



Global Compact Communication on Progress

January 2019 - January 2020

HAWE Hydraulik SE

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Foreword and declaration of support

Dear Sir/Madam,

For the ninth 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 the year 2019 was characterized by company expansions through acquisitions. During the integration of the new employees, product areas and market segments in partnership, both sides were analyzed in detail in order to implement the most progressive approach as HAWE standard. True to the motto "The best of both worlds".

In the continuation of the projects for the digital transformation of the company and our business model, emphasis is placed on sustainability and any optimization potential that is uncovered is implemented. Current global initiatives are stimulating the strategic orientation and objectives of projects throughout the Group on topics such as environmental protection, economic performance and social responsibility.

In this seventh 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.

Robert Schullan
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

In 2019 the occupational health and safety management system was successfully converted from OHSAS 18001 to DIN EN ISO 45001. This means that the increased requirements resulting from the conversion are now also met.

Health protection continues to play an important role at HAWE. The training program launched last year to sensitize managers in dealing with colleagues at risk of addiction/addiction continued. In the meantime every superior has been trained on this topic.

Fortunately the accident rates of HAWE Hydraulik SE continue to show a downward trend compared to previous years. For example, the LTIF (Lost Time Injury Frequency) is 15 accidents (at least one day lost) per 1 million working hours. In 2016 this figure was still 35.

In cooperation with the responsible employer's liability insurance association BGHM HAWE offers its employees in Germany driver safety training to improve safety on the way to and from the workplace. In 2019 the offer was extended to include safety training for motorcyclists.

In order to maintain and improve the health and performance of our employees, a project to test modern workplace mats at the Sachsenkam location was initiated in 2019. On the one hand, this is intended to reduce the risk of accidents compared with the previous system and on the other to improve the ergonomic situation at the workplace. After the successful test phase, it was decided to extend the project to similarly designed workplaces.

An internal information campaign at the Barbing plant, among others, will focus on the topic of occupational safety. A poster campaign provides information on risk factors at the workplace and their consequences for people and is intended to raise personal awareness. A Safety Action Board offers every employee the opportunity to report identified risks quickly and easily. In this way, 16 measures in 2019 have already been identified and eliminated in the long term.

Sustained commitment to specialist training in Africa

In February 2019 HAWE Hydraulik SE received the "German Entrepreneur Award" in the category "Business for Development" for the project "Pump up the chance for Africa". This prize was awarded in recognition of the company's commitment to the establishment of a dual training system in technical professions and the provision of 5 hydraulic training models free of charge in Botswana.



During the commissioning in 2019 the HAWE project participants also noticed that the Garbarone training center had old welding machines with exhaust systems, as well as lathes and milling machines for training purposes, which were either completely broken or only functioned poorly. That's when the idea was born to use the prize money both for repairs and for a maintenance workshop on site. In this way, the specialists on site were trained to carry out future repairs themselves and to plan maintenance work independently. This training was also carried out jointly by HAWE trainees and maintenance specialists in Botswana. Exemplary maintenance plans were drawn up and specialists were trained on site according to the train-the-trainer principle in order to carry out training courses.

Export control

Daily checks of HAWE Hydraulik's customer and supplier base against the globally valid US and EU sanctions lists are carried out. This ensures that HAWE Hydraulik does not supply customers with e.g. terrorist background. This is done automatically by importing the data from the ERP system into the computer program of GTS.

HAWE is committed to people in need

Every year HAWE supports selected projects and activities especially in the regional environment of its locations. These include donations for projects and societies, but also action groups, sponsorships, schools and sports clubs. Many of these ideas come from the HAWE employees themselves.

The HAWE location in Charlotte (USA) is also involved with a committee called "HAWE cares", which was set up especially for this purpose. Applications for funding for social projects can be made using a publicly accessible form. The committee then decides on the acceptance of the application and the type of support. A selection of currently supported projects in the USA will be published on the [HAWE website](#).



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.

Living integration and inclusion

At HAWE Hydraulik SE integration and inclusion plays an important role in the daily working environment. Training courses and technical literature are offered regularly to ensure that the persons in charge are always up to date.

Inclusion in training and work as well as the opportunity to obtain and use qualifications is an important component. Severely handicapped and equivalent employees are also hired in all suitable areas. This applies to the administrative area, production and training. At HAWE Hydraulik, severely disabled and equivalent employees are given the opportunity to change careers as required.

