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I. STATEMENT OF CONTINUED SUPPORT FROM THE CEO

DEAR SIR OR MADAM,

Corporate responsibility is not a new concept for Freudenberg – on the contrary, it runs like a golden thread through the 166-year history of our company. We believe corporate responsibility is a key factor for our sustained economic success. And it is our stated goal to make our business as environmentally compatible as possible. Environmental protection is firmly anchored in our business processes, and wherever possible we reduce the use of raw materials.

One outstanding feature of our products is their high quality which makes them exceptionally durable. At the same time many of our products make a direct contribution to protecting the environment. For example, we have set new industry benchmarks in the field of surface coatings for metals by substituting non-toxic chromium(III) for chromium(VI), which is toxic and harmful to the environment.

We make every effort to develop sustainable solutions – for better living conditions all over the world both now and for future generations. Filters from Viledon® Water Solutions are used for water treatment and desalination – thus making a vital contribution to supplying the growing world population with fresh water and thereby improving the quality of life. Together with our customers we create value for society.

We also strive to be recognized as a good neighbor at all our sites. Employees at our Haijin site, for example, launched the “Freudenberg Help” initiative to reconstruct a primary school destroyed by an earthquake and to provide ongoing support.

Our dealings with one another, both inside our company and with external partners, are founded on fairness and integrity. All employees are called upon to report any infringement of this principle. The present Ombuds Office is to

become more international and to be flanked by regional Ethics Offices in the Regional Corporate Centers in North and South America as well as China and India.

Environmental protection, occupational health and safety are important issues that receive strong support from Freudenberg and are put into practice throughout our company. Group-wide initiatives strengthen the engagement of every employee, such as “We all take care” which encourages all of our employees to safeguard their and others safety and health. But we still constantly strive to become even better – and expressly commit to implementing the ten principles of the UN Global Compact and to driving these efforts further forward.

Dr. Mohsen Sohi
CEO of the Freudenberg Group



II. THE FREUDENBERG GROUP

i. GROUP PROFILE

Freudenberg is a global technology company supplying innovative products and services to customers in various markets and sectors of industry.

The Group harnesses its outstanding technical expertise to deliver tailor-made solutions to customers in the passenger car and commercial vehicle industry, mechanical and plant engineering, textile and apparel, food and beverage, construction, mining and heavy industry, energy, chemical, and the oil and gas sectors. Customer groupings also include companies in the medical technology, civil aviation, rail vehicles and semiconductor sectors.

Freudenberg develops and manufactures seals, vibration control technology components, filters, nonwovens, surface treatment products, release agents and specialty lubricants, medical technology and mechatronic products. The company develops software solutions and IT services primarily for small-and medium-sized enterprises. Consumers enjoy the benefits of Freudenberg's state-of-the-art household products marketed under the vileda®, O-Cedar®, Wettex®, Gala®, Marigold® and SWASH® brands.

Creativity, quality, diversity and innovative strength are the cornerstones of the company. Freudenberg believes in diverse teams and the excellence of its workforce of over 40,000. Around the world, employees from many different cultures work productively together. Despite their diversity, there is one thing that they all have in common – the values which have become a deeply embedded culture in the course of the company's long history. They provide clarity for our employees, reliability for our business partners and

coherence for the entire Group. Customer value, financial solidity, entrepreneurship, trust, respect, responsibility and a long term orientation – that is what defines Freudenberg worldwide.

Freudenberg sees itself as an enterprise of entrepreneurs. Operational business is in the hands of independent companies whose management conducts business under their own responsibility. These individual companies in turn belong to Business Groups.

Freudenberg has two parent companies: Freudenberg & Co. Kommanditgesellschaft is the Group's strategic parent company. Under its roof, Freudenberg SE is the parent company of the various Business Groups and holds responsibility for managing business operations.

The Freudenberg Group has been in family ownership since 1849. Today, the Group is in the hands of some 320 descendants of the founder, Carl Johann Freudenberg.



ii. WE ALL TAKE CARE

Back in 2002, Freudenberg launched the “We all take care” initiative based on the Freudenberg Group Guiding Principles. The initiative calls on every employee to proactively engage in improving environmental protection, occupational health and safety. Other important issues embraced by the initiative are a commitment to social responsibility and site risk management. In this way, every employee plays a personal role in putting the “Responsibility” Guiding Principle into practice in the working environment. All employees can access the details of successful projects via the Freudenberg intranet, thus accelerating improvement processes. The initiative is one of the items on the agenda of the Corporate Health, Safety, Security, Environment (HSE) Meeting, and its evolution is therefore supported at top management level and by Business Group HSE management.

Every year, Freudenberg honors employees who have demonstrated particular success, progress and outstanding performance by conferring the “We all take care” Award.

The winning projects in 2014 included the following:

