



**Global Compact
Communication on Progress**

January 2017 – January 2018

HAWE Hydraulik SE

Global Compact Communication on Progress January 2018 – January 2019

Foreword and declaration of support

Dear Sir/Madam,

For the eighth year running, we are supporting the United Nations' Global Compact in the areas of human rights, labour standards, 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, 2018 was shaped by the generally positive order situation in mechanical engineering and by projects concerning the digital transformation of our company and our business model. We started, carried out and successfully completed projects expanding the range of services on offer to customers and optimising production processes, not forgetting those concerning our corporate responsibility. Current global initiatives regularly inspire the strategic orientation and objectives of projects on topics such as environmental protection, economic performance and social responsibility across the group.

In this sixth progress report, we describe our measures for the 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 OHSAS 18001 occupational safety system took place in 2018. The monitoring audit confirmed that the requirements continue to be satisfied and that improvements are ongoing.

To improve the analysis of accident data, the recording process using the accident books for all production sites was adapted in 2018, taking the requirements of data protection legislation into consideration.

In terms of health protection, HAWE Hydraulik has developed its addiction prevention programme further. For this, a practical training programme was launched, designed to increase awareness among managers and support them when dealing with employees at risk of or suffering from addiction. This will be continued in 2019. With this, HAWE Hydraulik is fulfilling its duty of care and working towards preventing sick leave resulting from addiction.

The programme on the back and ergonomics from 2017 was continued. The office workstations at all production and sales sites in Germany have now been equipped with height-adjustable desks.

The result of the continued commitment to occupational health and safety is reflected in the accident statistics. In a survey conducted by the BGHM (the German professional association for wood and metal), accident figures from 2017 were compared to the average values from companies in the BGHM and from the same industry. The results for the number of accidents per 1 million working hours are listed in the table below.



	Accidents per 1 million working hours
HAWE Hydraulik SE	11.8
BGHM companies	23.0
Comparison with companies in the same industry and of a similar size (500 employees or more)	18.5

Table 1: Comparison of accident rates

The accident figure is nearly 50% below the average for BGHM companies. The HAWE value is also considerably below that for companies in the same industry.

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. The project has several aims – firstly, to bring the continent to the fore as a sales market for German companies selling technical products and machines but also to develop the people on-site into specialists who can operate, maintain and repair these machines. In the long term, they should also be able to design and construct machines themselves. At present, dual specialist training consisting of theory and practice, which provides a key foundation for this, has not been established in these countries. A few large companies provide specific employee training for their own requirements. However, universal training as we know it here in Germany does not exist in these countries. As part of the project, VDMA members are now sponsoring equipment for training centres and actively contributing their expertise within the field of professional training.



The corresponding project initiated at HAWE Hydraulik focused on the construction of 5 hydraulic training models, which the company sent out to these countries free of charge. These training models have already been successfully used for years to train our young HAWE specialists. Apprentices in their 1st and 2nd years of training assumed full responsibility for the project management. The training models were

sent to Botswana in May 2018 as planned and were set up and put into operation there by our own apprentices. The apprentices carried out initial training on the training models, including safety training, with support from HAWE specialists.

On the last day of training, the African participants also completed a practical test, where they had to identify and resolve deliberate faults in the hydraulic circuits and answer comprehension questions.

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. Such measures, which seem small at first, could help to alleviate the influx of economic migrants from Africa to Europe. The hope is that the project will help young people to see better long-term career prospects in their homeland.

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 Hydraulik 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 2018, the German Federal Aviation Office and the Upper Bavaria government carried out spot checks on the two sites and confirmed that HAWE had implemented the requirements in an exemplary manner. 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 and new legislation 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.

To enable all deaf employees to participate in the works meetings, these 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.



New representatives for people with severe disabilities and those with equivalent status elected

In 2018, the election was held for HAWE employees to select representatives for people with severe disabilities and those with equivalent status. New representatives are elected every 4 years through a direct election. A postal voting system has been implemented at HAWE to ensure that all employees are reached and can vote.



