

IN THE
VANGUARD OF
GLOBAL
RECYCLING



ELG HANIEL GROUP
SUSTAINABILITY REPORT

2013

FACTS AND FIGURES 2013



...

ESTABLISHED

1962

HEAD OFFICE

Duisburg, Germany

TOTAL TONNAGE

1.44 million metric tons

TURNOVER

EUR 1.88 billion

EMPLOYEES

1,250

LOCATIONS

**46 operations
19 countries
5 continents**

...





“Recycling is in the genes of ELG, with sustainability being an inborn trait. Originating as a pioneer in metal recycling, we have created a continuously evolving, leading-edge company, perfectly adapted to recognize and capitalize on opportunity in today’s ‘waste-conscious’ world.”



Detlef Drafz

CEO of ELG Haniel GmbH



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01/ IN THE VANGUARD OF GLOBAL RECYCLING

01/1 OBJECTIVE OF THIS REPORT

This sustainability report is a premiere. It is the first document in a sequence of reports to follow designed by the ELG Haniel Group (“ELG”) to provide the reader with an explanation of our understanding of sustainability by sharing an insight into our way of doing business as well as an understanding of why this way has been chosen.

The first report focuses on our first set of initiatives and goals in sustainability reporting.

This report will focus on the activities pertaining to corporate responsibility within ELG, which is headed by ELG Haniel GmbH, a German corporation based in Duisburg. Starting with an overview of ELG’s business in general we will go into detail on how corporate responsibility is organized within ELG, what its scope is, and how this report was prepared. The heart of the report is **Chapter 06**, which

deals with the topics that were identified by ELG and its stakeholders as being particularly important.

As this constitutes ELG’s first sustainability report, we aimed to provide introductory information on the business we do in a level of detail which may not be necessary in future reports. At the same time, the first report focuses on our first set of initiatives and goals in sustainability reporting, while subsequent reports will outline the progress we achieve with the initiatives we engage in.

While we are devoted to covering all relevant areas of interest for you comprehensively, it is ELG’s style to be concise. It goes without saying that questions which may remain open as a consequence can be directed to ELG’s Corporate Responsibility Team at any time and will be dealt with promptly.

As we share common values with our long-standing parent company, Franz Haniel & Cie. GmbH (“HANIEL”), this report is set up in correspondence with their recently published corporate responsibility report for 2013, “Valued Bonds”. We also refer you to the reports issued by the other HANIEL affiliated companies, TAKKT AG (“TAKKT”), CWS-boco International GmbH (“CWS-boco”), and METRO GROUP

(“METRO”) to learn more about their specific business activities and undertakings with regard to corporate responsibility. These are available via their respective websites.

01/2 REPORTING STANDARD AND SCOPE

This report has been produced in adherence to GRI-G4 of the Global Reporting Initiative located in Amsterdam, the Netherlands. Thus, the report follows the structure stipulated by the latest format of sustainability reporting to allow for maximum transparency and comparability. The “in accordance” option of the Global Reporting Initiative we have chosen is Core.

In essence, this structure aims to inform you about ELG in general and more specifically about subjects that have been identified as vital to us as

the reporting body on the one hand and to the stakeholders that are affected or potentially impacted by our activities on the other hand.

A full Content Index is provided at the end of this report. ELG did not seek an external assessment of this report.

This report covers ELG’s fiscal year 2013 comprising the time between January 1, 2013, and December 31, 2013. Deviations from this period, if any, are marked as such.

We aim to provide you with an update of our sustainability activities in a progress report on 2014 in spring 2015. The next detailed sustainability report covering the reporting years 2014 and 2015 will be available in spring 2016.

02 / KEYNOTE BY DETLEF DRAFZ, CEO

Dear Reader,

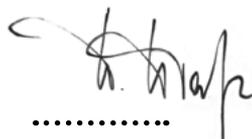
Not long ago, ELG celebrated its 50th anniversary. As we deemed appropriate, we held the celebrations near our corporate roots in the heart of the Ruhr Area in Duisburg, Germany. We welcomed as participants not only our employees but also representatives of several of our valued customers and suppliers, colleagues from our shareholder HANIEL, and delegates from many of our other trusted business partners.

When I initiated the compilation of this sustainability report and learned of the methods the report was going to be designed by, I was pleased to note that at the core of it stands the stakeholder dialogue. As our understanding of success is based on continuity and relationship building, we are constantly engaged in a dialogue with the partners we have achieved success with and may do in the future. This is not only because many of them have recently been our guests at the anniversary celebrations. Instead, it is our experience that long-term business success can only grow further with solid relationships on the one hand and communication channels that are as lively and open as possible on the other.

In the course of the development of this report, we added to this principle and conducted a formalized dialogue on sustainability to learn more about the expectations of our stakeholders in this regard. It provided great insight into how congruent our own focus in this respect is with the perception of ELG by our shareholder, our customers, our suppliers, and our financial partners. In particular, the views and input of our employees served as a valuable indicator as to where we stand and what issues we may put even more focus on.

We at ELG have always strived to improve constantly in many aspects of our business. In this endeavor, the following report marks the beginning of an intensified exchange on how sustainability at ELG is being practiced. It has already proven to be a reminder for us to regularly question, explain, and discuss what we sometimes take for granted in order to continuously evolve further.

I invite you to read and comprehend our view on sustainability and to feed back to us what you have to add to this understanding.

A handwritten signature in black ink, appearing to read 'D. Drafz', with a series of dots below it.

Detlef Drafz / CEO of ELG Haniel GmbH

03/ CORPORATE STRUCTURE

03/1 THE BUSINESS ACTIVITIES OF ELG

ELG is a truly global, market-leading group of companies in the business of trading and processing primary and secondary raw materials in particular for the stainless steel industry. The raw material we handle is predominantly the result of urban mining, i.e. various qualities of man-made scrap metal, which can be used and

reused infinitely. For the purpose of metal recycling of this secondary raw material as conducted by ELG, both industrial arisings and reclaimed materials are collected at ELG yards worldwide, processed to customers' specifications, and sold to steel mills worldwide, thereby being brought back into the recycling cycle (see Figure 1). ELG works with thousands of trusted suppliers in order to source small and medium-sized lots of material of manifold compositions and qualities. Our suppliers

Figure 1: Part of the metal life cycle



in turn collect such and oftentimes other material from their downstream trade partners, and so on. It is a characteristic of the metal scrap trade that supplier relationships are built on mutual trust and in many cases last for decades. At the same time, however, all traders of this raw material diligently keep their respective sources secret as access to the source of arising constitutes a potential competitive advantage. While this implies that it is impossible to oversee the full cycle of the material stream, it is our employees' years and years of experience paired with modern investigative tools that best secure the adherence of our suppliers to ELG's high standard of values.

It is this relationship between ELG's supplier base and our traders that safeguards the high volume of material that flows into ELG's yards across the globe.

Thereafter, to put it simply, the value creation of ELG then consists of transforming the heterogeneous collection of materials into a tailor-made, homogeneous, and constant stream of valuable raw material to be used by its global customers (see Figure 2, tonnages pertain to stainless steel scrap). We at ELG contribute to reducing the stream of metal waste, turn it back into raw material, and enable our customers to transform it into new products. Together, we serve to close the loop for what was formerly a limited resource.