In order to enable all deaf employees to take part in the works meetings, they are transported free of charge by shuttle to the location of the respective works meeting. There sign language interpreters are on site who translate all contents simultaneously.

In the specialist departments where deaf employees work, sign language interpreters are regularly called in for team meetings and also individual discussions. Sign language interpreters can also be invited for internal training courses.

In December 2019, the first meeting for disabled employees and employees with equal status took place across all plants. In order to make access for all



employees as easy as possible, the meeting was simultaneously transmitted live by video to all HAWE locations in Germany.

HAWE develops measures to reduce mental stress at the workplace

Mental stress refers to all influences that have an external psychological impact on employees. These result from the execution of the work task, the working environment and the work organisation. Examples are time pressure, workload, monotony, noise, etc. After an anonymous survey of the employees, a detailed evaluation of the results was carried out. In close cooperation between company physicians, the works council, occupational safety specialists and the respective superiors, measures are currently being developed which are to be implemented in the first months of 2020. The aim is not only to meet the legal requirements, but also to improve occupational health and safety.



“Breathing factory” in the production areas

The HAWE works council and the management jointly designed an agreement in order to be able to react even more flexibly to the increasing fluctuations in orders. The aim is to find a solution that is beneficial for all sides. The agreement specifies all measures that can be implemented. These include flexible work accounts according to the shift models. The phases of under-, over- and normal capacity utilisation are described. The aim is to be able to adjust the working hours jointly, i.e. across the entire production workforce, in order to implement the "breathing factory" for HAWE Hydraulik. Both parties see this very extensive agreement as a milestone in securing the location of the group of plants in Germany and thus also in securing jobs for all employees. In 2020 this agreement will undergo a first practical test.

HAWE introduces specialist career

An employee survey identified the desire to introduce a further career option at HAWE Hydraulik. In addition to the classic management career path, a specialist career path was officially introduced in 2019. This will enable a systematization of technical training across all corporate divisions. A change between management and specialist career path is of course possible at any time. The "specialist expert" gains internal insights, exchanges information with other experts and is given the freedom to make decisions in the design of his or her work. At the same time he has the official mandate to keep his knowledge up-to-date, to promote the transfer of knowledge at HAWE and to be particularly active in networks. The technical expert receives training for the ideal transfer of knowledge, but also for intercultural competence when an international orientation is important.



Offer for individual advice on preventive health care

Health care works best when it is easily integrated into everyday life. The health promotion of our employees is an important concern for us. For this reason HAWE and a partner offered a free health consultation for employees in 2019. In addition to the health consultation, the offer also includes a 3-month membership in a fitness studio. During the health consultation, individual goals were defined together with the employee, which can be achieved within a few months. The contents of the consultation were, of course, treated in strict confidence.



Sensitisation for addiction prevention

Inspired by the current Drug and Addiction Report of the German Federal Government, which was published at the beginning of 2019, a further internal agreement was decided and implemented. All HAWE managers received practical training to support them in dealing with employees at risk of addiction and those suffering from addiction. This is intended to make it easier for superiors to fulfill their duty of care in the context of addiction prevention. By the end of 2019 all managers had attended this training. A permanent training program on this topic has been added to the HAWE Academy.

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

Sustainability is an integral part of HAWE's corporate strategy and ensures the long-term economic success of the company. The use of resources has a considerable impact on the environment. HAWE shares responsibility for these ecological consequences, for example by importing and processing raw materials and the goods produced from them. With the help of the central energy and environmental management system HAWE can evaluate the effects of its value-added processes on the environment within its own system boundaries and thus derive suitable improvement measures. The focus is on the production sites in Germany. For more than 10 years now, these have been regularly certified according to DIN ISO standards 14001 and 50001 and subjected to an annual management evaluation by HAWE's board members.



Energy and environment - Key figures

The total energy consumption for HAWE (electricity and thermal energy) in 2019 amounted to 27,000 MWh. Compared to 2018 with a consumption of 33,100 MWh, this represents a decrease of 18.43%. The reduction is due to both improved energy efficiency and a reduction in plant utilisation of around 9.3%.

The CO₂ emissions caused by energy consumption were determined on the basis of the energy source mix. In 2019 the HAWE locations emitted a total of 5,900 tons of CO₂. In 2018 the figure was 8,100 tons of CO₂, which means a reduction of 27.17%. The reduction is mainly due to the energy source mix. Here the share of renewable energies was increased significantly.



