

UNITED NATIONS GLOBAL COMPACT
ARMACELL'S COMMUNICATION
ON PROGRESS REPORT 2016



WE SUPPORT

 armacell®

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About this Report

Reporting to stakeholders in a transparent and public manner is fundamental for Armacell. To demonstrate our company's commitment, Armacell has been a member of the UN Global Compact since 2006, consciously supporting this initiative with our best efforts and advising all stakeholders to respect our self-commitment. The Armacell annual Communication on Progress Report is a key component of our commitment to the UN Global Compact. This document covers all policies, actions and outcomes of Armacell from April 2016 to May 2017 and is a voluntary framework.

The UN Global Compact is a strategic initiative for Armacell. We are committed to aligning our operations and strategies to the Ten Principles proclaimed within it, in the areas of Human Rights, Labour, Environment and Anti-Corruption. In all areas of business, Armacell is bound to its corporate responsibility towards its employees, the environment and the communities we operate in.

Statement of Continued Support

I am pleased to reaffirm Armacell's and my personal support of the Ten Principles of the UN Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption. Our Communication on Progress Report 2016 describes a wide range of actions taken to continue to integrate Global Compact and its principles into our business strategy, culture and daily operations. We are also committed to share this information with our stakeholders – wherever they are in our world.

A major focus of our business is on sustainable growth through the development and manufacturing of our insulation products and solutions to ensure a positive impact on our communities, people and the environment. Our commitment to protect the environment has been an integral part of our business strategy and philosophy since our foundation. We firmly believe that we contribute to reduce the consumption of energy in equipments worldwide.

We believe that our employees are our most valuable asset. That is why we are committed to motivate them, to develop their talents and furthering their skills by offering a wide variety of training opportunities in their native language. We do our best to create a positive working environment and, in turn, expect our employees to perform to the best of their ability in an atmosphere of mutual respect and trust.

Armacell employees truly make a difference everywhere in the world. Given our Group's global footprint, we see it as our responsibility to support citizens in our local communities. By emphasizing the social dimension of our corporate responsibility, Armacell and its employees are walking the talk in communities where the company operates.

In this spirit, Armacell has been supporting the Ten Principles of the UN Global Compact since 2006. Our corporate responsibility for sustainable development goes beyond environmental topics. We regard our accountability to be linked to occupational safety, product stewardship and corporate citizenship. With our full commitment to the Ten Principles we will continue to initiate appropriate actions to achieve a sustainable and ethical development of our business.

A handwritten signature in blue ink, appearing to read "Patrick Mathieu".

Patrick Mathieu

President and CEO of Armacell



About Armacell

General Facts and Profile

As the inventors of flexible elastomeric foams for equipment insulation purposes, Armacell develops innovative and safe thermal, acoustic and mechanical solutions that create sustainable value for its customers. By enabling energy efficiency for equipment we validate our global leadership in flexible technical foams. We grow by providing valuable solutions offering reliable, certified performance. Our high-calibre employees make all the difference in generating added value for customers.

What Makes Armacell Different

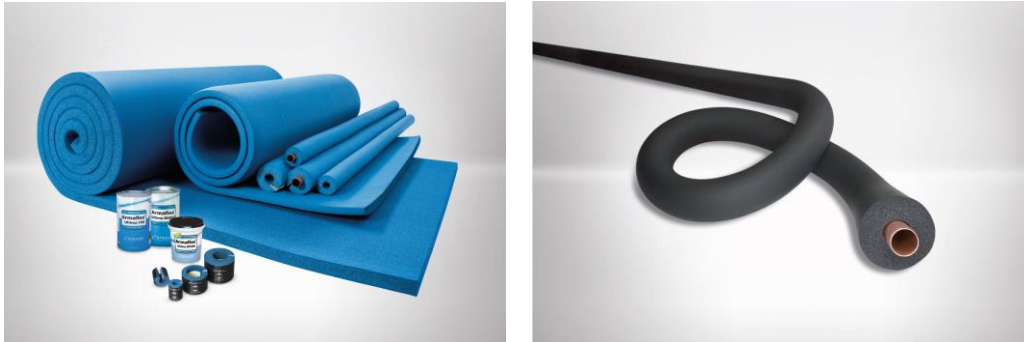
Our Advanced Insulation business focuses on insulation materials for technical equipment and other industrial applications. Typical applications are in heating, ventilation and air conditioning (HVAC), plumbing, refrigeration, oil and gas, commercial and residential construction, and acoustics. Our Engineered Foams business develops high-performance foams that are used in high-tech and lightweight applications, e.g. in the wind energy, automotive, transport, sports and leisure industries.

Global Presence, Local Focus

The successor company to Armstrong World Industries' insulation products business was founded in 2000 following a management buyout. A truly global company with 3,000 employees and 25 production plants in 16 countries, Armacell is managed from its corporate headquarters in Luxembourg and regional head offices in Germany, the USA and Singapore. Four product development centres spread around the world ensure a steady supply of leading-edge innovations to meet market requirements. Armacell's products are customised at a local level to ensure customers' expectations and requirements are met in any given region.

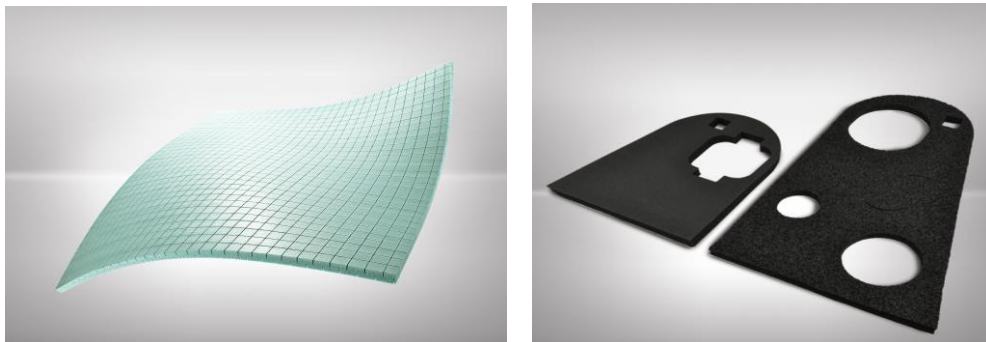
Advanced Insulation

In its Advanced Insulation division, flexible foams for the insulation of technical equipment are developed and marketed. Examples of how these products are utilized include the insulation of heating, cooling, and air-conditioning systems in commercial and residential properties, on process pipelines in industrial applications, in transportation and in the oil and gas industry.