Figure 2: Processing chain in metal recycling

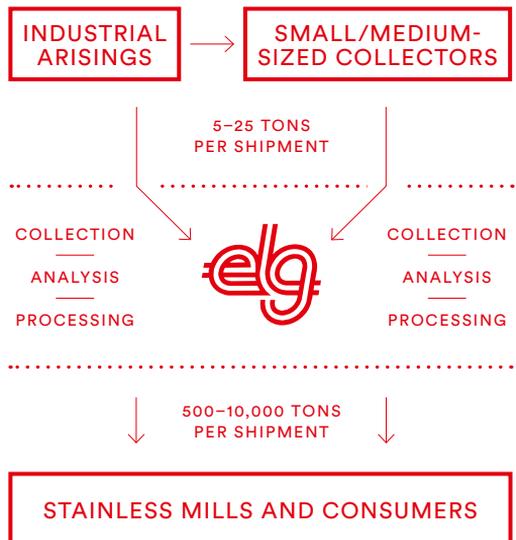


Figure 3: ELG operations

USA / 12 YARDS



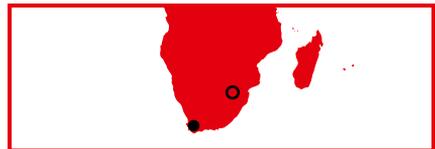
ASIA / 4 YARDS/OFFICES/JVs



EUROPE / 27 YARDS



S. AFRICA / 1 YARD + FERROCHROME JV



AUSTRALIA / 2 YARDS



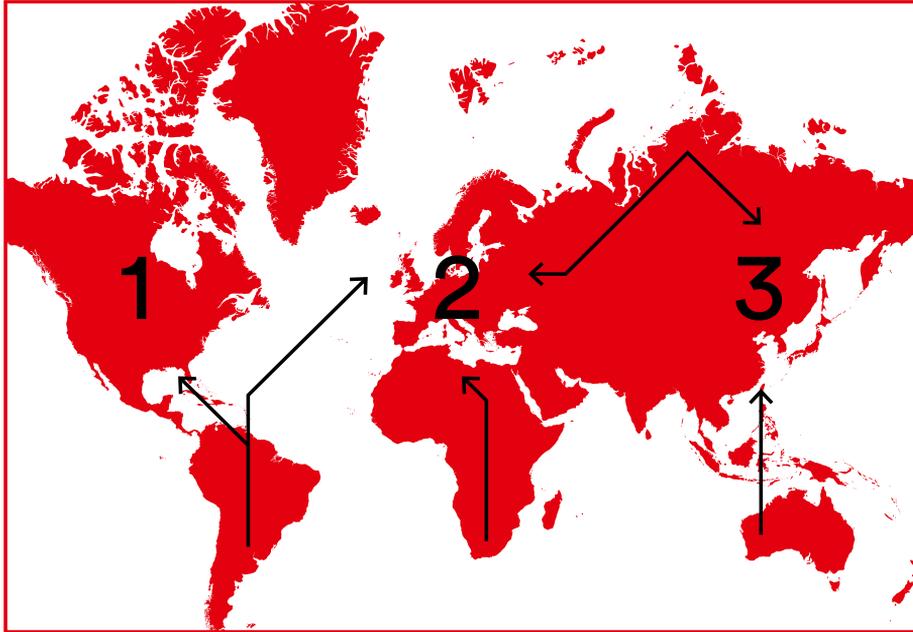
● ELG yard/office ○ ELG joint venture

ELG currently operates 46 scrap-yards in 19 countries worldwide (see **Figure 3**). As ELG's customers consist of steel mills worldwide, the yard network is designed to allow the sourcing

of material from across the globe and to safeguard reliable delivery to order wherever the demand may shift to (see **Figure 4 on page 11**).

Figure 4: Global flow of materials

INTERNATIONAL SOURCING AND SALES



1 AMERICAS

31%

28%

2 EUROPE

65%

53%

3 AUSTRALIA/
ASIA

4%

19%

● = ELG sourcing

● = ELG sales

03/2 THE CORPORATE EVOLUTION OF ELG

ELG was founded in Germany in 1962 and has pursued a corporate strategy of internationalization ever since. The Company was fully taken over by HANIEL in two steps in 1983 and 1989, respectively.

HANIEL is a German family equity company. The 100 percent family-owned holding company manages its diversified portfolio and pursues a long-term investment strategy as a value developer. HANIEL's portfolio consists of four divisions, each of which holds a market-leading position in its field of expertise. One of these divisions is ELG. While supported by HANIEL in terms of administrative advice and strategic feedback, the operational responsibility and the determination and particularly the implementation of the strategy to be followed rests with ELG.

Initially focused on recycling metal scrap bound for the stainless steel industry, ELG has broadened its scope of services towards the recycling of high-performance materials, in particular superalloys, titanium, and carbon fibers. **Figure 5 on the following page**

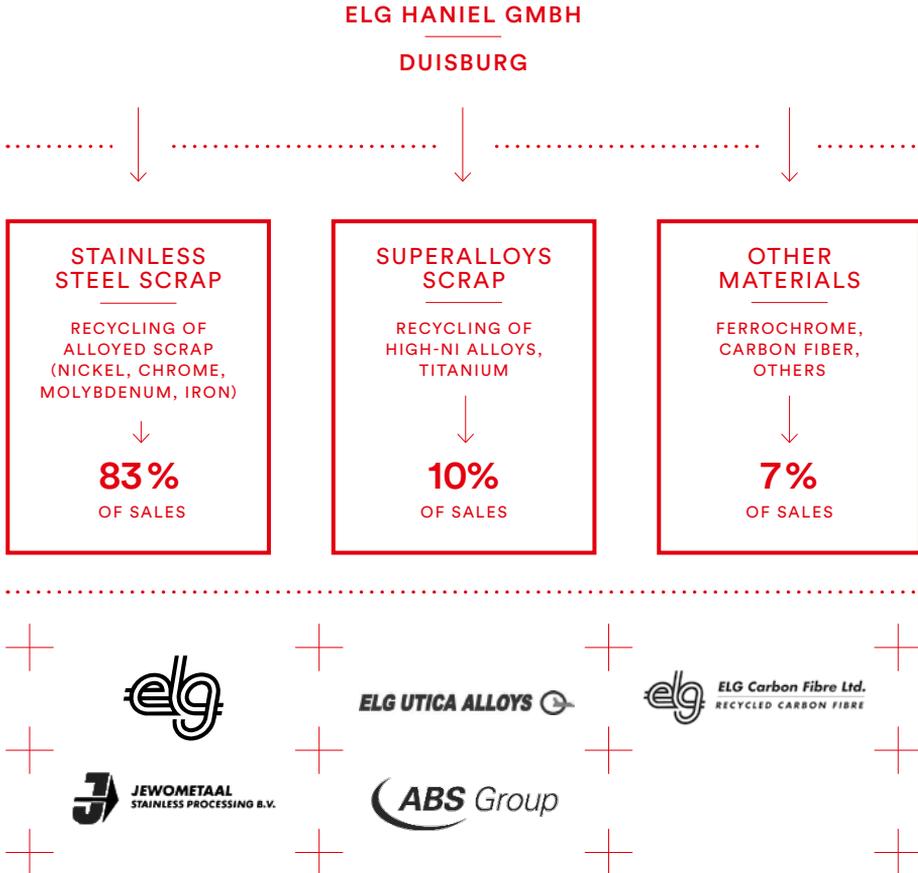
shows the sales contribution of the different business segments ELG is active in as well as ELG's main global brands.

ELG is committed to further internationalizing its activities and expanding on its sophisticated recycling processes. In this endeavor, ELG once more strengthened its standing in the market segment of superalloys in 2013 by means of two acquisitions.

In order to enrich our global network for the benefit of our customers, ELG acquired the UK-based ABS Group ("ABS") in February 2013. ABS maintains recycling facilities particularly for superalloys in the UK, USA, France, and South Africa and was integrated into ELG's division ELG Superalloys.

In July 2013, we acquired Metal Management Aerospace, Inc., situated in Hartford, Connecticut, USA ("MMA"), thereby continuing our growth strategy in aerospace scrap processing and revert management. With its cutting-edge processing facilities, extraordinary customer recognition, and well-trained employees, MMA complemented ELG's presence in this segment well. After the acquisition, the company was renamed ELG Utica Alloys (Hartford), Inc.

Figure 5: ELG business segments and their contribution to ELG’s global sales



In this part of ELG’s recycling business, inter alia nickel-based turnings are treated in a multi-step procedure in order for the material to be ready for shipment. ELG has invented and enhanced special processing equipment to enable it to reliably deliver the appropriate results that are requested by its customers.

Adherence to the highest degree of quality in terms of composition and purity is key to success in this industry segment. We achieve this by maintaining a strict focus on quality management and our long-term and trustful cooperation with our valued customers and suppliers.

**03/3 KEY
FINANCIALS
2013**

Despite the successful expansion of ELG's activities in the superalloys market segment, ELG's business development was weighed down by the

difficult market environment and declining commodity prices. As a result of this, both ELG's output tonnage and revenue declined significantly as compared to the financial year ending December 2012. With this in mind, ELG performed well, although we were not able to match the previous year's operating profit.

