



Global Compact Communication on Progress

January 2017 - January 2018

HAWE Hydraulik SE

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Preface and Statement of Support

Dear Sir/Madam,

For the seventh year running, we are supporting the United Nations' Global Compact in the areas of human rights, working practices, environmental protection and the fight against corruption, and we commit to promoting and actively implementing the ten principles throughout the HAWE Group as a whole.

At HAWE Hydraulik, the year 2017 was characterized by the general economic boom in mechanical engineering. The new works structures, which came into being as a result of projects in 2016, have now become established and are having an effect. At the same time, group-wide purchasing is increasingly gaining an international focus. We used this fact as the occasion to focus further on the supply chain in our 2017 and 2018 activities, and to introduce measures to this end.

In this fifth progress report, we describe our measures for ongoing improvement of the integration of the Global Compact and its principles in our business strategy, corporate culture and day-to-day operations. We also undertake to pass on this information to our stakeholder groups 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 safety and health protection

A regular check of the OSHAS 18001 occupational safety system took place in 2017. The monitoring audit confirmed that the requirements continue to be satisfied and that improvements are ongoing.

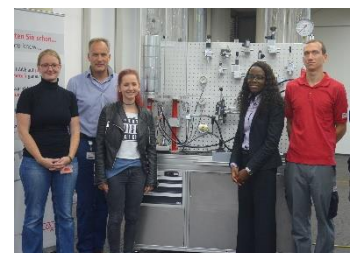
In 2017, the process for recording near misses was improved. In future, this will enable HAWE Hydraulik SE to carry out optimised analysis of accident data and to devise specific measures on the basis of this analysis.

HAWE Hydraulik SE also made further efforts in the area of health protection. For example, care was taken to ensure that canteens offering a healthy range of foods are promoted and/or subsidised in the area surrounding the new company headquarters in Aschheim/Munich. The first smoking cessation seminars that employees could choose to attend voluntarily were held at the Kaufbeuren site. The plan is to offer these seminars at the other sites in the future.

When it came to the assessment and equipment of workplaces, the focus in 2017 was on the theme of backs and ergonomics. By way of example, all office work stations in Munich were equipped with a height-adjustable desk. This equipment is also to be made available in the office workplaces at the production and sales sites in the course of the coming year.

HAWE Hydraulik promoting specialist training in Africa

As part of the VDMA education project “Specialists for Africa”, VDMA members are sponsoring and donating equipment for training centres in three countries, and are actively contributing their knowledge and expertise in professional training directly on site. Specialists are also being sent out to provide further training.



The corresponding project initiated at HAWE Hydraulik is focused on the construction of 5 hydraulic training models, which the company will send out to these countries free of charge. These training models have already been successfully used for several years to train our own young specialists. Apprentices in their 1st and 2nd years of training assume full responsibility for the project management. This involves planning installation times, identifying purchase parts, negotiating prices and communicating across all plants. The aim is to deliver the training model to Africa in May 2018, and to improve specialist training on site there. The imparting of knowledge relating to hydraulics helps in the operation, repair and even future development of a range of different machines, and forms the basis for creating perspectives.

Export control

Daily checks of HAWE Hydraulik's customer and supplier base are carried out against the US and EU sanctions lists that are applicable worldwide. This ensures that HAWE does not supply any customers with, for example, a terrorist background.

These checks take place automatically by importing the data from the ERP system into the GTS computer program.

Dispatch of air freight

All HAWE products from Germany are dispatched from the Freising or Kaufbeuren plants. Both sites hold the status of "known consignors", approved by the authorities. HAWE Hydraulik therefore complies with the EU regulations for the safety of civil air transport. The packed goods can be handed over directly to the air freight company without detours through safety checks at the airport. In 2017, the certification audit required for this by the German Federal Aviation Office was once again carried out successfully at the two dispatch sites. The necessary infrastructure was extended further at both sites and authorised persons were qualified at regular intervals.



II. Working standards

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.

Integration and inclusion in practice

At HAWE Hydraulik SE, integration and inclusion is taken seriously and put into practice in the working environment every day. Regular training sessions and specialist literature are on offer to ensure that those in charge are always up to date.