Engineered Foams

The Engineered Foams division develops and markets technical foams for applications in various end markets such as wind energy, the automotive industry, the leisure industry, transportation, and other industrial sectors.



We develop flexible insulation foams and light foams for markets where energy distribution is required. Optimal technical insulation is the simplest, fastest and most cost-effective means of improving energy efficiency in commercial and residential buildings, in industrial applications and in the oil and gas industry. Armacell offers solutions to make the transport of energy more efficient, reduce greenhouse gas emissions and tackle the climate challenges of the 21st century. For more information about Armacell, visit www.armacell.com or www.armacell.com/insulationiskey

Mission, Vision, Values

Dedicated and highly engaged employees are Armacell's greatest asset. In an increasingly complex global environment, a clear mission, a convincing vision and shared values that are anchored in a corporate culture provide important guidance and a solid basis for business success. At Armacell, they form the foundation for the professional conduct of each individual employee and for the relationships to Armacell's business partners. Our customers benefit from the high quality of Armacell products and from working with our employees, who are committed and take responsibility for their work.

Mission - Why we exist

As the inventors of flexible elastomeric foams for insulation, we focus on developing safe, innovative thermal, acoustic and mechanical solutions and systems that create value for our customers in a sustainable way.

Vision - What we want to be

We want to be the global leader in flexible insulation foams that provides value by continually innovating products and systems to improve thermal, acoustic and mechanical efficiency in all targeted applications.



We do it in the A.R.M.A. Way:

- A**ppreciate our customers
- R**aise our efficiency
- M**anage our cash
- A**ct to empower our employees

Corporate Values



Customer Experience

We create a positive customer-focused culture. Customers value the Armacell experience and continuous business relationship.



Commitment

We are committed to developing and motivating our people, nurturing their talents and developing new skills. We build strong teams to support our company's performance. The safety of our employees is the company's top priority.



Empowerment and Accountability

We give our employees operational responsibility and expect them to develop and perform to the best of their talents. The basis for interaction between employees is mutual respect and trust.



Integrity

Our employees must be aware of and comply with rules and regulations, wherever in the world they are working. Still, integrity goes even deeper than that. It is about doing the right things in the right way, as individuals and as a company. Ethical and responsible conduct is fundamental to the way we do business. Armacell is a company that can be trusted.



Sustainability

We are focused on sustainable, profitable growth by the developing and manufacturing of our products to ensure a positive impact on our community. We contribute to sustainable growth by innovating in thermal and acoustic efficiency.

Global Initiatives and Alliances

Ethical and responsible conduct is fundamental to the way we do business. Our global initiatives and alliances speak for our accountability and commitment for a better and cleaner future.

EuroACE

Armacell is a proud member of the European Alliance for Companies for Energy Efficiency in Buildings (EuroACE). The mission of EuroACE is to work together with the European institutions to help Europe move towards a more efficient use of energy in buildings. www.euroace.org



REC

Armacell is a proud member of the Renovate Europe Campaign (REC), launched in 2011. REC is an initiative of EuroACE. It is the only EU-wide campaign that focuses exclusively on ambitious renovation of the building stock in the EU. www.renovate-europe.eu



CEFEP

Armacell is a founding member of the European FEF and PEF Interest Group (CEFEP). CEFEP is a syndicate for the providers of technical insulation. As a mouthpiece for the industry the group intends to communicate the benefits of its products to the European market, regardless of the manufacturer. www.cefep.net



Eiif

Armacell is a founding member of the European Industrial Insulation Foundation (Eiif). As a neutral and non-profit institution, it promotes insulation as a top-of-mind method of enhancing sustainability and profitability. www.eiif.org



LEED USGBC

Armacell is a proud member of the U.S. Green Building Council (USGBC). The USGBC is committed to transforming the way our buildings are designed, constructed and operated through LEED® (Leadership in Energy and Environmental Design). www.usgbc.org/



UN Global Compact

Communication on Progress Report 2016

The UN Global Compact's Ten Principles are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the UN Convention Against Corruption.

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.

Labour

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 labour;

Principle 5: the effective abolition of child labour; and

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

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.

Anti-Corruption

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

Human Rights – Communication on Progress

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.

Relevance of “Human Rights” for Armacell

Armacell supports and respects the protection of the internationally proclaimed human rights and is not complicit in any human rights abuses. Our employees support the Ten Principles of the UN Global Compact in their day-to-day business life. As in previous years, Armacell has not been subject to any investigations, legal cases or incidents involving human rights violations.

