricity generated from renewable sources: 0,017 kg/kWh;
- Electricity generated from non-renewable sources: 0,366 kg/kWh;
- An average conversion factor for fuel oil and natural gas of 0,200 kg/kWh.



The results from energy scans and other reviews of potential energy projects carried out at Kendrion plants in 2013 contributed to the specification of more comprehensive targets for the reduction of the plants' energy consumption and CO<sub>2</sub> emissions for the year 2014. The target prescribed a 15% reduction of the total CO<sub>2</sub> emissions, in both absolute and relative terms, of the largest European plants and Kuhnke's German plant by the end of 2014 (as compared to 2012). This was an extremely ambitious target. After this target was set, Kendrion's European electricity supplier notified the company that changes it has been compelled to make in the sources of its power deliveries will result in a substantial increase in CO<sub>2</sub> emissions as from 2014. This is due to the fact that in the past the supplier's deliveries used to include electricity generated by German nuclear power stations. These are scheduled to close within the near future. At that moment the supplier did not have sufficient access to alternative sources of clean energy to absorb this shortfall and, as a result, was temporarily compelled to fall back on coal-fired power stations. As a result of extensive discussions with the supplier, Kendrion was able to conclude a new 'green' contract, securing the delivery of electricity whose production involved zero CO<sub>2</sub> output. As a result, the original target could be reconfirmed. The target has been achieved, also because of the investments described before.

## » Transport

It is opportune to reduce travel and transport movements wherever possible. In most cases, the customers are responsible on the basis of agreed Incoterms for the transport of Kendrion's products. In that sense Kendrion has no direct influence on this. However, in Germany Kendrion does intend to gradually switch to an even more 'green' car fleet (of a moderate size), although the pace will be tempered by a number of current contracts. The lease car scheme applicable in Germany has been reviewed to assess options. This has resulted in the decision to offer German lease drivers the option of switching to lease cars with a smaller engine capacity and, consequently, lower emissions, whereby they will then be offered the opportunity of allocating a portion of the resultant difference in the purchase price to the purchase of extra features. The lease terms and conditions applicable in other countries were reviewed during the course of 2014. However, as this did not lead to major improvement potential, it was not a priority.

The number of (individual) video conference options have been expanded to reduce travel, as planned.

## » 2015 and beyond

In line with the Taking Responsibility programme, the decision has been made to work with a new three-year objective. The objective is to achieve a 25% reduction in both relative energy use and CO<sub>2</sub> emissions compared to the end of 2014. The decision has been made to base the relative objective on the added value and no longer on the revenue. This will allow for a clearer picture. Further steps can be taken in the area of energy efficiency, especially at the Shelby plant in the USA. In addition, the roll-out of ISO 50001 certification and the LED project to various other large plants over the next three years should result in further improvements.



*'Most politicians passionately advocate the use of wind turbines and solar panels to generate energy. But CO<sub>2</sub> measures could be so much easier and more effective if we were also to invest in energy-reduction in industry,' says Heinz Jankowski, member of the Kendrion CSR Board and Facility Manager of the Villingen plant in Germany. He proves his point in his day-to-day work.*



Heinz Jankowski

## Combining personal drive and business goals

Heinz Jankowski joined Kendrion 23 years ago as an engineer. He then became a Production Manager and has been Villingen's skilful Facility Manager for more than eight years. His long history with the company enables him to relate to the people, the product and the production processes and to operate as a 'go-between' for management and the shop floor. His commitment to providing solutions for energy use and CO<sub>2</sub> reduction is based on his personal engagement with these urgent social issues and topics: 'At home, I'm very strict about monitoring my weekly energy use and taking appropriate measures. And a growing number of my colleagues are too. They sometimes even ask me to come to their homes to check for instance why their heating system is using so much energy. I'm more than happy to help out.'

### Growing awareness

'We should be similarly aware of the role we can all play in cutting carbon emissions at Kendrion,' Heinz Jankowski believes. 'I'm very pleased to see that this awareness is growing. And that Kendrion is taking its social responsibility very seriously by investing money in practical measures focusing on energy reduction. For me personally, that's very inspiring and motivating.'

Within Kendrion, Heinz is responsible for environmental issues at all European and US locations. He has managed to cut down considerably on the use and the cost of energy at most of these sites, or he is in the process of doing so. The procedure Heinz applies always starts with defining what is locally needed in the way of heating, cooling and use of water. The next step is the use of measuring instruments to monitor how well the existing energy systems function. After that, decisions are made with regard to optimising existing systems and investing in new ones.

### Optimising systems

Heinz Jankowski: 'So much can be done to optimise what's already there; for instance, just by mixing external and internal air in the right way. But there's no standard solution. Every situation demands a tailor-made approach. In Shelby, NC, USA, we are working towards a new, far more efficient energy system. In Donaueschingen, Germany, we have implemented a new combined power and heating system, which is smaller but more efficient.'



The LED project, which Heinz started in Villingen, is part of the location scan and the company-wide energy-reduction programme. All German locations have been analysed and are preparing for the old lighting to be replaced with LED. Heinz Jankowski: 'When used optimally, the return period on the investment here is achieved in eight months! Generally speaking, we work with return periods of four to five years for investments in this particular area.'

### Next step

Eibiswald in Austria was the first Kendrion location to be granted the ISO 50001 international standard for energy management systems. The measures taken at all Kendrion locations will eventually comply with this. The roll-out of the standard to all European and US Kendrion plants is a major project for Heinz in the future: 'Bigger plants are ISO 14001 certified apart from Engelswies and Donaueschingen. Once these two locations also comply with this standard, the next step will be the introduction of ISO 50001. There's still plenty to be done.'



## Fair labour standards

Target 2014	Result	Ambition 2015	Ambition 2017 Taking Responsibility
Staff satisfaction survey extended to two other business units		Staff satisfaction for two business units (in total covering at least 1/3 of all employees in the group)	Staff satisfaction survey introduced at all plants
Introduction of CSR activities in bonus schedule of other key management		CSR activities in bonus schedule of other key management	
		Review need for separate Human Rights Policy	

### >> General

Despite Kendrion's worldwide strong growth, the number of the company's staff decreased by 2% to approximately 2,700 employees (including about 80 temps) located in 15 countries.

