

**HANIEL**

**Franz Haniel & Cie. GmbH**  
**Non-financial statement**  
**2017**

## Franz Haniel & Cie. GmbH

### Business Model

Franz Haniel & Cie. GmbH (Haniel) is a tradition-steeped German family-equity company whose objective is to sustainably increase the value of its investment portfolio over the long term. Since the family shareholders have provided equity for an unlimited term, Haniel can pursue a long-term investment strategy. This strategy is aimed towards generating returns which permanently exceed the cost of capital. Haniel strives to achieve this economic goal in harmony with environmental and social goals. The Company pursues this goal by following the guiding principle of the "honourable businessman".

When structuring the portfolio, Haniel concentrates on business models that are supported by global megatrends and therefore have a high potential for increases in value over the long term. Promising markets and business models are analysed continually in order to detect growth opportunities. Haniel's six divisions – BekaertDeslee, CWS-boco, ELG, Optimar, ROVEMA and TAKKT – and two financial investments CECONOMY and METRO act independently of each other in their respective markets. Except for BekaertDeslee and Optimar, all divisions are headquartered in Germany.

In addition to portfolio management, the Holding Company is also responsible for the strategic guidelines for the operating divisions – in this respect Haniel considers itself as a strategic catalyst. Strategic initiatives are agreed on in discussions with the divisions, and then implemented by the divisions under their own responsibility. The divisional management teams report regularly on progress to Haniel's Management Board. This also applies to corporate responsibility (CR). Haniel's CR management approach<sup>1</sup> was drawn up in 2013 based on a systematic analysis of the demands and expectations of a variety of stakeholder groups such as shareholders, lenders and employees. The Holding Company sets out the key elements of the CR policy taking into account Haniel's particular situation as a diversified group of companies with decentralised management. Common CR action areas and individual initiatives are discussed in dialogue with the divisions. Haniel's Management Board and the management teams of the divisions agree on objectives and measures and discuss progress in regular top management meetings. In this way the Holding Company ensures that the portfolio companies continually review how their business activities affect the environment and society.

### CR in Portfolio Management

The Holding Company places its focus where it has the greatest leverage: in managing the investment portfolio. As a value developer with a long-term investment strategy, Haniel pursues a holistic CR approach across the entire value chain, from the investment phase to portfolio management through to divestment. When looking into potential acquisition targets, social and ecological criteria are also examined using Haniel's investment filter to assess the candidate's CR profile. Only those companies which are in line with Haniel's values are considered (cf. 'Haniel's Core Values' below). During due diligence, it is also verified to what extent the business

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<sup>1</sup> This does not apply for CECONOMY and METRO, investments accounted for at equity, which set and communicate their CR commitment independently.

model of the company concerned can make a positive contribution to sustainability, both now and in the future.

After a successful acquisition, part of the integration plan is to implement CR management in coordination with the division's strategy. Depending on previously existing activities, structures and processes are expanded to anchor CR in the core business. Haniel lays down guidelines and principles for CR management. Rules of procedure which set out the framework for collaboration on the basis of statutory provisions stipulate that the Holding Company be involved in the development of the divisions' CR strategies. This ensures that all equity investments prioritise the CR issues which are relevant to them on the basis of stakeholder expectations, developing a CR programme with objectives and measures tailored to their respective business model, and implementing them by establishing a CR management system. At the managerial and departmental levels, there are corporate responsibility officers and a regular CR dialogue between the Holding Company and the divisions. Group-wide corporate responsibility initiatives are discussed where necessary at meetings with the CEO, to which Haniel's Management Board regularly invites decision-makers from the divisions. In addition, the Holding Company organises the Group CR Round Table, where CR experts exchange information and experience. Responsibility for coordinating CR activities in the Holding Company and across the Haniel Group, both procedurally and in terms of content, lies with Strategic Investment Controlling.

The Holding Company also makes a detailed analysis of the CR implications of divisions' investments and acquisitions which are subject to approval. Decisions are taken on the basis of the Capital Expenditure and Valuation Guidelines, which require all significant investments to be assessed in terms of impact on the CR strategy. The decision-making process for selecting financial assets for investment of available financial resources also takes CR considerations into account. For instance, there is a general ban on certain sectors.

### **CR Reporting**

The results of CR management are presented in a transparent, regular CR report. The Holding Company and the divisions prepare this report on the basis of the internationally recognised guidelines of the Global Reporting Initiative (GRI). The present report on the non-financial statement is based on the same framework. To prepare the report, in 2017 the Holding Company initiated a process to determine the key issues, building on the materiality analyses already conducted and explicitly taking into account the requirements of the CSR Directive Implementing Act (CSR-Richtlinie-Umsetzungsgesetz). CR experts identified relevant information for the various companies and sectors under the five categories of 'environmental issues', 'employee issues', 'social issues', 'respect for human rights' and 'combating corruption and bribery'. This was then coordinated between senior management at the divisions and the Haniel Management Board.

This report on the non-financial statement contains the most important information for understanding Haniel's business operations and their impact on the aspects listed above in 2017. In line with the Group structure, the report contains a section for the Holding Company and for each of the six divisions, which report on the issues relevant to the respective business under the aforementioned headings.

## **Respect for Human Rights at Holding Company Level**

### Haniel Core Values

Increasing value, living values – for over 260 years, the Haniel Holding Company has combined entrepreneurial drive with a stable framework of values in line with this principle. Sustainability is therefore firmly anchored in the Company's DNA. The aim is to combine economic success with responsibility for employees, society and the environment, thereby creating value for generations. To create a shared understanding of values, Haniel's Code of Conduct defines principles of conduct for business activity at all levels. It is available to employees on the intranet and to business partners on the website. In the Code, Haniel commits among other things to respecting internationally recognised human rights, to environmental responsibility, fair and safe working conditions and to combating corruption. These commitments are also in line with the principles of the UN Global Compact. As a signatory to the United Nations initiative, Haniel has committed to uphold and spread the principles and ensure transparent reporting. The divisions are also members of the UN Global Compact or adhere to the principles underpinning it. They issue their own codes of conduct based on Haniel's Code of Conduct, tailored to their respective business model.

