Sustainability

Hansgrohe Sustainability Report 2011/2012
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1. Strategy and Analysis

1.1 Declaration by the Management Board

CEO Statement:
We recognise sustainability as the opportunity to stay fit for the future.
For Hansgrohe, sustainable economic activity has always been familiar ground in many aspects. In complete harmony with the tradition of the company’s founder, Hans Grohe, part of the company’s self-image is to accept social responsibility that continues beyond the factory gates. This attitude is a common theme throughout the company’s history – for example, during our early commitment to environmental protection and our dedication both to society and our workforce. For the Hansgrohe Group, sustainability is not a tiresome duty. Rather, sustainability is a driver of innovation for our products and in all corporate divisions, as well as a factor to improve efficiency and cost structures. This conviction is reflected in our specific sustainability objectives that are firmly anchored in our business plan. Extensive compliance guidelines, training and management measures create awareness for the opportunities and risks, and continually test the sustainability commitment of all Hansgrohe corporate divisions.

Product Solutions for More Resource Efficiency
Product development is the fundamental key to our company’s ecological footprint. This determines how many resources are used during the manufacture and use of products. In the light of climate change and the growth of the world population, resource efficiency of products is a decisive factor for the future. Drinking water provision, in particular, is a major challenge. When developing products Hansgrohe has focused for many years on solutions, which use resources sparingly, be it through water saving technology in showerheads and fittings or by saving materials and energy during the production process. Nowadays, products with efficiency technology already make up about 25 per cent of our net total turnover. With the “Smart Water Solutions” business division founded in 2011 product development has been further advanced in the field of environmental and climate protection technology.

Partners in Project Business
In Germany, about a third of resource consumption and CO2 emissions are traced back to buildings. For this reason, certifications for “green” buildings play an increasingly important role and are also further promoted by the EU. As a reliable partner in the field of sustainable building, Hansgrohe provides guidance for eco-friendly products and environmentally friendly manufacturing processes as one of the first manufacturers with an extensive Environmental Product Declaration (EPD) for showerheads and a classification of fittings with the European quality label “Water Efficiency Label” (WELL). As a result, Hansgrohe products are used in countless sustainable building projects throughout the world.

Production Put to the Test
Our integrated management system for environmental, occupational safety and quality guarantees that all ten Hansgrohe production sites are standardised worldwide. The German sites in Schiltach and Offenburg are certified in accordance with ISO 14001 and OHSAS 18001. All national and international production sites are audited in accordance with the ISO 9001 Quality Certifications. Many individual measures for more resource efficiency and recycling have enabled us to increase energy efficiency by ten per cent since 2010. The ideas for this frequently come from Hansgrohe employees themselves: For example, in the plastic injection moulding department 82 tonnes of CO2 emissions per year are now saved due to the thermal insulation of hoses.

Employees in Focus
Social responsibility is as much part of the Hansgrohe philosophy as environmental protection: we consider ourselves part of society and want to contribute actively to its success. This commitment extends from promoting young people in the Hansgrohe “Talent Factory” to a far-reaching programme to maintain employability as well as the support of social and cultural facilities for water-related aid projects all over the world. Hansgrohe devised the “Top Employer Initiative” from the results of an employee survey carried out at our German sites in 2011. Interdisciplinary employee teams develop and realise measures for even more attractive working conditions such as better “work–life balance”.

4
Aims for the Future

With our “Green Company Steering Committee”, composed of all the board members, we created an organisational framework in 2009 to continue advancing sustainable economic activity as a key priority for all business processes within the Hansgrohe Group. In doing so, we set great store by measurable results and realistic assessment. For this reason, we have formulated precise sustainability objectives and anchored these into our business plan. When measurements are taken at the end of 2014, the Group’s CO2 emissions should have been reduced by 20 per cent of the starting values in 2010. Water consumption in the production department should also be reduced by ten per cent. In addition, hazardous waste should be reduced by ten per cent.

Transparency and openness are inextricably linked to a sustainable corporate philosophy. As one of the first companies in the sanitation industry, we have been providing information to our employees, customers, partners and all interested parties in a sustainability report since 2004. Now, for the first time, an extensive report is published, which is based on GRI G3 Guidelines.

Clear examples of the commitment of Hansgrohe SE are provided in the latest “Sustainability – Initiatives for 2012/2013” brochure.

www.hansgrohe.com/sustainability

Siegfried Gänßlen
Chairman of the Management Board

1.2 Effects of Business Activity and Risks and Opportunities

The highest water and energy consumption levels occur when Hansgrohe fittings and showerheads are in use. For this reason, Hansgrohe is developing technology to improve water and energy efficiency such as the EcoSmart and CoolStart technology. But understanding sustainable behaviour goes beyond product development. Society is changing and demands on industrial companies are being redefined all over the world. Focusing consistently on sustainability targets raises countless forward-looking questions that Hansgrohe is dealing with intensively: How can water and energy be used more efficiently in the bathroom to further reduce the CO2 footprint though without limiting comfort? How can products be developed and produced today so they avoid pollution for the next generation and for our environment? What lifestyles characterise our future and how can good design, for example, as universal design, support a sustainable lifestyle? How can the environmental balance of production and logistics processes be further optimised? How can the employability of workers be preserved despite longer working lives and how can occupational safety be further enhanced?

Numerous opportunities have arisen for Hansgrohe from all these issues because the company already leads the way on the path to more sustainability. As a result, Hansgrohe already exceeds many standards for operational environmental protection, occupational safety, health protection and its products. These measures should be further developed along the entire value added chain. Developing sustainable products and processes ultimately leads to analysis of new business models. The intensive discussion about sustainable economic activity opens up new perspectives for the company, as well as its partners, employees and customers.

For the guiding principles of a sustainable company, see

www.hansgrohe.de > Environment and Sustainability > Guiding Principles of the Company
2. Profile of the Organisation

2.1 Name of the Organisation
Hansgrohe SE

2.2 Most Important Brands, Products and Services
Hansgrohe is a manufacturer of fittings, showerheads, complete shower systems, tubs and grey water recycling systems. The products are distributed under four brands.

Within the international network of the Hansgrohe Group, Hansgrohe is the brand that has made a name for itself worldwide as a result of product innovations, quality and functionality in the fields of showerheads and bathroom and kitchen fittings.

Axor is the designer brand of Hansgrohe SE. In line with its motto – “Designer Visions for Your Bathroom” – Axor works with selected designers, architects and interior designers to develop collections offering many different solutions to create your own individual bathroom.

The brand Pharo was created to furnish feel-good bathrooms with premium shower and spa systems, such as the Shower Temple, shower panels, whirlpools and steam showers. Pontos is the specialist for grey water recycling and heat recovery from wastewater. Water and energy consumption can be reduced with the combinable Pontos AquaCycle and Pontos HeatCycle systems developed and manufactured by the brand.

2.3 Organisational Structure
The business divisions of Hansgrohe SE are made up of:
- Controlling & Accounting
- Personnel
- Research & Development
- International Marketing Services
- Corporate Communication
- Logistics
- Information Services
- Business Processes & Customer Logistics
- Purchasing
- Technical Service Center
- Industrial Engineering
- Quality Management
- Production
- Facility Management
- Environment Health & Safety
- Technology Management

Hansgrohe has its own subsidiaries worldwide in 42 countries and across all continents. Production is carried out in six German factories, as well as in France, the Netherlands, the USA and China. With the progressive globalisation of the Hansgrohe Group, competences and services are more strongly aligned to specific local market requirements and processes are increasingly standardised in the individual business divisions.

After Hansgrohe AG became Hansgrohe SE in March 2012, the previous two-tier management model with supervisory board and management board was retained. A European general works council has also been formed.

Members of the Hansgrohe supervisory board are:
- Klaus Grohe (Chairman)
- Lau Frandsen (Deputy Chairman)
- Keith Allman (Group President, Masco Corporation)
- Gerald Volas (Group President, Masco Corporation)
- Stefan Krischak (Elected Employee Representative)
- Barbara Scholl (Elected Employee Representative)

The Hansgrohe board of directors is made up of:
- Siegfried Gänßlen (Chairman)
- Richard Grohe (Deputy Chairman)
- Marc Griggel
- Frank Semling

2.4 Hauptsitz der Organisation
Hansgrohe SE
Auestraße 5-9
77761 Schiltach
Germany
2.5 Countries with Business Activity
Hansgrohe SE has production departments in six German factories, as well as in France, the Netherlands, the USA and China. The Hansgrohe Group has its own subsidiaries in 42 countries around the world. Its products are available in over 130 countries.