Armacell supports the **Universal Declaration of Human Rights** (UDHR) drafted as a milestone document in the history of human rights. Set up by representatives with different legal and cultural backgrounds from all regions of the world, the UDHR was proclaimed by the UN General Assembly in Paris on 10 December 1948. It sets out, fundamental human rights to be universally protected.¹

Armacell has established the **Armacell Code of Conduct** in 2012 in order to show its commitment to respect and protect the UDHR. The Armacell Code of Conduct is valid throughout the Armacell Group and defines the rules for our daily work both internally and externally, for behaving legally and honestly towards all stakeholders and for putting the company's interests before any personal concerns. The Armacell Code of Conduct has been published in a revised edition in January 2016.²

Armacell has established the **Armacell Corporate Values** in 2012 which aim to provide orientation and a sound basis for business success in an increasingly complex global environment. The Armacell Corporate Values form a sound basis for working together with colleagues, business partners and the general public. They apply to all business fields, markets and countries in which Armacell operates. A revised corporate design has been created during 2015 and shared with all employees worldwide to further enhance the perception of and commitment to the commonly shared values.³

¹ <http://www.un.org/en/universal-declaration-human-rights/>

² http://corporate.armacell.com/fileadmin/cms/corporate/en/about-armacell/Armacell_Code_of_Conduct_English_2016.pdf

³ <http://corporate.armacell.com/en/about-armacell/values/>

Armacell openly supports the **UN Global Compact** since 2006 in communications with our business partners and the general public.

- The Global Compact principles are publicly supported on our website, in speeches, in the press, in product brochures and in contact with customers and suppliers worldwide.
- Armacell's Global Compact commitments are incorporated into several company presentations (shown to the general public, customers, suppliers and other stakeholders).
- Bulletins and regularly updated news about the Global Compact are published on the intranet as well as in our printed employee and customer magazines.
- Global Compact contact persons, who report on related local activities, are appointed in all geographical zones.
- The endorsement of the UN Global Compact has been incorporated into our supplier assessments. Since October 2009, every new supplier has been asked to respect the Ten Principles of the UN Global Compact.
- A financial contribution to the UN Global Compact has been made in April 2017.

Armacell introduced a **global Sanctions Policy** in 2016, which helps our employees to navigate through the international sanctions system and to avoid unethical business transactions. Complying with economic, trade and financial sanctions is part of our business ethics. Sanctions safeguard values like human rights, the fight against terrorism and the non-proliferation of nuclear weapons, and we identify with each of these values. All employees with sanctions exposure receive a suitable level of training in relation to the requirements of the Sanctions Policy, at appropriate intervals.

Armacell offers financial support to the **World Vision** program since the Tsunami in 2004 and accompanies 6 orphaned children and youngsters from Navithanveli in Sri Lanka to make their way through school. In the past, Armacell supported 10 children of whom four have now reached an age, at which they do not need further support. Thanks to Armacell's commitment and the excellent cooperation with local project workers and the inhabitants themselves, a great deal has been achieved over the past years. World Vision will withdraw from the project within the next four years and therefore especially supports all local initiatives for self-help. The focus for 2016 was in the following areas:



- Support for those who set up their own small business, all types of training, also especially for women
- Improvement of teaching quality with intensive training courses for teachers

- Involvement of parents in raising money for school facilities
- Reduction in the number of children suffering from malnutrition with nutritional consulting for pregnant women and their babies
- Improved health care including health consulting for prevention of diseases

As a global company, we support **several good citizenship projects** that help the local communities in which Armacell operates, on an ongoing basis. E.g.

- Child fostering and education in Sri Lanka and India
- Habitat for Humanity in the USA
- Visiting elderly people in China
- Regular donations for facilities such as the European Leukodystrophies Association, France
- Hearts Program for children undergoing bone marrow transplant at Duke University Hospital, USA
- Annual heart walk and fundraising activities to support the American Heart Association
- Clothing donations to international projects

Latest Company Examples

Our employees make a difference around the world. As a company with a global footprint, we see it as our responsibility to support local good citizenship projects. The following are some examples of community engagement projects of Armacell during 2016.



Armacell employees in Thailand celebrated the “National Children's Day” together in January 2017. The team in Thailand collected a great compilation of toys and gifts for the children of employees and spent a day of celebration together.



After torrential thunderstorms and flash floods caused widespread devastation in West Virginia, local Armacell employees stepped in with donations and advanced clean-up efforts for flood victims.



For Christmas, employees at Armacell USA supported the U.S. Marine Corps Reserve’s “Toys for Tots” program again in 2016. Each year the Toys for Tots program collects new toys for less fortunate children.



In Germany employees regularly support a children’s charity by donating clothes and shoes for poor children in a project known as “The Little Prince”. In 2016, the employees donated twice, all in all four times already.



With their “Arma Fit Program”, Armacell Poland continuously supports local children to encourage a healthy and active lifestyle. Within this scope, they sponsored a holiday soccer tournament of the local Kid's Soccer Team “Oratorium” in Sroda Slaska in 2016. The young footballers had a great time with trainers and parents and enjoyed a healthy picnic. In addition, they organized a "Carpet Breakfast" for the local kindergarden, for which Armacell donated not only a healthy breakfast with fruits and veggies but also new carpets for two playrooms.



Our colleagues in Korea engaged with their community and supported DURE, a company famous for providing a working place for disabled people in Korea, with food supplies and refurbishments of work places.



For several charitable causes, Armacell in the UK donated considerable sums in 2016 – e.g. to the Oldham hospice charity Dr Kershaw's (following a Manchester to Blackpool 70 mile charity bike ride), the British Lung Foundation and Manchester Christie's hospital.



On the Global Armacell Day children from a local primary school in Singapore were treated to a fun afternoon at an indoor play gym.



On the Global Armacell Day in India, employees helped orphans at a local centre and donated a considerable sum to support setting up a vocational training centre.



Armacell worked with a charity organisation to purchase tea leaves from poor farmers in Yunnan, China, who otherwise might have had problems selling their crop. The profit the charity organisation made from this transaction was donated to a fund that supports volunteer teachers in schools in remote parts of China.



In Thailand, Armacell supported the “International Day of Disabled People” in December 2016 by granting money for the new year gifts.



In India, Armacell employees visited Snehalaya Care Campus on their Global Armacell Day. The facility provides full care and special needs facilities for orphans. Armacell employees attended a presentation about the organization and the challenges faced by differently-abled children. After engaging the residents in dance and game activities, Armacell donated INR 800,000 to the organization for the establishment of a self-sustaining vocational training centre.



