

**Sustainability Report of
Harburg-Freudenberger
Maschinenbau GmbH
Site: Freudenberg**

Reporting period: 2018

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passion.



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Statement from the Board of Management

On the following pages, Harburg-Freudenberger Maschinenbau GmbH [HF] would like to report on the measures, strategies and activities with which the company assumes responsibility for its employees as well as for the environment and society. Using examples and figures from the areas of Labour Practices and Human Rights, Fair Business Practices, Environment and Climate, and Sustainable Procurement, we would like to show how deeply the topic of sustainability is rooted in HF's DNA.

The sustainability report is aimed at our customers, employees and suppliers, as well as all other stakeholders who have a relationship with our company and would like to find out about the values and principles on which our actions are based.

Our sustainability report is published annually. This report has been prepared on a voluntary basis and relates to the 2018 financial year, which corresponds to the 2018 calendar year.

If you have any questions about the Sustainability Report and its contents, please contact Ms Nadine Massuard (nadine.massuard@hf-mixinggroup.com).

A handwritten signature in blue ink, appearing to read 'M. Meulbroek', is positioned above the printed name.

Mark Meulbroek
Management



Organisation Profile of Harburg-Freudenberger Maschinenbau GmbH

Harburg-Freudenberger Maschinenbau GmbH
(Freudenberg Plant)
Asdorfer Straße 60
57258 Freudenberg
Germany

P.O. Box 11 80
57251 Freudenberg
Germany

Tel: +49 2734/491-0
Fax: +49 2734 491-150
Email: mixing@hf-group.com
Internet: www.hf-mixinggroup.com

Management Board:

Jens Beutelspacher, Prof. Dr.-Ing. Andreas Limper, Mark Meulbroek, Dr Jörn Seevers
Chairman of the Board: Dr. Joachim Brenk

Register of companies: Hamburg Local Court, Section B No. 64651
Registered office of the company: Hamburg
VAT ID No. DE811151610, Tax No. 21 22 290 0900 3

Locations

The place of business of Harburg-Freudenberger Maschinenbau GmbH [HF MIXING GROUP] is in Hamburg/Germany; the HF MIXING GROUP has premises all over the world.

Main business and production premises:

- Harburg-Freudenberger Maschinenbau GmbH, Germany
- Farrel Corporation, USA
- Farrel Ltd., GB
- POMINI Rubber & Plastics srl, Italy
- HF Rubber Machinery, Inc., USA
- HF NaJUS, a.s., Slovakia
- INDUS UTH HF MIXING SYSTEMS PVT LTD • India
- Mesabi Control Engineering, USA

Sales and service locations:

- Harburg-Freudenberger Machinery (China) Co., Ltd. • China
- HF France S.a.r.l. • France
- Farrel Sales Office Líbeznice • Czech Republic
- HF MIXING GROUP Sales Office Barcelona • Spain
- HF MIXING GROUP Services S.E.A. Sdn Bhd • Malaysia
- Farrel Asia Ltd. • Singapore

Sales partners as well as country and product responsibilities can be found on the website <http://www.hf-mixinggroup.com/contact> .



Products

The HF MIXING GROUP develops and manufactures machines and accessories with high technical expertise for the rubber and plastics processing industry. This in particular includes mixers for manufacturers of technical rubber products and the tyre industry. HF moreover builds discharge devices and special machines for this sector of industry and undertakes the equipment of mixing rooms all the way up to complete automation systems. The future-proof products are used worldwide for manufacturing tyre applications, sealing profiles, wires and friction linings as well as for technical elastomers and special plastic mixtures.

Information on the products can be found on the website
<http://www.hf-mixinggroup.com/products/>.



Labour Practices and Human Rights

Commitment to Sustainable and Responsible Corporate Governance

HF is characterised by highly mature overall technical and process engineering skills drawn over 160 years of its history, a sustainable corporate philosophy oriented towards the long term and a consciously close collaboration with customers and business partners. The result of this conduct is mutual and enduring success. The cornerstone of our corporate value system is sustainability. It embodies the group's forward-looking actions. A logical extension and continuation of the sustainability activities is the signature of the declaration of joining the Global Compact of the United Nations (UN) at the start of May 2015.



The Ten Principles of the UN Global Compact

- 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2: make sure that they are not complicit in human rights abuses.
- 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4: the elimination of all forms of forced and compulsory labour;
- 5: the effective abolition of child labour; and
- 6: the elimination of discrimination in respect of employment and occupation.
- 7: Businesses should support a precautionary approach to environmental challenges;
- 8: undertake initiatives to promote greater environmental responsibility; and
- 9: encourage the development and diffusion of environmentally friendly technologies.
- 10: Businesses should work against corruption in all its forms, including extortion and bribery.

www.unglobalcompact.org | www.globalcompact.de



HF has incorporated the ten principles of the UN Global Compact into its daily routine. At the same time, the company also champions orienting the corporate actions of its business partners to the ten universally recognised principles from the areas of human rights, labour standards, environmental protection and fight against corruption.