Healthy and happy employees are essential to ensure future success. That is why Kendrion focuses on good opportunities for training and development, good pay, staff satisfaction and a social policy to match. Non-discrimination and diversity are key priorities that define Kendrion's approach to its employees.

Kendrion is a decentralised organisation. Responsibilities are assigned as low as possible within the organisation, and local entrepreneurship is encouraged. Moreover, this enables Kendrion to promote creativity, innovation and offer all business units and their employees an opportunity to develop their full potential. Also Kendrion's Human Resources (HR) policy is decentralised, and local management bears the responsibility for the local HR policy within the specified guidelines. A number of duties are coordinated at a central level by the international HR department in Villingen, Germany. These duties primarily relate to the (development of) senior management, and to the improvement of opportunities for recruitment.

### >> Dilemma

The uncertainty concerning the future economic situation and the volatility in the markets mean Kendrion is forced to be flexible, also when it comes to labour costs. For this reason, Kendrion has attempted to maintain a core of temporary employees, and to build flexibility into contracts, so that changing circumstances can be responded to quickly. There is a tendency among the German government, trade unions and employees towards more certainty for employees. Kendrion is aiming for the optimum solution, taking due regard of all interests.

### >> Bond with the employees

Kendrion's Executive Committee devotes a great deal of attention to the communication of the strategy and the plans of action resulting from the strategy. This ensures that the employees are provided with a clear insight into what is expected of them, and consequently are able to make an active contribution to the achievement of growth. Kendrion's corporate magazine 'Magnetised', for all staff, is published three times a year.





#### **>> Employee representation**

Works councils or employee representatives that have been installed at Kendrion's largest operating companies in Germany, Romania and Austria are, in accordance with the local labour legislation, involved in a wide range of employment, health & safety and social issues. About 60% of all Kendrion employees are represented by these works councils and employee representatives. Collective bargaining agreements govern the terms and conditions of about 60% of Kendrion's employees. In general, Kendrion has a good relationship with the works councils and the trade unions, although on occasion difficult issues need to be discussed.

#### **>> Staff loyalty**

As Kendrion's employees are the company's most valuable asset, Kendrion has implemented a variety of staff loyalty measures at all its plants all over the world. These measures range from individual support to specific programmes and opportunities to the benefit of all Kendrion employees. Kendrion's corporate culture includes the celebration of the company's successes to thank our employees. Kendrion is of the opinion that these events offer company staff a great opportunity to meet each other away from work and to get to know each other better in a relaxed atmosphere.

#### **>> Family and career**

Kendrion continually strives to improve the compatibility of its employees' careers and their families. The company has, for example, introduced flexible working hours for employees who need to care for family members. Kendrion offers individualised work schedule solutions to its German employees with young children who need day care. Kendrion is endeavouring to ensure that employees do not need to decide between 'children or Kendrion', but can decide on 'children and Kendrion'.

#### **>> Remuneration**

As from 2012 non-financial individual performance targets for the improvement of Kendrion's CSR have been set for both the CEO and CFO. The Supervisory Board of Kendrion decided that as from 2013, for both the short-term and the long-term bonus of the CEO and CFO, a considerable proportion of the non-financial performance criteria will consist of CSR and sustainability targets. The fact that such targets now form an important component of the bonus scheme reflects the importance that the Supervisory Board and the Executive Board attach to this. More information on the remuneration of the members of the Executive Board is available in the Supervisory Board's Remuneration Report 2014 that has been published on Kendrion's website. From 2013, CSR and sustainability targets were also included in the bonus scheme for the members of the Executive Committee. As from 2014, Kendrion included CSR performance criteria in the bonus schemes for other key management members. The implementation of these measures and their effectiveness will be further assessed in 2015.

#### **>> Training and management development**

Good management, expertise and motivation are of essential importance to the future, and for this reason Kendrion assigns high priority to management development. The corporate management development programme is supported by the Kendrion Executive Programme, a customised, international modular teaching programme in which the company collaborates with the Rotterdam School of Management. Two members of staff graduated and 12 started out on the programme in 2014.

It is also important for Kendrion to build up the management generation of the future. This is why the company implemented the 'Kendrion High Potential Programme' in 2012. It is a modular training programme covering a period of three years. The first group of fifteen selected high-potential employees from all over the world will graduate in 2015 and the process of nominating a new group of high potentials has started. Taking Responsibility is part of the programme.

In addition, the various business units have implemented training programmes at all levels in the organisation. Managers participate in an individual development assessment.

#### **>> Social policy**

Kendrion is and wishes to remain a conscientious and reputable company. The need to say farewell to permanent or temporary employees, for example due to the economic situation or the loss of projects, can have a great impact for the people involved and their families. Kendrion acts in accordance with the prevailing local conditions and circumstances and with respect for the individual concerned. This has, unfortunately, been necessary at a few of the operating companies in 2014. Fair agreements were reached and employees were given help in finding other jobs wherever possible.

#### **>> Staff satisfaction**

Annual staff-satisfaction surveys are conducted pursuant to the plants of the Passenger Car Systems business unit in Villingen, Germany, Prostějov, Czech Republic and Eibiswald, Austria. These surveys are based on the staff's labour performance (as determined by factors including bonus payments and overtime), participation in social events, the absenteeism rate and the percentage of employees terminating their contract of employment.

A pilot trial project started in 2013 reviewed the feasibility of conducting staff-satisfaction surveys on a more individual basis, including individual satisfaction with the balance between work and private life. The first survey was conducted at Kendrion's plant in Markdorf, Germany. Kendrion intended to roll out this survey, in consultation with the relevant works councils, at other plants of at least two business units in 2014. This target has not yet been reached. However, preparations have been completed which will allow the survey to be carried out in the spring at two of Kendrion's largest plants: those at Villingen and Malente in Germany. This will result in about one third of Kendrion's workforce being surveyed. Preparations will also be made for the roll-out in a number of smaller plants. The three-year Taking Responsibility plan aims at involving all operating companies in the process and this will also create good benchmark opportunities.