## **Combating Corruption and Bribery at Holding Company Level**

### Compliance Management

The Haniel Holding Company's business activities are subject to statutory and internal rules and regulations. A comprehensive compliance management system has been established to effectively mitigate the risk of non-compliance with rules and regulations which might jeopardise the Company's reputation and economic success. There is a Group-wide helpline for reporting potential compliance breaches, and training is provided on compliance-related issues. There is also a compliance officer who serves as the central contact person for employees of the Holding Company and who helps to clarify potential issues. Haniel also sets minimum standards for compliance management in the divisions.

## **Environmental Issues at Holding Company Level**

### Resource Efficiency

The Holding Company uses natural resources expediently and economically to ensure that its operations have as little impact on the environment as possible. Accordingly, awareness among the employees of the importance of this principle is raised accordingly. Haniel is also committed to disseminating and applying environmentally friendly technologies. For instance, a heating and cooling system has been installed at the Company headquarters which since 2016 has consumed at least 15 per cent less energy annually compared to 2014. In 2013 the Holding Company introduced a green car policy which takes CO<sub>2</sub> limits into account when new vehicles are purchased.

## **Employee Issues at Holding Company Level**

Haniel considers challenges such as globalisation, demographic change and digitalisation as issues to be tackled jointly by the Company and its employees. The Holding Company devises solutions to changing labour market conditions which are in the mutual interest of and agreed on by the Company and its employees. Haniel thereby ensures that it meets the basic prerequisites for competitiveness, innovation and long-term success.

### Employee Review

Haniel engages in an open, trusting dialogue with employees in the Holding Company. To obtain feedback on employee commitment and satisfaction, the Holding Company conducts a staff survey every two years, most recently in 2016. The overall results were communicated to all employees and results specific to the centralised departments were discussed with management and measures taken where appropriate. Employees also have an annual employee review with their manager where they discuss their personal strengths and set development goals, for instance to take part in seminars and training at the Haniel Academy.

### Working Conditions

In addition to an attractive remuneration package, Haniel offers employees of the Holding Company a number of additional benefits to increase employee satisfaction, including childcare allowances and an employer-funded pension. To provide for a better work-life balance, Haniel staff can work flexible hours. In terms of healthcare services, a range of check-ups and sports courses are provided, some of which are free of charge. The Haniel Academy also offers training on health and stress management. To receive support in dealing with especially difficult changes in their personal or professional life, virtually all Haniel Group employees in Germany can make use of a family advice service.

### Haniel Academy

Haniel employees are supported in developing their technical and personal skills and in reaching their full potential. The company's own management centre, the Haniel Academy, offers a broad range of training courses. The Holding Company also has the responsibility of selecting and developing senior management for the divisions. Haniel therefore fosters professionalisation, continued professional development and networking among executives throughout the entire Group. The Haniel Academy plays a key role here with its tailored development programmes in the Haniel Leadership Curriculum, which enable rising talent, managers and executives to further develop their leadership potential. The Group-wide Academy programme tackles current challenges and key issues such as agility and flexibility of companies in a dynamic environment, for instance through training on digital skills.

## **Social Issues at the Holding Company Level**

### Site Responsibility

In line with Haniel's core values, the Holding Company is committed to society beyond its core business. As a corporate citizen it provides both financial and material support to individual initiatives and projects at its location in Duisburg, with the aim of improving the city's standard of living and creating long-term benefit for the region. Employees volunteering in these initiatives are also given support. Haniel collaborates with strong partners in order to combine expertise and achieve even greater things. For example, together with the Deutsche Oper am Rhein, the City of Duisburg and the Duisburg Philharmonic, the Holding Company organises the Haniel Klassik Open Air concert every two years. This allowed the Company to offer the residents of Duisburg free access to high culture while enabling the music venues to reach new target groups.

### Social Impact Lab

In cooperation with non-profit organisation Social Impact gGmbH, the Prof. Otto Beisheim Foundation and the KfW Foundation, in 2015 Haniel set up an start-up lab for social entrepreneurs. This provides start-ups with business ideas tackling social challenges with a bursary including professional advice, coaching, workshops and the necessary working infrastructure. Haniel also believes that corporate responsibility means enabling staff to

make a productive contribution to society through their know-how and skills. Specialist staff and managers can therefore volunteer as mentors in the start-up lab and support beneficiaries with their advice and expertise. As of 31 December 2017, 46 start-ups had already commenced or completed this programme. 24 companies have resulted from this incubator, 21 of which are still on the market.

### Promoting Education

The Company and the Haniel Foundation in Duisburg work hand in hand in promoting education: in 2010 the cooperation project 'Bildung als Chance' ('Education as Opportunity') was established together with Ashoka Deutschland and the three social entrepreneurs apeiros e.V., Chancenwerk e.V. and Teach First Deutschland. All three initiatives pursue the same objective with their individual approaches: to break down barriers to education and to provide schoolchildren with a path to a successful future. The project now covers 23 schools in Duisburg, reaching around 2,000 schoolchildren per year. In addition to its focus on educational opportunities, the Haniel Foundation also concentrates on supporting young people by providing a variety of bursary programmes to talented future leaders, to help change society through sustainable ideas and creative approaches and to foster ethical entrepreneurship. 1,600 future leaders have been supported with bursaries thus far.

For further information, please see [www.haniel.de/en/responsibility](http://www.haniel.de/en/responsibility).

## **BekaertDeslee**

### **Business Model**

BekaertDeslee is a globally leading specialist for the development and manufacturing of mattress textiles. From its headquarters in Belgium, the company oversees a global network of 22 facilities in 15 countries. Its product range primarily consists of woven and knitted textiles that are sold to mattress manufacturers in the Americas, Europe and the Asia-Pacific region. BekaertDeslee works together with its customers to develop and produce mattress textiles to the customers' standard of quality in terms of both design and product features.

Assuming sustainability means offering safe, high-quality products and ensuring that business activities are environmentally friendly and socially responsible, it is an essential part of BekaertDeslee's basic values and deeply rooted in the corporate culture through the following four guiding principles: 1. The conformity principle; 2. The prevention principle; 3. The Zero-defect principle; 4. The principle of measuring. In 2017, BekaertDeslee defined its main CR focus areas after conducting a wide range of stakeholder interviews with employees, customers, representatives of the owner and communities in which the company operates. At the conclusion of this process, the company's activities were aligned accordingly and a roadmap was drawn up: Under the leadership of the top management, an interdisciplinary team prioritises and initiates sustainability projects along the entire value chain.