Human Resources

The Freudenberg site of HF is certified according to DIN EN ISO 9001: 2015. The company is bound by collective agreements and offers its employees flexible working hours, collectively agreed special payments such as Christmas and holiday bonuses as well as non-tariff payments.



CERTIFICATE

Management system as per
DIN EN ISO 9001 : 2015

In accordance with TÜV NORD CERT procedures, it is hereby certified that

**Harburg - Freudenberger
Maschinenbau GmbH**
Produktbereich Gummimischtechnik
Asdorfer Straße 60
57258 Freudenberg
Germany



applies a management system in line with the above standard for the following scope

**Development, design, production and assembly of machinery to
manufacture tires and technical rubber products as well as maintenance,
spare parts and repair service**

Certificate Registration No. 44 100 100491 Audit Report No. 3519 5805	Valid from 2017-06-24 Valid until 2020-06-23 Initial certification 2011
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Certification Body
at TÜV NORD CERT GmbH

Essen, 2017-06-21

This certification was conducted in accordance with the TÜV NORD CERT auditing and certification procedures and is subject to regular surveillance audits.

TÜV NORD CERT GmbH
Langemarckstraße 20
45141 Essen
www.tuev-nord-cert.com




HF ensures pay equity through the tariff framework agreement (ERA). Workplaces, and not employees, are classified into corresponding tariff groups with ERA. The previously generated task description, regardless of age, gender or actual qualification, is used when deploying or transferring employees. In order to offer employees an appropriate living wage, the hourly wage is significantly higher than the minimum wage, and that applies to all employees.

HF pays special attention to training in the area of human resources management and, if possible, would like to offer all trainees a long-term perspective.

In order to be able to train well-qualified skilled workers in the future, the company is regularly represented at events such as the IHK training fair and the W&I Day.



In addition, there is cooperation with the local schools, where, for example, the pupils are given an understanding of the apprenticeship occupations through company visits. HF is also active in the schools themselves and participates in various career information events. Interested parties are offered the opportunity of an internship in the company, because this is another way to find and promote new junior staff.

That such measures are successful is shown by the fact that a large proportion of the new trainees hired for 2018 had already completed an internship at HF beforehand. Specifically, one IT specialist for application development, one mechatronics technician, one cutting machine operator and two industrial mechanics started their training at HF in 2018.

The concept also worked in the selection of apprentices for 2019 and a total of six new apprentices were hired in the professions of industrial clerk, IT clerk, technical product designer, machining mechanic and industrial mechanic.

For HF, it is important to make the training attractive for the young people. This includes, among other things, the trainee trip that takes place every three years. This year, 18 trainees were able to spend a weekend in Hamburg. During the tour of the factory of one of our customers, exciting impressions were gained about the use and application sites of our machines. The rest of the programme also had interesting things to offer. For example, visitors could learn a lot about the history of Hamburg in the Hamburg Dungeon or see an original Russian submarine from 1976 in the Submarines Museum.

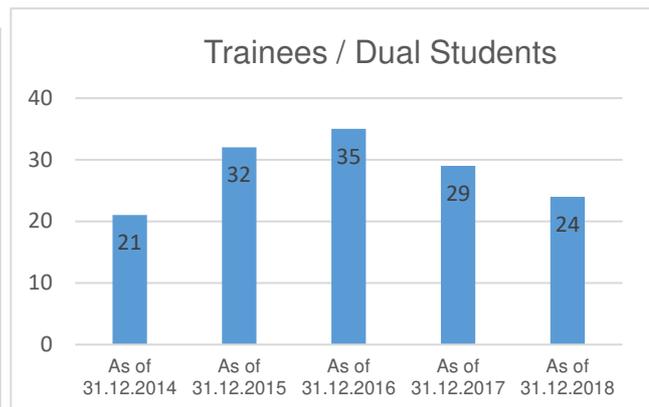
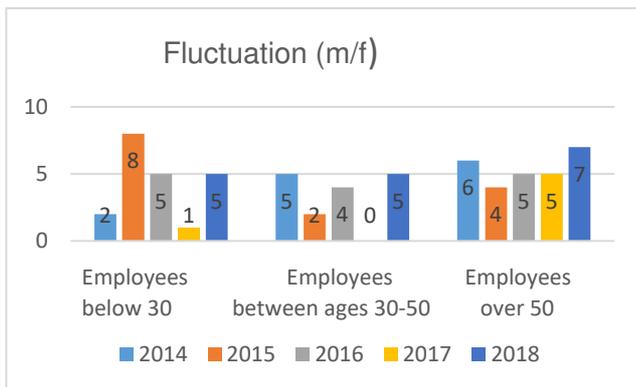
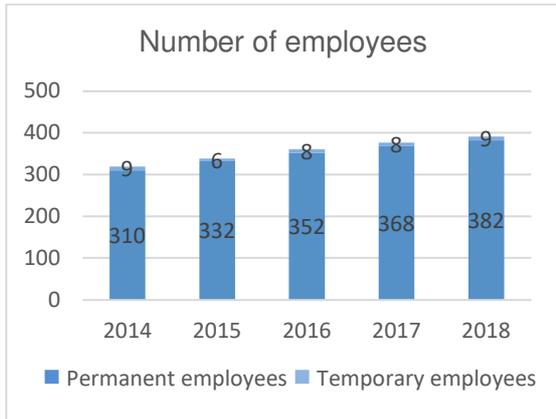