Ergonomics

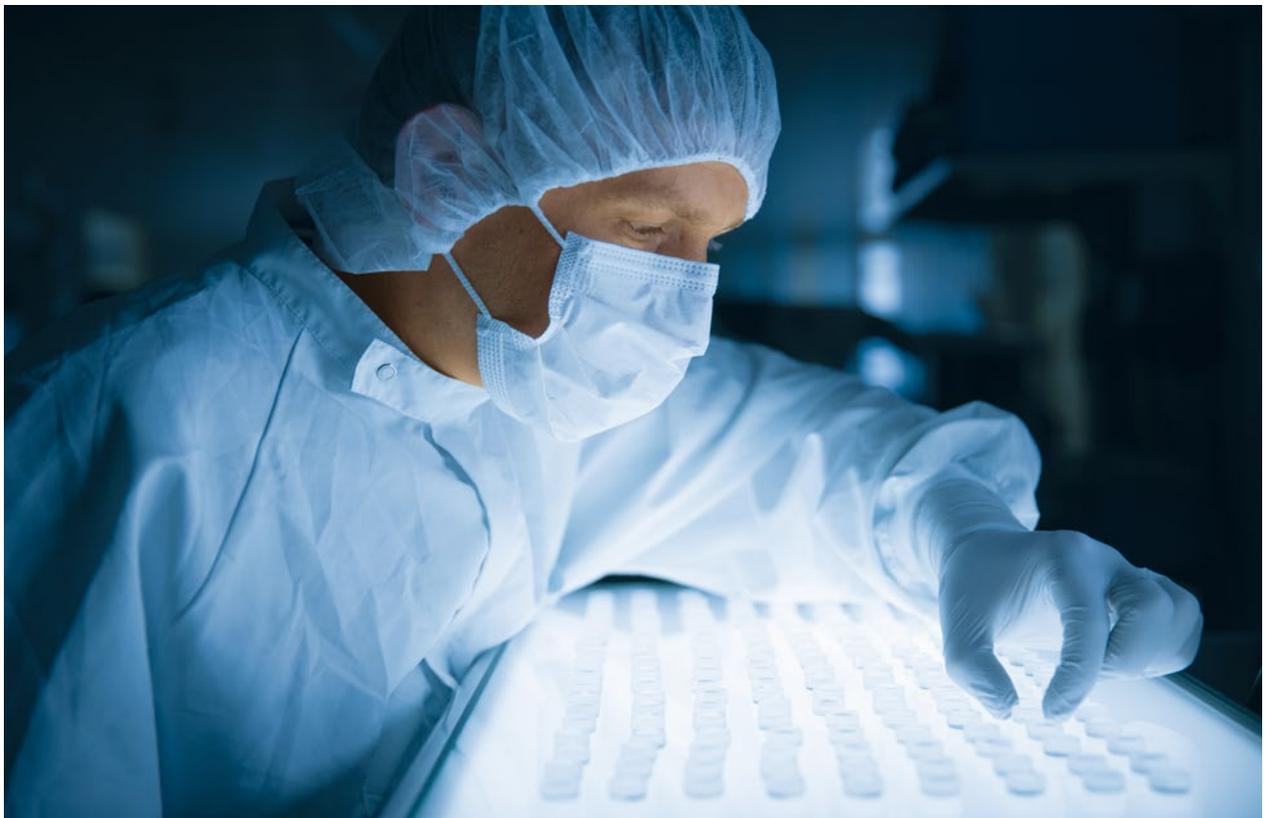
One of the main reasons why people fall ill and are absent from work is complaints of the musculoskeletal system, in muscles and joints. Freudenberg Sealing Technologies (FST) developed an Ergonomics Guide that defines the ergonomic standards for the entire Business Group. The implementation of the guide initiated additional “We all take care” projects and resulted in many concrete improvements. In partnership with the FST Academy, an accompanying practice-oriented training concept for employees was also developed. The two-day training courses are designed to consolidate knowledge and deepen the content of the guide.

Reducing waste

Freudenberg Chemical Specialities in Qingpu, Shanghai, has improved environmental protection at the site. One aim of the Business Group was to integrate employee commitment to environmental protection into daily business life. This specific project was designed to lower resource consumption, as well as to reduce or recycle waste. Today, annual water consumption has been reduced by 45 tonnes. Raw material yield and the proportion of recycled materials have been increased. Conserving resources and efficiency, and environmental and economic benefits go hand in hand. This is an important insight to making environmental protection a matter of course in the minds and actions of employees.

We ~~all~~ take care!

iii. INNOVATION



In 2014, the Freudenberg Group expensed €270.3 million (previous year: €246.3 million) for research and development based on the pro-rata consolidation of the joint ventures. The Corporate Innovation function, in which the former Freudenberg New Technologies Business Group was also integrated in 2014, is responsible for innovation strategy, innovation marketing, public funding and collaborations/networks. The function pools research and development services to support the Business Groups.

Awards

The Freudenberg Innovation Award is the Freudenberg Group's highest internal award for innovations that are already successful in the marketplace. (for examples of product developments, see Chapter IV. Environmental protection)

The 2014 Karl Freudenberg Prize was awarded to Dr. Michael Floßdorf of the German Cancer Research Center at Helmholtz-Gesellschaft Heidelberg for his work on "stochastic

T cell fate decisions” from the field of bioscience. He combined mathematical models and statistical analyses resulting from experimental data. The outcome is an important basis for the development of vaccines or the treatment of diseases such as cancer.

The Freudenberg Group also sponsored the Heinz König Young Scholar Award 2014 of the Center for European Economic Research (ZEW) in Mannheim. The award was presented to Olga Malkova of the University of Michigan, USA, for her work on the effects of parental leave benefits on the birthrate. Her research represents a key contribution to the discussion concerning the effectiveness of family policy measures.

Freudenberg Sealing Technologies received the TOP Innovation Award of the F.A.Z. Institute for 2014. This award confirms once again that the continual improvement process and innovation culture at Freudenberg have found recognition.

Global Innovation Forum and collaboration with scientific institutions

Freudenberg held the 5th Global Innovation Forum in May 2014. This time, the subject was process technologies for the future. The internal event was attended by over 400 participants from all over the Freudenberg Group. Some 250 researchers and developers gathered in Weinheim for the main event. Around 160 further participants in Brazil, USA, China, India and Japan were linked via video conferencing.

Freudenberg has participated in research and development projects supported by the German government and the EU for many years. These funded research and development collaborations between industrial companies and scientific institutions can address issues and problems that can only be jointly solved. In the 2014 financial year, a total of seven German companies in the Freudenberg Group received funding for a total of 16 collaborative projects (12 German, 4 EU) running until the end of 2014 or beyond.

iv. RISK MANAGEMENT

Freudenberg is exposed to numerous risks and opportunities inseparably associated with entrepreneurial action. A risk management system is in place throughout the Freudenberg Group to help the company deal with risks. This is a decentralized system oriented to the Group’s organizational structure which was developed further in 2014. The risk management system was therefore adjusted accordingly.

Various measures to safeguard liquidity are in place which allow Freudenberg to react swiftly to unexpected liquidity-related risks. Such risks are hedged, for example, by solid banking and Partners’ financing and high liquid reserves. Freudenberg has an above-average equity ratio, a stable level of Partners’ reserves through the Partners of Freudenberg & Co. KG, and comprehensive credit lines.