2.6 Ownership Structure and Legal Structure
Hansgrohe is a European public limited company [Societas Europaea] which is not listed on the stock exchange. Two main shareholders are involved in the Hansgrohe Group: Klaus Grohe’s family, Schiltach, Germany (32 per cent) and the American Masco Corporation, Taylor, Michigan, USA (68 per cent).

2.7 Markets Served
In its market cultivation Hansgrohe focuses on a three-tier sales channel. The products are distributed via the wholesale trade that in turn sells them to installers. End consumers can find out about the products in various showrooms around the world.
Hansgrohe products are sold in more than 130 countries. The company earns 56 per cent of its overall turnover in Europe and Germany. The emerging markets contribute 35 per cent, 8 per cent is earned in North America and 1 per cent is contributed by all remaining markets.

2.8 Size of the Organisation
In the 2012 reporting period, the import and export turnover of the Hansgrohe Group amounted to over € 805 million (2011: € 764 million). As of 31st December 2012, the company had 3,444 employees worldwide – 173 more than on the previous year’s reporting date.

2.9 Fundamental Changes to the Size, Structure and Ownership Structure
In March 2012, Hansgrohe AG became Hansgrohe SE. The ownership structure remained unchanged.

2.10 Awards received during the Reporting Period
In 2012, Hansgrohe also received a number of awards – mainly in the field of product design. The company celebrated its attainment of two prizes for commitment to the issue of sustainability. In November 2012, Hansgrohe SE received the “Green Controlling Prize” from the Péter Horváth Foundation. The prize has been awarded by the foundation in cooperation with the International Controller Association (ICV) since 2011. It recognises innovative and effective “green” controlling solutions for the management of ecological programmes, projects and measures in companies and public facilities. In December 2012, Prof. Dr. Andreas Fath, the former head chemist at Hansgrohe and current consultant for the company, received the UMSICHT science award, which is awarded each year by the supporting association of the Fraunhofer Institute for Environmental, Safety and Energy Technology. As part of his research work at Hansgrohe SE, Professor Fath developed an automated system to reduce the perfluorinated tensides (PFT) from electroplating wastewater. An electro-chemical process is used here, which mineralises the tensides into hydrogen fluoride, water and carbon dioxide. As a result, there is no residue left in the wastewater. Hansgrohe donated the prize-money to Furtwangen University – specifically to the faculty of mechanical engineering and process technology –, where Professor Fath teaches.
3. Report Parameters

3.1 Reporting Period

The reporting period is 2011 / 2012. For certain indicators, additional information is also provided from previous years to give a better overview of development.

3.2 Publication of the Previous Report

The last Sustainability Report by Hansgrohe SE for 2009 and 2010 was published in 2011. When defining information, this report was based on GRI Standards, but was not yet aiming to achieve any classification.

3.3 Report Cycle

The report was compiled in accordance with the GRI-Index for the first time for 2012. On this basis, the report is to be updated every two years.

3.4 Point of Contact for Questions on the Report and its Content

3.5 Procedure when determining the Report’s Contents

The fundamental topics were identified on the basis of internal analyses and together with external consultants.

3.6 Report Boundaries

In principle, the report relates to the entire Hansgrohe Group. Where reporting is restricted to a particular company division, this is stated clearly and concisely.

3.7 Limitations of the Scope of the Report

There are no significant limitations.

3.8 Basis for Reporting about Joint Ventures, Subsidiaries, etc.

As part of this report, the reporting concerns the entire group.

3.9 Methods of Data Collection and Bases of Calculation

The methods and bases of data collection are summarised in the relevant sections, when necessary and possible.

3.10 New Description of Indicators

This indicator is not relevant. This report is the first to use GRI 3 Standards.

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3.11 Modified Report Parameters
This indicator is not relevant. See 3.10

3.12 GRI Index
This report is structured in accordance with the Guidelines of GRI 3.

3.13 Scope and Foundations of an External Audit of the Report
This report has not been verified externally. GRI has checked whether the requirements of Application Level A have been fulfilled.
4. Corporate Governance, Obligations and Commitment

4.1 Management Structure

As of 31st March 2011, long-standing board members Karl-Heinz Hammann and Otto Schinle left the management board of the company. The previous deputy board members (since June 2010) Marc Griggel and Frank Semling took their places. (For division distribution, see 4.3)

4.2 Independence of the Chairpersons of the Highest Management Body

The executive board is the highest management body. The chairman of the board is Siegfried Gänßlen. Decisions are made on the basis of consensus.

4.3 Number of Independent Members of the Highest Management Body

Four members comprise the management board. Siegfried Gänßlen is the chairman of the board and responsible for the divisions of Corporate Business Development, Controlling and Accounting, as well as Human Resources and Personnel Development. His deputy is Richard Grohe, who is responsible for the divisions of Innovation, Research and Development, Corporate Communications and International Marketing Services. The other members of the management board are Marc Griggel, responsible for Global Production, Industrial Engineering, Quality and Environmental Management and Facility Management, and Frank Semling, who is responsible for the divisions of Supply Chain Management, IS, Business Processes and the Technical Service Center.

4.4 The Right of Employees and Shareholders to a Say

Hansgrohe employees have the opportunity to play a part in the Hansgrohe works council. Two elected employees’ representatives are members of the supervisory board, alongside works council chairman Stefan Krischak and works council member Barbara Scholl.

The main shareholder Masco is represented with two of six members in the Hansgrohe supervisory board: Keith Allman and Gerald Volas, both Group Presidents of the Masco Corporation. The chairman of the supervisory board is Klaus Grohe whose family is also a shareholder.

4.5 Connection between the Remuneration of the Management Board and the Sustainability Performance of the Organisation

The remuneration of the management board has no direct connection with the sustainability performance of the Hansgrohe Group.

4.6 Mechanisms to avoid Conflicts of Interest

The Hansgrohe Group is subject to the regulations of the parent company, Masco, in order to avoid any conflicts of interest. As part of the Masco Business Code, all Hansgrohe employees have access to the regulations about conflicts of interest in the Hansgrohe portal. In addition, management employees and those in management positions regularly receive compulsory training on specialist subjects relating to compliance and ethics through the e-learning system. For example, possible conflicts of interest are stated and regulations defined. These concern regulations on the acceptance of gifts, hospitality, participation in events, possible financial favouring of relatives, handling of information and dealing with competitors, financial auditors, government officials and other officials.

Within the Hansgrohe Group, no crossholding with equitable or voting interest exists with other companies.

4.7 Expertise of the Members of the Highest Management Body in the Divisions of Economy, Environment and Social Affairs

There are no formal qualification requirements here.
4.8 Concepts, Codes of Behaviour and Principles of Sustainability

As a company taking its social and ecological responsibility seriously, Hansgrohe has formulated its own concepts as a basis for the responsible consideration of all staff. More information on the guiding principles of a sustainability company can be found on the Hansgrohe website: www.hansgrohe.de > Environment and Sustainability > Guiding Principles of the Company

The Hansgrohe corporate philosophy is regarded as a “living working paper” discussed each year by a group consisting of management and employees and, if necessary, adapted to the changing societal and economic conditions. Once a year all employees are then invited by their managers to the conference Hansgrohe U’phil-Kaskade to discuss various aspects. Management takes up the suggestions and ideas of its teams in turn as input for the superordinate conference on corporate philosophy. As a global company, Hansgrohe’s corporate philosophy treats the company as an international family, in which all employees have their place and are respected irrespective of their origin, language, race, culture, religion and age. The company and employees attach particular importance to open and fair cooperation, tolerance and the ability to deal with conflict, innovative and creative thinking and an “open door” style of management without any large-scale hierarchies.

4.9 Monitoring Sustainability Performance by the Highest Management Body

The “Green Company” steering committee evaluates the Hansgrohe Group’s sustainability performance. The entire management board and divisional managers meet on a quarterly basis to make operational and strategic decisions in the field of sustainability. At least once a year, the objectives are assessed and the “Green Company” steering committee analyses the current achievement of targets. To further anchor sustainability within the company’s strategic plan, the Sustainability Controlling division was introduced in 2010, which is attached directly to the Chairman of the Board. As a result of its reporting, the management committee can access the data at any time and review and track the progress of projects accordingly.

4.10 Evaluation of the Performance of the Highest Management Body with regard to Sustainability

There is no separate performance evaluation relating to sustainability.