Armacell in the USA supports the “HEARTS” program, helping children undergoing bone marrow transplants. As part of their 2016 Global Armacell Day celebrations, our Chapel Hill colleagues sponsored and staffed a family day for patients from Duke University Hospital in Durham.



In Thailand, Armacell employees participated in improving their community by donating beverages to support government officers who take care of traffic and drivers at checking point in the campaign of 7-day accidental protection. By this, Armacell participated in reducing traffic accidents in long holidays of Thai New Year 2017 to the neighbor community close to the plant.



On their Global Armacell Day, Korean Armacell employees visited a facility for physically-challenged, known as "Seong Ga Won". At the facility, the team not only interacted with the residents, but also helped to improve the living area by repairing their old insulation installations and cleaning the home.



In Münster, Germany, employees regularly collect money at their Christmas party to donate it to a specific charity. The 2016 donation was given to VIP Münster, an initiative that supports the integration of young criminal offenders into society.



Armacell in Guangzhou, China, engages with its community and visited the elderly in the Nursing Home near the plant on "International Women's Day" to share gifts and happiness with the elders.

Labour – Communication on Progress

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 labour;

Principle 5: the effective abolition of child labour; and

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

Relevance of “Labour” for Armacell

Armacell upholds the freedom of association and the effective recognition of the right to collective bargaining. We uphold the elimination of all forms of forced and compulsory labour, the effective abolition of child labour and the elimination of discrimination in respect to employment and occupation. Armacell firmly dissociates itself from and will not do business with any organization which upholds forced labour or child labour.

Armacell supports the internationally recognized labour rights promoted by the **International Labour Organization** (ILO), which aims to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue on work-related issues.⁴

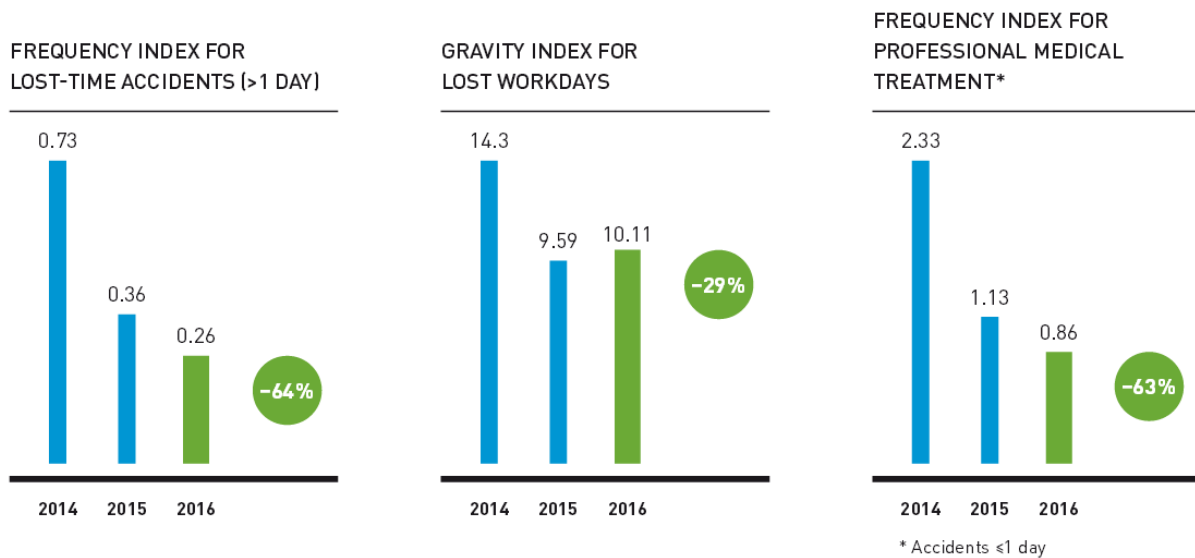
Armacell has established the corporate philosophy, the **A.R.M.A. Way**, in 2012 to provide all employees with guidance for their actions. The A.R.M.A. Way is based on the following core principles: Appreciate our customers, Raise our efficiency, Manage our cash, Act to empower our employees. To further support our philosophy of managing our activities as an organization in the A.R.M.A. Way, our annual global team awards, the “A.R.M.A. Way Awards”, are rewarding outstanding performance in the mentioned four categories.

Armacell has established the **Worldclass Armacell Mindset** (WAM) program to continuously improve the performance and cost competitiveness of Armacell in a constructive way, by challenging the way we think, work and operate. The WAM program is structured on two main areas: WAM Manufacturing and WAM Sales and Marketing (WAM SME). **WAM Manufacturing** describes the way how our Armacell plants strive for a safe and healthy working environment, for a quality product delivered to our customers and for a continuous improvement of performance. WAM Manufacturing is organized around 12 technical pillars, impacting people, processes and tools. **WAM SME** supports our global Sales & Marketing force in striving for excellence to achieve top line growth and the

⁴ <http://www.ilo.org/global/about-the-ilo/lang--en/index.htm>

highest standard possible for our Industry. It is organized around 9 technical pillars, impacting people, processes and tools. Multiple internal trainings have been performed to explain the WAM Manufacturing and WAM SME programs to our employees within all departments.

Armacell gives particular priority to **health and safety**. Group-wide, our safety statistics point to a very positive trend between 2014 and 2016. In 2016, 16 out of 23 sites recorded zero accidents with greater than one day lost. There were just twelve lost-time accidents (LTAs) in the entire Group. This improvement is primarily due to the successful implementation of the World Class Armacell Mindset (WAM) Safety Pillar launched in 2014 and the unstinting efforts of our workforce.