#### **>> HR Awards**

Kendrion is very pleased to have received the 'Top Nationaler Arbeitgeber 2014' award for its plants in Germany. Furthermore, Kendrion Kuhnke in Malente, Germany, received the Excellent Young Talent Development Award. The Chinese Suzhou labour security bureau conducted an audit and evaluation of Kendrion (Suzhou) Co. Ltd. This was followed by the award of AAA level credible employer certification to Kendrion (Suzhou). In June 2014, Kendrion's German companies were honoured for a second time with the familyNET award for outstanding family-friendly projects.

#### **>> Diversity and discrimination**

Kendrion's Code of Conduct expressly states that the company does not tolerate discrimination by gender, race, religious denomination, remuneration or any other means when hiring new staff or in dealings with staff in positions of equal importance. Kendrion promotes the formation of a workforce and lower and middle management that reflects the composition of the local population as closely as possible. The company's home market, Germany, and also the USA, have, in particular, implemented detailed and stringent anti-discrimination legislation. Kendrion strives to create a corporate culture that does not tolerate discrimination. No reports were made to these Anti-discrimination Officers in 2014.

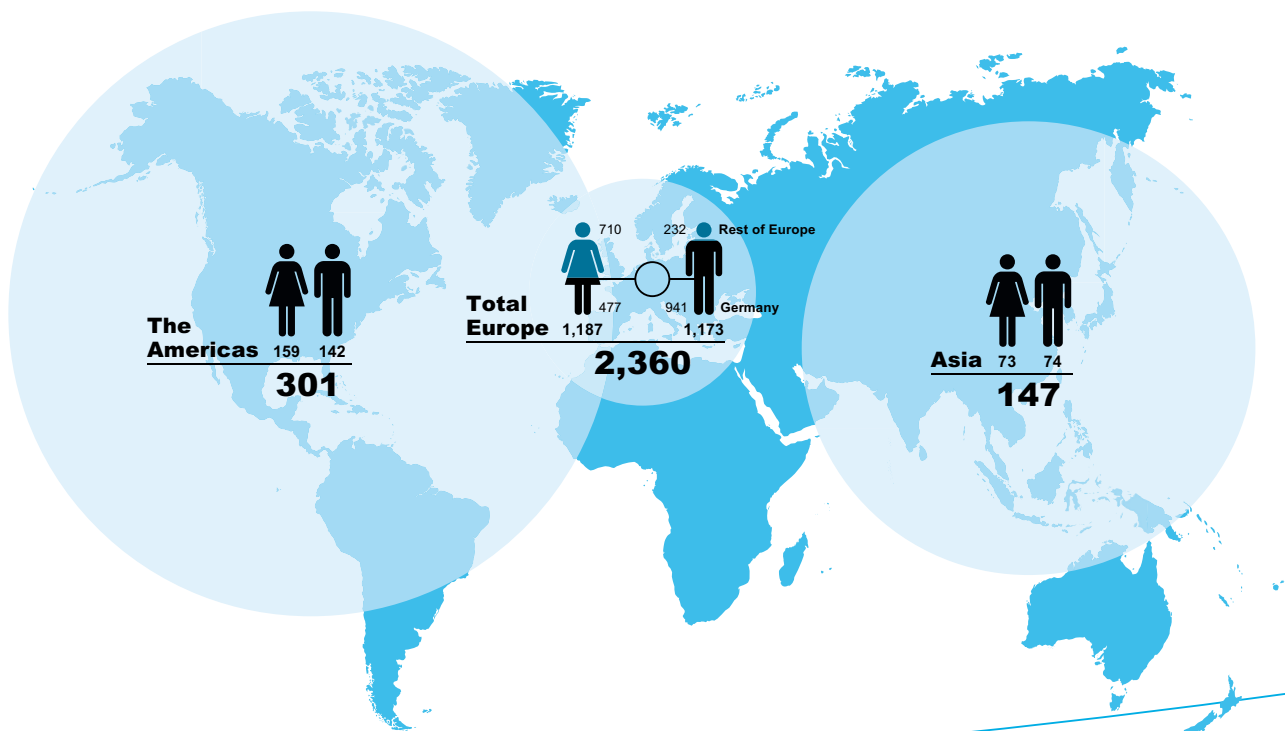
Kendrion attaches importance to the achievement of diversity in nationalities and cultures. This diversity promotes intercultural experience that is highly compatible with the current internationalisation trend. In 2014, Kendrion had employees of at least 40 nationalities.

Approximately 50% of all Kendrion's employees are women. Although it increased to 7.5% in 2014, the number of women in key management positions of the company's operating companies is still relatively low. Kendrion advocates the appointment of more women to company management positions as the company is convinced that this will ultimately lead to more balanced considerations and improved processes and results. When recruiting staff for management positions, Kendrion expressly endeavours to search for women by means including intensive contacts with universities. However, the number of women who are following or have followed a technical education and are available for management positions in the company is low. This is a problem confronting many high-tech companies, in particular in Germany, which cannot readily be addressed by Kendrion in autonomy.

