



Global Compact Communication on Progress

January 2016 - January 2017

HAWE Hydraulik SE

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Preface and Statement of Support

The year 2016 was characterized by global challenges in the sales markets for the company's products, which were induced by political as well as economic conditions. Corporate restructuring with the aim of more efficient structures and the uncovering of optimization potentials were further defining influences on the daily business. At the same time, it was essential to the owner family at all times to inform the employees as promptly and as comprehensively as possible about the background and chances of the current situation. The positive impact and the initial successes of the measures taken from the restructuring projects were already visible in 2016. The management expects a stabilization of the results achieved based on these projects for 2017, too.

In this way, we have succeeded in achieving a stable business result in a once again economically challenging year and, in addition, we are taking measures in the sense of the 10 principles again. Individual measures from the year 2016 are shown in this report.

We continue to support the United Nations Global Compact in the fields of human rights, working standards, environmental protection and the fight against corruption, and we commit to promoting and implementing the ten principles throughout the HAWE Group.

In this annual progress report, we describe our measures to continually improve the integration of the Global Compact and its principles into our business strategy, corporate culture and our daily operations. We also commit ourselves to forward this information to our stakeholders using our primary communication channels.

Karl Haeusgen
CEO
HAWE Hydraulik SE

I. Human Rights

Principle 1:

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

Principle 2:

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

Occupational health and safety

In the reporting period, a recertification was successfully carried out according to OHSAS 18001 (Occupational Health and Safety Management System). An independent external certification agency confirmed that the management system for occupational safety and health is successfully applied in compliance with the requirements under OHSAS 18001. The restructuring measures 2016 with the relocation of individual production sites and the closure of a production site set high standards for all employees. During this phase, the management system in the area of occupational safety and health proved to be a functioning unit.

This is also confirmed by the accident figures for the 1,000-man quota, which have been steadily declining by 27% since 2012. For the first time since certification began in 2012, the missing days due to accidents at work (both reporting and non-reporting) were significantly reduced.

Health management is also an important part of corporate culture, which is why e.g. the water pipelines are tested for microorganisms at all sites.

Safety for visitors and employees

There are special flyers for the safety of the visitors of all production plants and the head quarter in Munich. These assist HAWE employees to point out safety-relevant topics before entering the production and assembly areas, for example in escape and rescue routes, the possible dangers resulting from in-house transport or contact with operating materials. Through regularly offered training sessions on the topic of work safety, the HAWE executives and selected specialists were continually sensitized and qualified on the subject of visitor safety. This issue is also part of the annual safety trainings of the employees.

In addition, a registration system was introduced in 2016, which applies to both external visitors and employees who are visiting a different location. The aim of this measure is to ensure that the responsible persons of the location can at all times understand which group of persons are present in the plants in addition to their own employees in order to be able to act in an emergency (for example, in an evacuation case).

Export controls

Daily inspections of the customer and supplier base of HAWE Hydraulik are carried out against the worldwide valid US and EU sanction lists. This ensures that HAWE does not provide customers with e.g. terrorist background.

This is done automatically by importing the data from the ERP system into the computer program of the GTS.

Shipping of airfreight

The dispatch of all HAWE products from Germany is made by the Freising or Kaufbeuren factory. Both sites have the status of the officially "Known consignor ". HAWE Hydraulik thus complies with the EU regulations on the safety of civil aviation. The packaged goods can be handed over directly to the airfreight company without any detours through security checks at the airport. In 2016, the certification audit required by the Luftfahrtbundesamt was again successfully carried out. The necessary infrastructure is further expanded at both plants, access rights are selected and regularly qualified.

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 Information

The HAWE employees are informed about important changes and events in the company or the markets promptly and in several ways. The goal is to reach all employees worldwide at the same time in order to ensure an even transfer of knowledge. The available media are the intranet and HAWE employee information as a sign of the infoboards in the production, assembly and workshop, where not every employee has access to the information via a PC.

The media used are selected by information type and translated into the different languages. The intranet has so far only been available to colleagues at all German locations. Currently, the intranet is now also made available to US colleagues and upcoming employee information and the entire interface is also available in the English language. The other subsidiaries will follow. Until then the international distribution of the relevant information is still maintained by e-mail.

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.

For a family-friendly and child-friendly support even in case of illness, a voluntary service exceeding the tariff regulations was signed as an employment agreement. This provides for a prolonged continuation of payment for the nursing parent during the care of their sick children.

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.

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.