Besides initial vocational training courses, Armacell is firmly committed to further **training and educational measures** for its global workforce, e.g. through more than 1,000 different initiatives worldwide. A group-wide **Leadership@Armacell** programme running since 2013 has seen 590 managers attending and 80 % of them have already completed all three steps of this programme. Some training measures are tailored to specific local needs. In EMEA, for example, a major Sales & Marketing Qualification Program was implemented to develop the appropriate behavior, skills, knowledge and involvement of employees to deliver business goals. A Sales & Marketing Training Roadmap defines all training activities of the Program. In APAC, Armacell employees at specific plants are given anti-drug training by local policemen to enhance their awareness of drug-related problems.

Armacell has launched its leadership programme for all leaders worldwide to set the foundations for a shared managerial culture throughout the company. The success of an organization is strongly impacted by the manager's ability to lead the team to the expected outcome. That's why Armacell shapes qualified leaders, who enable the implementation of the company's strategy and the achievement of its targets.

Armacell has established the **People Review Conference** in 2012 and rolled it out on a global level in 2014. This conference takes place on a yearly basis. Managers present their assessment and succession planning for their key positions.

Armacell conducts the **Annual Performance & Development Reviews** (APDR) to identify personal development needs and training requirements and to define objectives for all participants in a standardized way, related to the A.R.M.A. Way philosophy. It gives managers and employees the opportunity to provide mutual feedback on the working relationship and engage in a development dialogue. Armacell also offers regular training sessions for employees and supervisors to help them prepare for the reviews.

In addition, at the beginning of 2017, Armacell has launched the pilot program **Annual Feedback Review** for the manufacturing departments. Its main target is to increase the level of capable operators within the plants. The program shall provide transparency about performance levels within the plants, take actions to increase these, evaluate the progress and improve communication to foster the feedback culture.

Armacell has introduced the **Global Round Table** where Patrick Mathieu, CEO of Armacell, meets with employees from the plants and administration in a relaxed atmosphere to discuss current topics and listen to their concerns. This communication tool has been implemented in the regional head office of the business region EMEA and was subsequently rolled out on a global scale in 2016.

Armacell conducts **Employee Surveys** on a regular basis to receive direct feedback from all our employees worldwide and evaluate their level of commitment. Based on the responses, we take steps to contribute to a better and more stimulating work environment for our employees. The employees' feedback on a variety of topics enables the management to make Armacell even more powerful. The next Employee Survey is currently being prepared and scheduled for May/June 2017.

In 2016, Armacell launched the new global e-learning module **Meet Armacell** to give (new) employees an orientation within the company and to provide all relevant information about Armacell. Videos, presentations and interactive elements are guiding the user through the Armacell culture. The e-learning course is provided to all interested employees.



Armacell celebrated its 15th anniversary during the month of September 2015 and used the occasion of this significant milestone to launch a worldwide, annual initiative, the **Global Armacell Day**. With this globally recognized event, Armacell thanked its employees for their commitment and their work for the company. Furthermore, we celebrated our global Armacell family: no matter where in the world a colleague works for Armacell, we all share the same mission, vision and the same values.

Armacell recognizes employee accomplishments through the annual **Armacell Awards System** which plays a vital role in improving the relationship employees have with each other and with the organization. The Armacell Awards are designed for all employees worldwide and lay the foundation for an engaged working culture. The awards are clustered as follows: Achievements Awards (Initiative Award and Leadership Award) as well as the Making a Difference Award and the ArmaWay Awards in the categories: Appreciate our customers, Raise our efficiency, Manage our cash, Act to empower our employees. In addition, the Global President's Award is awarded every year by the CEO & President.

Since the beginning of 2014, Armacell has initiated and rolled out a project covering its suppliers worldwide, informing them about our support of the UN Global Compact's Principles. Armacell will be going one step further by requiring its suppliers to sign documents confirming that they comply with the principles that call for eliminating all forms of forced and compulsory labour and abolishing child labour. The signature of the **Armacell Supplier Code of Conduct** is part of the evaluation process organized by the Corporate Purchasing Department every two years.

Latest Company Examples

Dedicated and professional employees are Armacell's greatest asset. Armacell's highest priority for its employees is health and safety at work. All Armacell employees are entitled to work in environments where risks to their health and safety are properly controlled.



Armacell in Friesenhofen, Germany, surpassed 4 years without any accident subject to report in the beginning of 2017.



Armacell Poland has celebrated the "Quick Kaizen and Safety Advise Awards" for 2017. The awards recognize engagement, creativity and initiative to propose best solutions in our workplace. Congratulations to all winners!



Begur plant in Spain, Spencer plant in the US as well as Guangzhou and Panyu plant in China celebrated 1,000 days without any Lost Time Accident (LTA). Atlanta plant in the US surpassed 1,000,000 Safe Work Hours after more than 13 years of incident-free work.



In 2016, the Armacell plant in Mebane, North Carolina, first earned a SHARP Safety Award for its manufacturing facility and then received the Gold Theodore H. Brodie Distinguished Safety Award in the Associates (Manufacturers) Category. This Safety Award is the only national award for outstanding safety performance in the US mechanical insulation industry.



Employees in Friesenhofen, Germany, refresh first aid skills in a refresher course of the German Red Cross to gain corporate first aid certificates.



Armacell employees in Turkey completed a first aid training as part of their occupational health & safety program and were successfully reviewed by the Ministry of Health authorities.



At Münster plant, new vacuum lifting pads were introduced for ergonomically unpacking and withdrawing rubber bales. The new facility ensures a safe use even for deformed bales.



Armacell introduces employees to the application of Armacell insulation materials including practical as well as theoretical aspects and an introduction to fire testing.



Armacell supports industry-wide insulation trainings in Germany and trains aspiring application engineers for the Heating, Ventilation and Air Conditioning (HVAC) sector.