HAWE carries out an anonymous employee survey on mental stress in the workplace

Mental stress refers to all external factors that impact an employee's mental state. These are a result of the execution of the task in hand, the working environment and the work organisation. Examples include time pressure, workload, monotony, noise, etc. These stresses affect each person differently. The aim is not just to ensure that the legal requirements of the German Occupational Safety and Health Act (Article 5) are fulfilled, but also to systematically keep track of and improve occupational health and safety at HAWE. Participation in the survey is completely voluntary. Employees with their own PC workstation can fill it out online and others can fill it out on the PCs provided during working hours. The results will be evaluated at the start of 2019.

High-quality training

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. When it comes to selecting applicants, all candidates have the same chance. This means HAWE Hydraulik has succeeded in inspiring young women to pursue a career in metalworking, as well as successfully offering immigrants a way into the mechanical engineering profession.

Business magazine Capital has now selected HAWE as one of the 500 best training organisations in Germany for the second year running.

HAWE places a great deal of importance on the quality and appeal of its training and is currently training 101 apprentices in 10 specialist careers/disciplines. 11 trainers at 4 sites and the main training



coordinator are responsible for the high quality standard and the interesting and varied structure of the training.

When it came to granting their award, Capital conducted a study evaluating the following 5 criteria:

- Supervision and integration of the apprentices in the company (number of trainers, handling of overtime, support for the trainers)
- Learning in the company (teaching methods, monitoring success, training plans)
- Commitment of the company (further training courses, team events, competitions, benefits)
- Chances of success for the apprentices (retention and drop-out rate, training salaries, starting salaries)
- Innovative teaching methods (use of digital devices and media).

The study provides a nationwide overview of the best training organisations in Germany, divided into regions and fields of activity.

HAWE commits to people in need

Every year, HAWE supports selected projects and activities, particularly in the regions where its sites are located. This includes donating to clubs and associations, as well as action groups, sponsorship schemes, schools and sports clubs. Many of the suggestions come from the HAWE employees themselves.

The HAWE site in Charlotte (USA) has got involved by setting up its own committee – “[HAWE cares](#)”. Using a publicly accessible form, it is possible to apply for funding for social projects. The committee then decides whether to accept the request and on the type of support to be provided.



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

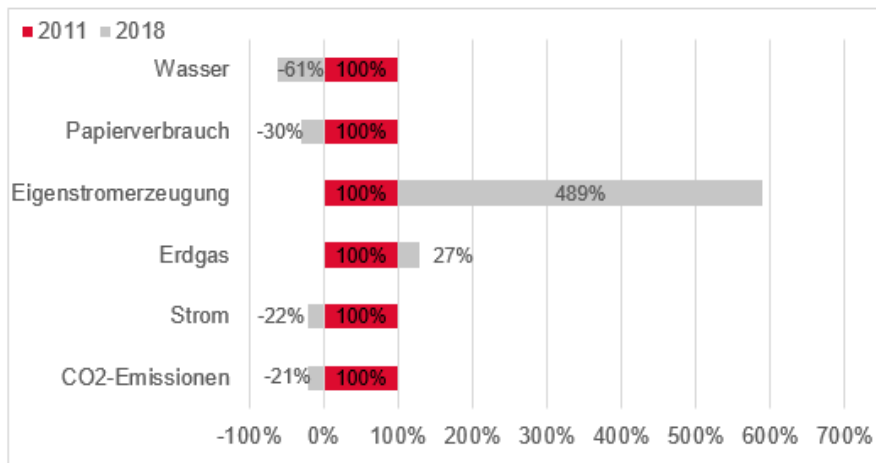
In recent years, HAWE Hydraulik has become a specialist in reducing CO₂ emissions and is taking part in improving energy efficiency in Germany as a result. When developing existing products and projects further and designing new products and projects, our employees work on various factors to make it possible to achieve an overall CO₂ saving which is as sustainable as possible. Having to correctly assess the saving potential of each individual measure as a component in the overall system each time poses a major challenge here.



When an external certification organisation carried out this year's audit of the EHS management system, the focus was on certification to the energy management standard ISO 50001. Processes which span different topics and departments are considered for both the energy management system and the environmental management system. In addition, the overall business model is taken into account, with all of its opportunities, risks and external influences, such as the supply chain involved.