#### Personnel: key figures

	2014	2013
Total number of employees at 31 December	2,808	2,860
Number of women in permanent employment	1,233	1,247
Number of men in permanent employment	1,215	1,219
Number of employees with a fixed-term contract	360	394
Number of permanent and temporary employees at 31 December (FTE)	2,713	2,756
Number of direct employees (FTE)	1,443	1,504
Number of indirect employees (FTE)	1,192	1,165
Number of temporary employees (FTE)	78	87
Average age of women	41.3	40.7
Average age of men	40.9	40.9
Average age of all employees	41.1	40.8
Average number of years' service	10.4	10.1
Average rate of absenteeism per employee (%)	2.3%	2.8%
Wage costs per FTE (EUR)	44,875	44,567
Training costs (as a % of wage costs)	0.8%	0.8%

#### Kendrion staff worldwide







## Health & safety

Target 2014	Result	Ambition 2015	Ambition 2017 Taking Responsibility
Less accidents than in 2013		Less accidents than in 2014	Zero accidents
Absenteeism rate on comparable level and not above 4% for direct and not above 3% for indirect personnel in each plant		Absenteeism rate on comparable level and not above 4% for direct and not above 3% for indirect personnel in each plant	Absenteeism rate on comparable level and not above 4% for direct and not above 3% for indirect personnel in each plant
Increase health activities in China and USA		Increase efficient health activities	
		International HR workshop and trainings covering work life balance and burn-out	
		5S system for clean working space fully implemented in two more plants	5S system for clean working space fully implemented in all plants

### >> General

Kendrion regards a healthy and safe working environment as one of the rights of its employees. Kendrion's quality, environmental management and safety systems are usually combined in one system which forms the basis for the implementation of many projects. Virtually all of Kendrion's operating companies comply with the most stringent quality and safety requirements. The requirements include the appointment of safety officers and the periodic training of employees in health & safety issues.

### >> Accidents / Lost-Time-Injuries

Kendrion's continual attention to the safety of the production processes has enabled the company to keep the number of accidents relatively limited in the past years. The total number of accidents and Lost-Time-Injuries (LTI) at Kendrion in the last years was:

Accidents	including Kuhnke		excluding Kuhnke		
	2014	2013	2014	2013	2012
Number of accidents	50	38	32	27	46
LTI (days)	506	141	475	111.5	323

Excluding those at Kuhnke, the number of accidents was 32, which is a slight increase compared to the number in 2013. No fatal accidents occurred in the years 2011 – 2014. Kendrion does not consider this number of accidents to be satisfactory and reducing this figure must consequently be given increased attention because safety is a top priority. Further analyses of the nature of these accidents and their circumstances did reveal that there were no indications of shortcomings in the safety or working conditions of the employees. Kendrion's objective is to further reduce in the total number of accidents at its plants, ultimately bringing it down to zero. The achievement of this objective will be measured on a monthly basis and furthered by an evaluation of the cause of every accident to review the feasibility of implementing improvements in safety procedures, working methods and production lines. The work will include the implementation in 2015 of the 5S philosophy whose objective is clean and safely organised workplaces in all plants. See page 42 for more information. The LTI rate was up on 2013 as a result of a few cases concerning employees who were absent for extended periods following accidents.

## >> Absenteeism

	2014	2013	2012
Absenteeism rate	2.3%	2.8%	2.6%

Kendrion's overall absenteeism rate was 2.3% in 2014, which is very low for the company's type of industrial operations and geographical spread, and a clear improvement compared to last year. The objective is to retain the rate at approximately the same level in future years, whereby the rate for direct employees should not be above 4% and for indirect employees not above 3% for each individual plant. This target was achieved in 2014 in almost all plants. A low absenteeism rate is indicative of healthier employees and an agreeable working environment. A lower rate also results in less stress for the colleagues of employees on sick leave and lower costs for the company.

Kendrion shall also endeavour to achieve this objective by adopting an individual approach. When the absenteeism rate of specific departments or employees is relatively high Kendrion conducts individual discussions with those directly involved and implement measures designed to ensure that the employees recover as quickly as possible and return to work.

An international HR workshop will be organised in 2015 during which specific attention will be paid to work-life balance and stress factors.

## >> Health programmes

Many Kendrion companies have implemented programmes to promote their employees' health. A variety of plants that account for approximately 70% of all Kendrion's employees offer a free weekly basket of fresh fruit and mineral water. Many Kendrion employees are offered free stop smoking courses. Kendrion shall promote the roll-out to other plants in the coming years. This is also the case with an initiative in which employees are offered an opportunity to receive an influenza vaccination during working hours.

In 2014, employees at various plants in Europe and Asia were able to participate in an annual health day that offered them a general health check (blood pressure, diabetes, etc.). Other examples of measures include training courses designed to avoid back complaints, ergonomic advice and grants to attend a gym at various locations. In addition to the aforementioned initiatives, Kendrion also frequently organises social events such as sport activities designed to strengthen the relationships with and between its employees. These programmes will be continued and extended where possible in 2015.

### To your good health!

The management of Kendrion Kuhnke in Malente, Germany, is collaborating with the health circle to launch the 'Wasser marsch...' campaign for all employees in Malente. The aim is to encourage the employees to drink sufficient liquid, preferably water if possible.



### Fit@Kendrion

These days, stress causes many health problems. The working environment can also play a role in this. Kendrion offered its employees in Villingen, Germany, a training course to prevent mental stress and burnouts. The course covered topics such as inner motivation, work-life balance and problem solving. The intention in 2015 is to offer this training course at more plants in Germany.



*Did you know that people in companies waste an hour a day on average looking for information or 'things', such as documents, tools, e-mails, parts... Multiplying these hours by the number of employees adds up to thousands and thousands of wasted minutes every day. 5S is one of the instruments that could help solve this problem. Kendrion Eibiswald and Prostejov are two of the companies that have implemented the concept and are starting to reap the rewards.*



Martina Svobodova and Josef Porta

## On the safe side with 5S

5S – which has its origins in the production environment and is part of the Lean intellectual legacy – is a practical tool to raise the awareness of employees with regard to their workplace. A person who manages to keep his or her work environment tidy, clean and well organised is focused, in control and works in peace and quiet, and in a safe environment. 5S shows how to organise a workspace so as to achieve increased safety, efficiency and effectiveness by identifying and storing items used, and by maintaining the area and its new order. 5S refers to five Japanese words:

- seiri – sort: keep what you need
- seiton – straighten: store things so that you can easily find them again
- seiso – shine: keep things clean
- seiketsu – standardise: do things in the same (right) way
- shitsuke – sustain: persevere, with willpower and devotion

### Improvements

Kendrion Eibiswald in Austria started implementing the 5S concept three years ago. Josef Porta is responsible for its progress: 'We split the factory and offices into smaller areas and involved everybody

in optimising their own work environment on the basis of the 5S concept. Literally everything was included and scored, ranging from ergonomics and safety to lighting. The scores were used to develop plans and actions aimed at improvements.' Last year, Martina Svobodova and Tomas Soldan did the same at Kendrion Prostejov in the Czech Republic: 'Mess is an international word, so to speak. We started 5S by taking pictures and providing examples and training sessions to show how things could be improved. It has slowly but surely become part of the internal culture to take responsibility and contribute towards improvements wherever necessary and however small.'

