

Sustainability Update 2018





FACTS AND FIGURES 2018

ESTABLISHED

1962

HEAD OFFICE

Duisburg, Germany

TOTAL TONNAGE

1.495 million metric tons

TURNOVER

EUR 1.81 billion

EMPLOYEES

1.343

LOCATIONS

53 operations

20 countries

5 continents

SUSTAINABILITY UPDATE 2018

In spring 2018, we proudly presented our third full Sustainability Report to you, and today we would like to inform you with this Update about our activities and our progress regarding corporate social responsibility.

Some weeks before the release of our last report, Karsten Müller joined the Management Board, previously consisting of Detlef Drafz, Chief Executive Officer ("CEO"), and Dr Silke Landwehrmann, Chief Financial Officer ("CFO").

In his function as Chief Operating Officer ("COO"), Karsten Müller took over responsibility for CR from Dr Silke Landwehrmann, who had been in charge for this important topic before.

In addition, we joined the United Nations Global Compact ("UNGC") and committed ourselves to be faithful to the 10 principles regarding Human Rights, Labour, Environment and Anti-Corruption in the running of our business and to observe them every day.

Last year, we announced that we will report in accordance with the new European Corporate Social Responsibility ("CSR") guideline implemented by the German Parliament ("Deutscher Bundestag") in the years to come. Although we are not subject to the criteria of this guideline, we have stated that we will start to focus on the following five aspects: Environmental Concerns, Employee Matters, Social Matters, Respect for Human Rights, and Combating Corruption & Bribery. As this Update is intended to reflect the progress we have made since the publication of our last full Sustainability Report, our four main areas will remain in place for the last time due to easier traceability.

With our last full report, we provided you with detailed information on the developments in 2017 within ELG Group as well as on our activities in our focus areas: “Operational Focus”, “Compliance Focus”, “Employee Focus” and “Commercial Focus” and described our approaches to achieving the goals we have set ourselves. Now we would like to update you about our targets and how we performed in 2018. This Update report covers ELG’s fiscal year 2018 comprising the time between 1 January 2018 and 31 December 2018.

Please find below a brief summary of our CR activities with an outlook for 2019 at the end of this report.

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ELG's Carbon Footprint

The secondary raw materials provided by ELG contribute to the reduction of greenhouse gas emissions.

ELG's CO₂ footprint from the processing activity itself is relatively low. The biggest leverage lies in the hands of our customers: by increasing the share of scrap in their products and thus the ELG order volume.

Progress

In 2018, approximately 1.495 million metric tons of recycled materials in the form of stainless steel scrap and titanium-, nickel- and cobalt-based superalloys were made available to ELG customers.

By using secondary instead of primary raw materials, ELG's customers saved an estimated 4.439 million metric tons of CO₂ in 2018 (2017: 4.408 million metric tons). ELG is currently working with the Fraunhofer Umsicht Institute on an extension of the original study to cover the CO₂ balance of Inconel 718 and titanium. So far, the numerous product flows have been determined and a comprehensive questionnaire customised to the individual sites has been compiled.

This is currently being processed by the sites, and the results and evaluation of the data collection are expected to be available in the middle of 2019. ELG expects this study extension to provide an even more detailed determination of the CO₂ balance.

Although the possibilities to save CO₂ emissions within the company are quite limited, measures are taken wherever possible to reduce our CO₂ footprint: In the year under review, the focus was increasingly on extraction and dedusting systems to improve air quality for our employees while reducing air pollution and the associated emissions into the air from our production processes.

Waste separation and transfer to appropriate recycling collection points, as well as the conversion of our lighting systems to LED technology, progressed further last year. In addition, we continued to focus on more environmentally friendly models when purchasing new cranes and forklifts.

Radioactivity Alarms

Radioactively contaminated material is a potential problem in the recycling process. Such material can enter the recycling cycle through medical or technical equipment that has not been disposed of properly. According to the corresponding "ELG Radiation Guideline", employees at scrap yards are to be trained regularly on the subject. In addition, we have the most modern equipment available to detect radioactive material. This ensures that only products whose radiation exposure is below the natural ambient radiation are being delivered to customers.