In a telephone or written consultation, they regularly provide information to all the severely handicapped persons and those of the same age who are equal to current difficulties and specific social policy developments, like remedial reform, health reform, changes in the detection procedure, etc.

Works Council agreements

All agreements between the works council and the board of directors are made available promptly on the intranet and as a notice to the infoboards in the production, assembly and workshop of all employees and informed about the appearance by a separate e-mail or in regular group discussions.

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

HAWE is committed to promoting ecologically responsible behavior not only by setting goals. We want to raise awareness of the issue and continually expand the knowledge of the workforce to protect the climate and resources. Therefore the maintenance of the matrix certification of all sites of HAWE Hydraulik SE according to DIN EN ISO 14001 and DIN EN ISO 50001 is an integral part of company philosophy.

This was confirmed in 2016 by an external auditor in a four-day audit, at the Munich and Kaufbeuren locations, successfully and with 11 outstanding achievements.

Resource efficient production processes

As a manufacturing and global company, HAWE is dependent on using raw materials and resources worldwide. In order to reduce negative environmental impacts, we consistently work to continually improve our production processes.

A specially developed osmosis water preheating system at the location in Kaufbeuren is one example. The osmosis water, which has to be 60 ° C. for a cleaning process, is already preheated from 17.5 ° C. to 55 ° C. by means of a heat exchanger recovery system of the compressed air compressors. Thus only the last 5 ° C need to be heated electrically. This measure allows us to save 18.2 MWh of electricity and 8.9 tonnes of CO₂ per year.

Promoting electromobility

HAWE Hydraulik meets the challenge of meeting individual mobility requirements without neglecting the consumption of fossil fuels. This is why the employees in the plant of Kaufbeuren, the latest one, are allowed to use the existing charging stations for electric cars free of charge. This is intended to make the use of an electric vehicle or plug-in hybrids more attractive for the daily trip to work even from a financial point of view, in order to make an individual contribution to the fine dust, CO₂ and sulfur dioxide reduction.

Building and production technology

Our energy representatives support the respective plant managers on site at all HAWE locations in order to develop and successfully implement the appropriate energy efficiency measures. Since 2010, many small but also large efficiency measures have been implemented. Thanks to the implemented measures, the total energy consumption has already been reduced by over 5,500 MWh since 2010. We relieve the environment of 1336 t or 75.48% less CO2 emissions per year.

Lean thought in the product packaging leads to an increase in quality as well as avoiding waste

For serial orders, the products are placed directly in the final packaging by the inspector. This avoids packaging in the shipping area from the pallet to the final packaging and thus ensures the quality of the finished products directly after the last production step by means of a defined position of the components and results in a uniform appearance of each delivery. One-pack packaging is environmentally friendly and recyclable.

Strategic objective for the use of cooling lubricants

The implementation and adherence to a uniform cooling lubricant strategy is implemented throughout the plant. All plants are to be converted to biocide-free cooling lubricants. At present, the increase in the service life of the cooling lubricants is also expected to reduce the health impact of the employees.

IV. Anti-Corruption

Principle 10:

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

Group-wide standard reporting system

Last year, group-wide reporting was professionalized and further developed. With this monthly report, risks can be recognized reliably and above all in time in the course of the business process. The employees in the world-wide subsidiaries were trained on the opportunities and effectiveness of this standardized reporting.

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. A further step towards the reduction of CO2 emissions in 2016 was the partial conversion of intra-group and global transport of goods from airfreight to rail.

Risk management

Bei der Jahresabschlussprüfung läuft der Fraud-Check regelmäßig mit. Dabei sind die Wirtschaftsprüfer beauftragt, zusätzlich zur Überprüfung der Bücher, bei jeder HAWE-Tochtergesellschaft die Einhaltung von Mindeststandards im Risikomanagement und Compliance sowie die dazu veranlassten Sicherheitsvorkehrungen abzufragen und zu testieren. Es werden Maßnahmen abgeleitet und die Abarbeitung turnusmäßig überprüft.

The Fraud-Check runs regularly during the annual financial statements. Fulfilling this, the auditors are charged with checking and verifying adherence to minimum standards in risk management and compliance, as well as the safety precautions required for this, and in addition to the review of the books, at every HAWE subsidiary. Measures are derived and the processing is checked on a regular basis.

Set-up of an internal control system

The setup of an internal control system (revision) is in the concept phase. The changing needs are systematically and continuously recorded in order to be well established already in the implementation of the system.

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