Armacell Münster, Germany, is a member of “Münster Industrial association” (Industriegemeinschaft Münster) and, as such, supports a local initiative for vocational trainings in manufacturing.



Rollout of the Kaizen Scheme Programme at Armacell India. The objective of this program is for employees to submit improvement ideas the A.R.M.A Way. It encourages employee involvement improving effectiveness, recognize constructive ideas and stimulate creativity.



Armacell in Guangzhou, China, has launched the WAM Skill Passport System to develop shop floor operators' WAM competences. Staff is certified as WAM internal trainers for the delivery of WAM courses to ensure that the Skill Passport System is effectively executed.



The Armacell WAM Sales & Marketing Competency Development Programme was rolled out in India, Korea and China.



Armacell in Cheonan, Korea, carried out their first WAM audit of our continuous improvement program. A well-established Safety Pillar shows high levels of team and management motivation for safety.



Armacell in Münster, Germany, carried out the WAM Manufacturing Audit. Employees show their progress to the Management.



Armacell in Thimister, Belgium, carries out its first WAM Sales & Marketing Excellence Audit and shows its progress to the Management.



Armacell in Sroda, Poland, carried out the WAM Manufacturing Audit. Employees show their progress to the Management.



Armacell in Guangzhou, China, holds quarterly Town Hall Meeting.



Armacell holds the Global Round Table where Patrick Mathieu, CEO of Armacell, meets with employees from the plants to discuss current topics and listen to the employees.



Armacell hands out the A.R.M.A. Way Awards to lay the foundation for an engaged working culture. In 2016, 168 applications were received. Congratulations to the winning teams from Poland, India and the USA!



A mixed work force of 15 employees in Münster, Germany, works on demographic trends at Armacell Germany. They put the current situation in terms of strategy, leadership, corporate culture, health management, job design and organization as well as qualification and competences to the test.



In 2017, a major top-down training process was launched at global level to hand on Demand Creation knowledge to sales and marketing staff. As one important pillar of WAM Sales & Marketing, "Demand Creation" is Armacell's approach to substitute competitive materials.

Environmental Protection – Communication on Progress

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.

Relevance of “Environmental Protection” for Armacell

Armacell supports a precautionary approach to environmental challenges and undertakes initiatives to promote a greater environmental responsibility and develop and diffuse environmentally friendly technologies. Environmental guidelines are in place in all our companies and manufacturing plants. Armacell employees worldwide strive to behave responsibly towards the environment and seek to conserve natural resources on and off the job. Armacell commits itself to manufacturing products which pose no threat to the environment.

Armacell has certified 20 out of its 25 worldwide plants according to the **ISO 9001:2008** version of the International Organization for Standardization (ISO). The ISO 9001 is part of the ISO 9000 family of quality management systems standards which are designed to help organizations ensure that they meet the needs of customers and stakeholders while meeting statutory and regulatory requirements related to a product.⁵ Armacell Germany has received the Bureau Veritas Certification which certifies that the Management System of the organization has been assessed and found to be in accordance with the requirements of the standards detailed as follows: DIN EN ISO 9001:2008 / DIN EN ISO 14001:2009.

Armacell, together with one of the world’s leading sustainability consultancies, ERM (Environmental Resources Management), carried out **environmental assessments** at all its sites throughout the world. The audits covered environmentally relevant topics and examined whether the individual sites comply with the legal requirements. ERM confirmed that there are no material environmental issues at any of the Armacell plants. Further improvements recommended by the consultants have either been implemented or will be realized in the medium term. The areas audited include: environmental management, permits, air emissions, water supply and waste water, hazardous material storage and handling, waste management, restricted substances, environmental nuisances, housekeeping, explosion protection provisions and soil and groundwater conditions at the sites.

⁵ https://en.wikipedia.org/wiki/ISO_9000

Armacell has carried out continuous research on the **life cycle assessment** for Armaflex, its main elastomeric insulation product, based on the ISO 14040 methodology, since it was first conducted in 2009. The aim was to systematically investigate its environmental impact, relying on data from all Armacell production facilities and markets worldwide. The outcome supports Armacell's precautionary approach to the environmental challenges of the 21st century:

- Energy balance: assuming an average service life of 20 years, 140 times more energy is saved through the use of Armaflex than is needed for its production, transport and disposal.
- The carbon footprint of the product: 150 times more CO₂ emissions are prevented over an average lifetime of 20 years than are emitted during production.
- In heating applications, where a service life of 30 years can be assumed, the eco-balance is even better: 270 times more energy is saved and 500 times more greenhouse gas emissions are prevented compared to production requirements.
- The pay-back time for energy input needed to produce Armaflex is just 50 days.

Armacell is the first manufacturer of flexible technical insulation materials to present **environmental product declarations** (EPDs) for its business regions EMEA⁶ and APAC⁷. EPDs are independently verified and registered documents that communicate transparent and comparable information about the life-cycle environmental impact of our Armaflex products. As a sustainability passport, EPDs form the basis for designing green buildings in accordance with certification schemes such as LEED, BREEAM or DGNB. A training module has been drafted and put into practice to train both our employees as well as our customers on the environmentally performing products. Furthermore we are working on EPDs for our Tubolit product family.

Armacell has received the label for new and refurbished **low-energy-consumption buildings** according to the Minergie ECO⁸ for some of its products. This label is mutually supported by the Swiss Confederation, the Swiss Cantons and the Principality of Liechtenstein along with Trade and Industry. Building to Minergie standards means providing high-grade, air-tight building envelopes and the continuous renewal of air in the building using an energy-efficient ventilation system.