4.11 Consideration of the Precautionary Principle

With its self-determined sustainability objectives and the commitment to sustainability shown as a result, Hansgrohe follows the precautionary principle in accordance with Article 15 of the Rio Declaration. This can be proven by a certified environment and quality management system in the German Hansgrohe sites in Offenburg and Schiltach that will be further supplemented by an energy management system in accordance with ISO 50001 in the future. In terms of products, during the planning and construction phase all the developments undergo a risk analysis that examines possible health and safety aspects for users of the future product.

4.12 External Economic, Ecological and Societal/Social Agreements and Initiatives

In principle, Hansgrohe aligns itself with international standards identified as important in all its business activities and strategic development processes. Rules of conduct are defined through various regulations (for example, the guiding principles of a sustainable company or directives from Masco, the main shareholder). We strive to continually inspect and make further improvements. Hansgrohe has not yet officially adopted external standards, but uses their content to promote the internal improvement process.
4.13 Affiliations with Associations and Special Interest Groups

Hansgrohe SE is a member of various associations and special interest groups which contribute to sustainable development:

- **dib GmbH (forum for ideas management)**
- **IBU (Institute of Construction & Environment)**
- **Industrie Design Forum**
- **VDI Verein Deutscher Ingenieure (Association of German Engineers)**
- **Verband für Sicherheit (safety association)**
- **zukunftsf/Institut GmbH**
- **DGNB (German Sustainable Building Council)**

Among others, Hansgrohe SE is a founding member of the German Sustainable Building Council (DGNB). Intensive networking with architects, specialist engineers, investors, project developers and many others from the value added chain of construction leads to a fruitful exchange about the future of building. With the motto of Sustainability, societal and technical developments on international markets are assessed, new perspectives on old questions are identified and, in particular, pioneering innovations are developed.

**ICV (International Controller Association)**

Siegfried Gänßlen, Hansgrohe Chairman of the Board, holds the office of ICV president. The association has dealt with issues of “green controlling” and “green management tools” for several years. Hansgrohe regularly participates in ICV research groups on sustainable issues. In 2012, Hansgrohe received the “Green Controlling Prize” for its innovative contribution to the further development of green controlling in companies.

4.14 Involved Stakeholder Groups

Hansgrohe’s most important stakeholder groups include customers, employees, suppliers, neighbours, local communities, political organisations, associations, legislative authorities, supervisory bodies, competitors, research institutes, non-governmental organisations and trade unions.

4.15 Foundation for the Selection of Stakeholders

The decisive criterion for the selection or involvement of stakeholders is the economic, ecological or social integration with the groups named in 4.14. It is important to Hansgrohe to recognise developments of stakeholders early on and to allow these to be integrated into the corporate strategy and, as a result, the sustainability strategy.

4.16 Approaches for the Involvement of Stakeholders

The Hansgrohe Group is in dialogue with all stakeholders. However, some of the groups named in 4.14 are currently particularly involved with regard to sustainable objectives.

One example is the questionnaire issued to Hansgrohe employees at German sites in 2011. The management initiated the “Top Employer Initiative” (TEI) project on the basis of these results. Seven project teams developed the suggestions for improvement that were implemented in a number of measures in 2012 and 2013. These include a supervised holiday club to look after children of Hansgrohe employees, the “Home Care & Elder Care” project (a service for relatives) and more flexible working hours. Workshops on issues such as “Management & Cooperation” and “Recognition and Esteem” will further advance this improvement process.

As part of the integration of new suppliers within a Supplier Code aligned to Masco guidelines, all Hansgrohe suppliers are now obliged to provide information about sustainability criteria and their own social and environmental behaviour.
In workshops, information events, the annual Hansgrohe Water Symposia and tours of exhibitions on relevant themes and of the German Hansgrohe factories and the “Our Water” exhibition area at the Hansgrohe Aquademie in Schiltach, interested end consumers and specialists can gain insights into sustainable issues concerning water, as well as the production procedures, products and initiatives for their own sustainable action.

The award of prizes for long-term commitment of Hansgrohe employees or for “green ideas” from up-and-coming designers opens up a platform for the subject of sustainability, as well as regular exchange of expertise with research institutes, architects, facility and hotel managers, bathroom planners and fitters. In the innovation group of the Hansgrohe Customer Club, new product developments are discussed in relation to the needs of the market. The subjects of saving energy and water are the focus here with special emphasis on sustainability.

Another example for the involvement of a stakeholder group is the involvement of Hansgrohe SE in a citizens’ forum, which was started in 2012, due to the planned expansion of the Hansgrohe factory in the industrial area in Elgersweier, Offenburg. The company presented its preliminary plans to Elgersweier citizens and representatives of the town and local communities and found a mutual solution after several round table discussions with all parties involved. A development of the factory, planned from 2014, is designed to use the land in such a way that the new building will put less strain on the greenbelt between the industrial and residential area. In addition, Hansgrohe has promised to support the creation of compensating areas where nature can flourish.

The Hansgrohe quality laboratory works together with manufacturers of bathroom cleaning agents. A test procedure developed by Hansgrohe helps to determine whether cleaning detergents will attack the different materials of the fittings and showerheads. Cleaning product manufacturers have the chance to submit their products to Hansgrohe for testing and to have “Recommended by Hansgrohe” printed on the label, if they are proven to be harmless. This procedure helps to support the durability of our products.

4.17 Dealing with Questions and Concerns from our Stakeholders

The dialogue with our stakeholders has an influence on the long-term strategy of Hansgrohe, for example, in terms of developing the resources of gentler products (see PR section) and on the acceptance of social responsibility, even outside our own factory gates (see SO section). This can be seen by the implementation of a sustainability strategy that takes into consideration ecological, economic and social factors and determines specific milestones. Requirements emerge from our exchanges with customers; for example, in the innovation group of the Customer Club, in the further development of water-saving and energy-saving products, and in research projects in the “Smart Water Solutions” division. Important requirements for the design of the working environment arose from the 2011 employee survey.

For further aspects, see also 4.16
Economy

Management Approach

2012 confirmed that fluctuations are now a normal part of economic activity. Different growth rates can also occur within a single industrial area. Costs for raw materials and energy have also increased substantially. Key drivers of strategic success with a positive impact in this context on the economic development of the Hansgrohe Group are its distinct innovative strength in technology, design and sustainability, the specific globalisation of market development and systematic and continually driven efficiency enhancement and process optimisation. In 2012, this contributed to Hansgrohe being largely independent of short-term economic fluctuations in individual markets, and its ability to rapidly adjust to changing conditions in an increasingly volatile environment. At the same time, above average flexibility developed over recent years, a consistent approach to planning scenarios and mainly flexible cost structures have made it possible to react quickly and flexibly to positive and negative changes in trends.

EC 1 Direct Economic Value Generated and Distributed

In 2012, the company achieved a new record for turnover. With a gain of 5.4 per cent, the transaction volume climbed by € 41 million, exceeding the € 800 million marker for the first time since the company’s foundation. In 2012, import and export turnover amounted to over € 805 million (2011: € 764 million). All distribution channels contributed to the growth in turnover. Materials costs amounted to € 350 million, with a further € 178 million spent on personnel costs. Other operating expenses amounted to € 188 million. At 14.3 per cent, the EBIT margin was at a constant high.

EC 2 Financial Implications of Climate Change

Hansgrohe observes the consequences of climate change and the regulations brought in as a result in great detail. Legal guidelines concerning climate protection are complied with, but play no major role for the business activities of Hansgrohe and represent no particular risk. Increasing energy prices are monitored intensively. Through intelligent energy management and new technology in the various factories, we try to produce our products in an eco-friendly manner. Eco aspects are also incorporated into the product development stage to offer customers water-saving and therefore energy-saving products.

In the risk report of the World Economic Forum 2013, the future water supply is determined as one of the greatest social risks against the background of climate change and the increasing world population. Both the quality and quantity of the available drinking water are the focus here.

As a company, whose products have a direct influence on the use of drinking water, Hansgrohe develops solutions to use water efficiently and to preserve water quality for users. With EcoSmart, AirPower and CoolStart, technology is used for the fittings and showerheads, which limits the flow, or helps to reduce hot water consumption and therefore energy consumption. Today, the share of sales for products that are economical in their use of resources is already 25 per cent.

The risks, which arise for the global Hansgrohe sites, are dependent on country-specific conditions. It is not possible to quantify these exactly. Hansgrohe is directly affected by increases in material and energy costs. The “Hansgrohe Plus 21” programme, which began in 2001, achieved efficiency increases of € 21 million in 2012, which helps Hansgrohe in the long term to compensate for price increases through internal improvements.