### **Environmental Issues**

#### Product Development

In order to improve the sleep quality of all those who sleep on its textiles and to respond to the latest trends, the headquarters in Waregem is home to the BekaertDeslee Innovation Center, where new technologies are being developed for all plants worldwide. For example, BekaertDeslee offers a number of eco-friendly brands which reduce the impact on the planet. These brands are sustainable products in various ways. Some are made

from recycled materials: BekaertDeslee recycles plastic water bottles so that they can be re-used as yarns. In addition, the company makes products out of organic materials, thus avoiding chemical substances. These materials are gathered in a sustainable way to prevent the depletion of natural resources. One of the current projects is the design of a 'circular bed' to contribute to a circular economy in the bedding industry. This project prevents mattresses from being disposed of in the landfill at the end of their lives. Two prototypes have been developed – a 100% biodegradable and a 100% recyclable mattress – in cooperation with a chemicals supplier, a mattress manufacturer and a retailer.

#### Resource Efficiency

BekaertDeslee ensures that waste and excessive use of energy are avoided. Should this nevertheless occur, the company is committed to detecting and rectifying abuses in a sustainable manner. At its largest location in Turkey, BekaertDeslee has launched a pilot project to avoid waste in the production process. Its aim is to raise employee awareness and thus reduce rejected goods. In the area of textile finishing, the company also aims to use resources more efficiently: the implementation of an innovative finishing technique is intended to reduce the use of water, chemicals and energy over the medium term. The goal is to implement this technique at 16 plants by 2019. In 2017, the new equipment was already operating at 5 locations.

#### **Employee Issues**

##### Health & Safety Management

Health and safety is fundamental for BekaertDeslee. The company's top priority is to ensure its employees' safety at all production units. To that end, a worldwide reporting system has been established which helps to ensure transparency. It measures the incidents and lost working days as result of accidents. In addition, it records near misses. This is important for the purpose of training employees to avoid similar incidents. BekaertDeslee analyses the average figures from the last 24 months to see whether improvements have been made or weaknesses have emerged. The Group had a 3.24 accident rate by the end of 2017 (accidents x 200,000/work hours) and a days-absent rate of 0.22 (days absent x 1,000/work hours). New targets for 2018 are set at 3.19 for accidents and 0.21 for days absent.

##### Employee Participation

To give all employees an opportunity to get involved and have their voice heard, BekaertDeslee conducted a survey. The company has defined its core values based on the responses received. The "BekaertDeslee Values System" is considered to be a true representation of the company's DNA due to the high response rate. As part of the new, customer-oriented mission statement – "Close to you" – the company has also launched a campaign in which employees serve as ambassadors for corporate values and ethical principles. "Close to you" is a clear expression of BekaertDeslee's ambition to do more than just meeting the required standards for employees. Globally, it means involving employees and taking care of them, and this is what the company aims to accomplish with approximately 160 ideas for initiatives all over the world.

#### **Social Issues**

##### Product Responsibility

Sleep quality determines the way people feel and perform during the day. Being aware of the vital importance of mattress textiles for human health and well-being, BekaertDeslee actively strives for excellence and continuously improves its products and processes. This includes all measures to safeguard the staff's health

and safety, as well as that of all partners and of the communities in which the company operates. All production units in Europe have an OEKO-TEX® certificate. The label guarantees that the tested textiles do not contain any harmful substances that are a danger to human health. For organisational reasons, the non-European plants are currently not certified. However, they also apply the OEKO-TEX® guiding principles.

## **Human Rights**

### Employee Commitment

The BekaertDeslee Code Of Conduct (CoC) ensures that every employee is well informed about the company's values and ethics, and feels a commitment to his/her colleagues and the company. The CoC has been translated into every language spoken in the group, and signed by all employees. BekaertDeslee also observes the principles set out in the Universal Declaration of Human Rights. Forced labour, slavery and all practices that exploit children or expose them to harmful or hazardous conditions are strongly condemned. The minimum age for employment at BekaertDeslee conforms to the International Labor Organization Convention or the age specified by local legislation, if higher. Furthermore, the Code of Conduct strictly forbids engaging in corrupt practices. Every employee commits to not offer, pay, solicit or accept any bribe in order to gain any commercial, contractual or regulatory advantage for BekaertDeslee or in order to gain any personal advantage, financial or otherwise, for the employee themselves or anyone related to them.

### Supplier Commitment

85% of BekaertDeslee's total procurement volume accounts for yarn procurement. Therefore, the company is focusing on its collaboration with yarn suppliers along the entire value chain. In order to integrate sustainability aspects into yarn procurement, the company has been introducing a supplier declaration based on the principles of the Universal Declaration of Human Rights since 2016. The project was also launched in response to increasing requirements by customers: mattress manufacturers often want to ensure that upstream suppliers have signed a document acknowledging and accepting the standards in terms of human rights and working conditions. By the end of 2018, all group-wide yarn suppliers will have signed the BekaertDeslee supplier declaration. In 2017, 75% were already covered.

## **Combating Corruption and Bribery**

### Compliance Management

BekaertDeslee commits to work in compliance with the existing laws, rules and regulations. Where possible, the company also commits to perform beyond what is locally required by using its global presence to develop and share best practices. Processes and instruments, such as the BekaertDeslee Compliance Guideline, which also refers to the Code Of Conduct (see remarks under "Employee Commitment"), a Compliance Officer and a Compliance Helpline, have been put in place to ensure that instances of non-compliance are avoided or are readily identified and remedied in the event they do occur. Furthermore, employees in key positions have completed Compliance training sessions.

For further information, please see [www.bekaertdeslee.com](http://www.bekaertdeslee.com).

## CWS-boco

### Business Model

CWS-boco is a full-service provider for textile services and washroom hygiene solutions. The division is a leading European provider in the field with activities in 16 European countries. CWS-boco focuses on the rental business. The offerings range primarily from collections of workwear to protective and safety clothing, modern hygiene solutions such as towel, soap and fragrance dispensers, as well as dust control mats. The textiles are properly prepared in the division's own laundries using environmentally friendly processes, and the dispensers are regularly serviced, both under long-term service contracts.