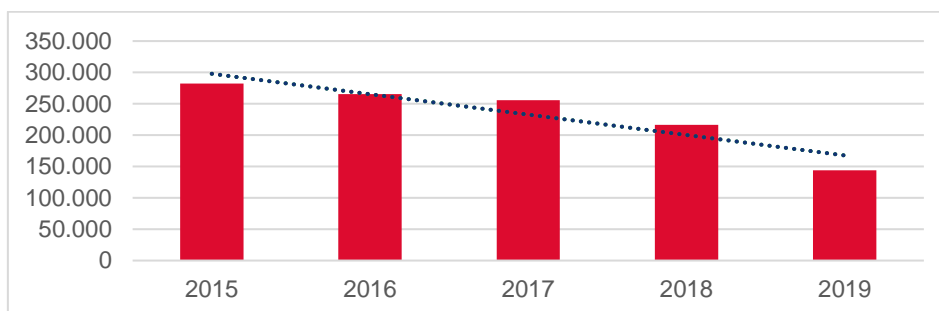
Since the energy requirement and the resulting greenhouse gas emissions (GHG emissions) are largely influenced by the production volumes and capacity utilisation of the plants, it makes sense in the course of changes in the company to consider not the absolute energy consumption, but rather the measured variables of energy intensity (energy consumption to sales) and GHG emission intensity (CO₂ emission to sales) as EnPI's.

In 2019 the energy intensity was 121.41 MWh/million EUR. Compared to the previous year 2018 this is a change of minus 15.86%.

The GHG emission intensity in 2019 was 26.91 tons CO₂/Mio.EUR. Compared to 2018, this is a reduction of 23.56%.

The most effective HAWE measure 2019 for environmental protection

Investments in the building technology structure have more than significantly improved energy efficiency in recent years. This year in particular, a further project to optimise the hall lighting at the Sachsenkam site has resulted in a significant reduction in electricity consumption. The existing T8 fluorescent tubes were replaced by highly efficient LED luminaires. As a result, electricity consumption in the entire plant has been reduced by over 45% since 2015.



Power consumption at HAWE Sachsenkam plant in kW/h

Product development sets the standard for increased efficiency

By developing efficient and safe products, the R&D department makes an important contribution to the optimization of hydraulically operated functions of our customers' machines. For example, we have been able to provide the press application area with a revised and flow-optimised valve with significantly lower losses in operation. The use of 3D printing opens up new possibilities for reducing the weight of components in product development. This is based on a simple approach: Low dead loads of the machines require a smaller drive on the one hand and thus offer savings potential in the energy to be used. On the other hand,



with the same drive and dead load, the payload can be increased and the available energy used more efficiently. The possibilities for using 3D printing are evaluated and discussed with customers in new development projects as well as in revisions of existing products.

Reduce paper consumption with digitization projects

In many digitisation projects, a small contribution to the conservation of resources is always made in passing - paper consumption, for example, is falling continuously. Secure options for the digital storage of documents have been implemented across all locations. In 2019, new features included reporting requirements to the purchasing department, applying for vacation and business trips, and documenting employee appraisals. A large number of individual processes in production are also ordered, booked and confirmed digitally.

Reduce travel by using modern means of communication

With the introduction of a video conferencing system, international meetings can now be held without travel expenses for the participants. This eliminates the need for air travel, which was necessary in the past, thus making an additional contribution to environmental protection. In addition the increasing use of regular online training and topic-specific training courses also reduces the number of trips without loss of training opportunities.

Paperless production at many locations

In the "Digital Production Drawing" project, work is being done on the extensive networking of workstations both within the plant and with the head office. The production and assembly drawings are to be made available on a daily basis only via screens at the machine tool or assembly workstation. By using industrial tablets, the employee can also have discussions with colleagues on site. A test field was already started in September 2018, is already in operation in 3 plants and is being examined for advantages in all manufacturing technologies equally. The aim is a paperless production at all HAWE-Group locations.

Project "Zero Plastics" is extended to "Zero Waste"

The "Zero Plastics" project launched in 2018 has the goal of no longer using disposable plastics by the end of 2022. Motivated by the many small successes, the HAWE project team decided to make this project much broader and rename it "Zero Waste - Reduce, Re-use, Recycle". In terms of content, it is still a matter of avoiding unnecessary waste and introducing efficient recycling systems throughout the company. However, looking at plastics alone was not enough. Accordingly, other materials should also be treated sustainably. Unnecessary waste should be avoided (Reduce), reusable instead of disposable systems



should be established (Re-use) and recycled and recyclable materials should be used (Recycle). Various measures are in progress or already implemented. For example, for several days, deliveries with a particularly large amount of unnecessary (plastic) packaging were photographed and documented in the incoming goods departments in Kaufbeuren and Freising.