Armacell supports the **Renovate Europe Campaign** (REC). The REC was initiated by the European Alliance of Companies for Energy Efficiency in Buildings (EuroACE). Its objective is to reduce energy consumption in the building stock in the EU by 80% compared to 2005 levels by 2050. The REC

⁶ <http://corporate.armacell.com/en/press-room/press-releases/detail/view/armacell-initiative-receives-recognition-from-ul-environment/>

⁷ <http://corporate.armacell.com/en/press-room/press-releases/detail/view/armacell-presents-environmental-product-declarations-epds-for-its-elastomeric-insulation-materials/>

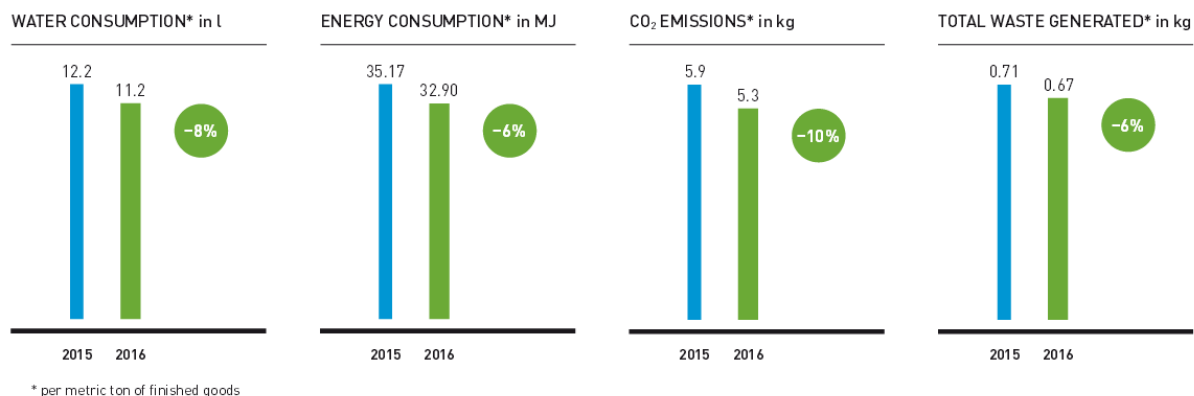
⁸ <http://www.eco-bau.ch/index.cfm?Nav=27>

promotes the implementation of ambitious renovation strategies throughout Europe to triple the annual renovation rate for existing buildings in the EU from 1% to 3% by 2020.

Armacell has been awarded the **Ringier Technology Innovation Award** for its highly sustainable ArmaFORM® PET GR product group. ArmaFORM® PET GR is manufactured according to an energy- and resource-optimized production process: 100% re-use of material loss and no use of ozone-depleting HFH or CFC blowing agents. Furthermore the product is fully recyclable at its end of life.

Armacell implemented a **worldwide R&D strategy** based on the principles of sustainability and environmental protection with specific research aims, including constant further development of product formulations that pose no threat to the environment. Following the development of formulations for the worldwide substitution of the widespread brominated flame-retardant agent decabrom-diphenylether (deca-BDE), which has been under discussion in recent years due to its negative environmental impact, deca was substituted four years ago already. We are developing elastomeric foams with excellent fire behavior but without brominated flame retardants and antimony trioxide which are suspected of being potentially carcinogenic for humans. In 2014 additional formulations without MCCPs (as a plasticizer) have been developed.

In 2016, the **Environmental Pillar** of the **World Class Armacell Mindset programme (WAM)** was launched. Figures for 2015 and 2016 point to a positive trend, which will be reinforced as we intensify our efforts in these fields:



Latest Company Examples

Armacell employees worldwide strive to behave responsibly towards the environment and seek to conserve natural resources on and off the job. Armacell commits itself to manufacturing products which pose no threat to the environment.



Armacell is the first manufacturer of flexible technical insulation to present environmental product declarations (EPDs) to provide a transparent, independent, reproducible analysis of the environmental impacts of its products.



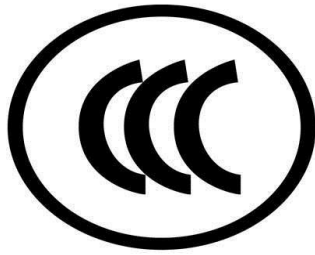
Armacell supports the Renovate Europe Campaign (REC), the driving force for the renovation of the European building stock. The campaign calls on policy-makers to transpose EU legislation into national law, particularly the EU Energy Efficiency Directive and the Energy Performance of Buildings Directive (EPBD).



The renowned independent Building Research Establishment (BRE) has now added pipe insulation to its Green Guide to Specification. Nitrile rubber insulation products such as Armaflex receive an 'A' rating, thus confirming their low environmental impact. A points uplift is also awarded for products that hold an independently verified environmental product declaration (EPD).



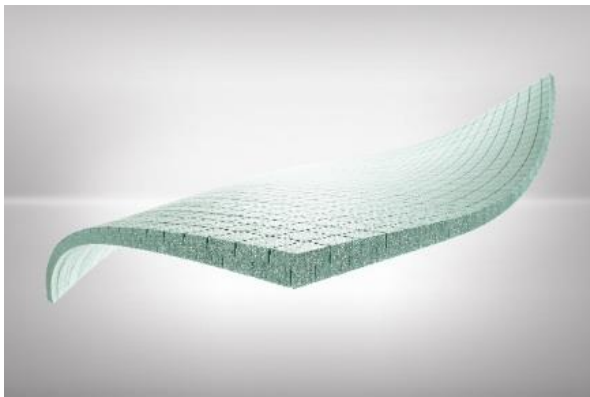
Armaflex products are the first flexible insulation materials to be listed by the Swiss Minergie-Eco label. None of the listed Armacell products violates Minergie-Eco's exclusion criteria and the halogen-free insulation material NH/Armaflex has been rated as "well-suited for Minergie-Eco". The solvent-free Armaflex SF990 and Armaflex Ultima SF990 adhesives even received the highest rating and are listed as "very well suited".



As the first manufacturer in China, Armacell got the China Compulsory Certificate (CCC) for product quality standardization for its products ArmaPhonic, CR Armaflex and ArmaPhonic Barrier E.