Binding internal guidelines for companies in the Freudenberg Group clearly specify that derivative financial instruments may not be used for speculative purposes, but only for hedging risks in connection with underlying transactions and associated financing operations. As a globally active manufacturer of functionally-relevant technical components, specialty chemicals and final user products as well as a service provider for industry, Freudenberg is exposed to various legal risks, including risks relating to competition and antitrust law, anti-corruption regulations, and environmental protection.

III. HUMAN RIGHTS AND LABOR

CORPORATE PRINCIPLES AND OMBUDS OFFICE

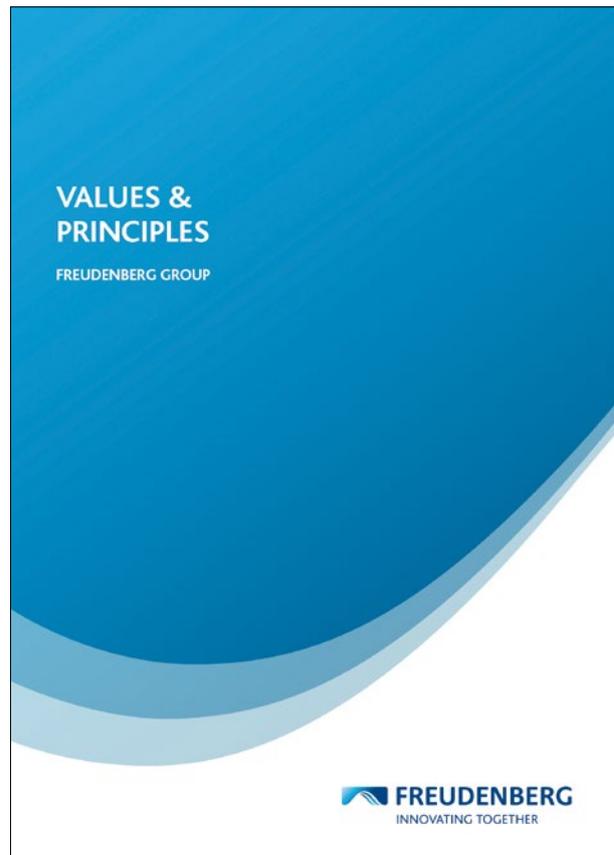
Corporate principles

The Guiding Principles of the Freudenberg Group are Value for Customers, Leadership, Responsibility, Innovation, People and Long Term Orientation. These principles serve as the basis and yardstick for all of the Group's actions. Their implementation in day-to-day business is monitored on a regular basis.

The People and Responsibility Guiding Principles are of particular relevance in the context of human rights and labor. These principles articulate the Freudenberg Group's commitment with respect to these issues.

The Management Principles are one element of the Freudenberg Group's Business Principles (see also Chapter V. Anti-corruption).

Compliance with the relevant laws and other statutory provisions and with the applicable versions of the Business Principles and Guiding Principles of the Freudenberg Group as well as compliance with the non-contradictory supplementary in-house customs (e.g. codes of conduct, employee manuals) and external local customs (together referred to as "Corporate Principles") are indispensable requirements for the good cooperation of all Group employees and a binding basis for the relationship with third parties, in particular suppliers, customers and authorities. They therefore form the foundation of the Group's economic success. The Corporate Principles are binding on all employees and must be actively practiced and implemented at all levels, starting with the members of the Management Board of Freudenberg & Co. Kommanditgesellschaft and the members of the Board of Management of Freudenberg SE, the members of the management of the respective Business Groups, and by all other line superiors.



Infringements are not accepted and are corrected or punished, proceeding from the Board of Management through the management bodies of the Business Groups down to the respective superiors. This applies in particular to cases of bribery and corruption, infringements of anti-trust provisions, breaches of relevant regulations under environmental, safety and labor laws (e.g. infringement of the principle of equality) and violations of the personal rights of employees (e.g. personal disparagement, sexual harassment).

PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights.

PRINCIPLE 2: Companies should make sure that they are not complicit in human rights abuses.

PRINCIPLE 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

PRINCIPLE 4: the elimination of all forms of forced and compulsory labor;

PRINCIPLE 5: the effective abolition of child labor, and

PRINCIPLE 6: the elimination of discrimination in respect of employment and occupation.



People

As a family company, we are devoted to our employees' well-being and personal development. We reject all forms of discrimination and harassment and show understanding and respect in our dealings with each other.

We promote a multi-cultural environment where employees work together in worldwide teams to enrich our culture and capability. We believe in the value of enduring relationships with customers, suppliers and industrial partners.

Responsibility

Our company and its family shareholders together are committed to protecting the environment and being responsible corporate citizens in all countries and communities in which we do business. We take all possible care to ensure the safety of the workplace and of our products.

As a family company, we strive for the highest standards of personal behavior. Fairness and integrity guide our conduct amongst ourselves, towards our business partners and the general public.

Management Principles

The Freudenberg Group has social responsibilities to all its staff, both in Germany and abroad. No one single standard can be applied here: what is needed is a flexible response attuned to the laws, customs, needs and possibilities pertaining in each individual country. Discrimination and exploitation of the weak and helpless have no place in our company.

The Group's business policy requires adherence to behavioral principles with which both the partners and the staff feel able to identify:

We, too, have to hold our own against fierce competition. Success has to come from performance;

we shall not agree to any business where illegal or unethical means are utilized.

We will not manufacture any products intended for harming people (e.g. weapons).

A responsible attitude to the environment and the safety of our staff are important corporate objectives, and must not be restricted to letter-of-the-law compliance with the relevant statutory requirements.

The Ombuds Office

Work which is produced by disregarding the Corporate Principles or conduct which contradicts them is undesirable. To that end, an Ombuds Office was set up at Freudenberg to provide every employee with a channel of communication for reporting and investigating such infringements.

The Ombuds Office records the information communicated to it, checks its contents for truth and the associated infringements of the Corporate Principles, and works together with various offices in the Group to correct – insofar as still possible – the imminent infringement or one that has actually taken place, and prevent comparable infringements through appropriate action; where necessary, the infringement identified is disciplined.