Figure 6: Key figures for ELG

2012

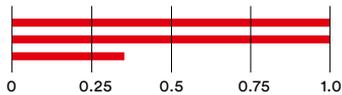
TOTAL TONNAGE: **1.59 m mt**



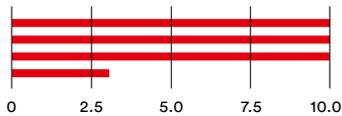
ALLOYED TONNAGE: **1.31 m mt**



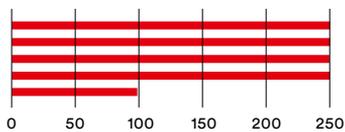
TURNOVER **EUR 2.36 bn**



PROFIT BEFORE TAXES: ... **EUR 33 m**



EMPLOYEES (AS AT DEC 31) **1,097**



2013

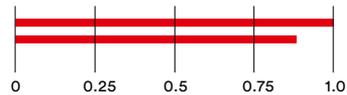
TOTAL TONNAGE: **1.44 m mt**



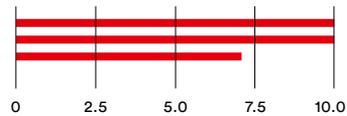
ALLOYED TONNAGE: **1.22 m mt**



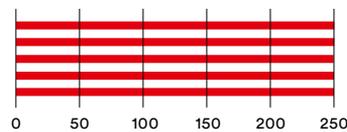
TURNOVER **EUR 1.88 bn**



PROFIT BEFORE TAXES: ... **EUR 27 m**



EMPLOYEES (AS AT DEC 31) **1,250**



mt = metric tons bn = billion m = million

04/ MANAGEMENT APPROACH

04/1 ORGANIZATIONAL STRUCTURE AND GOVERNANCE

ELG is headed by Germany-based ELG Haniel GmbH which is led by a Board of Directors consisting of:

CHIEF EXECUTIVE OFFICER

Detlef Drafz

CHIEF FINANCIAL OFFICER

Silke Landwehrmann

CHIEF MARKETING OFFICER

Norbert Späker

As the Group's holding company, ELG's headquarter in Duisburg features the key central administrative departments at which information from ELG's decentralized operations and subsidiaries worldwide converges. Connecting the pieces of information with an ever-open ear for the requirements of ELG's shareholder, HANIEL, allows the Board of Directors to take the appropriate strategic decisions for the multinational, large-scale trading and processing house that ELG is.

Few levels of hierarchy and lean personnel structures provide for direct communication and swift decision-making

all through ELG's organization. We take pride in the fact that our decentralized operations and headquarter alike are managed where we do business. Located, for instance, in global scrap processing hubs such as Duisburg (Germany), Sheffield (UK), Rotterdam (the Netherlands), Pittsburgh (USA) or Kaohsiung (Taiwan), our facilities are always close to the market and our management is always close to the shop floor – and that proximity is not only a physical one but even more so a matter of mindset.

Despite ELG's global footprint, there is a culture of continuous attunement in terms of targets, values, and strategy. Several times per year, the leaders of our local operations attend management meetings involving ELG's top executives in Duisburg whereby cohesion and mutual knowledge transfer is fostered further.

The same holds true for the relationship between ELG and our colleagues at HANIEL, who work some five miles away. Regular management meetings, round tables, and workshops safeguard constant interaction and strong relationships not only with our shareholder but also with our sister companies within the HANIEL Group.

04/2 CORPORATE RESPONSIBILITY ORGANIZATION

We have deliberately designed ELG's sustainability management and reporting to be a joint effort by all departments headquartered in Duisburg together with our decentralized operational units worldwide. We believe that sustainability only lives up to its name if and as long as it flows through the veins of the entire corporate organization. This is particularly important in an organization as decentralized as ELG. We believe in the principle of small local units enjoying great entrepreneurial freedom paired with wide-ranging responsibilities for profits, compliance, and sustainable business conduct. At the same time, each operation forms part of the global ELG family with a great sense of unity.

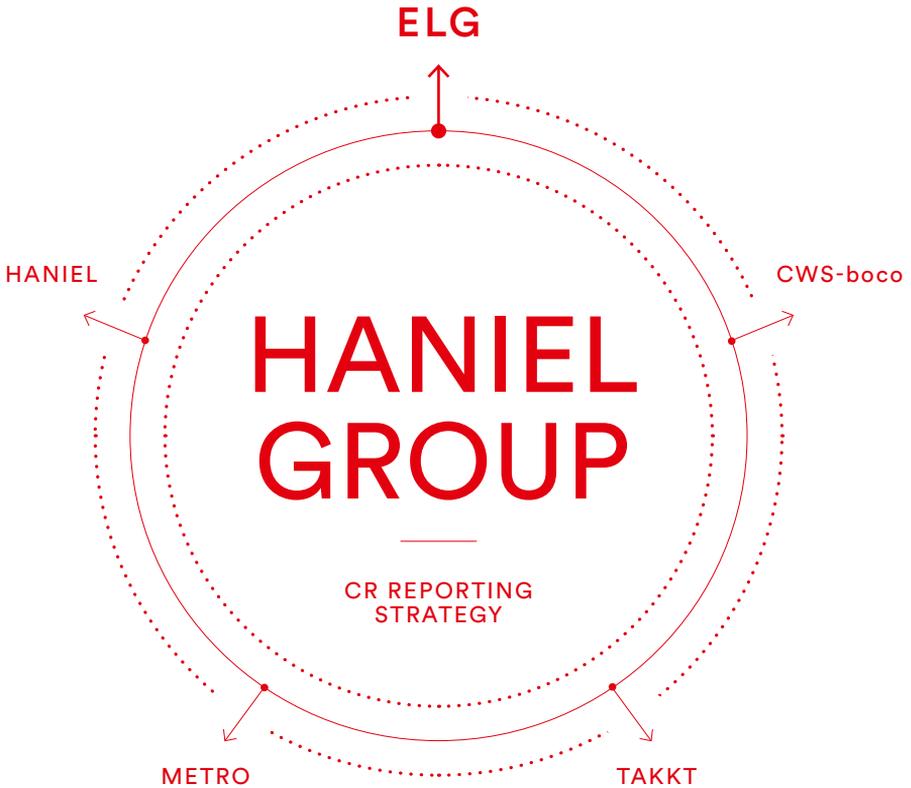
Thus, gathering all the necessary information for this report, defining appropriate goals to achieve, and ultimately changing ELG for the better is always an effort by people throughout and even outside the company.

Sustainability is the direct responsibility of ELG's CEO, Detlef Drafz, who is supported by a core Corporate Responsibility Team.

There is constant exchange on the relevant issues with the contact persons for stakeholders within the ELG Group (see 05/1 for details on the formalized stakeholder dialogue conducted in 2013).

To align the targets identified by ELG's Corporate Responsibility Team with HANIEL's group corporate responsibility strategy and to always stay up to speed on sustainability trends, a formal exchange process has been established with the corporate responsibility teams of HANIEL, TAKKT, CWS-boco, and METRO (see Figure 7 on page 18).

Figure 7: Starting point and HANIEL's approach



04/3 RISK/OPPORTUNITY MANAGEMENT

Entrepreneurial risks are commonly the flip side of business opportunities. Exploiting the latter to the benefit of ELG and its stakeholders is our management objective while it is imperative to identify and, where possible, minimize threats to our business success.

Opportunity management at ELG is aligned with our strategic direction. In a broad strategic planning process, our options are systematically assessed and initiatives are developed. Such initiatives are further fleshed out in the operational planning process which produces definite targets to strive for and measures to be taken. Both the strategic and operational planning processes are developed in close cooperation between the ELG Board of Directors and local management.

We see risk management as interlocking with the planning process, so the risks covered are not only of a financial nature but also comprise operational and external (market) risks. Risk management in the narrower sense is the responsibility of ELG's Internal Audit Department and comprises a periodic analysis of the risks identified as well as the definition,

assessment, and monitoring of possible countermeasures.

Risk management reporting forms an integrated part of our standardized planning and budgeting processes and is governed by guidelines and handbooks.

In accordance with long-term audit planning, all ELG subsidiaries are examined systematically by ELG's Internal Audit Department. As we follow a risk-oriented auditing approach, all subsidiaries of ELG are additionally subject to audits with varying focus areas, where appropriate conducted in close cooperation with HANIEL's Internal Audit Department. The efficiency of the risk management system is supervised internally and assessed externally in the course of annual auditing plans.