One important part is the integration in training and work, as well as the opportunity to obtain and use qualifications. People with severe disabilities and those with equivalent status are employed in all suitable areas. This applies to the administrative area, production and training.

At HAWE Hydraulik, people with severe disabilities and those with equivalent status have the opportunity to change career if necessary.

Information on current topics relating to integration and inclusion is provided to all employees regularly, twice a year, at the general works meetings, in the form of the report from the representative body for severely disabled employees.

So as to enable all deaf employees to participate in the works meetings, all such employees are driven by shuttle to the location of the relevant works meeting, free of charge. Sign-language interpreters are present at the meetings to interpret all content simultaneously.

In the departments where deaf employees work, sign-language interpreters are also regularly called in for team meetings and one-to-one discussions. Moreover, it is also possible to invite sign-language interpreters to assist with the internal training provision.



Remote interpretation is also currently being trialled. This functions like a video conference and can be of particular benefit if a sign-language interpreter is required at short notice.

Works meetings in new format

Since early 2017, the works meetings at HAWE Hydraulik have been organised in a new format. These meetings now take place on a rolling basis and therefore alternate between the company's individual production sites. This enables all parties (Management Board, Works Council and representative body for severely disabled employees) to be present in person at the locations regularly and to the same extent. These works meetings are then transmitted by live video stream to the other sites, including the sales offices. Employees who use wheelchairs are able to follow the works meetings directly at their workstations, on their own PCs. At the same time, following the works meeting, all of the presentations by all the speakers are made accessible to all personnel in the intranet. All employees have the opportunity to ask questions live, irrespective of their location, using a range of media on offer.



Customised workplace integration management

The health of the employees is very important to both the Management Board and the Works Council. In order to maintain employees' job satisfaction and capacity for work, a wide range of measures are integrated into the everyday work of the company on a regular basis, with the above bodies working in close collaboration. These include workplace integration management, which aims to support and maintain the health of the individual employee, as well as avoiding disability, including chronic illness. It is a question of preserving the employee's capacity to work in the long term. To this end, HAWE Hydraulik has established a workplace early-warning system that makes sector-specific and company-wide evaluations available to those responsible on a monthly basis. The member of the Works Council contacts the affected person in writing and explains the possible next steps and the provision available. An initial meeting to agree the approach and establish the need is only held following written consent from the affected person. The content is, of course, treated as confidential. An internal integration team is responsible for workplace visits and workstation analyses, as well as for developing and implementing measures on the basis of the information obtained.



Special acknowledgement for shift work

HAWE Hydraulik rewards its employees' willingness to work late shifts and night shifts beyond the scope required in the collective agreement of IG Metall Bayern. This has been regulated with a works agreement for all employees within the double and triple-shift system, at all production sites in Bavaria. This works agreement is intended to recognise this personal performance and also to provide special acknowledgement financially.



Training at a very high level in many specialist areas

HAWE Hydraulik offers a wide range of jobs requiring professional training, and receives many awards for the success of its youngest employees in completing their training programmes. For example, in the most recent studies (2017), carried out by Capital and ausbildung.de, the company was ranked as one of Munich's leading training companies. When it comes to selecting applicants, all candidates have the same chance. Accordingly, we have been able to inspire young women to pursue a career in metalworking, as well as successfully offering immigrants a way into the profession of mechanical engineering.



III. Environmental protection

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 Hydraulik handles resources responsibly, consistently reduces CO₂ emissions, reduces undesirable effects on nature and strives to avoid such effects as far as possible.

Both production and the development of resource-saving products and services is taken into consideration here. Consequently, HAWE Hydraulik is continually improving our environmental protection efforts as a company. To this end, we record and evaluate environmental key figures and set environmental targets across the company. Through regular inspection and maintenance of our machines and installations, we ensure that the environmental impacts of our operations are kept to a minimum. At the same time, we promote environmentally-conscious behaviour among our employees and implement various communication measures and training sessions to achieve this.

The principles of HAWE's environmental protection policy are set out in the global Health, Safety and Environment Policy (EHS Policy), in the revised version from late 2016.

In the EHS Policy, HAWE Hydraulik undertake to minimise and avoid negative effects for humans and the environment as a result of our processes, services or products. In order to achieve this objective, HAWE introduced an environmental and energy management system at all product sites at an early stage.