Reusability is part of the company's corporate philosophy. CWS-boco is committed to sustainable business practices, to making efficient use of resources and respect for people and the environment. The CR strategy and activities are managed centrally by the Corporate Responsibility department. In each country office there is a CR Officer who is responsible for local implementation, assessment and monitoring of the strategy and projects. A systematic stakeholder management exercise was undertaken in 2014 to ascertain the most important issues around sustainability. The results from the various dialogue formats were evaluated from a strategic viewpoint and approved by management, with 'Customers & Employees', 'Products & Origin' and 'Laundries & Logistics' being identified as focus areas.

As of 30 June 2017, CWS-boco acquired significant Central European activities in the hygiene, workwear and clean room segments from Rentokil Initial. CWS-boco's business in 16 countries and Initial's activities in 10 European countries were combined when the joint venture was established. A new company thus exists under the umbrella of the CWS-boco group, which requires an adjustment of the CR strategy: The division will validate focus areas, harmonise indicators and define new target levels in 2018. For this reason, the latter are set aside in the current report and the reported figures do not yet include Initial's activities.

### Environmental Issues

CWS-boco operates 43 laundry facilities across the world, washing significant volumes of laundry on a daily basis. Every litre of water saved is therefore not only a success for the environment, but also an economic success for the company. The same applies to the energy, detergent and fuel consumed by the fleet of vehicles bringing clean laundry to customers. To recognise and exploit potential improvements at an early stage, resource consumption data are regularly collected and analysed.

#### Water Efficiency

With the objective of using as little freshwater as possible per washing, the company's own laundries are operated with high-efficiency technologies for reusing water and recycling waste water. The SmartLine concept, for instance, focuses on using a large number of small machines instead of large machines, enabling a more targeted use of resources and better documentation and analysis of resource consumption data. Flotation technology also efficiently filters dirt particles from the wash water, producing cleaner waste water. In 2017, water consumption – aggregated for the categories of Towel Rolls, Workwear and Dust control mats – per kilogramme of laundry was 6.80 litres (2016: 7.02 l/kg)

### Energy Efficiency

CWS-boco continually invests in the technical modernisation of its facilities for washing and drying textiles. Among the measures taken to ensure that energy is used as efficiently as possible, mangles and dryers are operated with gas instead of steam and heat exchangers are used. In 2017, energy consumption – aggregated for the categories of Towel Rolls, Workwear and Dust control mats – was 1.04 kWh per kilogramme of laundry (2016: 1.05 kWh/kg).

### Detergent Efficiency

By reusing wash water still containing active detergent, CWS-boco lowers its detergent use and the environmental impact of its laundry operations. The company also optimises the combination of detergent, cycle duration and temperature, and harmonises detergent suppliers on an ongoing basis. This is intended to ensure comparability of use at various locations, an exchange of best practice examples and improved compliance with guidelines for substances. In 2017, CWS-boco used 17.50 g of detergent per kilogramme of laundry, aggregated for the categories Towel Rolls, Workwear and Dust control mats (2016: 18.96 g/kg).

### CO<sub>2</sub> Emissions

To minimise the number of kilometres travelled by the company's own service fleet in collecting and delivering the textiles, CWS-boco uses route optimisation systems. The fleet is also regularly modernised and fitted with fuel-efficient engines to minimise CO<sub>2</sub> emissions. CWS-boco's environmental footprint is largely due to CO<sub>2</sub> emissions from the 43 laundries. The laundries are therefore continually reviewed for potential efficiency savings. In 2017 there were 38,243 tonnes of CO<sub>2</sub> emissions from laundry operations (2016: 35,856 tonnes). This increase was triggered primarily by changes in the electricity mix and a reduced use of green electricity.

### **Employee Issues**

Alongside administration, CWS-boco employees are primarily active in the laundries, service and sales. They have a key impact on successful customer relationships. They are trained on an ongoing basis to continue to improve hygiene at the workplace. This is not only for their own protection, but also to help them develop tailored solutions for customers based on their particular know-how. Targeted professional development and a long-term approach to developing young staff also contribute towards a healthy working environment and a high level of employee satisfaction. Data on training and professional development are collected at Group level. A system for monitoring workplace safety risks has also been established.

### Workplace Safety

A good and safe working environment is crucial for employee satisfaction and performance. CWS-boco therefore constantly works to identify workplace risks and reduce them to the furthest extent possible. In 2016 these risk assessment activities covered 90% of all employees working in operations across seven national companies. The workplace health and safety management systems in eight national companies are currently certified under OHSAS (Occupational Health and Safety Assessment Series). Employees also receive training at national level. There is regular training on health and safety in the facilities and service drivers undergo driver safety training. In 2017 the accident rate was 4.09 (2016: 4.52).

### Training and Professional Development

The company can only meet its standards for quality and success if its employees possess the corresponding knowledge, the right skills and expertise. CWS-boco therefore takes a structured approach to development and

training activities. An extensive monitoring system enables the company to capture different types of training, and therefore provide targeted development for employees based on their needs. For example, CWS-boco regularly provides training to sales employees. In addition to examining fundamental sales issues, participants discuss sector-specific topics and obtain convincing arguments for use in discussion with customers.

## **Social Issues**

As a service provider in the areas of cleanliness, hygiene and workplace safety, CWS-boco sees itself as an ambassador for these issues. Customers automatically benefit from the company's extensive expertise, with CWS-boco's offering comprising around 250 CWS hygienic washroom equipment products. Under the boco brand, the company also offers around 2,400 workwear products. This portfolio is centrally managed through CWS-boco Supply Chain Management.

### Product Quality and Certification

As rental products are intended for a long lifecycle, they undergo intensive testing before being brought into CWS-boco's product range. The company also subsequently checks their quality at all stages of the service cycle. In addition to durability, potential health and safety risks are also among the criteria used. As CWS-boco develops a number of its products itself, the company can have a big influence on the environmental and social sustainability of its product portfolio from the source onwards, for instance by using fair trade certified cotton for workwear.