In addition to its activities in schools, HF has also been involved in the field of sports for years, through a cooperation with the local soccer club, SV Fortuna Freudenberg-Büschergrund e.V.. Among other things, players and their parents have already been trained there several times by HF in a job application training.

In addition, an HF MIXING GROUP summer party is held every year, attended by colleagues from the European company locations in Germany, England, Italy and Slovakia. A fixed item on the programme is the football tournament in which the different locations compete against each other. This tournament is hosted by the Freudenberg site every four years, as was the case in 2018. In a convivial atmosphere and with delicious food, the employees had the opportunity to exchange ideas with colleagues from the different locations.

A new office building is to be constructed at the HF site in Freudenberg, and the employees were actively involved in the planning. This was implemented with the help of working groups in which the respective team members dealt with various aspects of the topic of "working in Open Space" in a series of workshops and were able to contribute ideas and suggestions for the implementation of the concept. In addition, letterboxes were set up in the company where colleagues could anonymously express wishes, ideas and also concerns in connection with the new building.

Human Resources Development in Figures (Freudenberg Site)



Occupational Health

HF continues to abide the "Luxembourg Declaration on Workplace Health Promotion in the European Union", which was signed in 2014 and is designed to promote and maintain the health of employees.

Luxemburger Deklaration

zur betrieblichen Gesundheitsförderung in der Europäischen Union



Diakonie in Südwestfalen

The cooperation between HF and the Diakonie Social Hotline continued in 2018. The social hotline offers HF staff members and their relatives the opportunity to approach the hotline anonymously with any questions they may have in the areas of care, social affairs and medicine and to obtain advice and support.

The offer at the company's own fitness centre called STARK also continues to be actively used by the staff.



Since the health of our employees is a high priority at HF, this year for the first time the entire workforce was offered a flu vaccination free of charge as a preventive measure.

In addition, based on the evaluation of a survey conducted in the previous year on mental stress in the workplace, discussions were held with the employees, their responsible managers, the human resources department and the works council in order to identify the triggers for the stress in detail and to be able to initialise possible follow-up measures in cooperation with the Siegerland Occupational Health Centre.V. to be able to initialise any follow-up measures.



Fair Business Practices

HF regularly checks whether all employees have received training on anti-corruption and the Code of Conduct and provides this training as required.

As in the previous year, no violations of the HF Anti-Corruption Policy were reported in 2018. The same applies to the Code of Conduct.

Environment and Climate

Environmental Management

Protection of environment and climate have high significance when we manufacture our products. Besides cost-effectiveness, sparing use of resources and conservative handling of environment-related issues are significant factors in HF's corporate actions.

HF is certified according to DIN EN ISO 14001 : 2009 / DIN EN ISO 14001 : 2015.



CERTIFICATE

Management system as per
DIN EN ISO 14001 : 2009

In accordance with TÜV NORD CERT procedures, it is hereby certified that

Harburg-Freudenberger Maschinenbau GmbH
Asdorfer Straße 60
57258 Freudenberg
Germany



applies a management system in line with the above standard for the following scope

Development, design, production and assembly of machinery to manufacture tires and technical rubber products as well as maintenance, spare parts and repair service

Certificate Registration No. 44 104 100491
Audit Report No. 3515 0847

Valid from 2015-08-04
Valid until 2018-08-03
Initial certification 2015-08-04


Certification Body
at TÜV NORD CERT GmbH

Essen, 2015-08-04

This certification was conducted in accordance with the TÜV NORD CERT auditing and certification procedures and is subject to regular surveillance audits.