04/4 MEMBERSHIPS AND INITIATIVES

We are proud members of several associations, in particular:



Bundesvereinigung Deutscher
Stahlrecycling- und
Entsorgungsunternehmen e.V.



International
Chromium Development
Association



Bureau of International
Recycling



Verband Deutscher Metall-
händler e.V.



Composites UK
Trade Association



British Plastics
Federation



Industrievereinigung
Verstärkte Kunststoffe



Carbon
Composites



Aircraft Fleet
Recycling Association

Due to ELG's long history within the scrap industry, we frequently take leading roles in the aforesaid associations within the relevant committees and conventions.

ELG actively enhanced the understanding of the environmental impact of ferrochrome as traded goods, for instance, in its capacity as a Member of the Steering Committee of the Ferrochromium Consortium under the umbrella of the ICDA with regard to Regulation (EC) No. 1907/2006 concerning the Registration, Evaluation, Authorization and

Restriction of Chemicals (REACH).

Even as early as the 1990s, ELG took a pioneering role when it introduced sophisticated radioactivity measurement techniques to the scrap metal industry together with the BIR. These have now become the benchmark for scrap traders worldwide. (See Chapter 06/1 for details on ELG's current efforts in this field.)

ELG has further joined the leading networks for the carbon fiber industry with the aim of strengthening the awareness of our recycling approach and product range, seeking joint collaborations, and allowing for an early identification of important market developments such as product trends and new recycling technologies.

05/ MANAGEMENT APPROACH TO CORPORATE RESPONSIBILITY

05/1 STAKEHOLDER DIALOGUE

For ELG, the management of sustainability is a permanent enhancement process. In order to constantly monitor the congruence of our corporate values with the expectations of our stakeholders with a view to ensuring the long-term success of our business, we have always engaged in open and constructive communication with our business partners. For the purpose of this report, we decided to formalize this communication and specifically broach the issue of sustainability.

To that effect, we determined ELG's central top management at the headquarter in Duisburg to be the initial internal source of information. By means of a constant discussion with the department heads – keeping the interests of and the impact on the business in mind at all times – the ELG Board of Directors put forward a tentative ranking of 20 corporate responsibility topics. The ranking was designed to be a list of what ELG as a corporate citizen found most important at one end and less relevant at the other end.

To make this a meaningful exercise, the appropriate partners for the dialogue had to be determined. It was ELG's deliber-

ate approach not to establish an artificial dialogue with its stakeholders through an unconnected albeit specialized sustainability unit, but to maintain regular contact with its key partners through those people closest to them. Therefore, to make the right selection of which groups of people and organizations are connected with ELG and are impacted by what we do, we deemed it important to listen closely to the people inside our organization first and to find those who act as key contact persons to potential stakeholders.

The identified contact persons were then asked to report on the nature and intensity of their relationship with the respective ELG stakeholder they serve. The list of stakeholders found in this way comprised our employees, customers, suppliers, banks, and our shareholder HANIEL. By means of this process we were able to confirm that the stakeholders in essence already spoke to their respective contact persons about many relevant topics on a frequent basis (see **Figure 8 on page 23**).

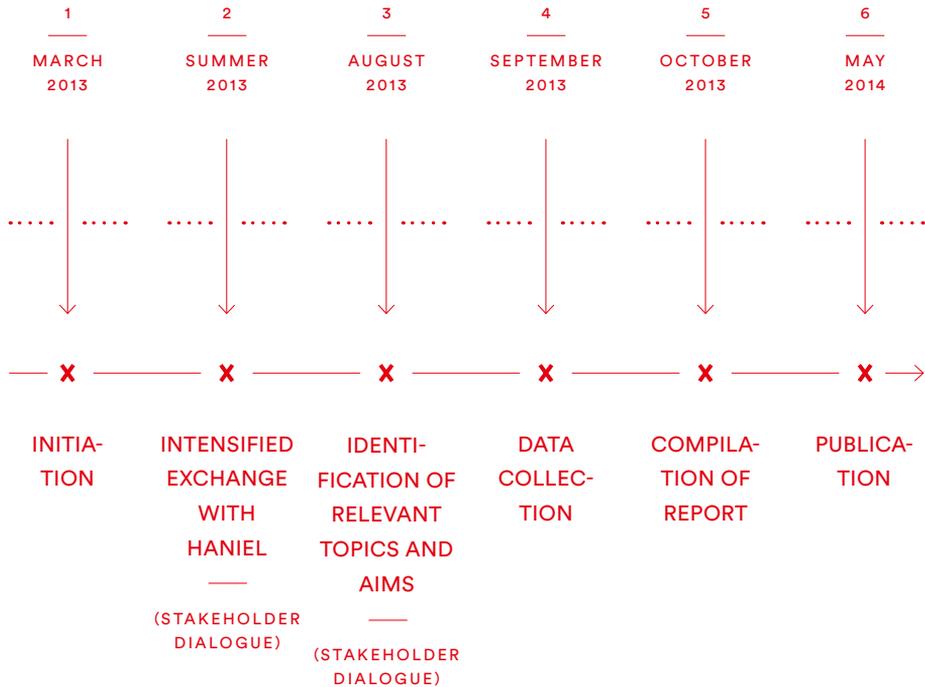
Figure 8: Stakeholder dialogue



So, as we are in constant interaction with most of these stakeholders on various topics, this time we focused on obtaining feedback in particular on our stakeholders' perception of ELG in terms of sustainability. We decided to formalize the dialogue on this matter and sent a relevant question-

nnaire to our customers, suppliers, shareholder, financial partners, and employees. The overall response was positive and the information retrieved provided a solid foundation for the identification of the key elements of our sustainability management and reporting.

Figure 9: Project timeline



**05/2 SUSTAINABILITY
MATERIALITY MATRIX**

The outcome of the formalized stakeholder dialogue showed inter alia which topics in connection with sustainability were of particular importance to the respective stakeholders. As a result of the formalized dialogue, the following Sustainability Materiality Matrix (see Figure 10 on

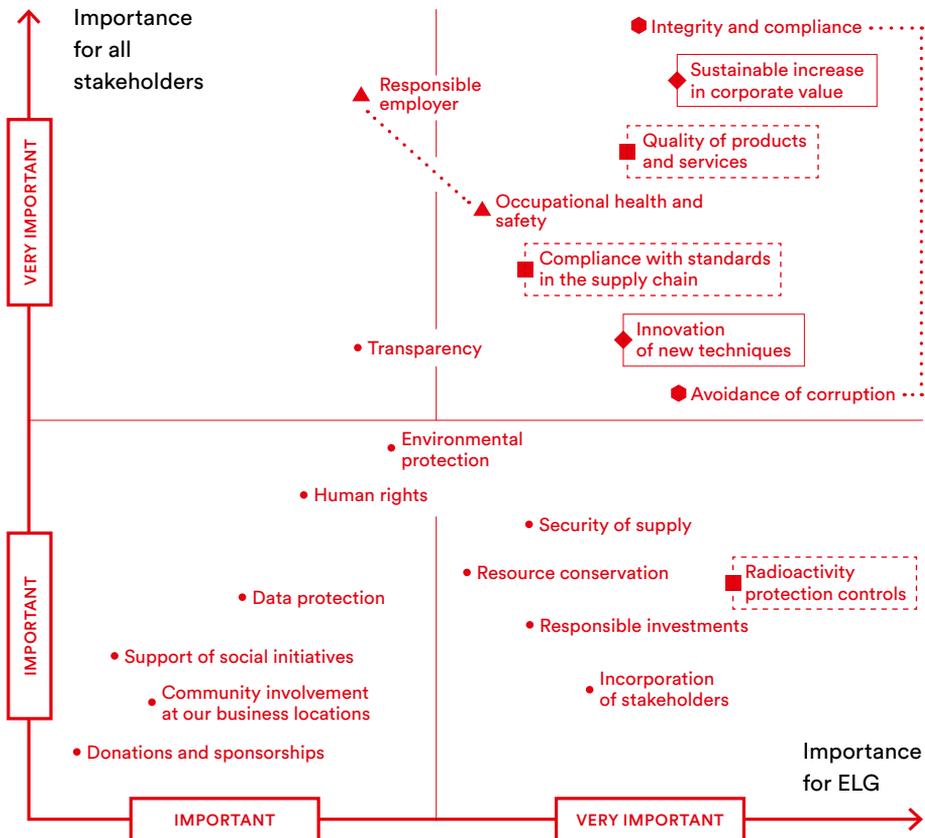
page 25) serves to visualize to what extent our priorities match the expectations of ELG's stakeholders.