The Ombuds Office draws up an annual report on its activities for the preceding calendar year. A total of 21 complaints from America, Asia and Europe were processed and brought to a close in 2014. Apart from processing cases of infringements against applicable labor law, the work of the Ombuds Office focused in particular on cases of discrimination.

In 2014, the compliance training seminars held at regular intervals for Freudenberg Group Chinese companies continued to introduce the work of the Ombuds Office in that country. Approx. 200 employees attending the seminars held in English and German found out more about the Ombuds Office, its team, its jurisdiction and method of work and were personally encouraged to use the services offered by the Ombuds Office in their line of duty. The present Ombuds Office is to become more international and will be flanked by regional Ethics Offices in the Regional Corporate Centers in North and South America as well as China and India.

EMPLOYEE REPRESENTATION

Freudenberg signed a Global Agreement on Social Dialog with the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) and Industriegewerkschaft Bergbau, Chemie, Energie (Mining, Chemical and Energy Industrial Union - IG BCE) recognizing the international standards and conventions of the International Labor Organization (ILO). An annual exchange on social dialog issues has been taking place since ICEM and other trade unions merged in 2012 to form IndustriALL.

The guidelines for the Freudenberg Group are the existing international conventions of the ILO, in particular the following conventions:

- ensuring equal opportunities and equal treatment on the job in accordance with ILO Conventions 100 and 111;
- safeguarding freedom of association and the respect for basic trade union rights in accordance with ILO Conventions 87 and 98;
- prohibiting forced labor according to the definitions included in ILO Conventions 29 and 105;
- prohibiting child labor according to the definitions included in ILO Convention 138 and 182.

The right of Freudenberg Group employees to freely join trade unions of their choice, to elect workers' representatives and to represent their interests in negotiations concerning collective bargaining agreements is acknowledged. The basis for this is the ban on discrimination against shop-floor or trade union representatives included in ILO Convention 135.

Freudenberg European Works Council (FEBR)

A regular informal exchange takes place with the various works council bodies at Freudenberg Group sites. In Europe the first employee representational body was established in 1996 on the basis of a European directive and a voluntary agreement - the Freudenberg Euro-Forum, where delegates from employer representations in countries throughout Europe were able to discuss international issues with the Board of Management.

Once constituted, the Freudenberg European Works Council (FEBR) replaced the old Freudenberg Euro-Forum. The FEBR has more extensive information and consultation powers than the older body, as compliance is needed with both national and European legislation. Maintaining the standards achieved to date includes in particular focusing on joint responsibility, support and monitoring of compliance with the above-mentioned Global Agreement on Social Dialog as well as joint support and monitoring of occupational health and safety principles.

PERSONNEL DEVELOPMENT

Top Employer



Freudenberg & Co. was named a Top Employer in Germany for the third year in a row in 2015, continuing the achievements of 2014 and 2013. To be certified as a Top Employer, companies must meet the high standards set by a multi-stage certification process which determines whether a company displays an above-average performance in respect of employee orientation. Based on a comprehensive survey, the Top Employers Institute assesses the performance in the fields of personnel strategy, personnel policy and practice, monitoring and communication of working conditions, and personnel development. The requirements for certification are raised each year with a view to anchoring the continuous improvement concept in the process and to encouraging companies in their quest to improve still further. The entire evaluation process and all the information submitted by the participants is audited by an independent external auditor on the basis of international standards.

Companies fulfilling the requirements for certification are given individual feedback including an HR benchmark report. Once certified as a Top Employer, companies can use the official certification seal for a one-year period and also enjoy special benefits (e.g. their corporate profile is published on the Top Employer website and they are featured in a Financial Times special report).

III. Human rights and labor



Work-life balance

Freudenberg opened an on-site day care center for children at Weinheim industrial park in Germany in November 2014, thus making an important contribution to the work/life balance for parents. The benefit@work online service portal offers quality-assured services for the family and home, particularly when it comes to caring for children and seniors or looking after the home and garden. All Freudenberg employees in the Weinheim region can use the services provided by benefit@work. The service supplier is reviewing the expansion of these services to other locations.

The objective is to improve Freudenberg's performance as a family-friendly employer. The service portal helps employees achieve a better work-life balance.

Fair Company

In 2014, the Freudenberg Group was once again awarded the Fair Company quality seal which it received every year since 2009. The Fair Company quality seal is an initiative of karriere.de, a portal run by the German business publications "Handelsblatt" and "Wirtschaftswoche". Fair Company represents a voluntary undertaking on the part of the participating companies to comply with certain rules as regards fair working conditions for career entrants. These rules include the following:

- Fair Companies do not substitute permanent employees by interns, trainees, student assistants, long-term temporary workers, etc.
- Fair Companies offer internships for professional orientation mainly during the training phase.
- Fair Companies pay interns adequate compensation.
- Fair Companies are transparent and communicate their participation in the initiative.



“Praktikantenspiegel”

The Freudenberg Group again received the “Top Praktikum 2014” award, having already won this accolade in 2013.

The “Praktikantenspiegel” is an employer study conducted by the HR consultant CLEVIS and focuses on strategic HR management issues. The two dimensional structure of the study allows for a separation of brand image and employer quality. Only current and alumni interns take part in the survey, thus providing a representative evaluation of companies based on a scientifically profound questionnaire with over 100 items. The findings are presented in a four-field matrix (the four identified employer types are classified as “Star”, “Hidden Champion”, “Pretender”, “Challenger”), thus distinguishing the study quite significantly from linear employer listings.

The Freudenberg Group received the “Top Praktikum 2014” award and was also classified as a “Star” company with regard to employer quality and brand image.

Furthermore, the Freudenberg Group received an award for its support of the “Engagier Dich” initiative organized by “Campushunter”, a career magazine. The initiative honors in particular the additional qualifications/soft skills of the students acquired through the Group’s involvement.



Vocational training at Freudenberg

In 2014, 142 young people (previous year: 170) began their vocational training at Freudenberg’s German companies. The decline in the number of vocational trainees is chiefly due to changes at Freudenberg Sealing Technologies. In previous years the Business Group trained in excess of its requirements at the Weinheim location and realigned the number of vocational trainees accordingly.