TÜV NORD CERT GmbH Langemarckstraße 20 45141 Essen www.tuev-nord-cert.com





CERTIFICATE

Management system as per
DIN EN ISO 14001 : 2015

In accordance with TÜV NORD CERT procedures, it is hereby certified that

Harburg-Freudenberger Maschinenbau GmbH
As dorfer Straße 60
57258 Freudenberg
Germany



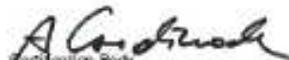
MIXING GROUP

applies a management system in line with the above standard for the following scope

**Development, design, production and assembly of machinery to manufacture
tires and technical rubber products as well as maintenance,
spare parts and repair service**

Certificate Registration No. 44 104 100491
Audit Report No. 3521 8472

Valid from 2018-08-04
Valid until 2021-08-03
Initial certification 2015


Certification Body
at TÜV NORD CERT GmbH

Essen, 2018-07-26

This certification was conducted in accordance with the TÜV NORD CERT auditing and certification procedures and is subject to regular surveillance audits.

TÜV NORD CERT GmbH

Langemannstraße 20

45141 Essen

www.tuv-cert-cert.com





Responsibility for environmental protection lies with the company's management. This transfer of corporate responsibilities is guaranteed by the fact that every manager is informed about the responsibility of complying with environmental protection in the organisation.

Application and maintenance of the environment management system is the responsibility of the commission appointed for environmental management by the company's management. This commission advises the managers in the company when implementing legal and official requirements and promotes employee motivation and training. It ensures that deadlines for statutorily required measures are complied with and supports in testing and releasing new raw materials and additives under environmental aspects before using them in production. Training and continuing education of agents and managers helps keep their knowledge of environmental education updated on a regular basis.

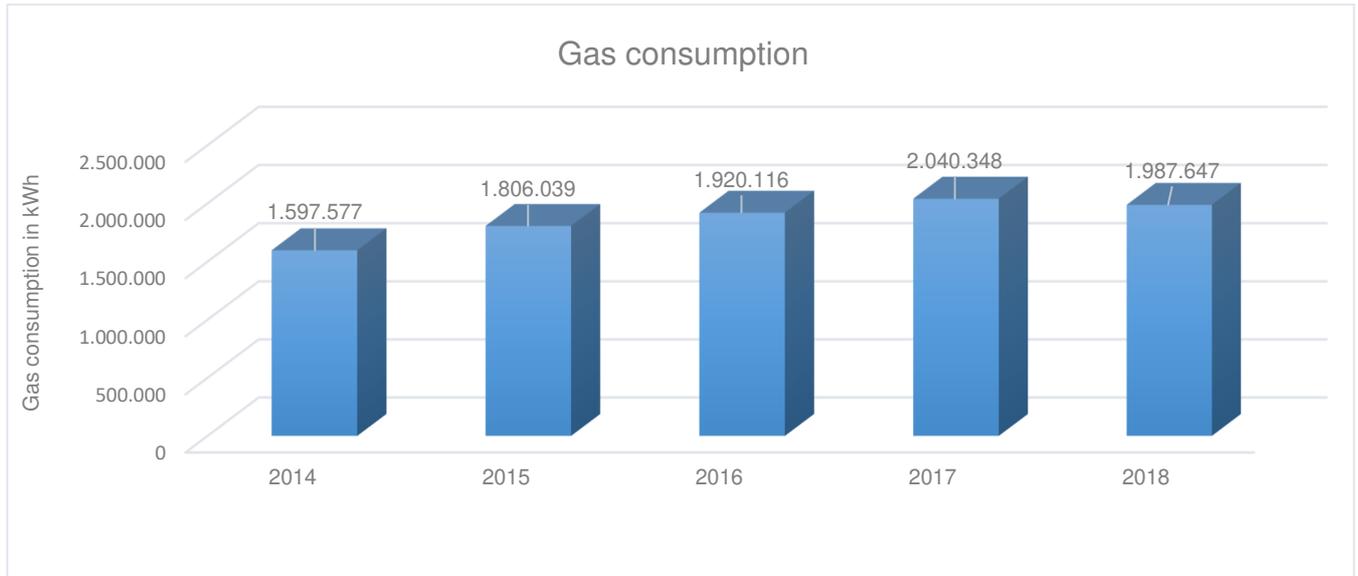
HF Energy Management

In view of rising prices and globally dwindling resources, responsible handling of energy is becoming increasingly more important. Growing energy demand with limited natural resources poses the challenge of using energy as efficiently and sparingly as possible in an eco-friendly manner. In order to meet this responsibility, the energy management system introduced in the company in accordance with the globally applicable DIN EN ISO 50001 standard was continued in 2018.

