



Global Compact Communication on Progress

January 2015 - January 2016

HAWE Hydraulik SE

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Preface and Statement of Support

The challenges of 2015 were to strike a balance between continually expanding sustainability and generating the economically necessary financial platform. We managed to continue and extend many measures even in an economically challenging fiscal year. Many measures were successfully completed using our own resources and funds as well as the broad expertise of our employees. Often this entailed critically probing and rethinking tried and tested procedures.

The largest HAWE plant in Kaufbeuren (Germany), which we officially opened in 2014, found considerable public interest through the various measures it has undertaken for work-place design, lean logistics as well as energy and resource efficiency. The plant hosted numerous network meetings as well as national and international training and conference sessions and saw a great number meetings and exchanges between experts. Foreign delegations from China, Finland, Norway, and France visited the plant and got a first hand-impression of the efficient state-of-the-art production and logistic supply of hydraulic components for mobile machines. Employees from the Kaufbeuren plant proudly and convincingly demonstrated that an attractive and sustainable work environment positively affects motivation and results.

Since 2012 our “Code of Integrity” has enshrined the respect for human rights and labor standards, the meaning of environmental protection and the fight against corruption. Our corresponding employee brochure is integral part of training new employees. It serves as action guideline following the definitions outlined in the Code of Integrity. In a next step we will internationalize this brochure and provide it to the employees of our subsidiaries outside Germany.

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

The following pages provide an extract of individual measures undertaken in 2015.

Karl Haeusgen
Spokesperson for the Board of Management

I. Human Rights

Principle 1:

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

Principle 2:

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

Occupational health and safety

In 2015 the factory in Sachsenkam became the last HAWE plant to successfully complete the audit certification according to OHSAS 18001 (Occupational Health and Safety Management System). An independent external certification agency confirmed that the Sachsenkam plant had introduced and applied an occupational health and safety management system in compliance with the requirements under OHSAS 18001. This means that the HAWE Group has now obtained the matrix certification for all sites.

As part of the health and safety management, all HAWE sites enlisted the support of external partners to hold days of health to highlight such issues and healthy diets and healthy backs. Through various presentations and related sessions with practical exercises the employees were motivated to look at measures geared to support their working days and promote their health with simple means. In addition, experts offered them the chance to have personal health checks. The offer was very actively taken up in all factories and administration facilities. The factory canteens were also integrated into the health days.

“Known consignor”

All HAWE products to be shipped out of Germany were dispatched from the plant in Freising or in Kaufbeuren. Both sites have been officially approved “known consignor”. This means that HAWE Hydraulik complies with the EU safety stipulations for civil air traffic so that the packaged goods can bypass the safety checks at the airport and be handed over directly to the air freight company. Regular external audits are reviewing this status always anew. The Kaufbeuren plant received its official approval in 2014 and a renewed certification audit is scheduled for Freising in 2016. To prepare for a successful certification the site’s infrastructure is undergoing refurbishments and authorized access personnel is being selected and regularly qualified. In 2015 further employees were trained and qualified for this purpose. Constructive measures protect goods in the dispatch area against unauthorized access.

Visitor Safety

Special flyers have been printed for the safety of visitors to the plants in Freising, Kaufbeuren and Munich. These support HAWE employees in informing visitors before they enter the production and assembly areas of safety-relevant issues, such as escape and emergency routes, potential dangers from in-house transportation or contact with work materials. The flyers for the plants in Sachsenkam and Dorfen are presently being reviewed in a final approval round and will be printed in due course.

HAWE executives and selected specialists have and are continually attending extensive training seminars on occupational health and safety issues, so that they are particularly sensitized and qualified for the issue of Visitor Safety. This topic is also integral part of the annual safety instructions for employees.

Export controls

In 2015 reviews were once again conducted according to the dual-use Directive on the export controls and adjustment options for material masters. The detailed analysis of the organizational processes and existing software found that there is no need for improvements at the moment. During export controls not only the products but also the final recipient is being checked against so-called sanction lists. This aims to ensure that delivery to a customer with a terrorist background, for example, can be ruled out. Crucial hereto are the so-called US and EU sanction lists, which are monitored in our GTS system in SAP.

In view of the situation in the countries of Afghanistan, Burma/Myanmar, Burundi, Central Africa, Cuba, Congo, Eritrea, Guinea, Iran, Iraq, North Korea, Somalia, Sudan, Syria, Zimbabwe, Ivory Coast and ongoing reservations regarding their compliance of Human Rights and principal freedoms we are particularly careful not to export goods capable of dual use into these countries, and have completely abandoned commercial relations with these countries.

Conflict Minerals

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

II. Labor Standards

Principle 3:

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

Principle 4:

the elimination of all forms of forced and compulsory labor,

Principle 5:

the effective abolition of child labor and

Principle 6:

the elimination of discrimination in respect of employment and occupation.

Employee Representation

Given HAWE Hydraulik's legal form as "Societas Europaea" (SE), the company also has both, a German Works Council as well as an International Works Council for HAWE's European subsidiaries. The international council comprises members from all European subsidiaries, which are consolidated into the SE. The international council addresses issues of concern for all sites. Its members meet regularly once every year.