In the same way, the laws and regulations both at European and international levels influence Hansgrohe’s economic activity. As a result of its proactive approach, such as the “Green Company” steering committee, the Hansgrohe Group is in a position to react in good time to changing conditions.

The risk management procedure ensures that company opportunities and risks are monitored and evaluated. It is not possible to make a quantitative statement about the financial consequences of climate change.
EC 3 Coverage of the Organisation’s defined Benefit Plan Obligations

It is only possible to make a full statement about the organisation’s defined benefit plan obligations for the company’s German sites. Benefit plan obligations at foreign sites are based on the relevant country’s practices.

In 2012, Hansgrohe paid its employees in Germany a profit share of € 2.11 million (2011: € 1.6 million). Every year at Christmas, employees also have the chance to choose one of a variety of gifts.

All Hansgrohe employees are entitled to claim a free Jobticket for journeys to the workplace. In 2012, 959 employees took advantage of the Hansgrohe Jobticket. In addition, the company paid a fixed amount to transport associations, plus the payment of tax on monetary benefits. Food in the canteens at both the Schiltach and Offenburg factories (operated by Aramark) is subsidised with a fixed amount. The company also covers all the costs to ensure smooth running and infrastructure of the canteen’s services.

According to specific criteria, all employees at the two German Hansgrohe sites are eligible for an employer-financed pension plan. Depending on income, the company finances pension benefit services, which can result in an old-age pension, early retirement fund, survivor’s pension or invalid’s pension for the employee or surviving dependent when benefits become due.

As part of the labour agreement with IG Metall, with which Hansgrohe is affiliated, full-time employees are entitled to a subsidy of € 26.59 per month (€ 13.29 for apprentices) as a tax-free retirement bonus to employees for capital accumulation purposes (AVWL).

Hansgrohe provides further services to its employees in Germany to ensure a better work–life balance. For example, parents can register their children in the holiday club schemes during the Easter and summer holidays. The personnel department together with the service provider pmé Familienservice has been providing telephone and personal consultation on the issues of childcare, homecare and care of elderly people since the beginning of 2013, including provision of care solutions for children and dependents in need of care. Part of the next report will definitely include how this service is being received.

A central part of the Hansgrohe sustainability strategy is the company’s health management system. Fitness and health weeks, free health checks, series of events on various topical themes, Hansgrohe health courses and workplace massages are services provided to our employees at the German sites. The health management system is divided into three fields of duties. Firstly, a healthy environment should be created within the company, for example, in the production department where heavy manual work must be frequently performed. Secondly, it is important to promote the health-conscious behaviour of our employees, for example, with presentations about nutrition or non-smoking seminars. And thirdly, the company wants to maintain fitness for work and employability with specific measures and services – from yoga and Nordic walking to flu vaccinations and workplace massages.

Against the background of demographic change, Hansgrohe initiated the “MUMM” project (“Joining in and getting motivated”) back in 2004. Together with employees aged 50 and above, focus points were set: “Maintaining and Strengthening Employability” and “Work-Life Balance” as well as flexible working hours and work management (sabbaticals, special bonuses paid as overtime, flexible break times, etc.) and further education for older employees (e.g. learning specially tailored for older staff members). The over-50s have the chance to switch from shift work when they begin to feel increasingly under strain, and knowledge transfer between the generations is encouraged in shared training sequences and “age tandems”.

A health manager, employed exclusively at Hansgrohe, carries out the training in all divisions and for all age groups, so that employees become aware of the risks of posture-related complaints and can rectify these. They also learn about the theory and practice of maintaining and increasing their well-being through exercise and healthy eating.

A special service has existed for junior Hansgrohe staff since 2008. Entitled “HansFit”, modules have been integrated into the apprenticeship, in which health-conscious living and working are the focus. Focal points here are “Movement and Ergonomics”, “Starting Work”, the right nutrition on the job, work–life balance and addiction prevention. In discussions with police experts and a visit to a clinic, apprentices are shown the fatal consequences that drugs and a non-attentive attitude to your own body can have. On the other hand, world champion javelin thrower Christina Obergföll and world triathlon champion Daniel Unger – professional athletes sponsored by Hansgrohe – demonstrate benefits of a healthy lifestyle. They give regular speeches and hold training sessions for apprentices at Hansgrohe.
EC 4 Financial Government Assistance
Within the reporting period, there were very few state subsidies for the employment of workers with severe physical impairments or for the adjustment of workplaces for the reintegration of employees with a reduced capacity to work. Hansgrohe received a subsidy of € 150,000 from the Baden-Württemberg Ministry of the Environment up to the end of 2011 for the pilot project to reduce perfluorinated tensides from electroplating wastewater that began in 2009.

EC 5 Entry Level Wage compared to Local Minimum Wage
The Hansgrohe Group is not bound to an industry-specific minimum wage in Germany. Employee payment is in accordance with the collective agreements of the metal and electrical industries. To pay appropriate and fair wages on an international level as well, regular salary studies are made in the relevant countries.

EC 6 Business Policy, Practices and Proportion of Expenditure for Local Suppliers
The selection of suppliers and procurement management focus on criteria such as cost aspects, deadline targets and delivery reliability. In addition, the commitment of suppliers to sustainability is also queried. Hansgrohe does not offer local suppliers special privileges, but works to a certain degree with regional suppliers at our individual sites.

EC 7 Procedures of Local Hiring and Proportion of Local Employees in Management Positions
When hiring employees, for Hansgrohe, the relevant applicant profile is a crucial aspect. Due to evolved structures, both regional employees and employees, who move to Hansgrohe from further afield, are represented in all levels of the company. Thanks to the specific measures of personnel development, management positions are largely to be filled from within the company’s ranks.

EC 8 Development and Impact of Investments in Welfare
Due to the continuous dialogue with representatives from the local communities, Hansgrohe tries to recognise the requirements in the various regions and to support them to a certain degree. Local nurseries and primary schools were provided with teaching materials and boxes of experimentation equipment. Trainers from the Hansgrohe “Talent Factory” visit primary and secondary schools to motivate the children and young people about technology and provide information about training options. The student “Water Workshop” event offers participating students from the technical faculties of regional universities insights into technology and research areas and possible career paths. In the reporting period, Hansgrohe SE donated a total of € 25,760 in the form of financial help and product donations (2011: € 24,045).

A donation of € 5,000 provided a meteorological station for integrated water resource management in the north of Namibia. This station was set up on the Oshakati University campus near Ongwediva and is integrated into the university’s research and teaching activities. However, the wider population will also benefit from the meteorological station thanks to the optimisation of water resource management by better use of rain forecasts and associated reports on flood levels. Another project in Namibia in 2012 was the support of the “Awareness Rising Day”. For each entry on the Donations Wall of the Hansgrohe Facebook page, the company donated 5 Namibian Dollars (approx. 0.50 Euro) to a school project for sustainable water management in the north of Namibia. Schoolchildren learn here about the significance and opportunities of the sustainable use of water in this arid region. The children then pass on this knowledge about water to their families.
EC 9 Indirect Economic Impacts

A total of 3,444 employees worked for the Hansgrohe Group worldwide in 2012. In comparison to the previous year, this is an increase of 173 employees or about 5 per cent. As a result, Hansgrohe is one of the largest employers at its German sites and an important taxpayer for the local government authorities. The company is also one of the major training companies in Schiltach and in the Kinzigtal region. With an apprenticeship quota of 6.2 per cent, Hansgrohe is clearly above the federal average for the metal-working industry. A former furniture store in Schiltach, which was vacant for a considerable time, was converted into a new training centre, the Hansgrohe “Talent Factory”, providing the company and town with a pioneering solution that increases the value of the city’s infrastructure. In general, building measures, such as the renovation of the energy facilities at the Schiltach headquarters, have positive economic developments for the construction and trade companies commissioned with the work. Many new developments for more efficient production processes require cooperation with specialist companies from the field of engineering and mechanical engineering. With Hansgrohe as the project partner, interesting economic perspectives are also created for these companies.