In total, 511 people were training at Freudenberg in Germany as at December 31, 2014. The spectrum ranges from a two-year commercial or technical apprenticeship to dual studies at a university of cooperative education. Freudenberg has acquired a reputation for the high standard of its vocational training, as is confirmed by the fact that companies located in the vicinity of Freudenberg operations send their young people to Freudenberg for training. Freudenberg drafted a concept for a modern, new vocational training center in Weinheim during the year under review. The center will be based on the latest educational practice and will be fitted with state-of-the-art technical equipment in order to safeguard excellent vocational training for the future. Freudenberg invests in vocational training at several locations as is illustrated, for example, by EagleBurgmann Germany GmbH & Co. KG. Industrial mechanics, technical product designers and industrial clerks receive skilled training in Wolfratshausen.



Talent management

Competition to recruit the best minds is one of the biggest challenges facing any company. Freudenberg's response to this challenge is excellent talent management:

Group-wide development programs for top managers

Group-wide development programs for the top two management levels below the Board of Management were launched at Freudenberg during the year under review. Both the Strategic Leadership Program and the Business Leadership Program are key elements of the global talent management process and bring together employees from the various Business Groups. The objective is to create a network for top management throughout Freudenberg in order to meet the demands of increasing internationalization and to respond to market change. What is needed are international teams who share knowledge with one another, thus developing new ideas and solutions. Both programs are being implemented in cooperation with the internationally acknowledged INSEAD Business School, Fontainebleau, France.

Freudenberg Leadership Development Program

The Freudenberg Group offers leadership training for management talent in all regions. During the year under review, Group-wide development programs featuring standardized content were introduced for management talent as part of the Freudenberg Leadership Development Program (FLDP). The target group is young managers who have either just embarked on their first management tasks or are about to do so.

FLDP alumni organizations are to be established in the regions to maintain the momentum of the network. Such organizations have already been set up in China and Europe, where several network meetings or FLDP alumni days were held during the year under review with extremely positive feedback.

In addition, regional talent dialogs aimed at supporting management talent across all Business Groups were set up in all regions in 2014. These meetings serve to discuss Group-wide development perspectives for identified regional management talent. Freudenberg also expanded the functional talent dialog which is designed to develop specialist talent.

Freudenberg Academy is the name given to a concept launched in 2014 addressing the development of a corporate university for the Freudenberg Group to support collaboration among the academies run by individual Business Group. Two key elements of this concept are the Learning Management System, which is to be rolled out in 2015, and the Freudenberg Training & Development Forum, which took place for the first time in 2014.

DIVERSITY MANAGEMENT



At Freudenberg, diversity has been on the agenda for a long time: The Group's Guiding Principles state: "We promote a multi-cultural environment..." The benefits of diversity in a corporation are not just obvious in top management. On many levels, different experiences, perspectives and specialist skills generate ideas that can boost creativity and innovations. A company with a diverse workforce stands a better chance of understanding different customers.

Cooperating with partners from different cultures and harnessing the strengths of this diversity have a long tradition at Freudenberg. The Group's first joint venture was set up in the USA back in 1950, when Freudenberg and an American partner established a company producing nonwovens based in Massachusetts. This was followed by many projects involving close and strong collaboration in various parts of the world. Their success is based on a kind of cooperation that also fosters diversity within a company. Mutual respect

and trust make it possible to honor different cultural identities, to live the spirit of friendship and to share knowledge with these friends.

Freudenberg launched the first diversity training for management potentials in the USA. The aim is to systematically strengthen the participants' entrepreneurial skills and to make sure they encourage diversity in their future management positions.

One key element of the talent management process is a diversity statement issued by each Business Group presenting the composition of management with regard to gender diversity, cultural diversity and generation diversity.

OCCUPATIONAL HEALTH AND SAFETY



Freudenberg is committed to the well-being and personal development of its employees. Occupational health and safety is encouraged and practiced at all hierarchy levels on the basis of internal guidelines. Health protection, occupational safety and process safety are part of the day-to-day working routine.

This approach has made it possible to bring down the number of accidents in the Freudenberg Group to a low level compared to industry peers. Existing measures are being intensified and promising new approaches introduced to continuously improve this accident record.

Success in the field of occupational safety is representative of other areas where Freudenberg is also seeking continuous improvement. Apart from environmental protection this applies in particular to health protection, where the company is stepping up its efforts with regard to preventive health management projects.

The guideline for Health, Safety & Environment (HSE guideline) was rolled out throughout the Group in 2014. The guideline sets out the Freudenberg Group's policy with reference to environmental protection, occupational health and safety. The guideline is an evolved version of previous principles and guidelines and in addition also incorporates preventive health care.

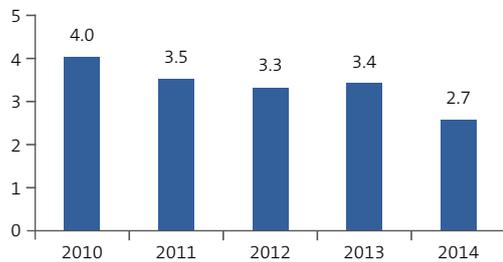
Preventive health care

The Group further expanded preventive health care management in the year under review. Freudenberg's health care principles have been implemented by various measures and programs throughout the Group. Internal surveys on health care infrastructure served to identify improvement potential and define corresponding measures. Health care performance indicators, such as the sickness rate, have been recorded since 2011. The transparency brought by this process has already led to a series of improvement projects such as the two outlined below:

Demographic change and the associated age-related diseases are causing a rise in the sickness absence rate at several sites. In response to this situation the Freudenberg Group has, for example, developed a health program featuring health checks, sport during work breaks, and changes in the canteen menus.

In France, Freudenberg Filtration Technologies introduced a project about managing stress at the workplace. Interactive training sessions and workshops help employees to develop anti-stress mechanisms.

NUMBER OF ACCIDENTS / ≥ 1 DAY PER 1,000 EMPLOYEES
Numbers for Freudenberg SE



Occupational safety

Occupational safety measures focus on changing the behavior of all employees. One example of these efforts is the numerous projects implemented under the “We all take care” environmental protection and occupational health and safety initiative. Trainers and apprentices at the Freudenberg Service Training Workshop have, for instance, jointly developed a concept that enables apprentices to systematically inspect their working environment for hazards. Each of the apprentices becomes a safety observer for a one-week period. They are tasked with checking the work of the other apprentices in their group for potential risks and ensuring their safety during the week they are on safety duty.