Progress

The number of external alarms decreased again in 2018. ELG processed a total of 1.495 million metric tons of materials and was notified of 7 alarms from customers (2017: 1.44 million metric tons and 10 external alarms). Two of these alarms were alpha emitters, which are currently not 100% detectable with the state-of-the-art equipment. Five alarms were due to weakly contaminated material that can be easily shielded and is therefore difficult to detect.

Employee Focus

Health and Safety Measures at ELG to Protect our Employees

The health and safety of our employees have always been not only a central management task to achieve certain KPIs but also a matter of the heart in our company. We believe that ensuring the health and well-being of our employees is a sign of appreciation and that only valued employees do a good job.

Progress

Health and safety is the focus of our Board of Management and represents one of the main focus areas of ELG's Chief Operating Officer ("COO") Karsten Müller. In 2018, we continued and intensified our Health & Safety PLUS project. Every month, the relevant health and safety data from all sites is reported to Group HR, where it is collected and processed in a clear and concise manner. This data is the basis for the monthly telephone conference of all production sites headed by COO Karsten Müller.

This call serves as a round table at which all sites can represent their best practices regarding health and safety and where they can share their experiences so that we can learn from each other. Work-related accidents as well as incidents at the sites are discussed, and derived measures are explained. All information is collected and exchanged on a common platform with the purpose of achieving the highest possible level of transparency in order to prevent work-related accidents and establish best practices as the new standards.

Although the call and the platform support global collaboration to reduce work-related accidents, we were unfortunately unable to further reduce our KPI "Accidents per 1 million working hours" in 2018. With 18 accidents (no fatalities), we remain at the previous year's level. But we still believe that zero accidents can be the only goal we want to achieve, and are doing everything we can to reduce the number as much as possible.

The number of employee absence days per full-time equivalent ("FTE") is still lower than ELG's target of 7.5. In 2018, the overall average was 7.14 days per FTE in contrast to 6.5 days in 2017.

In our last full Sustainability Report 2017, we outlined in great detail that temporary workers in Germany are more frequently affected by work-related accidents than permanent employees. Therefore, we took on 16 former temporary workers again as permanent employees or initially offered them a fixed-term employment contract.

In addition, ELG UK offers their employees to purchase bicycles and pay them tax free from their salary over 12 months to improve their physical fitness.

Moreover, their yard employees are provided with sunscreen lotions to protect against harmful rays in the summer months.

Our sites in the US as well as in Germany offered free programmes to quit smoking, and like in the last years our US site had the "Biggest Loser Competition", which aimed to improve employees' overall fitness.

Due to the decentralised organisation of our locations and the different legal situations in the individual countries, country-specific health insurance models as well as medical support and health advice are offered in various forms and constantly expanded.

Compliance Focus

Awareness Enhancement

In our last full Sustainability Report 2017, we have described ELG's Compliance Management System ("ECMS") in great detail. This system is supported and constantly further developed by our ELG Compliance Committee. This consists of our ELG Board of Directors, The Group Compliance Officer ("GCO") and the Head of Internal Audit.

In order to live up to our claim to take consistent action against fraud, corruption and discrimination, we have continued to work on raising the awareness of our employees to deal with difficult situations and to turn to the responsible experts in cases of uncertainty.

Progress

Throughout the year, we have continued to organise "Tone-From-The-Top" and face-to-face training courses and workshops regarding our "6 Principles of ELG" as well as our "Rules of Procedures". After conducting the modules "Prevention of Corruption" and "Anti-Discrimination" in the previous years, we have extended our e-learning program with the "Antitrust Law" module which was rolled out in the middle of 2018.

For spring 2019, we are planning to start with the 4th module "Data Protection" and release it to the employees accordingly.