The Hansgrohe Aquademie, the visitor and seminar centre with associated Museum for Bathroom Culture and changing exhibits, is an important factor in the tourism infrastructure for Schiltach and the region. The number of visitors increased from about 37,000 in 2010 to about 50,000 in 2012. The high number of guests travelling to Schiltach from all over the world is economically important for the restaurant and hotel business located around Schiltach. Many events taking place over the course of the year also have a positive economic effect for local transportation providers and catering companies. Freight traffic coordinated at the logistics centre in Offenburg has considerable economic effects on logistics and transport providers. The total freight expenditure during both 2011 and 2012 ran into double-digit million figures.
Environmental Protection

Management Approach

The Hansgrohe Group can look back on many years of “green” corporate history and also takes its responsibility seriously in the field of environment protection. The company has employed an environmental officer since the early 1990s. The German Hansgrohe sites in Schiltach and Offenburg have ISO 14001 certification for environmental management since 2009. The responsible use of resources and sustainable handling of water are the main approaches of the environmental measures of the Hansgrohe Group. In 2010, Hansgrohe implemented ambitious sustainability targets as part of the development of an integrated management system for the environment, occupational safety and quality management. The “Green Company” steering committee formulated strategic sustainability goals as part of the business plan. When measurements are taken at the end of 2014, the Group’s CO2 emissions should have been reduced by 20 per cent of the starting values in 2010. Water consumption in the production department should also be reduced by ten per cent. In addition, hazardous waste should be reduced by ten per cent.

To reduce energy consumption, the “Energy Transition” working group was started and includes members of the Industrial Engineering, Facility Management, EHS and Controlling divisions. Each working group member is assigned to a specific aspect of technology. The working group, which meets every six weeks, initially analysed all energy consumers in the factories. Eight production divisions account for almost 75 per cent of energy consumption. Primarily, these are production plants, which have a major impact on CO2 levels, predominantly the spraying of plastic parts, casing of blank brass fittings, chrome plating of showerheads and fittings and grinding and polishing fittings. The working group has nominated a manager for each of these sectors. Their task is to identify and implement specific saving opportunities. Countless projects have already been implemented. These include the replacement of old compressors (savings of 116 tonnes CO2), thermal insulation of plastic injection moulding machinery (saving 87 tonnes CO2) and a new photovoltaic system at the Schiltach Aue factory (saving 28 tonnes CO2). In future, the working group will merge all initiatives under the umbrella of an extensive energy management system in accordance with ISO 50.001. This will result in major improvements. Energy measurements will be recorded and evaluated even more systematically than before. In addition, all the relevant departments will receive their own key figures to promote more precise management of their energy consumption.

EN 1 Materials used

The most important materials used by the Hansgrohe Group are metals, plastics and chemicals. Metals and plastics are mainly used for the manufacturing of washbasin fittings or showerhead base plates. Chemicals are mainly used within the galvanisation process to coat the surfaces of brass and plastic base plates.

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metals</td>
<td>2,924 tonnes</td>
<td>3,042 tonnes</td>
<td>3,237 tonnes</td>
</tr>
<tr>
<td>Plastics</td>
<td>2,224 tonnes</td>
<td>2,384 tonnes</td>
<td>2,301 tonnes</td>
</tr>
<tr>
<td>Chemicals</td>
<td>1,499 tonnes</td>
<td>1,384 tonnes</td>
<td>1,281 tonnes</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,647 tonnes</strong></td>
<td><strong>6,811 tonnes</strong></td>
<td><strong>6,818 tonnes</strong></td>
</tr>
</tbody>
</table>

EN 2 Percentage of Materials used that are Recycled

As part of the moulding procedure of fittings, sprues occur, which are sawn off after the moulded body has cooled and reintroduced directly into the moulding process to some degree.
EN 3 Direct Energy Consumption

At the Hansgrohe Group production sites, natural gas and heating oil are used as the primary energy resources. Natural gas and heating oil are mainly used to heat buildings meaning that direct energy consumption of the Hansgrohe Group is heavily dependent on the external temperatures at that time. For example, in 2012, the outside temperatures at the German sites were considerably lower than the previous year, which explains a rise in the direct energy consumption. From 2013, the gas and heating oil consumption for the German sites will be simplified so that usage figures will become more meaningful in the future. In the longer term, we endeavour to simplify the gas and heating oil consumption of all production sites.

<table>
<thead>
<tr>
<th>Year</th>
<th>Gas Consumption 2010</th>
<th>Gas Consumption 2011</th>
<th>Gas Consumption 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>22,668,409 kWh</td>
<td>20,545,977 kWh</td>
<td>21,344,352 kWh</td>
</tr>
<tr>
<td>China</td>
<td>214,308 kWh</td>
<td>140,668 kWh</td>
<td>348,335 kWh</td>
</tr>
<tr>
<td>USA</td>
<td>2,715,407 kWh</td>
<td>1,074,431 kWh</td>
<td>1,458,506 kWh</td>
</tr>
<tr>
<td>France</td>
<td>515,009 kWh</td>
<td>551,847 kWh</td>
<td>888,921 kWh</td>
</tr>
<tr>
<td>Netherlands</td>
<td>379,728 kWh</td>
<td>379,728 kWh</td>
<td>465,505 kWh</td>
</tr>
<tr>
<td>Total</td>
<td>26,492,861 kWh</td>
<td>22,692,651 kWh</td>
<td>24,505,619 kWh</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Heating Oil Consumption 2010</th>
<th>Heating Oil Consumption 2011</th>
<th>Heating Oil Consumption 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>925,700 kWh</td>
<td>870,968 kWh</td>
<td>676,062 kWh</td>
</tr>
</tbody>
</table>

The Hansgrohe Group has operated photovoltaic systems with a capacity of almost 200 kW at the Offenburg site since the beginning of the 1990s and since 2012 in Schiltach. The company itself uses the majority of the energy generated here.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Offenburg</td>
<td>114,494 kWh</td>
<td>117,126 kWh</td>
<td>134,962 kWh</td>
</tr>
<tr>
<td>Schiltach</td>
<td>0 kWh</td>
<td>0 kWh</td>
<td>32,542 kWh</td>
</tr>
<tr>
<td>Total</td>
<td>114,494 kWh</td>
<td>117,126 kWh</td>
<td>167,504 kWh</td>
</tr>
</tbody>
</table>

EN 4 Indirect Energy Consumption

With about 53 GWh, electricity consumption in 2012 was about 2.5 per cent above that of the previous year and represents the greatest environmental impact of the Hansgrohe Group. The higher consumption can be attributed to an increase in production and the products produced. In relation to the tonnage of commercial products produced, energy efficiency could be increased by about 10 per cent.

<table>
<thead>
<tr>
<th>Year</th>
<th>Strom Consumption 2010</th>
<th>Strom Consumption 2011</th>
<th>Strom Consumption 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>33,827,951 kWh</td>
<td>35,566,637 kWh</td>
<td>36,251,935 kWh</td>
</tr>
<tr>
<td>China</td>
<td>10,051,020 kWh</td>
<td>10,863,835 kWh</td>
<td>11,429,250 kWh</td>
</tr>
<tr>
<td>USA</td>
<td>3,999,466 kWh</td>
<td>4,332,931 kWh</td>
<td>4,249,298 kWh</td>
</tr>
<tr>
<td>France</td>
<td>657,038 kWh</td>
<td>747,548 kWh</td>
<td>926,174 kWh</td>
</tr>
<tr>
<td>Netherlands</td>
<td>347,681 kWh</td>
<td>336,818 kWh</td>
<td>303,283 kWh</td>
</tr>
<tr>
<td>Total</td>
<td>48,883,156 kWh</td>
<td>51,847,769 kWh</td>
<td>53,159,940 kWh</td>
</tr>
</tbody>
</table>
EN 5 Energy Savings

Hansgrohe focuses its energy management measures on three main pillars: saving energy, increasing energy efficiency and using regenerative energies. In the last few years, the focus has been on saving energy and improving the energy efficiency of existing and new production plants. Since 2001, the +21 database has been used at Hansgrohe to improve efficiency. This database was expanded in such a way in 2010 that energy savings can be proven. Since then, a total of 54 projects have been recorded with which Hansgrohe can save more than 2,000,000 kWh of direct and indirect energy. The savings are shown once a year. The savings have not been updated for future years. Hansgrohe only calculates the potential once and does not accumulate this.

Difficulties mainly arise in projects relating to buildings insulation. Realistic identification of saved energy is difficult to achieve. In future, the gas consumption of the factories should be adjusted for temperature in order to indicate the efficiency of insulation measures. Since 2010, using these measures Hansgrohe has managed to increase its energy efficiency by 10 per cent.

The introduction of an energy management system is planned in 2014 to further improve energy efficiency.