The affected suppliers are being contacted with concrete suggestions for improvement and asked to avoid unnecessary packaging.

In addition, reusable folders in Kaufbeuren are now replacing quick-release fasteners for assembly orders and type plates. This will save about 170,000 bags per year. At a weight of 2 to 5 grams per bag, this means several hundred kilos of plastic are saved per year.

The project team is currently in the process of setting up reusable systems with both the subsidiaries and the customers in order to avoid even more packaging material. Every employee is encouraged to look at his or her working environment with this topic in mind and to contribute his or her ideas. The measure checked and approved by the project team will then be discussed with selected project participants to ensure that the changeover goes as smoothly as possible. Regular reports on the progress of the project are posted on the intranet and at appropriate meetings.

Touring exhibition "Resource efficiency - less is more" visits company headquarters

As an interesting addition to the current "Zero Waste" project, this exhibition was intended to show the ideal way of dealing with the available and finite resources in the company. The exhibition was organised by the REZ (Resource Efficiency Centre). The touring exhibition shows the different aspects and perspectives of the topic and gives impulses for more resource-efficient management. The central themes are: Raw material and material efficiency; secondary raw material management; sustainable substitution of materials and ecological product development. Integrated practical examples and a varied use of media make the exhibition diverse.

A major element for HAWE in increasing resource efficiency is the reprocessing of waste and raw materials as secondary raw materials so that they can be kept in the economic cycle or avoided from the outset. Further information on the initiative, which is not only implemented in practice at HAWE, can be found at <https://www.umweltpakt.bayern.de/rez/wanderausstellung/>.

Qualification concept for sustainable cooling lubrication strategies

Machining production technology plays an important role in HAWE's production. Wet machining using cooling lubricants is the predominant working method.

In order to maintain innovative technological approaches and to develop potentials, HAWE has been participating in the project "Qualification concept for sustainable cooling lubricant strategies" since mid-2019. The focus is on the transfer of knowledge and methods concerning cooling lubricants (KSS) within the framework of a modular training concept.

Among other things, the following project objectives are being pursued:

- Development of efficiency potentials through optimized process windows
- Substitution of conventional wet processing by more sustainable coolant strategies
- Development of a cross-company regional network and knowledge management for KSS strategy
- Application of commercial sensor technology and automation for KSS management
- Development of a standardised procedure for the process change to alternative KSS strategies

This funded project is led by the Chair for Resource and Energy Efficient Production Machines (REP) at the Friedrich-Alexander University of Erlangen-Nuremberg.

Environmental Pact Bavaria - Accession

The Bavarian Environmental Pact is an agreement between the Bavarian State Government and the Bavarian economy. Voluntariness, assumption of personal responsibility for environmental protection and cooperative action are part of the basic understanding of the character of projects and declarations in the Environmental Pact. With exemplary and joint projects by the state and industry, the Environmental Pact is intended to make it clear that economy and ecology are not opposites, but that together they contribute to securing jobs and prosperity in an intact environment.

The overriding aim of the Environmental Pact is to improve operational environmental protection in all areas (e.g. avoiding emissions, energy conservation/increasing energy efficiency and climate protection, waste avoidance, waste water reduction, water protection, health protection, nature conservation, soil protection, etc.).

The HAWE locations Aschheim, Freising, Sachsenkam and Kaufbeuren are certified according to DIN EN ISO 14001 (environmental management) and DIN EN ISO 50001 (energy management). This is a prerequisite for joining. Since the beginning of 2019 we are pleased to be a member of the Environmental Pact of Bavaria.



Financial support for UNICEF initiative

HAWE supports the [UNICEF](#) initiative "Plastic waste as a building block for the future" in the Ivory Coast. In this project, UNICEF is working together with the Colombian company "Conceptos Plásticos" by establishing a recycling market that converts plastic waste into durable and cost-effective building materials. These in turn are used to create new classrooms for the children there who are currently unable to attend school due to a lack of space.

With the help of the converted materials from the recycling market, the classrooms can be built at a low price. As a result, the children on the Ivory Coast have access to better education and upgraded classrooms. Thus, the children are provided with a clean environment in which they can live and learn healthily.