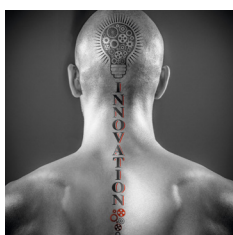
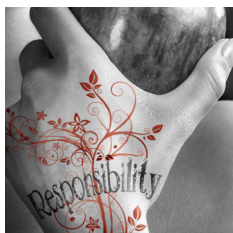
Since November 2018, ELG's Legal Department has ensured that every registered new employee with online access who joins the ELG Group completes the corresponding modules within 4 weeks after starting. Non-participation triggers a notification to the supervisor, who then takes care of compliance with the rules. This guarantees that all employees are informed appropriately and become aware of the possible risks and how to handle with it.

Furthermore, a fraud prevention campaign initiated by our shareholder Franz Haniel & Cie has been launched. Employees with online access were invited to attend training and their participation was tracked. To further support our employees, ELG's legal department has created two email addresses for enquiries: "compliance@elg.de" and "fraud@elg.de"

"Shared_Matters@ELG" continues as a platform to inform our directors & employees about acute topics of relevance for the entire ELG Group and supports us in sharing current compliance topics.

In addition, all new employees shall become familiar with the "6 Principles of ELG" and their contents are explained by their supervisors or relevant local HR if required.

In 2018, several awareness campaigns on our principles were held to increase our employees' awareness of them and make them part of our culture. In the following, we will once again present our "6 Principles" in order to underline their importance for our company.



Commercial Focus

Carbon-Fibre Recycling

In 2018, our UK team of ELG Carbon Fibre Ltd. ("ECF") also managed to make a name for itself. Together with its partners Alstom Transport (UK), Magma Structures (UK) and the Universities of Birmingham and Huddersfield, ELG CF was awarded the JEC Innovation Award in Paris in the railway category for the work in developing a carbon-fibre rail bogie frame. Rail vehicle bogies made from recycled carbon fibre could lead to major savings for operators, with a 50% reduction in weight, meaning a huge reduction in track wear and energy and maintenance costs. More key benefits are a reduced global warming potential, high-volume manufacturing technology and, of course, reduced capital cost of the composite solution. Now, a research team at the University of Huddersfield will carry out exhaustive tests to ensure that the concept can fulfil its potential.

At the end of 2018, Mitsubishi Corporation ("MC") entered into an agreement to acquire 25% of the shares in ECF. Under this agreement, MC will promote the sales and marketing of ECF products through the company's channels already engaged in the business of plastic resin sales.

Whilst Japan is a global leader in carbon-fibre technology, producing almost 70% of the world's supply, recycling technologies have not developed at the same pace, and MC's partnership with ECF addresses this barrier to mass adoption in industries where sustainability and environmental impact are important.

EIE GmbH

As communicated in our previous report, EIE (ELG Innovation Experience) GmbH was founded in 2017. This separate entity is the new home to a team of ELG natives, young entrepreneurs, and external experts with an innovative drive. In October 2018, EIE was officially opened as a start-up and moved from Essen to Düsseldorf, where ELG is in close proximity to other mobile communication firms, start-ups, and industrial manufacturing companies.

OUTLOOK 2019

As already mentioned in the introduction, this is the last report in which we have concentrated on our previous four focus areas.

In future, we will report according to the five aspects of the Corporate Social Responsibility Directive Implementation Act ("CRS-RUG"), which are:

- Environmental Concerns
- Employee Matters
- Social Matters
- Respect for Human Rights
- Combating Corruption & Bribery

In this regard, we will conduct another stakeholder survey to identify and define new focus areas relevant to our business model.

In 2019, we will continue our successful cooperation with Fraunhofer Umsicht with the intention to determine more precisely the CO₂ savings from recycled raw materials.

We will also increase our efforts to improve the working conditions of our employees, with particular attention to the health aspect. Preventive health measures to maintain the workforce and the well-being of our employees are at the core of this work.

The implementation of a talent management system and the development of our employees are the topics that are becoming more and more important to us. In addition, we are constantly engaged in the protection of our employee, customer and supplier data. For this purpose, we set up appropriate training courses and awareness campaigns.

With the introduction of a social intranet throughout the group, we promote information and transparency within our company and intend to improve standardised processes, the quality of our products and cooperation in general through the exchange of best practices at all levels.

ACKNOWLEDGEMENTS

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CLOSING THE LOOP
TO DELIVER VALUE