

Sustainability Update 2016



ELG HANIEL GROUP

Sustainability Focus Area Progress Report

FACTS AND FIGURES 2016

ESTABLISHED

1962

HEAD OFFICE

Duisburg, Germany

TOTAL TONNAGE

1.41 million metric tons

TURNOVER

EUR 1.39 billion

EMPLOYEES

1.174

LOCATIONS

50 operations

21 countries

5 continents

SUSTAINABILITY UPDATE

As mentioned in our last full Sustainability Report 2015, we remain committed to publish in alternating years a full Sustainability Report and an Update, respectively. Having published our second full Sustainability Report last year, we are happy to publish the second Sustainability Update on the developments in 2016 within the ELG Group as well as on our activities in our four sustainability focus areas: "Operational Focus", "Compliance Focus", "Employee Focus" and "Commercial Focus".

In our latest full report in 2015, we have informed you about our expectations and goals which we pursue. Furthermore, we are fully aware of our targets, which we want to achieve by the end of 2017. This report covers ELG's fiscal year 2016 comprising the time between January 1, 2016, and December 31, 2016.

And, of course, we will take the opportunity to give you a small preview of our CR activities in the year 2017.

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OPERATIONAL FOCUS

Carbon footprint of ELG's product portfolio: identifying possible savings

ELG's intention is to make the ecological impact of our recycling business more transparent.

For this purpose, we have carried out a study with Fraunhofer UMSICHT in 2015, which should help us to determine the carbon footprint that is generated worldwide at all ELG operations.

Progress

We have reported about the Fraunhofer UMSICHT study in detail in our last Sustainability Report 2015. Our aim is still to increase total CO₂ savings from ELG's recycling activities.

In 2016, we have reviewed and discussed many possibilities that could help us to achieve this goal such as introducing of E-cranes and replacing outdated machinery, Green energy and E-Mobility. Based on the outcome of the study, specific measures might be taken in order to continue the reduction of CO₂ emissions.

We have saved 4.212m tons CO₂ in 2016 due to our recycling activities compared to the use of primary material for the production of stainless steel. The savings have decreased slightly compared to 2015, which was due to the overall lower tonnage.

COMPLIANCE FOCUS

Awareness enhancement: Maintenance and guarantee of Compliance at ELG

ELG's Compliance Management System ("ECMS") aims to ensure a constant awareness and understanding of compliance of all ELG employees, officers and representatives. In our latest full Sustainability Report 2015, we have explained and illustrated the ECMS in more detail. We have distributed our values to all of our employees around the world by means of our "6 Principles of ELG" campaign. These principles serve as our code of conduct supported by E-learning Tools and periodic Local Compliance Trainings.

Progress

At the end of 2015, ELG has rolled out a new corporate Rules of Procedure and Governance Guideline to all legal entities worldwide, which came into force on January 1, 2016 and has been practiced ever since.

Regular campaigns and local trainings shall minimize possible compliance risks. Besides that, several ELG entities have implemented separate H&S Audits as well as Supervisor Anti-Harassment & Discrimination Trainings and other programs. ELG uses every opportunity to train its workforce, so that a so-called Tone-From-The-Top-refresher seminar has been carried out during the Group Controller Meeting in November 2016. Both, ELG Haniel's CFO and the Group Compliance Officer have conducted the refresher seminar for several key CFOs and Controller that are responsible at ELG worldwide.

At the end of 2016, we continued our e-learning program and carried out our second module "Anti-Discrimination" to all employees worldwide.

EMPLOYEE FOCUS

Health & Safety PLUS project: Safer and healthier work at any age

The Health & Safety of our employees has always been one of our focus areas. It will take every single one of us at ELG, every single day, to achieve our aims of reducing work-related accidents and absences - in particular the targets we have set ourselves for the end of 2017. Our responsible managers undertake regular trainings and discuss preventative measures with other colleagues worldwide to ensure the safety and well-being of our employees.

Progress

As communicated in our previous report, we have launched our Health & Safety PLUS project in 2015. The first step was the data collection of accidents, absences and fluctuation. In 2016, we have analyzed the data and took suitable centralized and decentralized measures as well as campaigns to improve and minimize the number of work-related accidents and absences as far as we could. A change of the KPI "LTI per 100 FTE" into "Accidents per 1m working hours" has taken place because of the better comparability to our customers and other related market participants. We have recognized a positive trend and can say that since the beginning of data collection the number of absence days has decreased. ELG is also pleased to announce that there were, again, no fatalities in 2016.

Over a certain number of months, one of our most prominent initiative in the USA was the so called "Biggest Loser Competition". Born in cooperation with our insurer, it is designed to help employees to reduce their weight and help lower their health risks. Every employee, young or old, was invited to participate. Goal of the challenge was to become a much healthier company overall and to help employees get on the road to a healthier lifestyle. The challenge was accepted very well and many pounds have been shed.

COMMERCIAL FOCUS

Innovative ways of carbon fiber recycling

The market with carbon composites has gained in importance in recent years. ELG's Carbon Fibre division operates the world's first and largest carbon fibre recovery plant in Coseley, West Midlands, UK. Whilst the Company continues to optimize the patented carbon fibre reclaiming process, the primary focus of the company is to develop and industrialize the conversion technologies to manufacture recycled carbon fibre products that can be reintroduced to the composites and compounding industries.

ELG has made a great step forward in the field of innovation in 2016 and has developed new recycled carbon fibre products for potential business markets.

Progress

In 2016, we have placed our focus increasingly on the development of carbon fibre mats from recycled materials to test what kind of material is most suitable for a mass-manufacturing process. This work was conducted in cooperation with our partners Gordon Murray Design and the British car manufacturer "TVR", who is the first car manufacturer in applying the iStream technology for Gordon Murray Design. In September 2016, parts made from ELG's materials were shown at the CAMX show in Anaheim and were chosen as one of five technologies that were finalists at the CAMX Innovation Awards.

In the future, the division of ELG Carbon Fibre in UK is planning to develop a mass-enabled product which can be used to manufacture bodies in the automotive industry.

Outlook 2017

We will continue to inform about the current status of our four focus areas mentioned above.

In cooperation with Fraunhofer UMSICHT, ELG is working on an update to find new possibilities of greenhouse gas emission savings at ELG worldwide this year. We are still working on our goal to save at least 5% CO₂ emissions in all of our four main product areas.

Further Compliance trainings and regular meetings are planned to strengthen the awareness and to sensitize employees to prevent violations. On top of that, there will be another E-learning topic for all ELG employees worldwide.

We will continue to work hard on the implementation and improvement of the health & safety of our employees and are trying to achieve the overall goal of our Health and Safety PLUS project by the end of 2017.

2017 will be very exciting for ELG in the area of Innovation. ELG Carbon Fibre division plans to build two experimental prototype cars for TVR with the new iStream technology.

As previously mentioned in our latest full Sustainability Report 2015, ELG supports and promotes the Mission and Principles of the UN Global Compact.

ACKNOWLEDGEMENTS

ELG Haniel GmbH
Kremerskamp 16
47138 Duisburg
Germany

On behalf of the
ELG Corporate
Responsibility Team

Susann Börsch LL.B.
susann.boersch@elg.de



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