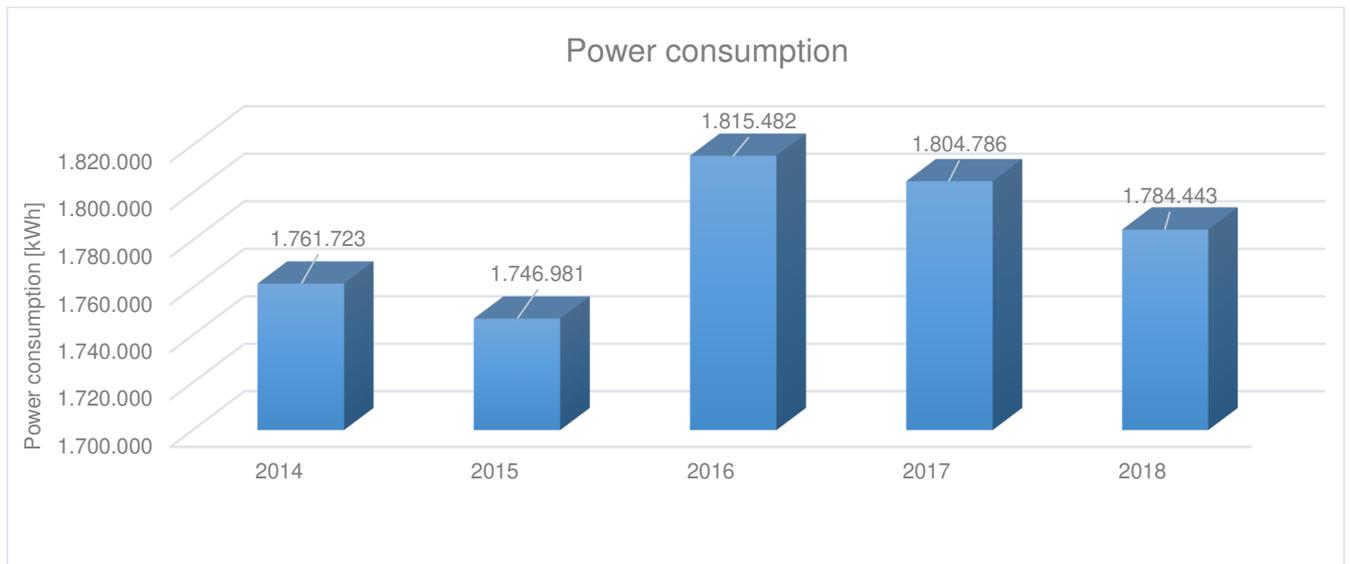


Environment and energy in figures

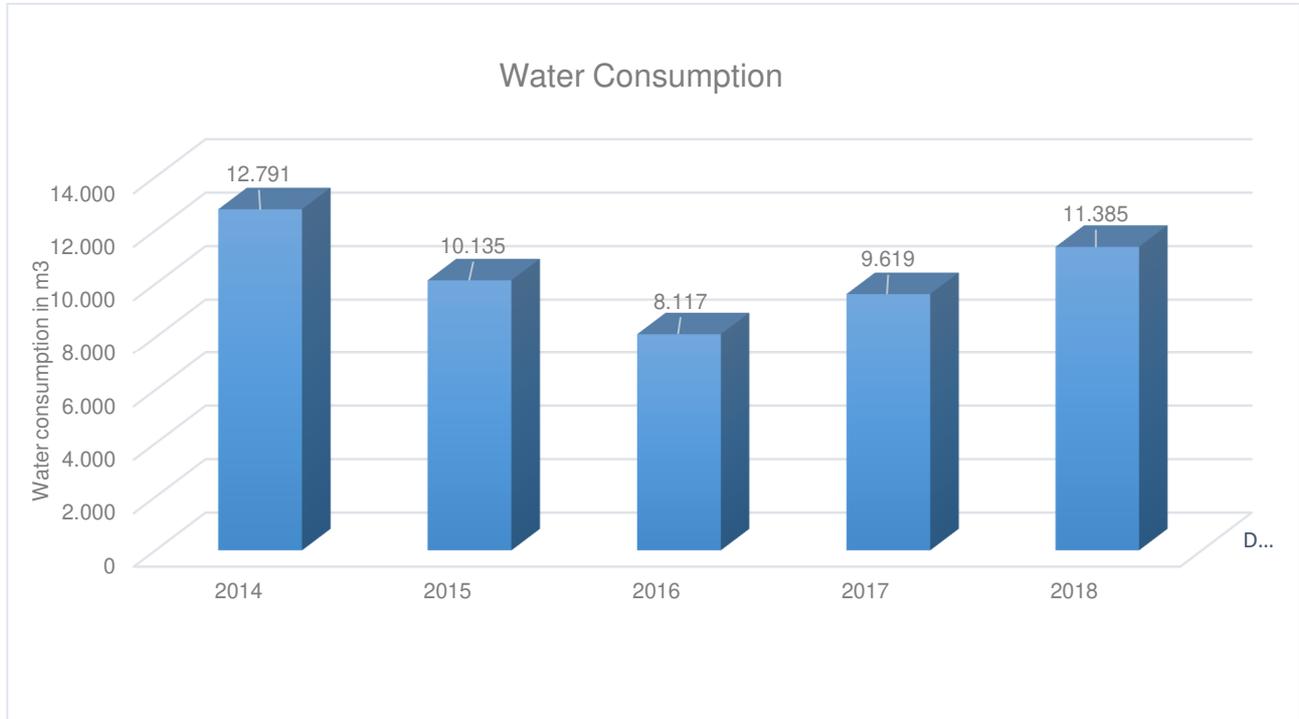
Gas consumption



Power consumption



Water Consumption



Waste

The waste produced mainly comes from metalworking, from packaging residues that can no longer be used and from the administrative area. Essentially, the waste is pre-sorted and properly recycled with our certified waste management companies.

HF Freudenberg has a central waste collection point at the main site where the individual wastes are collected and disposed of strictly separately. In addition, there are several decentralised waste collection points at the other locations, where mainly packaging waste (plastics, paper and wood) is disposed of separately. The clear labelling of the waste containers contributes to a clean separation of waste.

Since the introduction of our environmental management system, the separation of waste has been steadily improved. Measures have also been taken to reduce or even eliminate the generation of waste.

The proper separation of municipal waste is checked and confirmed annually by a publicly appointed and sworn expert and environmental verifier.