### Commitment

Martina, Josef and Thomas can now contentedly conclude that 5S has influenced behaviour and helped make things better. And it has also proved a lot of fun: '5S is an ongoing process. By regularly evaluating results, we can continue to focus on the next concrete actions to be taken. It definitely has a positive effect on the motivation and sense of responsibility of all employees. Paying serious attention to all comments, observations and remarks has led to

everybody's commitment being strengthened and better quality, safety and higher productivity being generated.' The S of 'Safety' in the context of 5S refers to creating a safe workplace and preventing accidents and injuries. Martina: 'When a new colleague joins us, he or she undergoes training in general safety rules and procedures. This is also done in regard to special instructions around the individual workplace. This workplace training is repeated once a year in the case of every individual employee. We are proud to say that we had no accidents at all in 2014.' Josef adds: 'The information boards around our premises represent an important aspect of our safety procedures. This is how we keep track of the number of incidents and accidents, and provide everybody with the background information needed to prevent accidents from happening again. All Kendrion locations are different of course, but I am sure they would all benefit from implementing 5S.'





## Business ethics programme

Target 2014	Result	Ambition 2015	Ambition 2017 Taking Responsibility
100% acceptance Code of Conduct		100% acceptance of revised Code of Conduct	100% acceptance Code of Conduct
Roll-out compliance training and audits		Roll-out competition regulation training	Full and efficient functioning of compliance programme
		Introduce third party risk assessment tool	Third party risk assessment tool fully implemented at all plants

### >> General

Kendrion believes it is very important that all activities at the company are conducted with integrity and aims to foster and promote a culture in which this is a given. Besides the 'tone at the top', Kendrion has a set of internal policies and procedures in place which contribute to ensuring this ethical culture – these are detailed below.

### >> Governance – internal codes and procedures

#### Code of Conduct

Kendrion has implemented a Code of Conduct in its organisation that applies to all Kendrion staff. The principles and best practices established in this Code reflect the main values that need to guide Kendrion's staff in the performance of their duties. The core themes include market position, authorities, corporate social responsibility, accountability in general, and the obligation for due care regarding safety and health, the environment, and social interests. Kendrion promotes compliance with the Code of Conduct by continually bringing the Code to the attention of (new) managers and staff in their own language. Preparations were made in 2014 for a change to the Code designed to lay even more stress on anti-bribery and corruption. This change will be implemented at the beginning of 2015.

#### Whistleblower's Charter

Kendrion attaches great importance to the organisation's compliance with the Code of Conduct. Employees who observe a (suspected) irregularity are encouraged to enter into discussions with those directly involved or with their supervisor. When this is not feasible or fails to achieve results, then they may make use of the procedure laid down in the Whistleblower's Charter. The Whistleblower's Charter offers Kendrion's employees an opportunity to report irregularities or suspicions of irregularities to the management without jeopardising their (legal) position. Any such report gives cause to an internal investigation. Within this context, Kendrion has also appointed Confidential Counsellors whom employees can contact to make confidential reports of (suspicions of) irregularities.

Three irregularities were reported in 2014. Following investigation, two of these reports were deemed unfounded. The third issue (an accusation of unauthorised use of company assets) was confirmed true but had negligible financial impact and no operational impact. Adequate measures have been taken against the employee involved; also in order to prevent such incidents in the future.

#### **Anti-Bribery & Corruption policy (AB&C)**

Kendrion is committed to combating corruption in all forms, including extortion and bribery. Corruption obstructs or impedes economic development and results in an unequal distribution of wealth. In addition, involvement in corruption can result in damage to and the loss of the reputation of Kendrion, the management and employees. Kendrion's Code of Conduct devotes specific attention to this issue. They are not allowed to request or suggest, seek or offer, accept or pay any form of bribe in either monetary or any other form. Any irregularities may be reported pursuant to the Whistleblower's Charter.

In view of the importance of combating corruption and the increasing attention to its prevention in the relevant legislation and from the investigative authorities, the company has decided to adopt a proactive approach to bringing the employees' attention to this issue, in particular in those countries in which Kendrion is active and corruption is frequent. An AB&C policy was implemented. This policy has resulted in measures including the performance of further risk analyses and due diligence of business ethics when entering into new business relations. The company furthermore rolled out a compliance workshop in 2014. In this way, Kendrion remains active in further eradicating the risks of corruption.

An online compliance training course was developed in 2014. It deals with Kendrion's policy and guidelines regarding gifts and hospitality, political and charitable donations and bribery and corruption. Several hundred employees are now following the course. A similar training course dealing with competition issues will be developed during 2015.

The increasing complexity of the business and the regulations governing it has led to the decision to introduce a new legal & compliance plan that will describe the legal and compliance checks necessary in various situations. The plan will include the introduction of a new guideline on the implementation of third party due diligence. A legal & compliance audit plan has also been drawn up which will form the basis for audits of all operating companies to be carried out every three years.


However, these and all other measures do not provide any guarantee that no cases of corruption will arise. If there is any case of fraud, or any suspicion of fraud, then Kendrion will respond appropriately via the investigation protocol the company has developed for this purpose.

#### **Other internal regulations**

Kendrion has implemented internal regulations to prevent insider trading. In addition, the Executive Board and the Supervisory Board are governed by restrictions on trading in other listed companies. Kendrion's Compliance Officer is entrusted with the supervision of compliance with the regulations. Kendrion has implemented a structured risk management framework. Comprehensive information is available in the 2014 Annual Report.