One important quality criterion for CWS-boco products that there must be no adverse effect on human health. All cloth towel rolls are therefore certified under OEKO-TEX® Standard 100 for products with skin contact. The cloth towel dispensing systems have also received the hygiene certificate of Hygiene-Institut Berlin Search Care GmbH and the Blue Angel environmental label. A cloth towel roll offers many advantages: it provides approximately 110 towel portions per use, can be washed up to 100 times and thus is used up to 11,000 times to dry hands. The rolls are prepared to the highest standards of hygiene. And at the end, the majority of the cloth is recycled as raw materials for rags and mops.

### Customer Satisfaction

CWS-boco's rental business is geared towards long-term customer relationships. Products are continually improved in dialogue with customers, to anticipate their demands and requirements. For CWS-boco this cooperation is an important element in creating strong customer relationships. A necessary condition is that agreements and guidelines be in place and complied with across the entire organisation, for example regarding reliability of delivery, based on which CWS-boco can objectively measure how satisfied customers are. The national companies follow their own individual monitoring approaches. Staff in contact with customers are regularly surveyed for example. Direct feedback from customers is also collected and analysed. The average customer relationship length was 13.8 years in 2017 (2016: 13.3 years).

## **Respect for Human Rights**

### Sustainable Procurement and Supplier Assessment

CWS-boco endeavours to ensure that the Sustainability Code which the company has committed to (cf. details in 'Compliance Management' below) is also the basis on which suppliers conduct their operations. One especially relevant issue is respect for social and environmental standards, which needs to be monitored

especially carefully in the textile supply chain as there are a significant number of manufacturers in high-risk countries. Implementation of these measures is in the hands of procurement company CWS-boco Supply Chain Management, which ensures the greatest possible level of sustainability in the supply chain from product development through procurement of materials to production.

Strategic partners, i.e. suppliers above a certain annual procurement volume, have to commit to comply with a corresponding Code of Conduct, based among other things on the recommendations of the International Labour Organisation. This is systematically monitored through internal and external audits. If there is need for a partner to improve, CWS-boco supports them in fulfilling the requirements. In 2017 CWS-boco acquired 95.4 % of its procurement volume from suppliers who had signed up to the Code (2016: 93%).

## **Combating Corruption and Bribery**

### Compliance Management

Beyond the requirements of statutory regulations, CWS-boco has clearly set out its own understanding of ethical business practice in a Code of Conduct and requires that both employees and business partners perform their work in accordance with the principles therein. To ensure that the Code is complied with, the company has established a compliance programme including a helpline where employees can report cases of non-compliance. Location-specific preventive measures such as anti-corruption training are also undertaken. CWS-boco ascertains potential risks through its internal invoicing and payment-based control system. The compliance programme is updated on an annual basis. A compliance officer has been appointed and a central committee established to discuss compliance issues with the relevant departments and to prepare the subsequent implementation of measures.

For further information, see [www.cws-boco.com/en-US/sustainability-0](http://www.cws-boco.com/en-US/sustainability-0).

## **ELG**

### **Business Model**

ELG is a global leader in the trading, processing and recycling of raw materials for the stainless steel industry as well as high performance materials such as superalloys, titanium and carbon fibres. With 50 locations in North America, Europe, Asia and Australia, the division has one of the industry's largest global networks. ELG's customers receive the material in exactly the composition they need for further processing – just in time and in accordance with the high quality standards as certified by the customer. ELG delivers secondary raw materials that are checked for quality and adapted to the customer's needs. The recycling business is a material part of the service spectrum: production waste is recycled and returned to the customer in optimal quality within a closed-loop cycle.

As a recycling business, sustainability is firmly anchored in ELG's business model and corporate philosophy. Promoting responsibility among employees, ethical business practices and strong partnerships with stakeholders are also a focal point of operations. In 2013 ELG therefore carried out a stakeholder dialogue, which demonstrated which sustainability issues are of particular importance for the company and its stakeholders, as well as for employees, customers, suppliers, banks and Haniel as a shareholder. The various topics were brought together under four priority areas – "Operational Focus", "Compliance Focus", "Employee

Focus" and "Commercial Focus" – and a number of initiatives were set up. Many of the measures carried out under these priority areas were initiated by local management, with CR officers in head office coordinating, monitoring progress and communicating developments.

## **Environmental Issues**

### CO<sub>2</sub> Emissions

ELG wants the impact of the recycling business on the environment to be transparent. To this end, together with Fraunhofer UMSICHT the company conducted a study to determine the carbon impact of its global operations. With the results, ELG is able to quantify the contribution which the secondary raw materials it provides in the four largest product groups make to lowering greenhouse gases. Stainless steel accounts for the majority of ELG's operations, with a relatively low carbon footprint for the company. Customers can make the biggest difference – by increasing the proportion of scrap in their products and therefore their order volume from ELG. In comparison with using primary raw materials, ELG's recycling activities led to savings of 4,408 million tonnes of CO<sub>2</sub> in 2017. At the same time, the study identifies approaches for reducing CO<sub>2</sub> emissions resulting from the company's own business activities. Photovoltaic installations generate electricity for buildings and for charging hybrid vehicles. A number of diesel cranes were also exchanged for electric cranes in 2017 and several locations switched to LED lighting.

### Supplier Assessment

ELG works with a variety of suppliers to procure small and medium-sized batches of materials of differing composition and quality. ELG's suppliers collect these and, frequently, other materials in turn from their trading partners.

ELG's General Purchase Conditions, which are a binding component of supplier contracts, include high standards setting out the company's expectations on environmental protection. These stipulate that every supplier has to comply with the applicable national legislation in conducting their operations for and with ELG. The same applies for legislation on health and safety, worker protection, respect for human rights, and the prohibition of child labour, corruption and bribery of any kind. ELG also calls on its suppliers to communicate these principles and requirements to subcontractors and suppliers and to support them in complying with them.