Employee Information

Group-wide information on key changes and events within the company and the market is forwarded to HAWE employees in due course and across various media channels. The aim is to reach all employees worldwide at the same time to ensure they all receive the same information. The media channels available are the Intranet, HAWE's employee magazine, HAWE employees' information that is displayed at information boards positioned within the production, assembly and workshop areas where not every employee has access to this information via a personal computer. The media channels deployed are selected by type of news to be disseminated and are translated into various languages.

Reconciling work, family and care

HAWE Hydraulik offers various flexible working time and part time models. Ongoing qualification courses are offered for teleworking from home. Once the mobile working license has been acquired, work from the home office is expressly welcome, given suitable work content. HAWE's headquarters in Munich also maintains a cooperation with a day care facility for children close to the site.

Disabled Employees' Representation

HAWE promotes the integration of severely handicapped workers. HAWE factories have experienced employees, who act as disabled employees' representatives, who are independent of but work in close cooperation with the Works Council. As the disabled employees' representatives are bound by the confidentiality principle, all issues are dealt with off the record. They mainly prepare applications for preventive measures from the relevant officers and agencies and receive input from severely handicapped people, negotiate these with the employer and work for their implementation. They keep in regular contact with

severely handicapped colleagues. The disabled employees' representatives furthermore support employees with applications under Sect. 69, 1 that are submitted to the relevant authorities to determine their disability, its degree and/or recognition of a disability, as well as with their applications for equal opportunities to the labor agencies.

III. Environment

Principle 7:

Businesses should support a precautionary approach to environmental challenges,

Principle 8:

undertake initiatives to promote greater environmental responsibility and

Principle 9:

encourage the development and diffusion of environmentally friendly technologies.

Energy and Environmental Management

All sites of HAWE Hydraulik SE are certified according to DIN EN ISO 14001 and DIN EN ISO 50001. In 2015 the effectiveness of the matrix certifications was once more successfully reviewed at the sites Munich and Sachsenkam. This year the functionality and influence of the central management was assessed as positive and goal-oriented in view of the EHS management system.

Research

Like the years before, HAWE accompanied the research project ForEnergy also in 2015. The project brings together a consortium of five research institutes and 28 industrial partners, which investigate different ways to adapt the energy requirements of manufacturing plants to the volatile availability of the renewable energy. The project was completed in August 2015. HAWE continues to pursue the project ideas.

Currently, a control module is being developed that automatically detects the hydraulic requirements of a work cycle and pre-sets the parameters accordingly to enable the best possible energy-efficient or even an energy flexible operation. The concept helps to increase efficiency of hydraulic units in intermittent duty by up to 30%.

HAWE also develops other energetically optimized control units for systems requiring a continuous volume flow. Depending on system requirements, the flow speed of the hydraulic unit is adjusted to achieve a constant speed, a constant force increase or a constant pressure. The unit always operates in the optimum efficiency range.

Building and Production Engineering

Various production sites of HAWE Hydraulik SE participate in the "Lernende EnergieEffizienz-Netzwerke" (LEEN - Learning Energy Efficiency Networks) to drive forward environmentally-aware actions by realizing energy efficiency gains.

As part of their involvement in these networks the sites Dorfen and Sachsenkam increased their efficiency from 2011 to 2014 by 30% (Dorfen) and from 2012 to 2015 by 19% (Sachsenkam) against the respective reference year. This way the CO₂ emissions at the two sites were lowered by a total of 44%.

To increase energy efficiency does not always require high investments. Preparing a simple work instruction for employees has meant that the cooling pump of a laser installation can be consistently deactivated during downtimes and over weekends. This simple organizational step has saved a total of roughly 14,600 kWh electric power per year.

In 2015 HAWE headquarters in Munich started gradually to replace well over 2.500 conventional fluorescent lamps in its production facilities with efficient LED lamps. Once all lamps will be replaced the sum total of energy saved will be 385,000 kWh per year.

IV. Anti-Corruption

Principle 10:

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

Adjusting the group-wide Bye-laws

The Bye-laws of the HAWE subsidiaries were uniformly united across the entire Group. This ensures that all Managing Directors of HAWE subsidiaries share similar responsibilities and authorities. The four eyes principle was introduced in all larger subsidiaries. All Managing Directors were obliged to implement the integrity code as well as the management guidelines for their subsidiaries.

Logistic partners

HAWE Hydraulik commissions reliable logistics partners with a long-term focus for its national and international freight. Besides the fair treatment of employees a closer inspection of the used vehicle fleet was conducted. Haulage companies with a newer vehicle fleet and reduced CO₂ as well as continual qualification receive more orders. Another step to help reduce CO₂-emissions is due to be taken in 2016. A comprehensive review is under way to assess the possibility of switching from air to sea freight.

Fraud Check

The annual inventory review also includes a fraud check. Auditors are commissioned to examine not only the books and accounts but also to determine whether each HAWE subsidiary adheres to the minimum standards of risk management and compliance and to check the associated safety precautions.

Set-up of an internal control system

Setting-up an internal control system (revision) is currently a project planned for 2016. At present we are in the midst of the conceptualization phase.

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