## Community investment

Target 2014	Result	Ambition 2015	Ambition 2017 Taking Responsibility
Six students in India project in 2014; first apprenticeships started		Keep at least six students in India project; continuation of apprenticeships	First students graduated and offered employment contract

### >> General

Kendrion intends to engage in community investment efforts as a means of promoting development and benefiting local stakeholders. An appropriate approach to community investments can help in establishing mutually beneficial relationships between Kendrion and its local stakeholders and in contributing toward long-term improvements in the quality of life of local communities in a manner that is both sustainable and supports the company's business objectives. At present, the local management bears the responsibility for determining the degree to which Kendrion companies are involved in community investment projects, as they are in the best position to determine the optimum means of providing local communities any necessary support.

### >> Human rights

Kendrion holds it to be important that human rights and the related international regulations are respected throughout the chain. This is why the subject is covered in the Supplier Code of Conduct and in the CSR audits of Kendrion's suppliers. A decision will be taken in 2015 as to whether a separate policy is necessary regarding the issue.

### >> Sponsoring and charitable donations

Kendrion introduced a sponsor and donation policy for all local operating companies that can assist managers in reaching appropriate decisions on these investments. The objective is to arrive at more strategic choices with an impact and to link to strategic issues relating to the business, such as education. An increasing participation of the employees, many of whom originate from the local communities, will then be of importance. Kendrion was responsible for more than 30 sponsoring activities and donations to charitable funds in 2014, including local Red Cross organisations, support for a number of scientific activities and education for children.

### >> Interaction and volunteers

Kendrion promotes interaction with the company's environment by means of including initiatives such as 'Girls days' and open days for schoolchildren and family days in various plants. Kendrion also organises regular meetings for its retired employees. In 2014, Kendrion's site in Villingen, Germany started an initiative to highlight and raise awareness of employee volunteer work: [volunteers@kendrion](mailto:volunteers@kendrion). See the interview with Manuela Casper on page 48 for more information.



### » Corporate community investment project in India

Kendrion is active in a number of countries which are developing rapidly but still exhibit substantial inequalities in the inhabitants' standards of living and opportunities. Kendrion does not neglect these issues. One example is India, where Kendrion began a greenfield operation in Pune in 2011. Kendrion is convinced that especially economic activity can contribute greatly to further growth.

Kendrion started in 2012 a project to enable deprived young people in India to follow a technical education together with the College of Engineering in Pune. The college is an autonomous institute of the government of Maharashtra, the province where Pune is located.

Since then, six scholarships have been awarded to poor students of the Electrical, Electronics or Mechanical Engineering faculty who have good study results and an interest in electromagnetism. At least half of the selected students is female, as girls and women are at an even bigger structural disadvantage. The selected students have the opportunity to do summer apprenticeships at the Kendrion plant in Pune. The intention is to offer some of them a job after graduation. Kendrion was able to increase the number of scholarships to six in 2014.

### » Support of local economies

Kendrion offers its employees good terms of employment which are always assessed against local benchmarks. Kendrion has implemented a local sourcing strategy when the nature of the products and the quality of the suppliers permit procurement in the region.

Kendrion N.V. became a participant in the Utrechtse Ondernemers Academie ('Utrecht Academy of Entrepreneurship') in the Netherlands in 2013. This Academy helps starting and young innovative companies that are based in the region where Kendrion has its head office to develop their operations at both national and international level. Kendrion's staff make use of their own knowledge and expertise in providing these companies the high-grade support they need. This assistance is beneficial to the region's economic growth.

### » Dilemma

Sometimes, because of commercial conditions or market developments, the decision has to be taken to make some employees who work in a local operating company redundant. In a small number of cases, the closure or relocation of production facilities may be necessary. The employment opportunities in the communities concerned can then be reduced, with all the inevitable impact of this. The individual employee's interest in permanent employment needs to be weighed against the company's interest in its continuity. Kendrion therefore does not take such decisions lightly, and always takes them with due regard for the applicable local social regulations and circumstances. Kendrion consults with the relevant trade unions and works councils in an endeavour to arrive at reasonable solutions.

### » Tax policy

Kendrion strongly believes that pursuing a transparent and honest tax policy is a part of doing business. This is in line with the group's Code of Conduct. In addition, the interests of all relevant stakeholders – a.o. customers, local communities, governmental institutions, shareholders – need to be balanced with this.

Tax payments can contribute to local development. In this respect, Kendrion does not only pay a substantial amount of corporate income tax in the countries where it does business, but is subject to several other taxes such as VAT, pay-as-you-earn tax deductions (withholding tax), payroll taxes and property taxes. Kendrion believes it has an obligation to pay the amount of tax legally due in any territory.

At the same time, it is in the interest of the company's continuity and its financial results to optimise its tax position. This too is part of sound business operations. Kendrion also has a responsibility in this respect to its shareholders to enhance shareholder value. The commercial needs of Kendrion however remain paramount and all tax planning is undertaken in this context. All transactions must have a business purpose and/or commercial rationale: 'tax follows business'. In addition, consideration is also given to the reputation of Kendrion and to its corporate and social responsibilities.

Another important aspect of Kendrion's tax policy is to effectively manage risk and to comply with all applicable tax laws, rules, regulations and disclosure requirements. The aim is to comply with the letter as well as the spirit of the law. Kendrion makes use of the services of accredited tax advisers at both local and group levels and has included tax compliance in its internal audit programme. It goes without saying that in cases where (the interpretation of) the tax law is unclear, the optimal and most legally defensible position is taken. If necessary and feasible, tax authorities will be consulted in advance for additional certainty. Kendrion's aim in this is to be open and transparent towards all authorities and to act with total integrity. Compliance with all anti-bribery legislation is safeguarded.

Transactions conducted between group companies located in different countries are conducted in line with the OECD Guidelines for Multinational Enterprises and other local transfer-pricing regulations. The company uses the Master File concept for transfer-pricing purposes to ensure that coherent and up-to-date principles are applied.