### Land Contamination

ELG takes measures to prevent land or groundwater being contaminated in the recycling of scrap, for instance during quality control, sheeting, mixing and packaging. The facilities and processes used comply with local environmental standards at the very least. The company seals its sites with concrete or asphalt to prevent hazardous substances getting into groundwater or land. The sites have state-of-the-art water treatment facilities and thus meet the conditions set by local authorities. Corresponding data are collected and analysed as part of regular examinations and are incorporated into an evaluation system. If contamination is discovered despite all preventive measures, the Technical Department visits the site concerned to conduct a review, get a picture of the situation on the ground and discuss the countermeasures to be taken with the managers responsible.

## **Employee Issues**

### Health and Safety

As a result of ELG's business model some employees are exposed to potential risks at scrap locations. Site managers therefore give high priority to worker protection. To prevent workplace accidents, potential sources of risk are identified and appropriate safeguards and countermeasures put in place. Based on the activity performed, employees are obliged to wear the necessary protective personal equipment and to participate in regular safety training.

In 2015 ELG initiated the Health & Safety PLUS project to establish a modern health and safety management system. Firstly, data on accidents, absences and employee turnover was collected and analysed. To reduce the number of workplace accidents and absences as far as possible a number of measures have been put in place, including awareness raising campaigns. ELG achieved the goal it set itself for 2017 of reducing the number of days absent to 7.5 per full-time employee per year and is working continually on reducing the number of workplace accidents from 18 per million work hours in 2017 to 15 per million.

### Working Conditions

ELG is aware that the success of the company depends in large part on having well trained and responsible workers. Supporting employees, continually developing their skills and increasing their motivation is therefore part of ELG's responsibilities. The corporate culture is characterised by a cooperative leadership style, openness and approachability at all levels and a quick decision-making process. ELG complies with the applicable legislation on working conditions, occupational health and safety, working time and fair wages. To prevent any instances of non-compliance the Group Compliance Officer (cf. details in 'Compliance Management') ensures, with the support of the ELG compliance management system, that training is given to all executives and managerial staff in all of ELG's units across the world.

### Supplier Assessment

Cf. details in 'Environmental Issues'.

## **Social Issues**

### Radioactivity

Radioactive material, which for instance can get into the recycling cycle through medical or technical devices which have not been properly disposed of, poses a challenge in trading with secondary raw materials. ELG was one of the first companies in the sector to introduce a three-stage alert system to automatically examine all incoming and outgoing deliveries of materials for radioactivity. The corresponding ELG Radiation Guideline also ensures that employees at scrap locations receive regular training on the issue. This means that they possess the necessary expertise and experience to react professionally when an alarm is raised. In the rare event that a suspicious delivery is indeed identified, the delivery is extracted, isolated and properly disposed of in collaboration with the competent authorities and specialised partner firms.

ELG is actively committed to stricter standards for handling sources of radioactive radiation in the recycling sector. For as long as such standards remain absent, the company will impose its own criteria. In particular ELG ensures that products are only delivered to customers if their radiation level is lower than natural background radiation. The overriding goal is to ensure that ELG deliveries to customers never trigger radioactivity alarms. In

2017 ELG recycled a total of 1.44 million tonnes of material and was informed by customers of 10 cases leading to an alarm being raised. Three of the alarms related to alpha emitters which cannot be detected with 100 accuracy with the current state of the art. Seven alarms were due to material with a low level of contamination which can easily be shielded and is therefore difficult to detect.

#### Product Quality

ELG's quality standards are determined based on statutory regulations and customers' individual requirements, and are continually improved to anticipate future developments. Requirements regarding environmental protection and the efficient use of ever scarcer natural resources are also becoming more stringent. ELG is committed to the principle of improving product quality on an ongoing basis while reducing energy consumption and emissions, thereby combining the company's economic and environmental objectives. One of ELG's focuses is therefore to obtain all corresponding customer certifications for the various recycling processes. The purity requirements for the recycling of superalloys and titanium are especially stringent, an area in which ELG regularly works together with partners from the aerospace industry and energy sector.

#### **Respect for Human Rights**

##### Standards and Obligations

ELG has set out its own understanding of ethical business practice in a Code of Conduct. 'Empowerment', 'Innovation', 'Integrity', 'Independence', 'Responsibility' and 'Mutuality' are the '6 ELG Principles' which form the foundation of the corporate culture and underpin the company's Code of Conduct. In 2015 these values were communicated to the entire Group.

ELG supports and promotes the mission and the principles set out in the UN Global Compact. Respect for human rights is anchored in the company's Standard Terms and Conditions. Business partners are therefore also obliged to respect ELG's standards (cf. details in 'Supplier Assessment'). To further raise awareness and communicate these standards to every employee, there are regular information campaigns and training sessions on the ground, for instance on compliance management.

##### Supplier Assessment

Cf. details in 'Environmental Issues'.

#### **Combating Corruption and Bribery**

##### Compliance Management

ELG's compliance management system is intended to guarantee a permanent awareness and consistent understanding of compliance and to mitigate potential risks. It ensures that both internal and external regulations are followed by all employees. Contact details for the Group Compliance Officer and the ELG Compliance Helpline have been communicated to all employees through a variety of channels. The initiative also comprised a central risk assessment exercise in all ELG companies. Compliance training adapted to the local statutory requirements was then introduced following these exercises. This training is intended not just to impart knowledge but also as a forum for concerns to be raised and potential improvements to be discussed. ELG has also established Group-wide online training.

For further information, please see [www.elg.de/en/sustainability.html](http://www.elg.de/en/sustainability.html).

## **Optimar**

Optimar is a global leader for automated fish processing systems for use on ships, on land and in fish farms. These premium systems are produced by the division and either installed independently or in connection with third-party solutions. As a full-service provider, Optimar also offers ancillary products and services. The company delivers to international customers in more than 30 countries.

The division has been part of Haniel's portfolio since December 2017. In line with the Haniel investment filter, the company was already evaluated based on CR criteria prior to acquisition. (cf. details under Franz Haniel & Cie., 'CR in Portfolio Management'). Based on the findings in the due diligence process, the further integration of Optimar also takes into account the Haniel Holding Company's requirement that there be a professional CR management approach in place: prioritising the main CR issues, deriving on that basis an individualised CR programme with objectives and measures, and ensuring that the programme is implemented by establishing appropriate CR management.

For further information, please see [www.optimar.no](http://www.optimar.no).

