

Corporate Responsibility

Enhancing value, living out values – Haniel has combined entrepreneurial dynamism with a stable framework of values for 260 years based on this principle. Corporate responsibility is thus deeply embedded in the DNA of the company and is borne by the owner family and the management alike. The key is to combine economic success with responsibility for the employees, the company and the environment and thus to create values over generations. To ensure that responsible entrepreneurship is practised at all levels and thus becomes a competitive advantage, Haniel as the strategic holding company establishes appropriate structures and defines key pillars that point the way for the divisions. The company identified the expectations of the relevant stakeholder and interest groups in a systematic stakeholder dialogue in 2013. The results were used to derive a CR management approach and a CR organisation in order to successfully anchor sustainability in the corporate structure – while taking into consideration the characteristic features that make up Haniel as a diversified group of companies with a decentralised management principle. The holding company sets essential priorities in the form of three CR action areas: employees, value-added chain and innovation. These areas have been selected because they affect each division equally, irrespective of their individual core business. Both the holding company and the divisions define individual measures in these action areas, implement them as priorities and report on the progress they are making.

Stakeholder dialogue

A dialogue that is open, regular and based on trust with stakeholder and interest groups forms the foundation for the Haniel CR strategy as well as social acceptance of the entrepreneurial decisions. At the same time, these exchanges provide important stimulus for the further development of the sustainability management. Both the holding company and the divisions maintain a continual dialogue with their stakeholders. In addition to personal discussions with partners in the day-to-day operations, the holding company has established various formats for the relevant stakeholder groups: owners and lenders, for example receive comprehensive and prompt information in the 'Family Call', the investor call or the annual accounts press conference. Well-trained employees are a prerequisite for a company's long-term success. That is why human resources development, staff retention and identification are key elements of the human resources strategy, which require continual exchanges with the employees. Opportunities for this are offered by the annual staff dialogue, management conferences and the staff survey, which the holding company conducts every two years.

Systematic stakeholder dialogue

The Haniel holding company conducted a systematic analysis of the expectations and requirements of the stakeholders for the first time in the spring of 2013. What priorities should Haniel set in the area of corporate responsibility? What implementation principles and structures encourage the anchoring of CR? To what extent would the stakeholders like to be involved in the CR activities? Supported by a standardised interview guide, over 40 personal interviews were held with representatives of the most important stakeholder groups. For this purpose, the holding company had identified seven core groups in advance. The key factor was who exerted an influence on the business activities and, conversely, who is affected by the impacts of the business activities.

Systematic stakeholder dialogue

Internal stakeholders

- Haniel Management Board
- Directors of Departments
- Employees / works council

External stakeholders

- Divisions
 - Shareholders (family)
 - Banking partners
 - Business and Industry associations
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As representatives of the holding company's internal perspectives, the Haniel Management Board, directors of the corporate departments, selected executive and non-executive staff and the works council as the employees' representative were surveyed. Representatives of the divisions supplemented the view of the holding company from outside. They play a significant role in Haniel's creation of value, as they are themselves responsible for the operating business and interact in their respective markets with numerous other actors – such as customers and suppliers. Members of the management or management board and the CR managers were surveyed. In addition to the shareholders, who as investors with a

long term perspective are committed to the Haniel family's understanding of values, banking partners as lenders of capital and trade associations in the local and regional environment around the Haniel holding company rounded off the external perspective.

Expectations of stakeholders

With the aim of guaranteeing the company's long-term success and of differentiating it from the competition, the stakeholders demand that CR is consistently anchored in the core business. As a family-owned company, Haniel is already afforded a 'natural' starting advantage as a result of the focus on values that has already been embodied for so long – and at the same time it is associated with high demands: the stakeholders expect the holding company to play a driving role in the area of corporate responsibility. With limitations, however, that are owed to the particular characteristics of the Haniel Group. On account of the diversified portfolio and the decentralised organisational structure, the holding company only sets the contents of the CR priorities. These are intended to serve as general action areas, which, however, allow sufficient latitude so that the divisions can pursue their own targets sensibly tailored to their individual core business. As a consequence of the stakeholders' expectations, the holding company in 2013 developed the CR management approach and created the CR organisation structure for its successful implementation.

Building on the results of the first survey, the Haniel Management Board and the directors of the corporate departments were surveyed in the summer of 2015 once again in order to flesh out in more detail the CR target image and to prioritise the relevant issues in the action areas. In addition, corporate responsibility was the subject of the 2015 Haniel family's youth meeting, where the employees of the holding company gave the representatives of the owner family insights into the various spheres of responsibility of the corporate departments.

CR management approach and organisation

As a strategic holding company, Franz Haniel & Cie. GmbH pursues the goal of focusing the group of companies on value and growth. The strategic direction is discussed and binding goals and minimum standards are set in the dialogue with the divisions – also when it comes to corporate responsibility. The divisions are themselves responsible for implementing the targets, strategies and minimum standards as well as for the operating business.

Cooperation between Holding and divisions

The corporate bylaws generally define the collaboration between the Holding Company and the divisions. They stipulate on the basis of statutory provisions that the Holding Company must help the divisions to develop their CR strategies. The holding company monitors the achievement of the CR targets as well as compliance with the minimum standards. To this end, the Haniel Management Board engages in bilateral exchanges with the management and management boards of the divisions in September every year in a quarterly discussion. Corporate responsibility has been an integral part of the agenda here since 2013. The Haniel Management Board discusses together with the divisions the progress of the existing CR programmes and agrees individual targets in the priorities defined as Haniel action areas. In this way, the holding company acts as a source of inspiration and a sparring partner. To promote joint decisions in the Haniel Group, CEO round tables are also held, to which the Haniel Management Board regularly invites the divisions. When necessary, Group-wide initiatives in the area of corporate responsibility are also discussed in this committee. In addition to the CR dialogue at management level, the Group's CR officers meet three times a year at the CR round table in order to exchange information and best practices.