In this year's inspection, carried out by an external certification organisation, the main focus was on certification in line with the new ISO 14001:2015 standard (environmental management). Further



development of the standard has focused on considering the company as a whole.

This means that it is not merely individual processes which are looked at and assessed during the audit, but rather the entire business model, with all of its opportunities and risks, as well as external factors, such as the supply chain involved, the surrounding influences and the environmental influences.

What is more, compliance with the energy management standard ISO 50001:2011 and the occupational safety management system OHSAS 18001 was also checked in the stipulated annual cycle. This matrix certification that has been achieved is valid for all production sites, including the headquarters of HAWE Hydraulik SE in Germany, and proves that the criteria for all specified management systems have been satisfied across the sites, without any deviations. Besides the successful transition to the ISO 14001:2015 standard, the external auditor singled out the management of the EHS objectives over the intranet, and HAWE Hydraulik's participation and work on the LEEN networks (learning energy efficiency networks) for special praise.

Since 2010, over 7500 MWh of energy and more than 2000 t of CO₂ have already been saved thanks to this work.

Climate protection objectives

Climate change is one of the greatest challenges of our time. It is therefore very important for us to make efficient use of energy and consequently to save CO₂ and protect the environment. At our production sites, a large number of energy meters monitor the energy consumption of the lighting, cooling systems, ventilation and compressed air around the clock. If the energy usage rises above the standard value, our energy management controlling system immediately raises the alarm. In this way, we are able to react directly and eliminate the causes of the raised energy consumption.

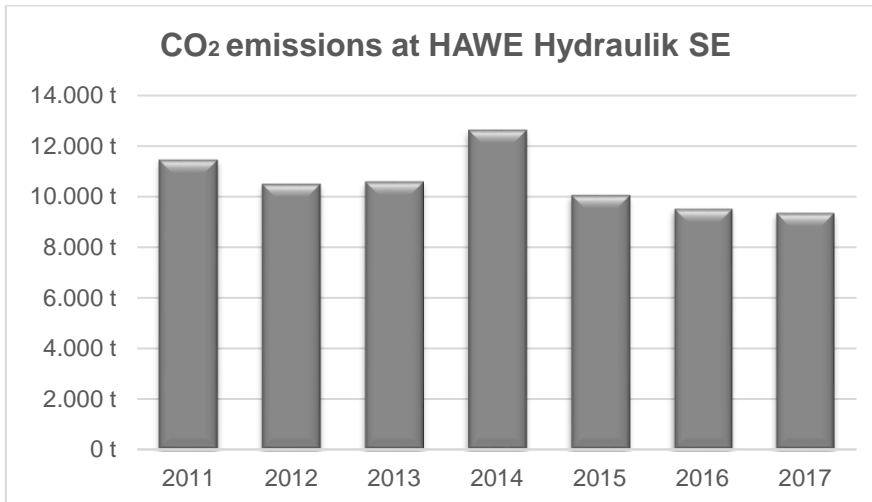


HAWE Hydraulik has an in-depth focus on modern technologies which we can use to obtain and utilise environmentally friendly energy. Our photovoltaic installations and our cogeneration plant are of particular importance here.

As a result of these, we were able to generate 1600 MWh of electricity in-house in 2017.