## **ROVEMA**

ROVEMA is a premium provider of packaging machines and equipment. The company's product portfolio includes solutions for the entire spectrum of primary and secondary packaging: dosing, vertical form fill and seal (VFFS), cartoning and final packaging machines. The offering is supplemented by a variety of different services. The company is present in more than 50 countries.

The division has been part of Haniel's portfolio since November 2017. In line with the Haniel investment filter, the company was already evaluated based on CR criteria prior to acquisition (cf. details under Franz Haniel & Cie., 'CR in Portfolio Management'). Based on the findings in the due diligence process, the further integration of ROVEMA also takes into account the Haniel Holding Company's requirement that there be a professional CR management approach in place: prioritising the main CR issues, deriving on that basis an individualised CR programme with objectives and measures, and ensuring that the programme is implemented by establishing appropriate CR management.

For further information, please see [www.rovema.com/en](http://www.rovema.com/en).

## TAKKT

### Business Model

TAKKT brings together a portfolio of B2B mail-order specialists for business equipment in Europe and North America. Each company follows an essentially comparable business model, but with a different focus with respect to customer groups, product lines, regions or distribution channels. The sales brands concentrate mainly on the sale of durable, price-stable equipment as well as special items for recurring use to corporate customers. The product range comprises operating and warehouse equipment, office furniture, transport packaging, display products as well as equipment for the restaurant sector and retail grocery trade.

At TAKKT profitable growth and sustainability go hand in hand. The company-wide SCORE 'Sustainable Corporate Responsibility' programme lays the foundation for coordinating sustainable business management measures across all segments and for implementing those measures in day-to-day operations. In 2016 TAKKT developed its sustainability strategy for the coming years. The focus areas of Sourcing, Marketing, Logistics, Resources & Climate, Employees and Society were originally defined in 2011 and reconfirmed in a stakeholder dialogue with employees, customers, suppliers, banks and shareholders. As part of the same process the key issues were identified, assessed and corresponding measures for implementation and progress developed. Having an established system of indicators is an important instrument to ensure that progress is measurable and transparent.

### Environmental Issues

TAKKT's one-stage direct marketing approach to end customers generates significant benefits for the environment compared with multi-stage distribution systems – the lack of any additional stages of transport means that distribution channels are optimised and emissions kept to a minimum. At the same time the customer benefits from high availability of goods, short delivery times and deliveries being on schedule. TAKKT also works continually on further reducing resources used at all stages of the value chain and acting with maximum possible respect for the environment. The company requires modern environmental management system and corresponding certifications, both of itself and its business partners.

### Supplier Assessment

TAKKT develops long-term partnerships with responsible suppliers – as a foundation for shared growth. To transparently map the relevant aspects of sustainability in suppliers' business models and identify potential improvements, TAKKT cooperates with the internationally recognised EcoVadis platform. The four areas analysed by the EcoVadis evaluation are 'Environment', 'Social', 'Ethics' and 'Supply Chain'. Strengths under the 'Environmental' category might include environmentally friendly driver training, low-noise cars and appropriate disposal procedures. Low accident rates and the presence of trade union members, for instance, would be positively evaluated under 'Social'. Under 'Supply Chain', a negative point would include a case where the human rights respected in a supplier's production facilities are not also in place for its own suppliers. TAKKT's product managers can see the results in an online portal, make proposals for improvements to suppliers and draw up development plans. The evaluation programme was successfully tested in 2013 and has since been gradually expanded. The procurement volume from suppliers certified by EcoVadis was 46.8% in 2017. The objective is to increase this to 50-60% by 2020. TAKKT also uses the EcoVadis platform to assess suppliers for direct imports, with 39.8% being certified in 2017 and the objective being for 40% to be certified by 2020.

### Resource Efficiency

Printed advertising such as catalogues are a central medium for addressing customers in direct marketing. However, they also account for the majority of TAKKT's CO<sub>2</sub> emissions. TAKKT therefore works exclusively with efficient, modern printing companies. To produce printed advertising, paper almost exclusively from sustainably managed forests (FSC/PEFC) is used. With the evolution of the business model towards a multi-channel company with an integrated offering combining traditional catalogue-based mail order with an online offering and, where appropriate, telephone sales and field representatives, TAKKT improves its marketing approach on an ongoing basis. The company is systematically expanding e-commerce, increasing the efficiency of customer-oriented marketing and saving resources by reducing the use of paper. In 2017, TAKKT used approximately 5.4 kg of paper per order, thereby already reaching its 2020 goal of 6.0-6.5 kg.

### CO<sub>2</sub> Emissions

TAKKT is actively committed to making efficient use of natural resources and to environmental protection. The company has been successfully participating in the Carbon Disclosure Project (CDP) since 2008, placing among the leading participating SDAX companies with a CDP Climate Score of 'C'. TAKKT has been capturing CO<sub>2</sub> emissions since 2010 and is thereby able to identify the most relevant areas to take targeted measures for improvement, for instance by using environmentally friendly materials and production processes. In 2017, certified climate balance sheets were available for 13 material companies. TAKKT aims to increase this figure to 15-18 by 2020. The division also aims for its product distribution to be as environmentally friendly as possible and cooperates with a number of logistics partners to make its deliveries climate neutral. In 2017, 91.4% of package deliveries and 44.7% of general cargo deliveries were transported with carbon offsetting. By 2020, the objective is for 100% of package deliveries and 90% of general cargo deliveries from central warehouses to be carbon neutral.

### Energy Consumption

To further reduce energy consumption and harmful emissions, TAKKT focuses on the areas which enable the greatest potential savings and improvements. Such areas are identified by the use of environment and energy management systems. One important component in these certifications is to establish an ongoing process of improvement. In 2017, there were already 6 material companies certified under ISO 14001 with preparations under way for further companies, so that their number should increase to 10-13 by 2020. The introduction of certified energy management systems under ISO 50001, already in place at 4 companies in 2017, will be further accelerated encompassing 5-8 companies by 2020. Another objective is for TAKKT to reduce its energy consumption at German and US locations to 50-55 megajoules per order, for instance by switching to LED lighting. In 2017, energy consumption was 70.6 megajoules per order.

### **Employee Issues**

#### Supplier Assessment

Cf. details in 'Environmental Issues'.