EN 6 Energy-Efficient Products and Services

Climate protection is among societal requirements gaining significance on most markets. The Hansgrohe Group is developing a multitude of products with water-saving functions for growing customer requirements in this sector. These can reduce energy consumption and CO2 emissions in two ways: due to the lower hot water requirement, less energy is needed for showering and hand-washing. The energy requirement for the preparation, transportation and distribution of drinking water is also reduced. This scope of influence concerns all brands: Hansgrohe, Axor and Pharo offer water-saving fittings and showerheads, while Pontos provides water recycling systems. As the life span of all products is very long, the CO2 savings mount up considerably.

A sophisticated flow restrictor, special jet nozzles and the addition of air – in short: Hansgrohe EcoSmart technology – ensures that water consumption can be limited to up to six litres / minute, while the high level of comfort remains the same. As a result of up to 60 per cent lower consumption in comparison to conventional showerheads, the main saving is hot water along with energy – a daily contribution to the reduction of CO2. Since 2010, with a newly developed aerator on the outlet washbasin, the fittings have been limited to a standard flow of about five litres per minute. This is about 30 per cent less than previously. During the reporting period, Hansgrohe further expanded its range of water-saving and energy-saving EcoSmart products. The company explains the connection between saving water and climate protection for its customers in a number of marketing tools, giving the fitters clear arguments in favour of using more efficient bathroom products.

The Hansgrohe CoolStart technology, which available for the majority of fittings since 2012, shows how resources can be preserved with simple, but impressive ideas. With conventional washbasin fittings, mixed water is automatically drawn from the middle position of the fitting. With CoolStart, only cold water is available from the neutral, middle position. As a result, the pipe system is no longer unnecessarily filled with hot water and boilers and circulating pumps do not have to start up especially. In this way and through lower hot water consumption, the energy demand and CO2 emissions are reduced.

Thanks to its special construction, the washbasin mixer of the new Axor Starck Organic bathroom collection can be moulded with about a third less brass – and consequently far lower energy consumption -- than a conventionally produced model. Decoupled water circuits inside the fitting prevent direct contact between the water and the body of the fitting. Sustainable, responsible handling of water and energy make the efficient shower-like jet with its low water flow of just 3.5 litres/minute and separate control of water and temperature possible.

In Germany, about a third of resource consumption and CO2 emissions can be traced back to buildings. For this reason, certifications for sustainable buildings play an increasingly important role, in the hotel industry as well. A setscrew in the certification process can be the optimisation of water and energy consumption. At the end of 2011, Hansgrohe discovered a sizeable potential to make savings in a study together with the University of Offenburg and the hotel resorts in Europa-Park, Germany’s largest leisure park in Rust near Freiburg. The water and energy consumption of a hotel equipped with water saving products was compared with two other, largely comparable hotels of the Europa-Park resort, to determine the savings potential. With water-saving EcoSmart products, overall water consumption per overnight stay could be reduced by about one third (32 per cent). At the same time, power was saved that would normally be used to heat water.
On the basis of the study, Hansgrohe developed an “EcoSmart Check Pack” for the hotel industry that helps to determine the individual water consumption and energy savings potential. www.pro.hansgrohe.de/ecosmart-check

An online savings calculator shows potential savings for all consumers. www.hansgrohe.de/sparrechner

**EN 7 Initiatives to reduce Indirect Energy Consumption**

As well as the efficiency enhancing measures explained in EN5, the Hansgrohe Group is also interested in keeping overall energy use for manufactured products as low as possible from the word “Go”. The new Axor Starck Organic mixer is an example of this. The hollow structure of the body can save a third of materials used, thus improving the energy balance in the production process.

The Hansgrohe travel policy holds employees to using public transport if this is economically possible; otherwise, company vehicles can be used.

Due to the relevant IT solutions, Hansgrohe employees have the opportunity of exchanging information with international colleagues and external persons via web conferences to reduce any unnecessary travel expenditure.

The Hansgrohe Jobticket should motivate employees to switch from private vehicles to public transport. A total of 959 employees from the factories in Schiltach and Offenburg-Elgersweier use a Jobticket.

Further savings from the logistics and supply chain sector can be found in Indicator EN29.

**EN 8 Total Water Consumption, Classified by Source**

The Hansgrohe Group mainly uses water from the public network. In addition, very small quantities of well water are used which are negligible due to the proportions.

Almost 70 per cent of water used at the German sites is needed for the R&D laboratory and galvanisation process. The remaining 30 per cent is used for cooling purposes or aside from the production processes.

Since 2010, the Hansgrohe Group has been able to reduce absolute water consumption by almost 13 per cent as a result of a variety of measures. In terms of the quantity of sales products produced, a 20 per cent reduction in water consumption was achieved.

<table>
<thead>
<tr>
<th>Year</th>
<th>Water</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>124,782 m³</td>
<td>116,723 m³</td>
<td>115,339 m³</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>56,698 m³</td>
<td>48,855 m³</td>
<td>41,618 m³</td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>5,833 m³</td>
<td>8,394 m³</td>
<td>7,326 m³</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>662 m³</td>
<td>378 m³</td>
<td>1,032 m³</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>588 m³</td>
<td>588 m³</td>
<td>392 m³</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>188,563 m³</td>
<td>174,938 m³</td>
<td>165,707 m³</td>
<td></td>
</tr>
</tbody>
</table>

As well as the test facilities (Hansgrohe laboratory), galvanisation processes are especially intensive in terms of use. Even if the Hansgrohe Group already achieved its objective of reducing water consumption by ten per cent between 2010 and 2015, we are continually working on optimising processes, in which this valuable resource has an influence.
EN 9 Water Sources affected by Withdrawal of Water

During the reporting period, no fundamental withdrawal from sensitive water sources has taken place.

EN 10 Recycled and Reused Water

As previously mentioned in EN8, two processes cause the majority of water consumption within the Hansgrohe Group. Over the last few years, substantial investment was made, especially in the field of galvanisation, in order to constantly minimise water requirements. Various filter techniques and an ion exchanger system, among others, are used to extend the service life of galvanisation baths. A longer lifespan of the baths equates to lower overall water demand as well as water demand per product. Furthermore, by logically positioning several galvanisation basins in a cascade form, water consumption is considerably reduced when rinsing the galvanised parts. Presently, it is not possible for us to quantify the savings generated by these measures, as there are no measuring devices attached to the systems.

EN 11 Use of Space in Conservation Areas

The industrial area in Offenburg – Elgersweier is located within a Level 3b water protection area. Hansgrohe Group’s Offenburg production site is located within this protection area. There is no reason to believe that Hansgrohe endangers this area.

EN 12 Impacts on Biodiversity in Protected Areas

The production, products and services of the Hansgrohe Group are harmless for protection areas or areas with a high degree of biodiversity. As a result, the Hansgrohe Group does not consider this indicator to be significant.

EN 13 Protected or Restored Natural Habitats

The production, products and services of the Hansgrohe Group are harmless for protection areas or areas with a high degree of biodiversity. As a result, the Hansgrohe Group does not consider this indicator to be significant.

EN 14 Strategies and Management of Effects on Biodiversity

The production, products and services of the Hansgrohe Group are harmless for protection areas or areas with a high degree of biodiversity. As a result, the Hansgrohe Group does not consider this indicator to be significant.

EN 15 Endangered Species with Habitats in Areas affected by Operations

The production, products and services of the Hansgrohe Group are harmless for protection areas or areas with a high degree of biodiversity. Species on the IUCN Red List are not at risk. As a result, the Hansgrohe Group does not consider this indicator to be significant.

EN 16 Direct and Indirect Greenhouse Gas Emissions

The total CO2 emissions from indirect and direct energy have risen by 12,000 tonnes within three years. One of the reasons for this was the growth in production, as well as the CO2 emission factor of the related power mix increasing from 0.25 g/kWh in 2010 to 0.48 g/kWh in 2012. This can be predominantly attributed to energy policy changes in Germany. Due to these changed conditions, Hansgrohe will re-focus on dealing with the used energy in the future. In terms of the objective of saving 20 per cent CO2 by 2015, Hansgrohe had achieved a value of seven per cent by 2012. The basis for this calculation is the emission factor from 2010.