Kendrion is aware of the ongoing OECD BEPS developments in areas including treaty abuse, transfer pricing and country-by-country reporting. Given that Kendrion's tax position corresponds to the geographical spread of the operations and that no aggressive tax structures are employed involving the movement of funds through secrecy jurisdictions (tax havens), the company believes that the impact of these developments is limited. Furthermore, even though Kendrion understands the tendency to use country-by-country reporting to gain more insight into local tax contributions, it has been decided, from the viewpoint of overall competitiveness, not to introduce this particular kind of reporting at this stage.

#### India Community Project update

Two years ago, Kendrion launched a scholarship-sponsor programme for disadvantaged students of Engineering Studies in Pune, India. The first two students to participate in this programme are now in their third year and have one more year to go. Sameer Deshmukh, Managing Director at Kendrion Pune: 'The students have learned a lot, but the same applies to ourselves. We have gained experience, enabling us for instance to

improve our selection methods for new scholarship candidates. In my opinion, this has resulted in a better match with regard to the students we have chosen. They are very enthusiastic and highly motivated. The students are still studying at the college. However they did an internship here at the company during their holidays last May and June. They worked in production for two weeks and in the quality department for a further fortnight. This allowed them to get to know our

people and build up an idea of what it is like to work in 'the real world'. They all agreed it was a very useful experience and that they would therefore like to come back.' The students Kendrion sponsors are brilliant but come from very challenging backgrounds and are financially not very well off. Kendrion offers them the opportunity to finish their university engineering courses without the problem of financial worries.



*For Manuela Casper, HR Business Partner in Villingen, Germany, Kendrion is more than just work. Her engagement with Kendrion and its people inspired her to launch the volunteers@kendrion project. Villingen was the start, but she hopes it will become a success at all Kendrion locations.*



Manuela Casper,  
HR Business Partner  
in Villingen, Germany

## Greasing the wheels of the community

Kendrion employs people from all walks of life. People who work with our company but also use their talents and skills to participate in voluntary work within their community. People who play a vital role in the fields of sports, social work, young children, old-age pensioners, neighbourhood help or any other community initiative. 'It's impossible to separate work and private life completely,' says Manuela Casper. 'Voluntary work is the lubricant greasing the wheels of the community we're all part of. At the same time, Kendrion is more than just the place where you spend eight hours a day. Adding all that together inspired me to find ways to honour and support our Kendrion volunteers. If we want to create a family spirit, it's important to know what our employees are involved in and interested in and what keeps them busy during their time away from the company. That's what the volunteers@kendrion project is based on.'

### Great start

The project was launched last year at Kendrion Villingen, Manuela's base camp. The only criterion for taking part was the personal engagement of the Kendrion employee. Volunteering is not about donating money but about actively

participating in taking a project forward and thereby closer to its goal. Participants were provided with a template to explain their project and personal involvement. Two winners were picked out of the many entries. 'A great start, particularly because all the entries were very useful and worthwhile. The two winners – Marina Zeren for 'Kreistierheim Donaueschingen' and Regina Ilg for 'Baku Yie together as one' – received their awards and their 1,000-euro cheques at our Christmas party here in Villingen. The awards were tokens of our admiration for their work and the money provided modest support for their project. A positive side effect was the interest shown by colleagues, some of whom even offered help. I hope this generates even more entries next year.'

### Closer links

'This is what energises me,' Manuela explains. 'For me Kendrion is not 'just a job'. It's part of my life. I think Kendrion is a great company and worth spending time on. You can really change things here. You can express your opinion and can be sure you'll be listened to. There is room for a personal touch; that's what I like about Kendrion.'

Volunteers@kendrion was a pilot project in Villingen, but Manuela hopes to have the idea taken up across the company: 'Markdorf (Germany) is the next location that's going to implement the concept. It definitely helps build closer links between colleagues and employees and within the company. Little effort, great results; what more can you wish for?'





## Kendrion CSR Award 2014

### Target 2014

Second Kendrion CSR Award at Top Management Meeting

### Result



### Ambition 2015

Third Kendrion CSR Award

Kendrion presented its second CSR Award at the Top Management Meeting held in mid-September in Charlotte, NC, USA. The Executive Board established the Award to stress the importance of putting CSR into practice at Kendrion's operating companies.

After a preselection round, five nominees were in the running for this second CSR Award: Industrial Drive Systems with its greensigned product, the Automotive Division locations in Eibiswald in Austria, Markdorf in Germany, São Paulo in Brazil and Kendrion Kuhnke in Malente, Germany. After an introduction by the CSR Coordinator emphasising the business relevance of the topics in question, the representatives of three nominees gave accounts of their efforts and activities.

The majority vote of the business units and the Executive Committee went to Kendrion (Eibiswald) for its achievements relating to the environmental management software connected with the ISO 50001 certification. Runner-up was Kendrion São Paulo, which showed that it is also possible to bring about many improvements, e.g. in the area of health, with just a small team at a small plant. Thereafter, the valuable progress that Industrial Control Systems and Automotive Control Systems in Malente (third place) had made in energy and CO<sub>2</sub> reduction, health & safety standards and community/employee investments was explained. There was also appreciation for the efforts of Industrial Drive Systems, together with its suppliers, and for those of Markdorf in Germany which achieved energy and CO<sub>2</sub> reductions in the micropulsing and anti-slip protection aspects of its products. Martin Kollmann, Managing Director of Kendrion Eibiswald, proudly received the Kendrion CSR Award 2014 on behalf of his dedicated team.

Kendrion hopes this second CSR Award and the presentations illustrating the sort of activities and results which can be achieved will boost all CSR-related efforts within the whole group. The aim is to present a third CSR Award in 2015.

# Assurance report

## **Independent limited assurance report on the Key Performance Indicators included in the CSR Report 2014 of Kendrion N.V.**

To the stakeholders of Kendrion N.V.

### **>> Engagement and responsibilities**

We have performed a limited assurance engagement on the Key Performance Indicators Energy consumption, Absolute and Relative CO<sub>2</sub> emissions, Accidents and Lost Time Injuries, Acceptance of Supplier Code of Conduct and Number of Supplier audits, as listed in the section 'Short & Simple' of the CSR Report 2014 of Kendrion N.V. (hereafter: 'the KPIs').