#### HR Strategy

TAKKT sees the possibilities of increasing digitalisation as a clear opportunity, not least to make internal processes quicker and more efficient. The company is adapting the way it is organised and works accordingly. For example, experts from different areas come together in flexible working groups to pool their knowledge on

individual activities. In this way, TAKKT ensures that it has a holistic perspective and that it directly targets its operations to clients' needs. Investing in creating modern modes of working helps to evolve the corporate culture and to support the digital transformation. TAKKT employees' digital skills are also developed through targeted training. The objective is to find and retain talent with digital skills. At least half of this talent should still be employed with the company in 2020. In 2017, 90.9% of newly employed talent in the framework of the digital agenda remained with TAKKT.

#### Diversity

TAKKT is convinced of the added value of mixed management teams and sees it as its corporate responsibility to ensure equal career development opportunities for men and women in all countries and segments of the business. Activities are intended to improve equal opportunities through a range of measures. The company has also made the recruitment process even more objective and requires at least one female candidate for senior management positions. For internal talent promotion programmes, targets for the numbers of female participants have been set and in succession planning express consideration to female candidates is given. TAKKT also aims to improve work-life balance by expanding childcare facilities and arrangements for teleworking (home office). In 2017, the proportion of women in senior management positions was 10.5%, meaning that the target of 10% by 2020 has already been achieved.

#### **Social Issues**

##### Green Products

Outstanding product quality means that products have a long useful life for customers. TAKKT therefore assumes responsibility for the entire life cycle of the products distributed, from procurement through the period in use to disposal of materials and packaging. In collaboration with its partners, the company is systematically expanding its line of sustainable ('green') products in all distribution companies. Where possible, use of external certification is made. EUROKRAFT Active Green products, for example, have been certified as carbon neutral by the TÜV (Technical Inspection Association), meaning that all CO<sub>2</sub> emissions arising from production are fully offset. As a proportion of total revenue, sustainable ('green') products accounted for around 9.3% in 2017. The target is for this figure to be 12-15% in 2020.

##### Social Commitment

TAKKT sees social commitment as an important component of corporate responsibility. The company sees itself as part of society and therefore feels it is important to support local projects. Alongside organisations and associations working on environmental and social issues, the company also supports volunteering on the part of its employees. Through paid leave, employees have the possibility to provide both material and conceptual support to projects on the ground. Around 65.7% of employees had this opportunity in 2017, with around 15.1% actually taking part in volunteering projects. The targets of offering paid leave for volunteering to 55-60% of employees by 2020 and of 8-12% of employees volunteering by 2020 have therefore already been achieved.

#### **Respect for Human Rights**

##### Supplier Assessment

Cf. details in 'Environmental Issues'.

### Guidelines and Obligations

TAKKT gives the highest priority to complying with statutory and contractual obligations and to ethical principles. To ensure compliance and to support employees in their day-to-day work, the company completed a revised TAKKT Code of Conduct in 2014. The Code is based on its corporate values and on the principles of the UN Global Compact and other international standards. Since the beginning of 2012, TAKKT has been an active supporter of the Global Compact Initiative and has committed to respecting and spreading the ten universal principles on human rights, working conditions, environmental protection and combating corruption. With its extensive and results-based sustainability reporting, TAKKT is one of the few German companies to have achieved the Global Compact's 'advanced level' and the company's objective is to remain at this high level.

### **Combating Corruption and Bribery**

#### Compliance Management

TAKKT is subject to various compliance requirements, for instance in the areas of competition law, capital markets and data protection. Non-compliance can result in legal consequences and sanctions and ultimately have a negative effect on the company's financial performance. To mitigate this risk, the company has a centralised compliance management system which is reviewed by the departments and the compliance officer. These measures enable any instances of non-compliance to be quickly identified. In addition to the usual compliance rules in place, for example, on combating corruption and discrimination, a helpline has been set up with an external provider where employees can ask questions and anonymously report cases of compliance breaches, where permitted by law. The current system in which employees are trained in compliance issues through an electronic platform and receive a certificate after successfully completing a test was further expanded in 2017.

#### Supplier assessment

Cf. details in 'Environmental Issues'.

For further information, please see [www.takkt.de/en/sustainability](http://www.takkt.de/en/sustainability).



# Contact / Publication details

Franz Haniel & Cie. GmbH  
Franz-Haniel-Platz 1  
47119 Duisburg  
Germany  
Telephone +49 203 806 - 0  
info@haniel.de  
www.haniel.de/en

ELG Haniel GmbH  
Kremerskamp 16  
47138 Duisburg  
Germany  
Telephone +49 203 4501 - 0  
info@elg.de  
www.elg.de

TAKKT AG  
Presselstraße 12  
70191 Stuttgart  
Germany  
Telephone +49 711 3465 - 80  
service@takkt.de  
www.takkt.com

BekaertDeslee Holding NV  
Deerlijkseweg 22  
8790 Waregem  
Belgium  
Telephone +32 56 62 41 11  
info@bekaertdeslee.com  
www.bekaertdeslee.com

Optimar International AS  
Valderøyvegen 1129  
6050 Valderøy  
Norway  
Telephone +47 70 10 80 00  
info@optimar.no  
www.optimar.no

METRO AG  
Metro-Straße 1  
40235 Düsseldorf  
Germany  
Telephone + 49 211 6886 - 4252  
presse@metro.de  
www.metroag.de/en

CWS-boco International GmbH  
Franz-Haniel-Platz 6 - 8  
47119 Duisburg  
Germany  
Telephone +49 203 9871658000  
info@cws-boco.com  
www.cws-boco.com

ROVEMA International GmbH  
Industriestr. 1  
35463 Fernwald  
Germany  
Telephone + 49 641 409 0  
info@rovema.de  
www.rovema.com/en

CECONOMY AG  
Benrather Straße 18 - 20  
40213 Düsseldorf  
Germany  
Telephone + 49 211 5408 - 7000  
info@ceconomy.de  
www.ceconomy.de/en

## Responsible for the content

Franz Haniel & Cie. GmbH  
Franz-Haniel-Platz 1  
47119 Duisburg  
Germany  
Telephone +49 203 806 - 0  
info@haniel.de  
www.haniel.de/en

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