Within the same period, Hansgrohe was able to increase its energy efficiency (used energy in relation to the yielded tonnage of sales volume) by about 10 per cent. Hansgrohe is currently introducing an energy management system in accordance with ISO 50001 to continue to use energy more efficiently.
## Direct CO₂ Emissions

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>4,582 tonnes</td>
<td>4,153 tonnes</td>
<td>4,314 tonnes</td>
</tr>
<tr>
<td>China</td>
<td>43 tonnes</td>
<td>28 tonnes</td>
<td>70 tonnes</td>
</tr>
<tr>
<td>USA</td>
<td>549 tonnes</td>
<td>217 tonnes</td>
<td>295 tonnes</td>
</tr>
<tr>
<td>France</td>
<td>104 tonnes</td>
<td>111 tonnes</td>
<td>180 tonnes</td>
</tr>
<tr>
<td>Netherlands</td>
<td>77 tonnes</td>
<td>77 tonnes</td>
<td>94 tonnes</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,355 tonnes</strong></td>
<td><strong>4,587 tonnes</strong></td>
<td><strong>4,953 tonnes</strong></td>
</tr>
</tbody>
</table>

## Indirect CO₂ Emissions from Electricity Purchases

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>8,457 tonnes</td>
<td>11,132 tonnes</td>
<td>17,437 tonnes</td>
</tr>
<tr>
<td>China</td>
<td>7,920 tonnes</td>
<td>8,561 tonnes</td>
<td>9,006 tonnes</td>
</tr>
<tr>
<td>USA</td>
<td>2,703 tonnes</td>
<td>2,929 tonnes</td>
<td>2,872 tonnes</td>
</tr>
<tr>
<td>France</td>
<td>60 tonnes</td>
<td>68 tonnes</td>
<td>84 tonnes</td>
</tr>
<tr>
<td>Netherlands</td>
<td>134 tonnes</td>
<td>130 tonnes</td>
<td>117 tonnes</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19,275 tonnes</strong></td>
<td><strong>22,820 tonnes</strong></td>
<td><strong>29,517 tonnes</strong></td>
</tr>
</tbody>
</table>

**EN 17 Other Relevant Greenhouse Gas Emissions**

No other relevant greenhouse gases are emitted within the Hansgrohe Group. There is no quantitative evaluation along the entire delivery chain.

**EN 18 Initiatives to Reduce Greenhouse Gas Emissions and Reductions Achieved**

See Indicator EN5.

**EN 19 Emissions of Ozone-Depleting Substances**

No other ozone-depleting substances are emitted within the production process of the Hansgrohe Group. Ozone-depleting substances are also not emitted within the usage phase of the products. There is no quantitative evaluation along the entire delivery chain.

**EN 20 NOₓ, SO₂ and other Significant Air Emissions**

Nitrogen oxide is emitted during the galvanisation process. The emitted nitrogen oxides are cleaned using an exhaust fan. Regular checks of the system and measurements of waste air take place that show values are considerably below the legally determined threshold values. The emission of nitrogen oxide is very low and is not considered significant.

System and measurements of waste air take place that show values are considerably below the legally determined threshold values.
EN 21 Total Wastewater Discharge

During the reporting period, no unplanned discharge of wastewater took place. In principle, the planned wastewater discharge conforms to the related water quantity of the local facilities (see Point EN8). The wastewater discharge quantity is lower as a result of process-related evaporation.

As mentioned previously in EN8, the research and development laboratory and the galvanisation plant are the main water consumers. The water in the R&D laboratory is mainly used for testing the products and discharged directly into the local wastewater network. The water from the galvanisation processes is treated in-house and only discharged into the local wastewater network after careful inspection.

EN 22 Total Weight of Waste by Type and Method of Disposal

In 2012, a total of 5,417 tonnes of waste was created. Of this, 1,552 tonnes was hazardous waste and 3,865 tonnes was non-hazardous waste. Approx. 85 per cent of the waste generated could be recycled at the German production sites.

<table>
<thead>
<tr>
<th>Year</th>
<th>Waste 2010</th>
<th>Waste 2011</th>
<th>Waste 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazardous</td>
<td>1,747 tonnes</td>
<td>1,471 tonnes</td>
<td>1,552 tonnes</td>
</tr>
<tr>
<td>Non-hazardous</td>
<td>4,095 tonnes</td>
<td>4,108 tonnes</td>
<td>3,865 tonnes</td>
</tr>
<tr>
<td>Total</td>
<td>5,841 tonnes</td>
<td>5,579 tonnes</td>
<td>5,417 tonnes</td>
</tr>
</tbody>
</table>

EN 23 Total Number and Volume of Significant Spills of Hazardous Substances

No significant spillage of hazardous substances occurred during the reporting period.

EN 24 Transported, Imported, Exported or Treated Hazardous Waste

The total volume of waste (see EN22) of the Hansgrohe production sites is disposed of within the country of origin by a waste disposal company. No waste is transported beyond the country’s boundaries.

EN 25 Water Bodies and Related Natural Habitats affected by Wastewater Discharge

During the reporting period, no significant unplanned or planned wastewater discharge into water bodies or related natural habitats occurred within the Hansgrohe Group.

EN 26 Initiatives to reduce Environmental Impacts of Products and Services

The environmental impacts of a product can be influenced as early as the development phase. A life cycle assessment carried out in 2011 for various Hansgrohe showerheads showed that about 25 litres of water are needed for production and disposal of a showerhead. The required water volume during the usage phase is considerably more than that of the production and disposal process. For this reason, it is important to provide products with water-saving functions.

Further information on energy-efficient products can be found in Indicator EN6.

As well as the focus on the water consumption of products, the materials and chemicals used in the production process also play a decisive role in the environmental impact of products. We strive to achieve a constant reduction in the hazardous substances used through measures of the HSE teams represented at the production sites. For example, the quantity of hazardous substances used in Germany has been reduced by about 17 per cent since 2010.

Furthermore, an extensive product risk analysis is carried out. More information about product responsibility can be found in Indicator PR1.
EN 27 Percentage of Products sold, for which the Packaging Materials are reclaimed

Hansgrohe is obligated to participate in the take-back system in all countries in which its packaging material is put into circulation. There is currently no quantitative evaluation of this data.

EN 28 Fines and Non-Monetary Sanctions for Non-Compliance with Environmental Laws and Regulations

There were no infringements against the environmental laws and regulations during the reporting period.

EN 29 Environmental Impacts of Transporting Products, Materials and Employees

In 2012, a total of 10,198 tonnes of CO2 were emitted through the entire logistics process.

Factors particularly influencing CO2 emission are the efficiency of packaging, the utilisation of containers and the type of delivery method selected. In 2012, various projects were initiated to optimise the entire logistics process. A considerable reduction in the volume of cargo was achieved, through packaging optimisations among other things. Packaging materials could be saved and the utilisation of freight containers was also increased. Together with other measures initiated in 2013 the annual freight volume can be reduced by 90 containers and about 400 tonnes of CO2 can be saved.

<table>
<thead>
<tr>
<th>CO₂ Emissions in Logistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>Air freight</td>
</tr>
<tr>
<td>Road freight</td>
</tr>
<tr>
<td>Sea freight</td>
</tr>
<tr>
<td>KEP</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

EN 30 Expenditure and Investments for Environmental Protection

In 2012, investments of almost € 0.5 million were made to optimise plant equipment and procure more energy-efficient plant technology. Costs of almost € 0.8 million arose at the German production sites for the disposal of waste and the waste management system.
Work Experience Placements and Decent Job Conditions

Management Approach

The head of the personnel department, who answers directly to the CEO, is responsible for work experience placements within the Hansgrohe Group. “Growing together with our employees, not at their cost”, is the motto of the Hansgrohe Group. Committed and motivated employees living the value-based tradition of the family-oriented Hansgrohe Group act as ambassadors of the company and are a key component for successful, sustainable business activities.

The company and workforce are already facing challenges due to demographic change. Programmes for life-long learning and sustainable employment tackle this issue. Another change to the working world has arisen due to the increasing globalisation of the Hansgrohe Group. Both the employee qualification requirements and qualities of the employer are changing.

On the basis of an employee survey carried out in 2011, the company management board and works council initiated the “Top Employer Initiative” project. A total of seven project teams deal with issues such as “family and work”, “career prospects”, “management and cooperation” and “the working environment”. The establishment of a holiday club for children of Hansgrohe employees, the development of a “Home Care & Elder Care” service (a service for carer relatives) and more flexible working hours were some of the first measures initiated by the company in 2012.

Hansgrohe also takes its responsibility seriously as one of the leading training companies in the region in which young people can choose from a range of more than 25 trades. With an apprenticeship quota of 6.2 per cent, the company is clearly above the federal average for the metal-working industry. As well as opportunities to work abroad, social competence, presentation skills, ICT knowledge and healthcare issues are dealt with in the diverse apprenticeship curriculum. In 2012, a total of 137 apprentices were employed in 26 professions at the Hansgrohe sites in Germany. The creation of the Hansgrohe “Talent Factory” means that the headquarters in Schiltach have now benefitted from a modern training centre with the latest technology since 2012.