Once again, the matrix certification was completed for all production sites without deviation. This successful matrix certification is valid for all production sites, including the HAWE Hydraulik SE headquarters in Germany.

In the comparison between key figures from 2011 (red bar) and 2018 (grey bar), the continual improvement process, which is important here, is very much apparent. In this case, 2011 is the reference year with a consumption level of 100% (red bar). Changes compared to the reference year – both increases and decreases – are then shown as a grey bar accordingly.



HAWE honoured for efficient use of energy

“During the Berliner Energietage 2018 conference, HAWE Hydraulik was the first of around 1600 companies in energy-efficiency networks to receive the “Good Practice” title for its great successes in using energy efficiently and reducing CO₂ emissions.” These were the headlines in Berlin on 08.05.2018.



Since 2010, the HAWE production sites have achieved a total energy saving of 5151 MWh/a and a 2433 t/a reduction in CO₂ emissions in different energy-efficiency networks. The HAWE sites were represented in the following energy-efficiency networks respectively:

- Freising plant – Munich and Upper Bavaria (2010 – 2016)
- Dorfen plant – Southern Bavaria (2011 – 2014)
- Sachsenkam plant – Chiemgau Rupertiwinkel (2012 – 2015)
- Sachsenkam plant – Southern Bavaria 2.0 (2015 – 2018)
- Kaufbeuren plant – Vorarlberg (2014 – 2018)

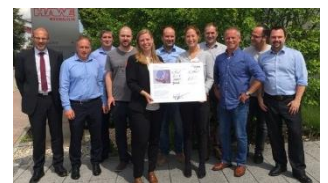


Over these 8 years, more than 70 moderated energy-efficiency network meetings were held at the premises of the participating companies. The agenda would include both technical topics, such as absorption cooling, light, compressed air, electrical drives or avoiding standby consumption, and organisational matters, such as the implementation of internal energy audits. Over the entire period, more than 120 energy-efficiency measures were implemented, with investments amounting to less than €220,000 in total.

Retrofitting and optimising the compressed-air heat-recovery systems in Freising and Sachsenkam and adjusting the operating times and flow rates of the room ventilation systems in Kaufbeuren were the best measures that we implemented. These three measures alone save 1242 MWh of energy each year and reduce the CO2 emissions by 733 t.

Inaugural meeting of the VDMA Munich/Augsburg energy-efficiency network at HAWE Hydraulik

The inaugural meeting of the VDMA Munich/Augsburg energy-efficiency network was held on 16 July 2018. For this occasion, HAWE Hydraulik invited members to its plant in Freising. The network will focus on energy-efficiency measures in the companies' own processes. The HAWE sites have already been active in regional networks for 8 years and were able to provide and gain lots of ideas and expert knowledge. As part of a VDMA network and also an industry network for mechanical engineering, the HAWE team now hopes to be able to exchange much more knowledge, as the companies usually have a lot of process steps in common. Due to the extremely heterogeneous nature of mechanical engineering, it is very rare for the participating companies to be in direct competition with one another. The energy-efficiency networks initiative is supported by 22 professional associations and organisations, plus the German federal government. The aim of the initiative is to support the founding of around 500 new energy-efficiency networks by the end of 2020 and to make a key contribution to climate protection and to increasing energy efficiency in industry, trade, commerce, business and the energy sector.



Efficient LED technology in the offices at the headquarters

The new HAWE Hydraulik headquarters in Aschheim (Munich), acquired in 2018, have been completely fitted out with LED technology. To make sure that the energy data could be better evaluated, care was taken before the move to ensure that power data could be collected area by area on each floor and that these values could also be displayed online via a fixed dashboard in the EHS department.

Existing building technology checked

The HAWE plant in Freising has been in place since 1965 and is therefore the site with the oldest buildings at HAWE. As a result, it was subjected to a holistic and technical condition analysis in 2018. Both the building structure and all technology within the buildings were examined and evaluated by external specialists. The result was a list of more than 50 measures, which have been sorted by priority and are now being worked through accordingly to bring the technology up to today's standards.