Sustainable Procurement

The principle of sustainable procurement is compliance with social and ecological requirements throughout the entire supply chain, based on economic action. This includes planning, implementing and monitoring the necessary tools and processes to enforce sustainability standards with suppliers.

Supplier self-disclosure - Focus on “Corporate Social Responsibility“

In the course of the annual supplier evaluation, those suppliers who have not yet been requested by HF to submit a supplier self-disclosure in the area of Corporate Social Responsibility (CSR) will be contacted step by step in order to be able to evaluate them in this area as well. In total, this evaluation now includes 178 suppliers.

The 2018 survey of suppliers came to the following conclusion:

The maximum score achievable in the various parts ranged from:

- Part I: Environment 90 points
- Part II: Occupational health and safety 70 points
- Part III: Energy management 30 points
- Part IV: Operating and business practices 50 points

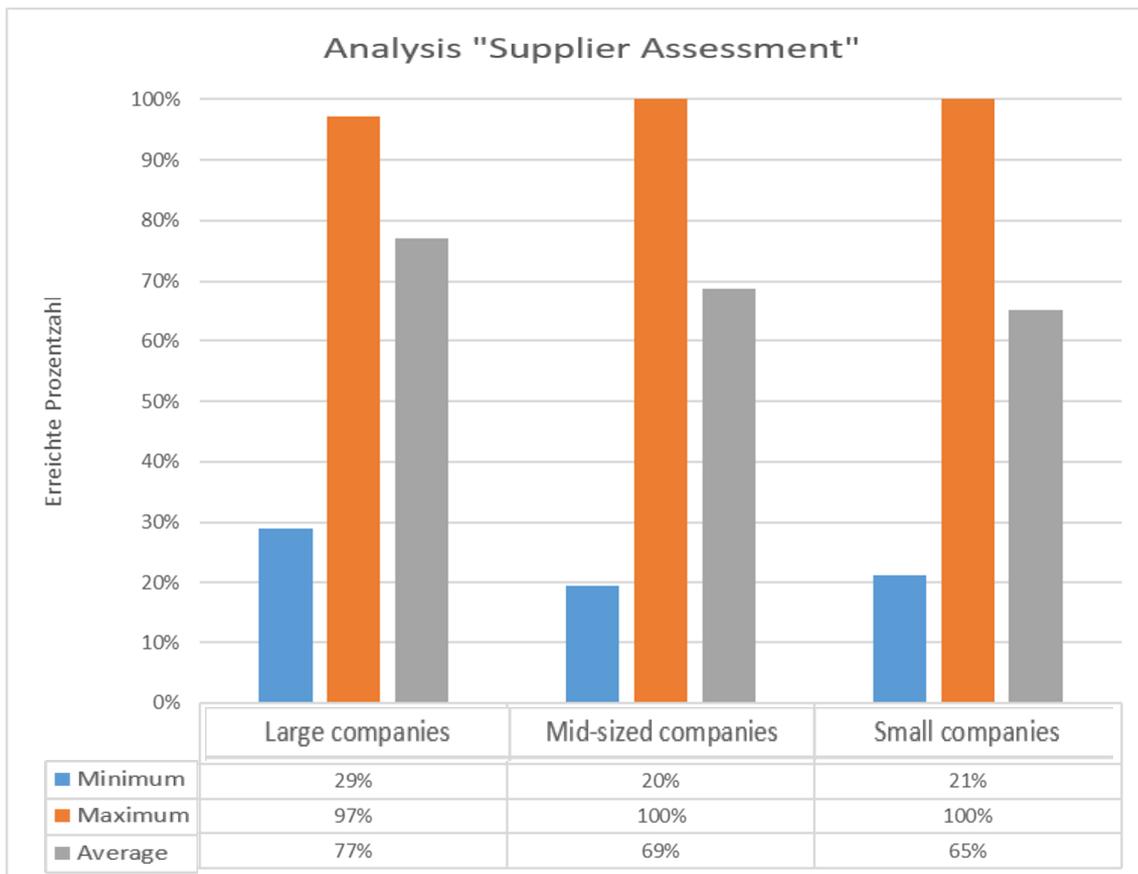
The following results could be achieved on average from the evaluated questionnaires:

	Part I:	Part II:	Part III:	Part IV:
Avg. marks scored:	48.62	48.7	16.0	37.0
Ø-Percentage value:	54 %	70 %	53 %	74 %

As usual, the following weighting factors have been taken into account in order to evaluate the overall result of each supplier more fairly:

<u>Large companies</u>	<u>Mid-sized companies</u>	<u>Small companies</u>
Employees >= 250	Employees 50 -249	Employees <= 49
Factor x 1	Factor x 1.1	Factor x 1.2

This gives the following conclusion:



The break up of company sizes was given as follows:

Large companies: 64
 Mid-sized companies: 63
 Small companies: 51

The evaluation consolidates the positive result already achieved in previous years.

The annual supplier evaluation, in which the CSR area is assessed by the above-mentioned evaluation is covered, all relevant suppliers were evaluated. A grade point average of 1.55 was achieved. In addition to the CSR criterion, the supplier evaluation considers the aspects of quality, price level, adherence to delivery dates and general order processing.

Supplier audits

In 2018, a total of 10 supplier audits were carried out and a total of 22 strategically important suppliers of HF Freudenberg have been audited so far with regard to their organisational and technical processes as well as their performance capabilities.

Here too, the aspect of sustainability is an important criterion, which is an integral part of the supplier self-disclosure on the topic of CSR and flows into the audit implementation and evaluation. This guarantees a permanent and controllable overview of the activities towards our suppliers and ensures a constantly sustainable supplier development in economic, ecological and sociological terms.

Current audit Overview:

Overview Supplier rating HF-Freudenberg 2016 - 2018				
Supplier	Date	Audit Team HF	Status	Result
Tallers Guibe S.A.	06.10.2016	D. Berkemeier	completed	A
Dr. W. Ostermann GmbH & Co.KG	07.10.2016	D. Berkemeier / N. Gedigk / S. Groos	completed	A
Rybak+Hofmann GmbH & Co.KG	26.10.2016	D. Berkemeier / N. Gedigk	completed	A
Geweke GmbH & Co.KG	13.12.2016	D. Berkemeier / S. Bäumer / S. Groos	completed	A
Dimab GmbH & Co.KG	14.12.2016	D. Berkemeier / M. Arbter / S. Groos	completed	B
Bornebusch GmbH & Co.KG	04.07.2017	M. Arbter / K. Dietershagen	completed	A
Fries GmbH	16.08.2017	M. Arbter / K. Dietershagen	completed	A
EPM GmbH	21.09.2017	S. Groos / N. Gedigk	completed	A
Silbitz Group GmbH	19.10.2017	D. Berkemeier / M. Hofmann	completed	A
Weinreich Industriekühlung GmbH	15.11.2017	D. Berkemeier / N. Gedigk	completed	A
Universal Hydraulik GmbH	15.11.2017	S. Bäumer / F. Krebs	completed	A
Hermann GmbH	06.12.2017	S. Bäumer / S. Groos	completed	A
Johann Maffei GmbH & Co.KG	12.12.2017	M. Arbter / K. Dietershagen	completed	A
Proficut Messertechnik GmbH	17.05.2018	M. Arbter / K. Dietershagen	completed	B
GS-Bosnien	28.05.2018	D. Cosic / M. Hofmann	completed	A
Georg Automation GmbH	18.07.2018	S. Groos / F. Krebs	completed	A
C. u. W. Keller GmbH & Co.KG	22.08.2018	N. Gedigk / D. Berkemeier	completed	A
Kelviplast GmbH & Co.KG	28.08.2018	N. Gedigk / D. Berkemeier	completed	A
D. Oerter GmbH	05.09.2018	S. Bäumer / M. Hofmann	completed	B
S.C. Uzina Mecanica Marsa S.A.	11.09.2018	M. Hofmann / D. Cosic	completed	B
Pleissner Guss GmbH	24.09.2018	S. Bäumer / D. Berkemeier	completed	A
TMT d.o.o.	12.09.2018	M. Arbter / K. Dietershagen	completed	B