The total number of accidents resulting in at least one day's absence from work during the year under review was 95 (previous year: 111). From 2015, the non-financial key performance indicator used for internal reporting are being redefined. The indicator to be used from the beginning of 2015 is LDI-FR (Lost Day Incident – Frequency Rate). Unlike the LDI rate formerly used for reporting purposes, the LDI-FR measures accidents at work involving at least one day's absence per million working hours. In the year under review, the LDI-FR was 1.4 (previous year: 1.8) based on the pro-rata consolidation method for joint ventures, and 1.5 (previous year: 1.9) based on the equity consolidation method for joint ventures. On this basis, the LDI rate in 2014 was 2.7, representing a further improvement on the previous year (3.4). At six, the number of serious accidents was on a par with the

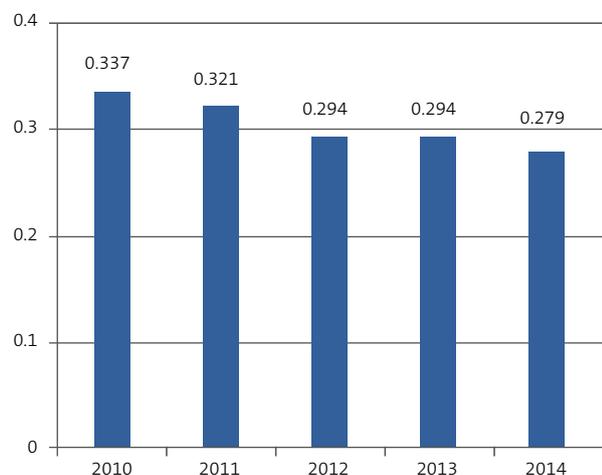
previous year. In the year under review, direct investments in occupational health and safety amounted to €12.0 million (previous year: €10.6 million).

IV. ENVIRONMENTAL PROTECTION

ENERGY CONSUMPTION/SALES

[KWh/€]

Numbers for Freudenberg SE



Freudenberg is committed to protecting the environment and assumes responsibility for making the company's activities as environmentally compatible as possible.

That includes using the natural resources needed for our processes, products and services as carefully and sparingly as possible. The protection of the environment is strongly positioned in Freudenberg's business practices. The target is to continuously reduce the consumption of resources through optimized business processes. This principle is also followed in the redesign and modernization of buildings, the manufacture of products and the use of Freudenberg products by customers.

Various raw materials and processes used by Freudenberg in production have differing effects on the environment and workplace safety. These effects could, for example, lead to personal injury or have a negative environmental impact at a site. Freudenberg manages these risks in many ways with the aim of continually reducing their impact.

With regard to hazardous substances or substances which have become the subject of debate as a result of legislative

initiatives such as REACH (European Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals), Freudenberg proactively engages in searching for alternatives or substitute substances before a statutory provision comes into effect while at the same time forestalling the effects on production of a possible ban on a given substance. In addition, many product developments are subject to a stage gate process which among other things ensures that new products have a better environmental performance than their predecessors. Internal and external audit processes monitor the implementation of HSE or fire protection programs by the Business Groups. One objective of these programs is to raise awareness for fire protection and to prevent personal injury, operational interruptions and the associated potential delivery disruptions. The findings of the audits are systematically evaluated and measures implemented throughout the relevant Business Groups.

PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges;

PRINCIPLE 8: undertake initiatives to promote greater environmental responsibility; and

PRINCIPLE 9: encourage the development and diffusion of environmentally friendly technologies.

EXAMPLES OF PRODUCT DEVELOPMENTS

Innovation is a key element of corporate philosophy at Freudenberg Sealing Technologies and is pursued consistently and systematically. Product, material and process competence are decisive factors in a structured innovation process. Freudenberg Sealing Technologies' achievements in this field were recognized in October 2014, when the Business Group was presented with the TOP Innovation Award of the F.A.Z. Institute for the first time.

In the quest to use less material while not comprising on performance, Freudenberg Sealing Technologies has developed a new solution for press-in-place seals: thanks to its unique design, the Curve Gasket achieves a perfect seal, uses less material and its improved performance allows automobile manufacturers and automotive suppliers to design smaller, lighter engine components, thus reducing the total vehicle weight. The seal is one of the products in the Low Emission Sealing Solutions (LESS) line which is becoming increasingly relevant for trucks and buses.

The stringent emissions limits for engines in the automotive field call for new technical solutions – covering everything from fuel injection to exhaust after-treatment. The new BlueSeal seal ring is designed for use in high-pressure pumps. This patented technology weighs 25 percent less than a conventional seal and requires only half as much installation space. Due to its additional metal carrier, the BlueSeal seal ring is mechanically resistant to high pressures and resists aggressive substances thanks to the PTFE material. It also significantly reduces friction.

In the field of vibration control technology, a new hydraulic axle guide bearing – HALL 2.0 – was developed and showcased at Innotrains in Berlin in September. HALL 2.0 keeps trains on track with the help of path sensors, cameras and GPS data, resulting in a safer ride, less wheel and rail wear, less noise, and lower energy consumption.

As a global technology leader in air and liquid filtration, Freudenberg Filtration Technologies (FFT) develops and produces high-performance, energy-efficient filtration solutions which improve the efficiency of industrial processes,

conserve resources, protect people and the environment and thus enhance the quality of life.

This is illustrated by the following examples: Filters from Freudenberg installed in hospitals and clean rooms arrest almost 100 percent of all particles. FFT filters reduce fine-dust contamination in indoor air. And in the foodstuffs industry, FFT filtration systems treat water from the production process, returning it to the production cycle and thereby conserving an increasingly scarce resource. A further benefit for the environment and customers is that high-performance, energy-efficient filtration solutions from FFT help to lower the energy and operating costs of filtration systems and thus reduce CO₂ emissions.