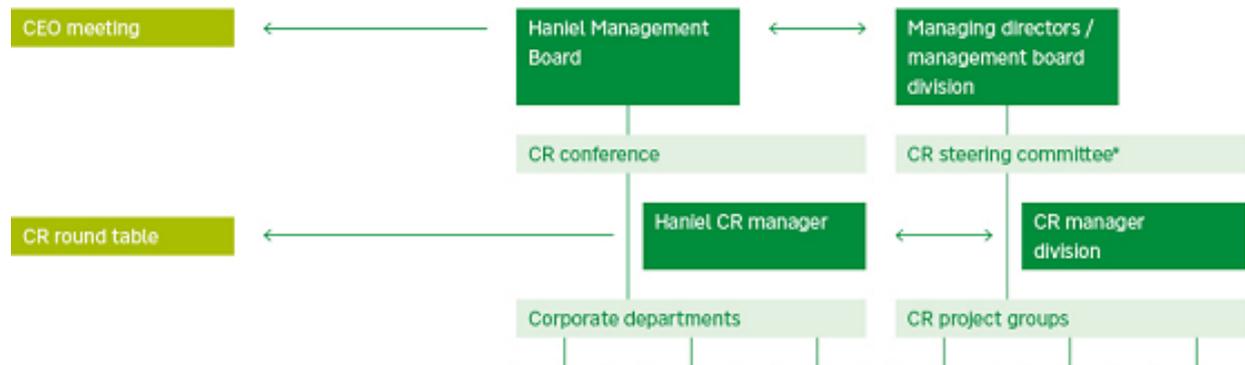
CR organisation in holding

Corporate responsibility has also been firmly embedded in the organisation of the holding company since 2013: the directors of all corporate departments must meet with the Management Board at the CR conference every summer. Together, they discuss issues relevant to the holding company in the Haniel action areas and agree specific measures for integrating CR in all core processes of the company that affect both the interaction with the divisions and also the holding company. The implementation of the holding company's CR projects is the responsibility of the directors of the corporate departments in whose specialist departments the activities are located. The Shareholders + Sustainability department of the holding company is responsible for co-ordinating the processes and contents of the CR activities in the holding company and generally in the Haniel Group.

CR organisation in the Haniel Group

Co-ordination and co-operation in the Group

Implementation and governance within the holding company and the divisions



* Division-specific solutions

Enhancing value

As a value developer with a long-term investment strategy, Haniel aims to implement an integrated approach along the entire value chain in the area of corporate responsibility – from the dialogue with our investors, through the investment phase and portfolio management all the way through to divestment. The goal is to anchor corporate responsibility consistently in all stages of Haniel's creation of value. The focus here is the area where the holding company enjoys great leverage: in the development and management of the divisions.

The integrated approach allows the Group to gear itself to value and growth. By integrating CR in existing processes and structures of the investment and value development phase, Haniel seeks to exploit potential for further profitable growth and to support the divisions in market-leading positions over the long term.

Sustainable investments

CR already plays an important role at Haniel in the development of the investment portfolio. Investments are considered only if they are a good fit for the company and the values it puts into practice. So all acquisition opportunities are examined to ensure they are consistent with Haniel's values and the criteria of the Haniel investment filter, something that also takes ecological and social aspects into account. These sustainability concepts require constant refinement in an increasingly complex environment. In 2014, specific criteria and instruments were developed in an interdisciplinary project which allow a better assessment of the CR potential of a takeover candidate. After a company has been successfully acquired – as in 2015 with the purchase of Bekaert Textiles – CR becomes an integral element of the integration plan. Depending on existing CR activities, structures and processes are created to begin with as a basis for successfully integrating CR into the core business.

It is not only when acquiring new business divisions that Haniel invests with great prudence: the company also looks at financial investments from CR perspectives. A multidisciplinary CR committee has been established that specifies in detail the CR perspectives derived from the Haniel code of conduct, for example in the form of a negative CR list, and further develops them for financial investments. In addition, aspects of CR are taken into systematic consideration in the approval of investments and acquisitions of the business divisions, with the holding company making decisions on these on the basis of the investment and business valuation policy. This stipulates that the specific positive and negative effects on the CR targets in the Haniel action areas must be examined.

Sustainable Investments

Status 2015

100%

CR review criteria have been taken into consideration in all acquisition opportunities and decision-making processes involving financial investments

CR as an integral part of the management dialogue

As a family-equity company, Haniel also provides impetus in terms of corporate responsibility for portfolio companies, by putting CR on the agenda of the regular management dialogue between the Haniel Management Board and the managing directors of the divisions. Every year since they were first introduced in September 2013, targets are now agreed in the three CR action areas. In 2015, too, CR was again a subject of the dialogue at the top level. In this process, new targets were agreed for 2016 and the progress in the targets that had previously been set was discussed.* For the first time in 2015, CR aspects were also taken into consideration in the variable remuneration of the top management of the Group. What the holding company and the divisions have undertaken in detail for the coming year is shown at a glance in the 2016 CR Programme. What focal points Bekaert Textiles, CWS-boco, ELG, TAKKT and the METRO GROUP are pursuing and what progress they have been able to achieve is also listed for each individual division.

More on the CR management approach and the CR organisation

** The CR target agreement process for 2015 applies to the divisions CWS-boco, ELG and TAKKT, which were fully consolidated as at 1 January 2015. Bekaert Textiles will be integrated into the CR control process in 2016. No CR targets are agreed with the METRO GROUP as a financial investment.*