### **>> Conclusion**

On the basis of the procedures we have performed nothing has come to our attention that causes us to believe that the KPIs in scope of our assurance engagement have not been prepared and presented in all material respects in accordance with the applicable Specific Standard Disclosures of the Global Reporting Initiative version G4 ('GRI G4') as presented in 'About this Report' on page 51 of the CSR Report 2014.

### **>> Comparative periods**

We did not carry out any limited assurance procedures on the KPIs of the comparative periods.

### **>> Our work as a basis for our conclusion**

Our work was carried out by a multidisciplinary team of experts in assurance and Corporate Social Responsibility. It is our responsibility to issue a limited assurance report on the KPIs. We have conducted our examination in accordance with Dutch law, including the Dutch Standard NV COS 3000 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information'. This requires that we meet the applicable ethical requirements.

The nature and scope of our work was more limited than an engagement to obtain reasonable assurance and can only result in a conclusion that provides limited assurance that the KPIs are not materially misstated. This provides less assurance than an audit.

Our work performed mainly consisted of the following procedures:

- Evaluating the acceptability of the reporting policies and their consistent application for the KPIs;
- Reviewing the processes for data collection and processing of the other information, including the aggregation of data to information as included in the KPIs;
- Performing analytical review procedures on the KPIs;
- Interviewing management and relevant staff responsible for the KPIs at group level.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### **>> Standards applied by Kendrion N.V.**

The management of Kendrion N.V. is responsible for the preparation and fair presentation of the KPIs in accordance with the applicable Specific Standard Disclosures of GRI G4 as presented in 'About this Report' on page 51 of the CSR Report 2014. This responsibility includes the design, implementation and maintenance of a system of internal controls relevant for preparing the KPIs free from material misstatements due to fraud or error, the selection and application of acceptable reporting criteria for corporate sustainability reports, and the preparation of estimates that are reasonable given the circumstances.

Amsterdam, 9 April 2015  
Deloitte Accountants B.V.

A. Sandler

# About this Report

## Ambition 2015

Limited external assurance

GRI 4.0 Core report

Second, improved Carbon Disclosure Project Report

## Ambition 2017 Taking Responsibility

Full external assurance

GRI 4.0 core

This CSR Report 2014 is the fourth CSR Report published by Kendrion. This CSR Report encompasses all the Kendrion group companies in 2014. In a number of instances the information provided in this Report relates solely to part of the operations. When this is the case, it is stated explicitly in the Report, this is due either to the operations not being carried out or the reliability of the data does not yet match with Kendrion's requirements.

This CSR Report, in combination with the 2014 Annual Report and the corporate website, has been compiled by using the guidelines of the Global Reporting Initiative GRI G4 'core level'. The GRI-index can be found on Kendrion's corporate website. For the quantitative information on energy consumption, absolute and relative CO<sub>2</sub> emissions, accidents and lost time injuries, acceptance of Supplier Code of Conduct and number of supplier audits, Kendrion used the GRI G4 Specific Standard Disclosures G4-EN 3, G4-EN5, G4-LA6 and G4-HR 1. The information on accidents, lost time injuries and information on suppliers includes all group entities. The information on energy (G4-EN 3 and G4-EN5) is based on the consumption of Kendrion's production facilities (electricity, gas, oil) in Germany, the Czech Republic and Austria. For Greenhouse Gas emissions (G4-EN 15 and G4-EN 16) Kendrion applies the same reporting scope as for energy. Internal and external transport under control of Kendrion is very limited, therefore transport emissions are not included. Kendrion will evaluate the use of conversion factors in 2015, including the application of country specific indicators for electricity, fuel oil and natural gas. Kendrion reports the total number of work related accidents for own employees and for external employees over which Kendrion has oversight. Furthermore Kendrion reports the absence resulting from work related accidents of own employees. The LTI is calculated based on the total number of lost hours calculated on the basis of actual number of working hours per day. Kendrion does not specify LTI data per region, worker type or gender as Kendrion considers this information not relevant for its current operations. Kendrion is evaluating the definition of the LTI rate to enable better benchmarking. For reporting on the number of signed Supplier Code of Conduct and number of supplier audits, Kendrion makes use of GRI indicator G4-HR 1 in connection to number of suppliers that signed the Supplier Code of Conduct and underwent a supplier audit.

The supplier audits are internal audits by Kendrion employees based on interview questionnaires. For more information on the scope of the Code of Conduct and related audits Kendrion refers to its website (Code of Conduct). The 'percentage of main suppliers that signed the Supplier Code of Conduct' is based on the 20 biggest suppliers in terms of procurement value (in euros).

At the end of 2014, the internal management information system for CSR reporting was improved. It is designed to provide for the collection and consolidation of relevant CSR information from all Kendrion's operating facilities. This is required for the preparation of reliable periodic internal and external Reports about the KPIs. Kendrion realises that the figures and data presented in this Report are not always fully comparable with those of other companies. There are two reasons for this. Companies do not always select the same KPIs or apply the same definitions for them. Secondly the nature and spread of Kendrion's activities mean that one-on-one comparisons with other industrial companies are not easy to make. But where possible Kendrion stated the own prior-year figures and data, to make internal progress visible. Other information used in this Report was collected from the existing management and financial reporting systems. Any estimates or forecasts included in the Report are explicitly referred to as such.

The KPIs on energy, carbon emissions, number of accidents, LTI rate, number of supplier audits and number of signed Supplier Code of Conduct have been reviewed by an external auditor. It will be assessed, within the context of the process of moving to full external assurance, when and to what extent the transition will be made to integrated reporting.



### Contact information

Any questions or comments about this report or Kendrion's CSR activities can be raised with:

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The Executive Board wishes to thank everyone who has contributed to this CSR Report.

### Copy

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### Concept and realisation

C&F Report.

This CSR Report is printed on environmental friendly paper.

More information about Kendrion and the company's strategy, results and products is available from Kendrion's website ([www.kendrion.com](http://www.kendrion.com)). Kendrion's 2014 Annual Report and 2014 Annual Magazine have also been published on the website.



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