EXAMPLES OF PROCESSES AND METHODS

Substitution of chromium(VI) in products and processes at SurTec, a Freudenberg Chemical Specialities business unit: To effectively protect metals against corrosion, the surface can be coated with a chromate. Chromium(VI) compounds have been used for the preparation of these surfaces since the 1930s. However, hexavalent chromium is now classified as toxic, carcinogenic and is known to trigger asthma. In the 1980s the industry started to look for an alternative for the surface treatment of metals – and came under time pressure when renowned international carmakers and an EU “End of life vehicle” directive prohibited or rather regulated the use of hexavalent chromium from 2005.

The challenge for the project to substitute chromium(VI) in products and processes at SurTec was to develop a chromium(VI)-free coating which, at the same time, offers a high degree of corrosion protection. An alternative is chromium(III) passivation. Trivalent chromium is not considered hazardous to health. As early as 1994, SurTec experts began with the development of chromium III passivation for zinc and zinc alloys. Their patent was recognized in the EU, the USA and Canada, in Brazil and Japan in 1996.

SurTec was able to achieve and prove a high degree of corrosion protection of a chromium(III) coating in a technically-optimized chromating process. Chromium(III)-containing

IV. Environmental protection



passivations are not considered harmful to consumer health – neither in the manufacture, nor in processing or use. The previous strict health controls and regulations for employees are no longer necessary. Fewer critical residues arise in the processing of trivalent chromium compared to hexavalent chromium. This lowers the cost of disposal and protects the environment. The company's customers have become pioneers in the use of non-hazardous chromium(III) passivations. Many national and international standards are based on the positive results of the project.

Freudenberg Politex Nonwovens, headquartered in Novedrate, Italy, is the world leader in the production and marketing of polyester nonwovens, mainly used as reinforcements for bituminous roofing membranes. A broad range of products is furthermore sold to the construction industry for different

applications. Technical polymers used as bitumen modifiers round off the product program.

A large share of these products are manufactured from recycled polyester obtained in-house from post-consumer PET bottles. Freudenberg Politex Nonwovens is the largest recycler of PET bottles in Europe and converts over seven million bottles daily into polyester fibers at production plants all over the world. This integrated production cycle not only recycles waste, but also significantly reduces CO₂ emissions.

Furthermore, Freudenberg Politex Nonwovens also optimized the supply chain, reduced raw material consumption, simplified processes, improved energy efficiency and further raised product quality in the year under review.

The Business Group became even more sustainable and efficient in terms of resource management. The “Zero Landfill” project continued at all sites. The objective is to recycle waste and reduce landfill. Landfill at the Colmar, France, facility fell by 20 percent year-on-year.

Energy management

Many site projects and Business Group initiatives oriented to the Freudenberg HSE (Health, Safety & Environment) guideline focus on sustainable energy use with a view to reducing the environmental impact of business activities. Energy managers have begun their work at many Business Groups and initiated numerous improvements to existing plants such as heating systems, compressors, ventilation and steam generation units.

A growing number of Freudenberg sites is introducing energy management systems, some certified to DIN EN ISO 50001, in order to achieve a sustainable reduction in energy consumption. Freudenberg Sealing Technologies, for example, has begun conducting energy audits at its German sites. Some facilities received certification during the year under review. Furthermore, in cooperation with other Business Groups, further potential was identified and joint projects to increase energy efficiency were initiated.

Key data

In 2014, Freudenberg consumed 1.6 million megawatt hours of energy (previous year: 1.6 million megawatt hours). The break-down by source of energy is as follows: outsourced energy supplies (power, steam and district heat generated outside Freudenberg; 0.99 million megawatt hours), natural gas (0.57 million megawatt hours), fuel oil (0.03 million megawatt hours). This energy consumption of 1.6 million megawatt hours translates into costs totaling approximately €125 million. Energy costs accounted for 2.1 percent of total sales (previous year: 2.2 percent). The introduction of management systems relating to occupational health and safety (OHSAS 18001) and environmental protection (ISO 14001 or EMAS) continued in the 2014 financial year. 86 percent of Freudenberg Group production facilities now operate an occupational health and safety management system pursuant to OHSAS 18001 and 87 percent of

Freudenberg Group production sites operate an environmental management system pursuant to ISO 14001 or EMAS. Direct investments in environmental protection amounted to €1.8 million (previous year: €2.8 million). The share of direct investments in environmental protection, occupational health and safety in total investments in tangible assets, intangible assets and investment properties amounted to 5.1 percent (previous year: 6.9 percent).

V. ANTI-CORRUPTION

Back in 1887, the company's founder Carl Johann Freudenberg set out his principles for conducting business when his sons entered the family enterprise. These principles formed the basis for the ten Business Principles later drawn up by the Freudenberg Group; they are a guide for both the company's partners and employees. One of them states that success has to come from performance; Freudenberg does not agree to any business where illegal or unethical means are utilized.

The Freudenberg Group's Guiding Principles were derived from these Business Principles, and define the values for the company's behavior towards its employees, business partners, stakeholders, and third parties. The Guiding Principles clearly state that Freudenberg, as a family company, strives for the highest standards of personal behavior, and that fairness and integrity guide the conduct among the company, towards its business partners and towards the general public. The Business Principles and the Guiding Principles are made known to all new employees worldwide, and are also published on the Freudenberg website (for more information on the Guiding Principles, please refer to Chapter III. Human rights and labor).

Compliance with laws, internal guidelines and Freudenberg's own code of values (Guiding Principles and Business Principles) have high priority and are the subject of regular training. Furthermore, the Business Groups take the initiative in sensitizing their employees' perception of the relevant legal risks. In addition, the Corporate Functions and the Freudenberg Regional Corporate Centers ensure that laws and regulations as well as internal rules are observed and complied with. To that end, training events are held at regular intervals. Modern communication tools such as web-based training and e-learning tools are used to reach as many employees as possible. In order to ensure even more effective compliance with legal requirements, an improved framework for a compliance management system was drawn up in 2014, marking a further step in efforts to create an even more efficient compliance management system in line with ISO 19600 and tailored to the structures and needs of the Freudenberg Group.