Further training in purchasing

In autumn 2018, the Sustainability Officer of the Procurement Division, Mr Stefan Groos, took part in a seminar held by AGIMUS GmbH on the topic of "Sustainable Procurement". The aim of this seminar was to further expand and deepen the knowledge already learned and applied in this area. In addition, new procedures and methodologies should be learned through which sustainable procurement at HF can be strengthened and further expanded in the long term. In future, further seminars of this kind are to be held at regular intervals.

The following contents were taught in the seminar:

- Sustainability in business models
- Implementation of supply chain management, etc.
 - o Visualisation´
 - o Social and environmental risks
 - o Code of Conduct
 - o Supplier evaluation
- Reporting and Key Figures

Waste management (Remondis)

Since 2015, HF has been constantly monitoring and analysing its own waste management with the aim of continuously optimising it and reducing waste wherever possible. In this regard, a sustainability certificate and a detailed waste balance sheet were again issued for HF by Remondis in 2018.

Savings of primary materials, energy generation and CO² savings are shown in the list below.

	2015	2016	2017	2018
Primary material savings (in tonnes)	87	155	156	134.5
Energy generation- and savings (in MWh)	310	752	866	551.1
CO ² Reduction (in tonnes CO ² equivalent)	55	101	91	66.6



In the area of environmental and energy management, these key figures are an elementary component of important evaluations and measures that continuously serve to improve and increase efficiency throughout the entire production process.

The calculation model is methodologically based on the life cycle assessment according to DIN EN ISO 14040. The model considers the below process steps:

- Recording
- Transport
- Pre-treatment
- Utilisation

You will find the sustainability certificate on the following pages.



Sustainability Certificate

Harburg-Freudenberger Maschinenbau GmbH, Freudenberg

contributed significantly towards protecting the environment via its collaboration with the REMONDIS Group in 2018:*

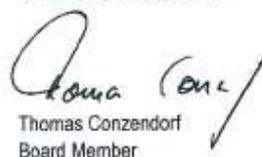
- Consumption of primary raw materials was reduced by 134.5 tonnes
- Energy was generated and energy consumption reduced by 551.1 MWh
- Carbon emissions were cut by 66.6 tonnes of CO₂ equivalents

According to our waste statistics for 2018, the following waste streams were collected separately and included in the evaluation process:

mixed waste for recycling // paper, card, cardboard // plastic film, plastics // wood // mixed building & demolition waste materials contaminated with oil // paint & varnish waste // spray cans.

On behalf of the environment, we would like to thank you for your cooperation.

REMONDIS SE & Co. KG



Thomas Conzendorf
Board Member

REMONDIS Assets & Services GmbH & Co. KG



Herwart Wilms
Managing Director

* These figures were calculated by the REMONDIS Group using a scientific evaluation tool developed by the Fraunhofer Institute for Environmental, Safety, and Energy Technology UMSICHT, Institute Branch Sulzbach-Rosenberg.

**Calculation methodology of the
REMONDIS sustainability certificate**



The calculation model for the assessment of savings of primary resources, energy and greenhouse gases by waste disposal and utilization is based on the methodology for life cycle assessments according to DIN EN ISO 14040.

The model takes into account the following process steps:

- Collection
- Transportation
- Pretreatment
- Utilization

With regard to raw material recovery from waste, the calculation model implicates the savings of primary resources by recycling.

With regard to energetic utilization of waste, the calculation model implicates the energy resulting from incineration or fermentation.

With regard to the savings of greenhouse gas emissions, the calculation model implicates the debits and credits of all process steps.

Fraunhofer UMSICHT, Institute Branch Sulzbach-Rosenberg, assumes responsibility for the calculation model. Displayed results are based on user-specific data input.

A handwritten signature in black ink, appearing to read 'M. Franke'.

Hon. Prof. Dr.-Ing. Matthias Franke
-Deputy Director Institute Branch-
-Head of Department Recycling Management-

A handwritten signature in black ink, appearing to read 'P. Hense'.

Dr. Peter Hense (Ph.D.)
- Group Manager Recycling Technologies -

Sulzbach-Rosenberg, October 2018