The Sustainability Materiality Matrix shows the topics which are important to both ELG and its stakeholders in the top right corner. The individual topics have further been clustered.

Figure 10: Sustainability Materiality Matrix and clusters

Clusters:

- Operational focus
- ▲ Employee focus
- ◆ Commercial focus
- Compliance focus



We have chosen to focus on the clustered topics above for the purpose of this report as described in **Chapter 06**.



— Equipment for scrap handling at the yard in Duisburg



—— Site manager wearing safety equipment



—— Stainless steel bales
ready for shipment



—— Turnings destined for full
processing and analysis



—— Cutting oversized material for remelting



— Certified destruction of turbine engine parts for the aerospace industry



—— Mutilated turbine engine parts
for remelting



—— Test-melting for analyzing
purposes



—— Radiation detector in the middle of the grapple, moving secondary raw material

—— Sampling material for full in-house analysis of all elements





— Full analysis of all elements with X-ray fluorescence (XRF) technology at an internal laboratory

06/ SUSTAINABILITY FOCUS AREAS

CONTENTS

<hr/>		<hr/>
06 / 1		06 / 3
OPERATIONAL FOCUS		EMPLOYEE FOCUS
35 — 39		45 — 49
<hr/>		<hr/>
06 / 2		06 / 4
COMPLIANCE FOCUS		COMMERCIAL FOCUS
40 — 44		50 — 52

06/1 OPERATIONAL FOCUS

As can be seen in the Sustainability Materiality Matrix, we have clustered the topics “Compliance with standards in the supply chain,” “Quality of products and services,” and “Radioactivity protection controls” together. While these important topics may overlap with other clusters, for this report we felt it was essential to explain what the common ground for them is in the operational sense and report on one vital aspect of the cluster.

06/1/1 Quality Management

We are well aware that the close and long-term industrial partnership with our customers rests on ELG’s strict quality management and continuous improvement in all areas of our business in that regard. In this sense we unequivocally share all our stakeholders’ wish for our products and services to be excellent at all times. In the business of trading and processing raw materials for the metal industry, such excellence is achieved through careful attention to the products’ properties on the one hand and a persistent and considerate service ethic on the other.

Inter alia our attention is aimed at obtaining the relevant certifications for the vari-

ous recycling processes we engage in. Also, we constantly and carefully assess and select the many trusted suppliers we source our material from all over the world. When processing scrap at one of our 46 yards, we focus on safeguarding that the products we sell are delivered just in time, feature all elements per the specification desired, and are checked for the presence of impurities as thoroughly as technically possible. Another part of this quality management approach is to help our customers keep their products free from any radiation.

As can be seen in the Sustainability Materiality Matrix, the formalized stakeholder dialogue brought to light that radioactivity protection control is only of medium

importance as a sustainability factor for our stakeholders. For us, however, this topic is at the core of quality management. Thus, with this report we wish to provide information about this topic in order to help our readers understand why detecting possible sources of radioactivity in the waste stream we handle on a daily basis is a heartfelt affair.

As early as the 1990s, ELG introduced state-of-the-art detection devices and made them an imperative tool to be used at our yards worldwide. Together with leading equipment suppliers in this field, we developed devices for the inbound and outbound freight channels to prevent contaminated material from remaining undetected in the scrap we handle. First and foremost, this is a duty we owe to our employees. Secondly, we take such extra precautions to try and serve as one further active filter in the metal recycling process for the benefit of anyone who could possibly be exposed and the environment as a whole. Lastly, even though the material we deliver is examined by our customers as well, we seek to contribute towards purifying the raw material further in this regard as much as possible to exceed our customers' expectations and help make their processes safer and more efficient.

It must be emphasized that what we measure is only radiological deviations from the natural background radiation that exists

all over the world and at all times and which is normally not harmful for living beings. Such deviations may have different causes: while some radioisotopes are only found as a result of human activity, the vast majority of these are inherently present due to natural processes.

The challenge in recycling secondary raw material is to detect elevated radiation to make it possible to determine whether there is a potential safety hazard. Our approach to achieve this to the best degree possible is a triple validation scheme for radioactivity. Firstly, detectors are placed at the entrance of each yard capturing any and all material delivered. Secondly, each load which leaves the site goes past detection equipment again at every yard's exit. Thirdly, we use both special grapple detectors and hand-held devices to scan the material during handling. Implementing this scheme forms part of the instructions derived from the ELG Radiation Guideline, which is designed to set our baseline in this area, educate and guide our operative staff, and provide our Internal Audit Team with the appropriate controlling manual.

While our yards are able to detect and eliminate many forms of impurities, hardly ever do we see radioactive sources in the narrower sense, for instance former medical or technical devices that have not been properly disposed

of and that eventually prove to be dangerous. We believe this to be the result of our long-term, constant, and close collaboration with our suppliers with the aim of amplifying detection efforts throughout the supply chain. Consequently, the material is already checked in earlier spheres of handling, so the suppliers we choose contribute to our common goal to make the detection network as tight as possible. Ultimately, together we already sensitize the users of possible emission sources. Ideally, our joint endeavors will lead to preventing sources from entering the recycling loop altogether. In that sense – and knowing that it covers more facets – we connect the important topic “Compliance with standards in the supply chain” with the promotion of ubiquitous coverage with detection devices.

To further ensure that no scrap operation within ELG receives, accepts, processes, or even sells material which has not been properly detected, we have implemented

the above-mentioned Radiation Guideline which is applicable for all entities within ELG.

If an alarm is triggered, the load is checked very carefully. Our measuring equipment is so sensitive that in many cases the trigger turns out to be completely harmless. In fact, it may not be the scrap at all: in the past, a truck driver who had undergone recent thyroid gland treatment proved to be the “radioactive source” and pieces of yard equipment that had been transported from a region well above sea level, where the natural ionizing radiation is inherently higher, to a yard near the seaside have also prompted the alarm system to alert our safety staff.

If an alarm does go off, our employees, being trained and tested constantly, have the experience and expertise to react with the necessary professionalism. In the rare case that a suspicious source is in fact found, we discard and isolate the delivery and work together with the pertinent authorities as well as with specialized partner companies to dispose of the material concerned in the appropriate manner.

06/1/2 Indicator, Baseline, and Targets

It is our aim to promote a tightening of the mesh for radioactive sources in the recycling industry as a whole and we will continue to play a pioneering role in this field through the introduction of innovative techniques.

As neither overall industry standards nor related data exist in this area, we have chosen to determine our own criteria with regard to radioactivity detection for the benefit of our stakeholders. In particular, we strive to ensure that our customers receive products free from any radiation above the commonly accepted level. Thus, our ultimate target is always to have the consignees of our material report zero radioactivity alarms in connection with ELG material.

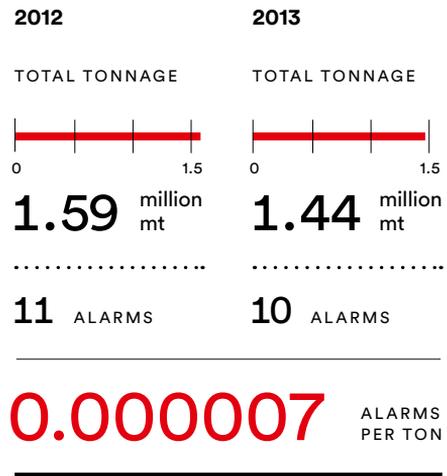
At the same time, we must acknowledge that despite the sophisticated control system at our worldwide yard network, deviations from the natural ionizing background radiation may occur. Yet what we monitor and wish to report to our stakeholders is the number of alarms caused by material we have delivered, the potential reason why an abnormality may have occurred, and any possible impact of such alarms.

In 2012 we handled a total of 1.59 million tons of material. We were notified of 11 alarms that were reported by our customers'

detection devices, equaling 0.007 alarms per thousand tons delivered.