Codes of conduct and compliance management system

Some Business Groups have issued their own codes of conduct based on Freudenberg's Business Principles and Guiding Principles, and work on a code of conduct for the Group as a whole began in 2014. The codes of conduct set out the behavior expected from every employee, regardless of the function or position, when conducting business. They serve as a guideline for appropriate behavior when dealing with ethical and legal issues and, for this purpose, not only contain details of anti-corruption guidelines but also include practical examples, e.g. correct behavior in response to invitations.

The newly-established Freudenberg Compliance Management Council (CMC), which complements the existing Risk Management Council, is responsible for the preparation and evolution of the new Group-wide code of conduct. The CMC comprises representatives from the Business Groups, the regions and selected Corporate Functions.

Training seminars and anti-corruption measures

Face-to-face seminars for the personal training of employees, e.g. by working on case studies, were again held in Germany and other countries in 2014. These seminars focused on Freudenberg's values and principles as well as national and international laws and legal requirements, particularly with reference to gifts and invitations.

The anti-corruption e-learning tool previously used by Freudenberg along with other e-learning tools was redesigned for integration in a learning management system (LMS). As a result, individual employees or groups of employees can access this program as part of their learning schedule. The program features brief examples of typical situations which illustrate how employees can recognize corruption and how they should behave in such situations. Employees are asked to assess case studies and are given immediate feedback on their evaluations. A notice is sent to the LMS when an employee successfully completes the final test.

Anti-corruption measures and an analysis of their efficacy remain a firm feature of risk management and of the work of the Freudenberg Process Audit Corporate Function. This function was created in 2014 and is based on the Methods

PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and bribery

and Processes unit of Corporate Controlling and Accounting. In that year it was decided to turn this unit into a stand-alone Corporate Function with a reporting line to the CEO. This decision was implemented effective January 1, 2015. The objective of both measures is to expose corrupt actions, to review the efficacy of the measures taken and improve these measures where necessary. In this context, Freudenberg Process Audit pays particular attention to verifying payments made by a company.

VI. SOCIAL RESPONSIBILITY

Social responsibility is in Freudenberg's DNA. The "Responsibility" Guiding Principle, part of the Group's corporate values, states: "Our company and its family shareholders together are committed to protecting the environment and being responsible corporate citizens in all countries and communities where we do business." This commitment goes back to the company's founder Carl Johann Freudenberg and is brought to life today by the Group's employees all over the world.

In 2014, many of the Group's companies, sites and employees worldwide again engaged in local projects and initiatives - focusing above all on environmental protection and the education of children and young people. The spectrum ranges from small actions in the direct neighborhood to complex projects. Regardless of the scale, all of these activities have one thing in common: they are tailored to suit local needs and involve the engagement of local Freudenberg employees. In addition, numerous internal assistance and support programs are available to the Group's own employees. Furthermore, Freudenberg largely implements the rules of the German Corporate Governance Code on a voluntary basis.

The following two examples illustrate the long-term nature of the local projects: Freudenberg gives young people the opportunity to complete dual study courses to qualify as welders, plumbers, engine mechanics and machine fitters at a nonprofit training center in Nagapattinam in the Indian state of Tamil Nadu south of Chennai opened in 2009. The Nagapattinam region, with a population chiefly comprising low-income agricultural workers and fishermen, was very hard hit by the tsunami in 2004. An elementary school was rebuilt with Freudenberg's help and opened in 2009 in Haijin, a village in Sichuan province, China, almost completely destroyed by an earthquake in May 2008. The building provides some 300 students with the right setting for a successful start to their education. Freudenberg employees visit the school each year and organize various activities such as the summer school project, extra tuition and a Christmas party. In the meantime the first children have graduated from the elementary school. "Freudenberg Help", the association established specially for the elementary school project, is therefore continuing its assistance and supporting students in Haijin - both financially and personally - as their education progresses.





Another success story is the “Learn to Transform” educational program in Brazil, where the Diadema site of Freudenberg Sealing Technologies organizes free, six-month pre-vocational training courses for young people from low-income families.

TANNER, Freudenberg’s youth exchange program, celebrated its 15th anniversary in 2014. Freudenberg offers its employees’ children worldwide the opportunity to encounter different cultures, to broaden their horizons and to learn for life. Over the past 15 years almost 1,000 young people have traveled the globe with TANNER. In the process, the young participants, their parents and their host families have gained a stronger sense of belonging to the global Freudenberg community.

Since 1984, Freudenberg Stiftung has been promoting long-term structural change and contributing to more inclusion, education and democracy with its programs. As a nonprofit limited company, the foundation is a shareholder of Freudenberg & Co. KG - albeit with no voting rights. All projects focus primarily on children and young people and their social, language, educational and vocational integration.

Freudenberg provides support for projects specifically dedicated to tolerance, neighborliness and the community with its “Wir tun was...” initiative. Donations are allocated to specific projects. The maximum sum available for any project is €5,000. One of the projects supported by the initiative in 2014 is called “Wrestling and Learning” organized by the KSV 07 Hemsbach sports club. The project gives children and teenagers the opportunity to combine sporting achievements with success in school: doing homework together,

learning for exams together and letting off steam on the wrestling mat. Freudenberg’s “Wir tun was...” initiative is supporting the project for two years. The funds donated are used among other things to finance the cost of extra tuition and school books.

Freudenberg organized the third volunteering network meeting during the year under review. 90 participants from 30 regional volunteering initiatives and associations met to share their experiences, meet like-minded people and develop ideas for new projects. The network meetings initiated by Freudenberg are held once a year during the week dedicated to active citizenship.

Enactus, the world’s largest student organization, focuses on social and ecological projects. The Freudenberg Group has been a committed Enactus partner for over ten years. In 2014, the team from the University of Mannheim became the Enactus National Champion in Germany. The winning team from the “city of squares” is mentored by Cornelius Bossers from Freudenberg Home and Cleaning Solutions. In 2014, Freudenberg organized the first Service Day in North America. On September 26, employees in more than 50 locations in Canada, the USA and Mexico donated food, organized blood drives, visited local senior centers and supported schools or educational programs – thus practicing social responsibility in their neighborhoods in many different ways.

Legal notice

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