Test site for digitisation also relevant to energy efficiency

To allow HAWE to make also crucial steps in the field of digitisation, an Industry 4.0 test site was set up at the Kaufbeuren site. By the end of the year, different evaluation options had been installed so that the company could start evaluating the data in the 1st quarter of 2019. Recording energy values is also key here, as this is to form the basis for optimising the energy efficiency of systems.

“Zero plastics” project started across the company

The subject of avoiding plastic is currently everywhere in the public media and more and more companies want to do away with single-use items made of plastic and make their contribution towards resolving the issue. HAWE is extremely keen to face up to this issue and is therefore launching the “Zero plastics” project.

The aim of the project is to stop using single-use plastics by the end of 2022. This includes, most notably, all plastic packaging used for shipping, incoming goods and internal logistics. Alternatives to disposable coffee cups, food packaging and plastic promotional gifts are also being investigated and tested.

Work is being carried out across all departments to determine where potential savings and changes can be made and measures are being derived from these. We would like every employee to reflect on their working environment with this subject in mind and bring their ideas to the table. Once a measure has been checked and approved by the project team, it is then discussed with selected project participants to ensure that changes are as seamless as possible. Updates on the progress of

the project will be provided regularly on the intranet and in relevant meetings.

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.



In 2018, the company launched a scheme to provide staff bicycles. The aim of the “job bikes” is to motivate the employees to use bikes rather than cars for commuting to work and for relatively short journeys. Of course, this measure also contributes to personal well-being as exercise is good for you, plus cycling is easy on the joints but increases your heart rate and circulation.

The response to this employee initiative has been very pleasantly surprising. To date, nearly 50 orders have been placed. With this scheme, all HAWE employees can get high-quality bikes and e-bikes on favourable terms, simply and without any additional costs.

The option to set up carpools for business trips to the HAWE sites has also been included in the fleet management section on the intranet. This should help to reduce individual journeys to a minimum.

With these and other measures, plus the mostly good public transport connections to the sites, employees are enjoying the fact that they can also make a personal contribution to reducing particulate matter, CO₂ and sulphur dioxide during their daily journey to work.

HAWE plant standard for prohibited substances and substances requiring declaration

HAWE Hydraulik is formulating a plant standard, which will apply to both HAWE employees and suppliers. It sets out how to deal with current and upcoming substance restrictions in line with the standards applicable internationally and nationally. The aim of this plant standard is to ensure compliance with current and upcoming regulations relating to ingredients



in products, components and packaging, and to minimise the use of harmful substances which have not (yet) been prohibited.

The HAWE plant standard is a simplified overview of the regulated substances in the EU and other countries which are relevant to HAWE. The legal provisions which are most significant to the electrical and electronics industry are listed in the standard. It is based on international standard IEC 62474 [Material Declaration for Products of and for the Electrotechnical Industry](#) (Declarable Substance Groups and Declarable Substances). It stipulates that HAWE Hydraulik suppliers must check this database continuously and respond to changes and additions. If suppliers exceed the threshold for these substances, they must declare this to HAWE in a suitable manner. Ideally, a HAWE declaration form should be used for this.

IV. Anti-corruption

Principle 10:

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

Training offering on corruption

In 2018, we started internal training to make implementing the compliance rules in everyday working life easier for our employees and to provide practical examples. This training describes typical situations where conflicts with compliant behaviour could occur in everyday working life.

As part of the external audit, compliance with legislation and internal rules, including those relating to anti-corruption, is monitored. Individual incidents are reported to the Management Board immediately so that suitable measures can be initiated.

Group-wide reporting

Standardised reporting has been established across the group at HAWE Hydraulik. 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 2018, 9 countries were connected to the global IT network as part of the internal “IT international” project. As a result, a total of 14 subsidiaries in the HAWE Group are now connected. These were therefore able to apply the global security standard across the group and raise the standard considerably at many sites. A further 3 countries will follow in 2019. By introducing these global IT standards, it will be possible to reduce threats to the company further.



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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