As the first manufacturer of elastomeric insulation materials, Armacell introduced a return system for its off-cuts, the Armacell Eco-Cycle. Surplus insulation materials are collected on the construction site and used in the manufacturing of new products.



Armacell offers PET foams 100% made from post-consumer PET recycled beverage bottles. ArmaFORM® PET meets stringent technical requirements for composite materials and preserves the environment.



Armacell further invests in PET foam production based on a consistently high demand for its ArmaFORM® PET foam products. A new PET foam production line in Brampton, Canada, is in operation since 2016 and a new line in China is expected to be operational by the end of 2018.



Armacell offers practical trainings on professional installation of elastomeric insulation. Special emphasis is being laid on environmental aspects and correct installation of the flexible insulation material to ensure that no energy losses occur.



Bart Janssen, Armacell Benelux, introduces school classes in Belgium to recycling with a focus on recycling plastics and PET bottles. The pupils learned about Armacell's production of PET granules from bottles and their re-utilization.



Employees of Suzhou plant, China, plant and maintain trees on the road side.



By shipping rail instead of truck Armacell Canada has reduced their CO₂e emissions by an estimated 374 tons (equivalent to 72 cars off the road or 339 trees planted).



In 2015, Armacell plants in Germany committed themselves to save 5% of their energy use by 2020. Several measures have been implemented, which considerably improve power efficiency on site – among them a new heating control and a better compressor at Friesenhofen plant.



To save energy, Armacell in Guangzhou, China, implements natural cooling instead of water cooling for sheet and tube line production, thus reducing water and electric consumption to zero.



Armacell in Mebane, US, pelletizes excess PE scrap and has it recycled to PE insulation products at Armacell Yukon OK plant. In addition, the plant increasingly bales foam scrap to sell it



Armacell in Odham, US, has introduced a new waste segregation process. Dry mixed recyclable waste is now segregated from general waste by means of new bins throughout the offices and

for recycling, thus keeping it out of the landfill.



Following the introduction of the WAM Environmental Pillar at Pune plant, India, the team realized several environmental improvements. Among them are initiatives such as the reduction of landfilling waste by reusing trim waste, the reduction of water consumption by using STP water for gardening and the reduction of air pollution by providing dust collectors, as well as several measures to save electrical energy such as the introduction of LED lights.



Following the introduction of the WAM Environmental Pillar at Spencer plant, US, the team realized several environmental improvements. Among them are initiatives such as the introduction of a new air compressor, new recycle bin boxes for aluminum can, plastic bottles and office & shred paper and a new outlet for waste oil.

rest areas as well as “waste stream maps”.



Mebane plant, US, formed an Environmental Pillar team in 2016, which introduced trainings on the principles of waste management and increasing recycling, conducted a plant-wide noise assessment survey as well as an environmental impact assessment of the facility. In 2016 the plant recycled 47% of all waste, thus avoiding 1,151 tons of material being sent to the landfill. After improvements were made, even 56% of all waste was recycled in Q1 2017.



Armacell Thimister plant, Belgium, sponsored a student team at Leuven University with Armacell PET core material. The material was used to build a boat solely made of PET. With this project, the students won the Belgian “EcoRace Challenge”, which was initiated to promote inland waterway transport as an environmental friendly transportation mode.

Anti-Corruption – Communication on Progress

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

Relevance of “Anti-Corruption” for Armacell

Armacell works against corruption in all its forms, including extortion and bribery. Armacell has established the **Armacell Code of Conduct** in 2012 in order to show its commitment to respect and protect Principle 10 of the UN Global Compact. The Armacell Code of Conduct is valid throughout the Armacell Group and defines the rules for our daily work both internally and externally, for behaving legally and honestly towards all stakeholders and for putting the company’s interests before any personal concerns. Our managers are expected to lead by example, to drive a culture as set out by our values and Code of Conduct.

- The Armacell Code of Conduct has been published in a revised edition in January 2016.⁹
- Posters (Our Values and A.R.M.A. Way) referring to the Code of Conduct hang in all Armacell premises worldwide.
- The Code of Conduct was translated into the languages of all the countries where Armacell has a plant and a letter of acknowledgment had to be signed by every employee worldwide.
- A brochure was prepared which is presented to new employees at all locations worldwide when they join the company. Every new employee is asked to commit to the Code of Contact when signing his/her working contract.

In March 2017, Armacell has enacted a reinforced global **Anti-Corruption Policy**. Preventing bribery and corruption is a key priority in our compliance efforts. At Armacell, we are committed to operating our business with integrity, fairness and transparency. We operate a zero tolerance approach to the giving or receiving of bribes or any other corrupt practices. Such conduct is absolutely prohibited for all Armacell personnel as well as anyone else acting for or on behalf of Armacell. Currently relevant staff is being trained for applying the new Anti-Corruption Policy.

⁹ http://corporate.armacell.com/fileadmin/cms/corporate/en/about-armacell/Armacell_Code_of_Conduct_English_2016.pdf

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Armacell is a global leader in flexible foam for the equipment insulation market and a leading provider of engineered foams. With 3,000 employees and 25 production plants in 16 countries, the company generated net sales of approx. EUR 560 million and EBITDA (before unusual items) of approx. EUR 100 million in 2016. Armacell operates two main businesses: Advanced Insulation develops flexible foams for the insulation of technical equipment utilised for the transport of energy - such as heating, ventilation & air conditioning (HVAC) and heating & plumbing (H&P) in residential and commercial construction, process lines in the heavy- and oil & gas industry, equipment in transportation, as well as, acoustics. Engineered Foams develops high-performance foams for the use in a broad range of end markets including transportation, automotive, wind energy, sports and construction. Armacell's products significantly contribute to global energy efficiency.

Website: www.armacell.com