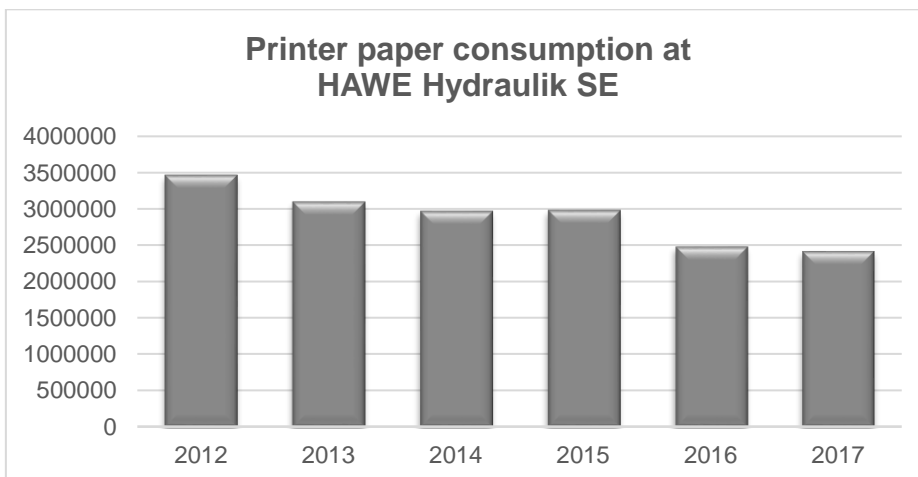
CO₂ emissions

As a key element in reducing the environmental impact and ensuring continual improvement of energy efficiency, HAWE Hydraulik has been participating in LEEN networks - learning energy efficiency networks - since 2010. The resulting, ongoing reduction of CO₂ emissions that has been achieved is shown in the attached graph.



Use of paper

The paperless office is also coming into effect at HAWE Hydraulik, with more and more being digitalised. As a result, the consumption of printer paper has already been reduced by more than 1 million sheets of paper since 2012.



Building technology

Thanks to ongoing monitoring of our main energy consumers through our energy management controlling system, we were able to identify potential for improvement in the area of ventilation and air-conditioning, and therefore better adapt the running times and air quantities.

In 2017, this measure alone was enough to save 167 MWh of electricity, and therefore 71 t of CO₂.



2017 Commercial Waste Ordinance

The recent amendment to the Commercial Waste Ordinance is intended to reinforce separation and recycling among other commercial municipal waste (“household-type commercial waste”). This Ordinance will shortly be implemented and introduced at our production sites and company headquarters.



Environmentally friendly travel to the workplace

The use of electric vehicles or plug-in hybrids for the daily commute to work is welcomed by HAWE Hydraulik, which also aims to make such travel financially attractive. Accordingly, since its opening, the Kaufbeuren site has provided charging stations for electric cars that can be used free of charge by the employees. A charging station is also planned at the new headquarters in Aschheim/Munich.



At present, work is underway to prepare for the introduction of the “JobRad” [*JobBike*] model. In this scheme, staff bicycles will be provided by the employer with the aim of motivating the employees to use bikes rather than cars for commuting to work and for relatively short journeys. Of course, this then also contributes to personal well-being. Sport is healthy. Cycling is kind on joints and strengthens the heart and circulatory system.

When selecting the new location of the company headquarters, attention was also paid to the local public transport connections. As a result, this

should be another way of reducing the use of cars for travelling to the workplace.

The wide range of offers makes it attractive for employees to make their own personal contributions to reducing particulate dust, CO₂ and sulphur dioxide in their working lives.

IV. Anti-corruption

Principle 10:

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

Group-wide reporting

Standardised reporting has been established across the group. This report, which is drawn up on a monthly basis, makes it possible to detect risks in the business activities in a reliable manner, and above all in good time. The employees of the subsidiary companies have been trained on the opportunities offered by and effectiveness of this standardised reporting method.



IT security

In 2017, HAWE Hydraulik also implemented important projects to protect the company and its employees in the area of information technology. With the standardisation of a uniform firewall system worldwide, access attempts from inside and outside the company can be controlled and regulated centrally. This is vital in the international environment.



One issue that is becoming increasingly important in the digital world is raising awareness among employees. In this regard, we have begun to provide employees with information on current threats and security-related incidents, and how to deal with this, at more and more frequent intervals. Here the issues of phishing, social engineering and identity theft are the main topics.

In 2018, HAWE Hydraulik will continue to place great importance on raising awareness among employees and ensuring that they are kept informed on an ongoing basis.

Risk management

The fraud check is a regular part of the annual financial audit. Here, in addition to inspecting the company's books, the auditors are commissioned to query and test whether minimum standards in risk management and compliance, as well as the arranged safety measures, are being observed at all HAWE subsidiaries. Measures are drawn up on the basis of the results and the processing of these measures is checked at regular intervals.



Development of an internal control system

The development of an internal control system (auditing) is at the design stage. The changing requirements are being recorded systematically, on an ongoing basis, so that they are already well established when the system is introduced.



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