In 2013 we handled a total of 1.44 million tons of material. We were notified of 10 alarms that were reported by our customers' detection devices. Again, this equals 0.007 alarms per thousand tons delivered.

Figure 11: Alarms



We are pleased to note that in 2013 – as was the case in the previous year – none of these alarms proved to be dangerous. This confirms our general experience with the material we have been dealing with for more than 50 years now. Again, in 2013 no hazardous sources were delivered and all deviations could be ascribed to material

with minimally elevated radiation levels, e.g. caused by steel tubes with radiant adhesives. The respective material was rechecked immediately on site and where appropriate sent back to ELG, where we separated all tainted parts and disposed of these in a professional manner.

While 0.007 alarms per thousand tons shows that we are working towards our ultimate target and lowering the absolute number of alarms, we were unable to report zero incidents. We continuously strive to achieve this ultimate goal. At the same time we are aware that our ultimate goal is more than ambitious and in view of the natural occurrence of radiation virtually unachievable. But for us, monitoring any radiation-related deviations from the norm – harmless though these may be – serves the aim of transparency and raises the overall level of safety.

06/1/3 Measures to be taken

It is ELG's desire to further sensitize our partners upstream and downstream within the recycling chain but also our other stakeholders for this topic. Issuing this report on 2013 will make a contribution towards this goal.

In order to promote constant improvements in our efforts to achieve zero

outbound alarms, we have sought the help of and employed in 2013 a Global Technical Officer with a background in metallurgy and many years of experience in the steel producing industry – thereby virtually incorporating the customer's view into our organization.

The Global Technical Officer has been entrusted with the task of comprehensively assessing our operating facilities, inspecting the equipment used and processes followed, and advising our staff on enhancing our efficiency in this regard even more. His aim is to ensure that our triple validation scheme is effective and in particular that all equipment used for scrap handling is appropriately equipped with state-of-the-art grapple detectors worldwide.

Our Internal Audit Team has been instructed to focus even more on internal compliance with the measurement standards defined in the ELG Radiation Guideline and identify any optimization potential in the handling processes. Lastly, our yard managers are to cooperate with our scrap traders to evaluate in what way an intensified or more frequent auditing of our supplier base is feasible and beneficial.

We expect to see results soon and wish to provide an update on our activities in the follow-up report covering the financial year 2014.

06/2 COMPLIANCE FOCUS

Our stakeholders share our conviction that integrity and compliance must form the foundation for everything we do as members of the ELG family. The Sustainability Materiality Matrix shows that the topic “Avoidance of corruption” is considered nearly equally important by our stakeholders. Therefore, we wish to outline our perception of compliance, the projects we have started in this respect, and the targets we have set ourselves below.

06/2/1 Compliance and governance at ELG

ELG is present on five continents, in 19 countries, and with 46 operational units worldwide. As depicted in **Chapters 04/1 and 04/2** above, it is a unique feature of ELG that these individual units are granted significant operational freedom, allowing them to take credit for successes and accept responsibility for their performance. In this way, we aim to create an atmosphere of entrepreneurial thinking and a sense of accountability, which has been a distinctive success factor for ELG all along.

At the same time, our organization is designed to provide anyone within

ELG with the backing and guidance that is needed in the global business we engage in. Our close affiliation with one of the oldest German family-owned companies, HANIEL, adds to this professional framework. A clear-cut set of internal Rules of Procedure applicable to all of our subsidiaries sets the boundaries of the decision-making leeway our individual units enjoy and thereby governs the manner in which they are to interact with their respective supervising entity. These Rules of Procedure are flanked by guidelines in all those areas which require a consistent understanding on the part of all our operational units. Some of those rules are developed centrally, oftentimes

in a cooperative manner with the respective specialized department of HANIEL. Others are characteristic of our trade and the result of our operational employees' years and years of experience and are spread across the ELG landscape.

06/2/2 Standing Orders Implementation (SOI) Project

While a firm's culture and sense of good corporate governance go well beyond the sum of written instructions issued by the firm's leading body, it is this set of documents that requires updating the most. As a result, the ELG Board of Directors initiated the Standing Orders Implementation (SOI) Project in 2013. The objective of this project is twofold:

Firstly, the written governance framework as described above is to be reassessed and – where needed – re-designed, amended, or simplified to allow for the individual units to recur again on clear rules of what to do and what not to do. The project will deal with all ELG guidelines that already apply as well as those guidelines that govern the relationship between ELG and HANIEL.

Secondly, the SOI Project will reinforce awareness of the rules we have

and of the business ethics we expect each member of the ELG family to abide by. Therefore, the ELG Board has put at the very core of the new set of standing orders the key values that are to prevail within our company: the Six Principles of ELG. The ELG Board sensitized all participants of the management meetings in September 2013 to these Six Principles of ELG and reinforced why they have been written down.



The Six Principles of ELG constitute the desired business culture of our company. As we trust and value every member of the ELG family we deliberately refrain from regulating their conduct in great detail. Instead, the broad definition of the Six Principles of ELG shall serve as guidance on every action we take.

PRINCIPLES OF ELG

01 / Independence through Profit Generation

.....

We derive our confidence and independence from the successes we achieve together. Long-term success always takes precedence over short-term profit. Over decades, people at ELG have ensured these successes with their commitment, ideas, and hard work. The competitive edge resulting from this safeguards the profits we need to stay self-reliant and free.

02 / Environmental Responsibility

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Preserving nature’s primary resources is the inborn business idea of ELG. Our excellence in the field of recycling stainless steel and high-performance materials, such as titanium, superalloys, and carbon fiber serves to support our business partners in their efforts to responsibly find a reuse for products. We take pride in pursuing this mission with maximum productivity. In this way, our products and services are made and delivered to the highest quality, at the lowest possible cost, with the minimum consumption of resources.

03 / Compliance through Integrity

.....

In countries in which we are active, we engage in fair competition and respect laws, traditions, and social values. Corporate interests come before those of individuals. Personal, family, or financial interests must not play any part in the decision-making process. Any decision we take should be the natural result of applying common sense and the spirit of these Six Principles of ELG. Nonetheless, if any doubt about the right conduct persists, we confide the matter to a colleague or our compliance officers.

05 / Innovation

.....

We continuously improve processes as well as develop and invest into technologies and complementary business models of tomorrow. By creating a culture of plain language and open doors we encourage every person within ELG to speak up in order to be innovative and help us to improve continuously as a group together.

04 / Empowerment through Subsidiarity

.....

We choose to be different from those corporations where many levels of management dilute personal responsibility. Regardless of the task performed, all people within ELG are asked to take direct responsibility for results, to exercise initiative and judgment, and to make decisions as required. By recruiting people who are well suited to their jobs and trusting them, we ask them to be accountable for their own high standards wherever they work at ELG.

06 / Mutuality

.....

The continuous trust placed in us by our suppliers and customers is appreciated and honored with our dedication to remain an innovative, reliable, and flexible partner who always faces their demands as a new challenge. While we must try to achieve the most competitive terms at all times, our aim is to derive benefit for ELG and each of its business partners alike to allow for an enduring, successful relationship.

The principles in essence come as no surprise to anyone within ELG – in fact they must be self-evident. Yet to remind every employee within ELG of what we stand for, the Six Principles of ELG will be emphasized and promoted by means of the SOI Project.

The goal is for them to become second nature for everyone within ELG to measure all of his or her decisions in the business context against the Six Principles of ELG.

They are kept extremely concise but are to serve as the core instrument to determine what “doing the right thing” means. Thus, read together with ELG’s Rules of Procedure and applicable guidelines, the Six Principles of ELG are the gist of ELG’s Code of Conduct.

06/2/3 Indicator, baseline and targets

As ELG already has a well-established system of governance. The targets of the SOI Project are a refinement on the one hand and an elevated level of awareness on the other.

The revised set of rules will be signed and thereby made binding for all applicable legal entities of ELG in 2014.

The rollout will be accompanied by appropriate training programs designed and delivered by ELG’s Legal and Compliance Department. For the purpose of these training efforts, we will identify and especially train those employees within ELG that may have a particular exposure to specific compliance risks.