Furthermore, almost half of the households, many of them single mothers, live in poverty and only 5% of the plastic waste is recycled. This inadequate waste disposal is responsible for about 60% of diseases, e.g. malaria and respiratory diseases. The initiative empowers the (often single) mothers by employing them in the recycling markets and thus creating income opportunities. The project also helps to prevent and reduce diseases.

HAWE Hydraulik is supporting this initiative with 25,000 euros in 2019 and from 2020 with 50,000 euros annually in order to develop and promote this project in the future.



HAWE naturally mows the lawn around the largest plant in Kaufbeuren

For the regular mowing of the green areas around the largest plant in Kaufbeuren sheep were used for the first time in 2019 instead of lawn mowers and mulchers. Employees could take over sponsorships and the trainees built the appropriate sheep pens. This very ecological form of green space maintenance will be repeated in 2020. Motivated by this project, the idea was born to leave part of the existing green spaces as meadows and to put up bee boxes. This idea is currently being evaluated. Due to their pollen distribution, bees are indispensable for the preservation of the biodiversity of plants, animals and our food. Without pollination there would be no seed formation, which in turn is the basis for the survival of plants.



Environmentally friendly to the workplace

The use of electric vehicles or plug-in hybrids for the daily commute to work is welcomed by HAWE Hydraulik and made attractive also from a financial point of view. At the Kaufbeuren and Aschheim/Munich locations there are charging stations for electric cars that can be used by employees.



Not only employees use this offer. 2 out of 4 HAWE board members drive electrically home to work.

The provision of company bicycles by the employer is also still accepted by the employees as an attractive offer. With this offer, all HAWE employees can obtain high-quality bicycles and e-bikes at favorable conditions, easily and without additional expenses. Regular maintenance is also included in the offer. This so-called "job bike" is intended to motivate employees to travel to work and shorter distances by bicycle instead of car.

These and other measures and the usually good public transport connections between the locations make it attractive for employees to be able to make a personal contribution to reducing particulate matter, CO₂ and sulfur dioxide emissions as employees.

HAWE works standard for prohibited and declarable substances

HAWE Hydraulik formulates a company standard that applies to both HAWE employees and suppliers. It regulates the handling of current and future substance restrictions according to international and national standards. The aim of this company standard is to guarantee compliance with current and future regulations regarding ingredients in products, components and packaging and to minimise the use of harmful but not (yet) prohibited substances.



The HAWE factory standard is a simplified overview of the regulated substances relevant for HAWE in the EU and other countries. It lists the most important legal regulations from the perspective of the electrical and electronics industry. It is based on the international standard for material declaration IEC 62474 Material Declaration for Products of and for the Electrotechnical Industry (Declarable Substance Groups and Declarable Substances). HAWE Hydraulik's suppliers are obliged to check this database continuously and to react to changes and additions. Suppliers must declare the use of these substances above the specified limit value to HAWE in a suitable manner. An HAWE declaration form shall be used for this purpose as a matter of priority.

The factory standard will be applied consistently and affected product families will be revised step by step. For this purpose, the development engineers are offered regular training sessions in team meetings. If necessary, alternatives are sought and evaluated together with the purchasing department.

IV. Anti-corruption

Principle 10:

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

Training offering on corruption

In order to make it easier for our employees to implement the compliance rules in their daily work and to give practical examples, an internal training course is offered within the HAWE Academy. This training describes typical situations that could lead to confluence with rule-compliant behavior in everyday work.



Compliance with laws and internal rules is also monitored in the anti-corruption area as part of the external audit. Individual incidents are reported directly to the Management Board so that it can take appropriate action.

Group-wide reporting

The uniform group reporting has become established at HAWE Hydraulik. With this monthly report, risks in the course of business can be identified reliably and above all in good time. The employees of the subsidiaries worldwide now also regularly use this form of standardized reporting.



IT security

17 countries are now connected to the global IT network as part of the internal project "IT-International". As a result, IT security standards are being applied throughout the Group and, in many locations, have been significantly raised in comparison to local standards.



An interactive training platform was established throughout the company in 2019, enabling all employees to receive ongoing training and keep up to date. The content is presented in a short, concise and interactive manner. This provides employees with training and information at regular intervals. By introducing these global IT standards, the threats to the company can be further reduced.

Risk Management

The fraud check is regularly included in the annual audit. In addition to the audit of the books, the auditors are commissioned to question and certify each HAWE subsidiary's adherence to minimum standards in risk management and compliance as well as the security precautions taken. Measures are derived and their implementation is reviewed on a regular basis.



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