06/3 EMPLOYEE FOCUS

All of our stakeholders expect us to be the responsible employer that we claim to be. The importance of “Occupational health and safety” that in our view forms one vital aspect of this responsibility has been specifically emphasized all through the formalized stakeholder dialogue. We wish to outline our approach to this subject matter and the initiatives we have derived from its location within the Sustainability Materiality Matrix.

06/3/1 Diversity at ELG

The employee structure at ELG can be characterized as distinctive in all three aspects of diversity:

The workforce is extremely balanced in terms of age structure. We can thus rely on loyal employees with decades of experience at one end of the scale as well as on young colleagues fresh from education or early in their apprenticeship at the other end.

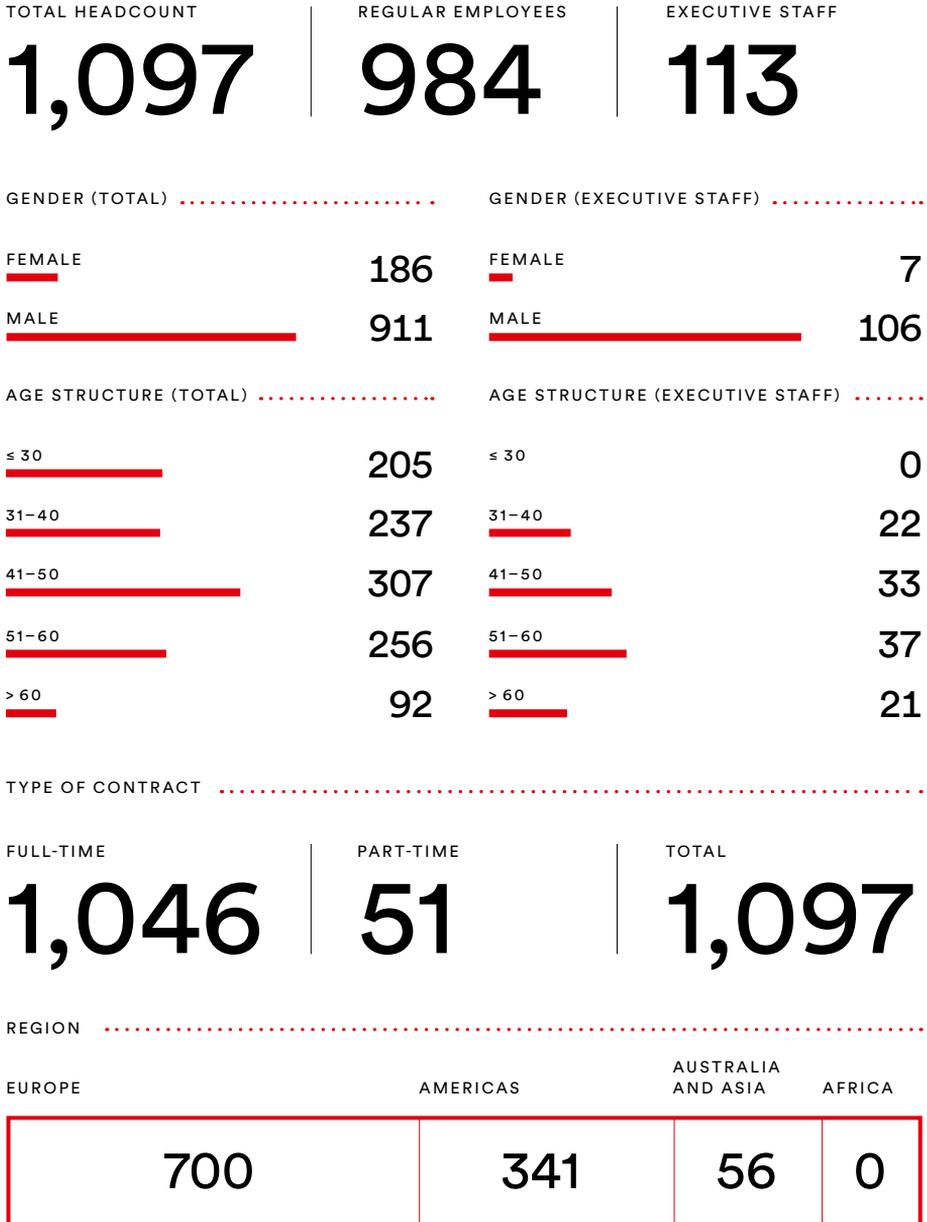
With regard to gender diversity, we have a strong focus on male as opposed to female employees. To us this is no surprise as the steel industry – and even more so the scrap industry – offers many jobs that are physically challenging and mainly attract men at present.

Our employees work in many places across the globe. As shown in the following table, we added another continent – Africa – to this regional diversity as a consequence of the acquisition of ABS in 2013.

Furthermore, the companies within ELG abide by relevant trade union agreements, as and when applicable. Temporary workers are utilized on an occasional basis by some operations within ELG in line with all pertinent regulations. If and when it is felt that individual temporary workers would contribute more to ELG’s success if they were employed directly, we regularly exploit the opportunity to do this. There are no relevant seasonal implications for the composition of ELG’s workforce.

Figure 12:

Staff statistics 2012



Staff statistics 2013

TOTAL HEADCOUNT

1,250

REGULAR EMPLOYEES

1,133

EXECUTIVE STAFF

117

GENDER (TOTAL)

FEMALE **201**
MALE **1,049**

GENDER (EXECUTIVE STAFF)

FEMALE **9**
MALE **108**

AGE STRUCTURE (TOTAL)

≤ 30 **236**
31-40 **264**
41-50 **333**
51-60 **301**
> 60 **116**

AGE STRUCTURE (EXECUTIVE STAFF)

≤ 30 **2**
31-40 **22**
41-50 **35**
51-60 **38**
> 60 **20**

TYPE OF CONTRACT

FULL-TIME

1,185

PART-TIME

65

TOTAL

1,250

REGION

EUROPE

776

AMERICAS

401

AUSTRALIA
AND ASIA

54

AFRICA

19

06/3/2 Health and safety at ELG

We have taken the opportunity presented by our formalized stakeholder dialogue to conduct an appraisal as to which concrete standards in the field of health and safety prevail at our yards. All across the organization, we are well aware that our employees are potentially imperiled by working with scrap and metals at our yards worldwide and emphasize that health and safety is a key priority for ELG's yard managers. By identifying potential hazards and appropriate countermeasures to avoid health and safety risks, we are introducing several safety precautions to prevent occupational accidents.

Due to the nature of our global organization, our sites comply with local laws and standards in the first instance. This is not unexpected as all 19 different countries we operate in have passed individual regulations on this topic and the first benchmark our yard managers adhere to are those local standards. In all cases, they go well beyond these where the above norms fall short of ELG's standards. With this in mind, we endeavor to implement optimized handling processes at all of our sites. Our employees

are committed to wearing the necessary personal protective equipment like helmets, safety boots, safety glasses or ear protection, depending on the work actually carried out. When handling materials, workers also use protective gloves to avoid cuts or infections due to sharp items in the scrap. Safety training courses and educational workshops have to be attended by ELG yard workers on a regular basis. This includes training on using machines, securing loads, dealing with hazardous substances, or first aid.

06/3/3 Indicator, baseline and targets

To ensure maximum protection for our employees through a state-of-the-art health and safety management system, we have initiated the ELG H&S Project. The process is structured in a four-step, employee-focused approach, with the aim of further improving our health and safety measures:

01 /

Collect data on the nature of absenteeism at individual yards

02 /

Identify patterns, if any

03 /

Determine the benchmark for each cause of work disturbances / health issues

04 /

Identify and implement appropriate countermeasures to improve the overall standard

The process of data collection is planned to be conducted for all our operational yards. In the first phase, we aim to implement this at our high-volume sites. This process – together with the

subsequent analysis and the identification of countermeasures – is due to be completed by the end of 2014.

06/3/4 Measures to be taken

For the purpose of the ELG H&S Project, our Human Resources Department will join forces with the Technical Department and liaise with the respective local yard managers at the targeted sites. Initiated and backed by ELG's CEO, the project will be guided by the Internal Audit Team, which is currently conducting an ELG-wide process assessment touching inter alia the safety procedures, and supervised by the Corporate Responsibility Team.

We will report on the insights and activities derived from the ELG H&S Project to you as soon as they become available.

06/4 COMMERCIAL FOCUS

We are pleased to note that the “Sustainable increase in corporate value” of ELG is at the very top of the list of our stakeholders’ expectations. We, too, expect to grow and improve and we constantly strive to add to this target. Complementing this broad commercial topic, there is an outspoken priority for ELG to focus on innovation.

To keep growing sustainably, we follow the strategy determination process as outlined in **Chapter 04**, which allows us to assess and pursue attractive, innovative, and potentially rewarding business opportunities frequently. The successes of our corporate history and the confidence we derive from them, paired with the financial background we enjoy, enable us to seize the right opportunities and propel them forward when we find them lucrative and supplemental to ELG’s culture and business model.

06/4/1 Reclamation of carbon fiber

Suppliers and customers of secondary raw materials strive to process an increasing variety of materials into ever-

better products. We have contributed to these efforts by shaping the stainless steel recycling industry and recently by excelling in the field of superalloys recycling. We choose, however, to constantly look beyond this in order to serve downstream users with innovative recycling solutions.

To that effect, ELG entered a new era of recycling by acquiring ELG Carbon Fibre Ltd in Coseley, UK (ECF). During recent years, the high-performance material carbon fiber has seen a sharp rise in the number of applications. The material’s unique features warrant its growing use – for example in the aerospace, automotive, and wind energy sectors.

By investing in ECF, ELG is looking beyond the primary applications and aims to focus on the moment at which the application reaches its end of life. Until

recently, the natural fate of the material was landfill. In contrast, ECF is a pioneer in recycling carbon fiber reinforced plastic (CFRP) and ELG is proud to support this innovative and visionary emerging enterprise. By means of its patented technology, it aims to convert composite waste into high-quality reusable carbon fiber. After ECF's patented pyrolysis process, the properties of recycled fibers are approximately 90% of those of virgin fibers. We operate an energy-efficient plant with a furnace that has the capacity to process 2,000 tons of carbon fiber waste each year. The system has an integrated abatement system that minimizes our emissions and their effect on the environment. The process enjoys the full approval of the UK Environment Agency.

ECF aims to offer a range of custom-made recycled carbon fiber products at competitive prices in forms that are readily usable in a number of industrial applications. As carbon fiber is lightweight, it is mainly used in the aerospace industry, for alternative energy systems like wind turbines, for oil and gas exploration on deep-sea drilling platforms, and for fuel saving in transportation in general.

Equally importantly, in a commercial world that is becoming increasingly aware of the need to reduce, recycle, and reuse

its resources, ECF provides the means for the safe disposal of CFRP waste. Our goal is to help companies avoid the unnecessary cost of disposing of their carbon fiber waste through landfill or incineration plants. We regard carbon fiber recycling as a positive step towards preventing possibly irreversible damage to the environment.

06/4/2 Indicator, baseline and targets

As our achievements in stainless steel recycling have proven, we strive to increase our contribution to reducing global waste streams. Our vision is to prevent tons of carbon fiber waste from going into landfill or being disposed of using other current unsustainable methods and to reroute the material to alternative uses after our recycling efforts. We wish to increase this contribution significantly in the years to come.

Our baseline for measuring our success in this endeavor is the year 2012. Although the available data on this innovative business is comparatively shallow, we assume that some 60,000 tons of carbon fibers were produced globally in 2012. In the same year, an estimated 12,000 tons of carbon fiber waste was accrued; the years prior to this saw an additional amount of approximately 4,000 tons that was undisposed of.

As one of the few commercial operations in this area, ECF recycled approximately 340 tons of carbon fiber waste and produced 170 tons of carbon fiber products in 2012. The aim of ELG is to more than treble the recycling ratio and manufacture about 600 tons by 2014.

06/4/3 Measures to be taken

To reach this goal, several measures have been adopted. We are introducing our vision to new customers and suppliers in an attempt to increasingly develop the market for carbon fiber recycling.

Furthermore, we are continuously improving and automating our recycling process to enhance the efficiency and quality of the carbon fiber we offer.

As it is clear that a broader understanding and the development of innovative and alternative applications for recycled carbon fiber are the ultimate means to drive our recycling process, we are engaged in product development in close cooperation with our recycling partners. Closing the loop on the use and reuse of carbon fiber – just as we have helped to do with stainless steel and superalloys – is our ultimate goal.

07/ GRI-G4 SPECIFIC STANDARD DISCLOSURES

OPERATIONAL FOCUS

MATERIAL ASPECTS	PAGE	DMA, INDICATORS, AND TARGETS	TIMELINE	EXTERNAL ASSURANCE
“Compliance with standards in the supplier chain”, “Quality of products and services”, “Radioactivity protection controls”	35–39	Ultimate target:* zero radiation alarms at customers	By the end of 2015	NONE

COMPLIANCE FOCUS

MATERIAL ASPECTS	PAGE	DMA, INDICATORS, AND TARGETS	TIMELINE	EXTERNAL ASSURANCE
“Integrity and compliance”, “Avoidance of corruption”	40–44	Full rollout of SOI Project, thereby implementing new Rules of Procedure at all applicable legal entities	By the end of 2014	NONE

EMPLOYEE FOCUS

MATERIAL ASPECTS	PAGE	DMA, INDICATORS, AND TARGETS	TIMELINE	EXTERNAL ASSURANCE
“Responsible employer”, “Occupational health and safety”	45–49	Execute ELG H&S Project, thereby 1. collecting data on the nature of absenteeism at main operating hubs in Duisburg, Rotterdam, Pittsburgh, Sheffield, Hartford, and Coseley, 2. analyzing data, and 3. identifying appropriate counter-measures	By the end of 2014	NONE

COMMERCIAL FOCUS

MATERIAL ASPECTS	PAGE	DMA, INDICATORS, AND TARGETS	TIMELINE	EXTERNAL ASSURANCE
“Sustainable increase in corporate value”, “Innovation of new techniques”	50–52	Tripling carbon fiber production	By the end of 2014	NONE

* Target desired, but in view of the natural occurrence of elevated radiation virtually unachievable

08/ GRI-G4 CONTENT INDEX

GENERAL STANDARD DISCLOSURES	PAGE	COMMENTS AND CROSS-REFERENCES	EXTERNAL ASSURANCE
STRATEGY AND ANALYSIS			
G4 — 1	6–7		NONE
ORGANIZATIONAL PROFILE			
G4 — 3	4		NONE
G4 — 4	8, 13		NONE
G4 — 5	16		NONE
G4 — 6	10	See www.elg.de for details	NONE
G4 — 7	12		NONE
G4 — 8	8–11		NONE
G4 — 9	15	See www.haniel.de/en/creditor-relations/financial-reports for details	NONE
G4 — 10	14, 45		NONE
G4 — 11	45		NONE
G4 — 12	8–9		NONE
G4 — 13	12		NONE
G4 — 14	19	See http://www.haniel.de/en/press/media-database/publications/ (pages 53 f. of the Annual Financial Report) for details	NONE
G4 — 15	20		NONE
G4 — 16	20		NONE
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4 — 17	12–13	See www.haniel.de/en/creditor-relations/financial-reports for details	NONE
G4 — 18	4–5, 17, 22–25		NONE
G4 — 19	25		NONE
G4 — 20	25, 34–52		NONE
G4 — 21	25, 34–52		NONE
G4 — 22	—	No previous report available	NONE
G4 — 23	—	No previous report available	NONE
STAKEHOLDER ENGAGEMENT			
G4 — 24	23		NONE
G4 — 25	22–24		NONE
G4 — 26	16, 22–23		NONE
G4 — 27	24–25		NONE
REPORT PROFILE			
G4 — 28	5		NONE
G4 — 29	—	No previous report available	NONE
G4 — 30	5		NONE
G4 — 31	4, U3		NONE
G4 — 32	5		NONE
G4 — 33	5	ELG did not seek external assessment for this report	NONE
GOVERNANCE			
G4 — 34	16		NONE
ETHICS AND INTEGRITY			
G4 — 56	40–44		NONE



ACKNOWLEDGEMENTS

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ELG Haniel GmbH
Kremerskamp 16
47138 Duisburg
Germany

On behalf of the
ELG Corporate
Responsibility Team

Florian J. Kriependorf MBA
fkriependorf@elg.de

DESIGN

Strichpunkt GmbH, Stuttgart / Berlin
www.strichpunkt-design.de

PHOTO CREDITS

ELG archive

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