As a company with SME structures and mind-sets, Hansgrohe can individually adapt to the needs of its employees and illustrate specific career paths. Whether for apprentices, career entrants, trainees, specialists or management – the continual development of employees is a top priority at Hansgrohe. The personnel development department plans individually tailored development measures in cooperation with employees and their managers. Whether the focus is talent management, trainee programmes, management development or target group specific qualifications – the company invests in the future of its employees. Depending on the objective, internal / external training and support measures can be dedicated to professional training. In addition, Hansgrohe focuses on recruiting management from within the company. Accordingly, people of high potential are identified and supported within the company ranks. The “Hansgrohe Business School” and “New to the Managerial Role” training programmes are used for this purpose. In total, Hansgrohe employees at the German sites received an average of 1.6 training days in 2012 (2011: 1.4 days / employee). International employees take advantage of the training held at the Schiltach headquarters, such as the INIT, International Introduction Week, competence training on marketing, project management and project business issues as well as an international talent programme.

Traditionally, Hansgrohe employees at the German sites are given a share in the company’s success each year. In 2012, a record bonus totalling € 2.11 million was paid.
LA 1 Total Workforce by Employment Contract and Region

A total of 3,444 employees worked for the Hansgrohe Group worldwide in 2012. In comparison to the previous year, this is an increase of 173 employees or about five per cent. 2,178 people were employed within Hansgrohe SE and the Hansgrohe Deutschland distribution company. This means almost 63 per cent of employees were working within Germany. The majority of employees work in production areas (58 per cent), followed by management, marketing, distribution and research and development. The proportion of female employees in Germany was 40.1 per cent in 2012 (2011: 39.5 per cent). 132 young people were employed as apprentices at the beginning of the training year in September (2011: 137). This results in an apprenticeship quota of 6.2 per cent. (2011: 7.2 per cent), meaning Hansgrohe is far above the industry average in Germany.

<table>
<thead>
<tr>
<th>Total Workforce</th>
<th>2012</th>
<th>Proportion in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>2,778</td>
<td>80.7%</td>
</tr>
<tr>
<td>America</td>
<td>231</td>
<td>6.7%</td>
</tr>
<tr>
<td>Asia</td>
<td>377</td>
<td>10.9%</td>
</tr>
<tr>
<td>Africa</td>
<td>55</td>
<td>1.6%</td>
</tr>
<tr>
<td>Australia</td>
<td>3</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,444</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

LA 2 Workforce Fluctuation

Traditionally, employee fluctuation within the Hansgrohe Group is low. For example, it was 2.2 per cent in Germany in 2012, making it 1.2 per cent lower than in the previous year. The fluctuation rate is calculated as the number of people leaving the company times 100 in relation to the average personnel level including natural employee turnover. For example, people with termination agreements, temporary contracts or those retiring are not taken into consideration. The international fluctuation rate could not be universally calculated in 2011 and is therefore not shown. No universal information is available for the site in China for the reporting period. The Hansgrohe Group aims to be able to publish the fluctuation rates of all international production companies in the next report.

<table>
<thead>
<tr>
<th>Employee Fluctuation (Germany and International Production Sites)</th>
<th>Year</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>2.20%</td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>3.30%</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>3.52%</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>1.40%</td>
<td></td>
</tr>
</tbody>
</table>

LA 3 Benefits only provided to Full-Time Employees

In principle, all employees of the Hansgrohe Group are afforded the same benefits – whether they are full-time or part-time. For employees with temporary contracts, different agreements are in place, for example, with regard to the company pension.

Presently, this statement only concerns the German sites of the Hansgrohe Group. We plan to conduct a survey of all sites for the next report.
LA 5 Notice Periods regarding Significant Operational Changes

The notice periods at the German sites are regulated both by law (Betriebsverfassungsgesetz – German Works Council Constitution Act) and by collective bargaining agreements. However, the Hansgrohe Group also provides the workforce with good notice of significant operational changes at sites where there are no legally prescribed notice periods. As well as regular works meetings and open “Dialogue with the Management Board” talks, the Hansgrohe intranet and “Hansgrohe Info” employee newsletter are available as means of communication.

LA 6 Percentage of Workforce represented in Health and Safety Committees

Each of the Hansgrohe Group production sites has at least one person responsible for the field of Health, Safety, Environment (HSE) who deals with issues of occupational health and safety for the relevant factory and is responsible for the inspection of and compliance with local HSE regulations. This HSE manager represents all production site employees for occupational health and safety. Almost 80 per cent of the total workforce is represented at the production sites.

The organisation of the HSE team within the company’s American subsidiary can be taken as an example. In total, there are three committees dealing with strategic and operational issues. This includes definitions of HSE objectives and measures, their continual monitoring, the rapid exposure and rectification of occupational safety risks and specific project-related activities. During their annual training all employees are given information about safety-relevant issues. Depending on their employment, this training is carried out either in online or group training sessions.

LA 7 Injuries, Occupational Diseases, Absences and Total Work-Related Deaths

The 3.6 per cent lost time rate due to sickness or injury of the Hansgrohe Group was slightly above the previous year’s total of 3.4 per cent. The rate is calculated by working out the ratio of paid sick days to actual planned workdays. Unpaid sick, working and commuting accidents, treatment measures and rehabilitation are not taken into account.

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accidents</td>
<td>35</td>
<td>32</td>
<td>37</td>
</tr>
<tr>
<td>LTIR</td>
<td>1.21</td>
<td>1.05</td>
<td>1.22</td>
</tr>
</tbody>
</table>

In the reporting year 2012, a total of 37 “Lost Time Injury Rate”-relevant (LTIR) accidents were recorded at Hansgrohe production sites. The LTIR of 1.22 was higher than the previous year’s rate of 1.05. One reason for this was the recruitment of a large number of new employees at the Offenburg site who took time to establish a routine for their workflows after their induction and training. To calculate the LTIR, only accidents that lead to at least one last working day are taken into consideration. The goal is to reduce the LTIR to less than 1.0 by 2015. There were no deaths within the reporting period.
LA 8 Health Care and Counselling

In principle, there are no activities within the Hansgrohe Group that present a particularly high risk of becoming seriously ill or that frequently lead to cases of illness.

To encourage the health and well-being of our employees, the Hansgrohe Group has implemented a series of measures.

- More than 30 fitness and prevention courses were offered at Hansgrohe sites in Schiltach and Offenburg as part of the company’s health management scheme in the reporting year. The in-house fitness and health test centre is available to all employees for their independent training and relaxation in the sauna or showers. 39 employees took up the offer to have an individual training plan created and to receive an induction into the fitness equipment by the on-site health manager.

- 58 employees participated in the flu vaccination programme offered by Hansgrohe at its German sites.

- 131 people donated blood at a blood donation campaign held in cooperation with the German Red Cross at the German sites.

- Occupational healthcare was expanded with a change to the in-house medical services. A new health centre was built in the west factory in Schiltach. In the Offenburg factory, the company doctor has independent premises available.

- More than 120 employees have taken advantage of medical travel advice as part of two campaign days.

- Ergonomic consultations have taken place continually. As well as countless consultations in the production department, 28 consultations were taken in the office. Some of the consultations were accompanied by complementary ergonomic training. In work groups with employees and the industrial engineering department, production workplaces are being optimised with regard to ergonomics and designed to be age-appropriate.

LA 9 Health and Safety Agreements with Trade Unions

A high health and safety standard is a fixed component of the quality and risk management system at all Hansgrohe sites. The company works with the authorities, trade unions and professional unions to adapt to each specific country. The local representatives for the Health, Safety, Environment department ensure that all legal occupational safety regulations are complied with, see LA6.

LA 10 Further Training and Education Measures

In light of the emerging shortage of skilled workers as a result of demographic development, the Hansgrohe Group understands that targeted personnel development and systematic talent management are significant strategic factors for success. Another important aspect here is the further training and education of employees.

In 2012, a total of 131 apprentices were employed in 26 different professions. This corresponds to an apprenticeship quota of 6.2 per cent, making it clearly above the average for the metal-working industry in Germany (5 per cent).

The further training of employees is encouraged through various internal programmes. Talent is encouraged and prepared for management functions through the “Hansgrohe Business School”, the “International Talent Programme” and the “New to the Managerial Role” programme.
LA 11 Skills Management and Lifelong Learning

The Hansgrohe Group recognised the demographic development discussed in LA10 early on and set up programmes for lifelong learning and sustainable employment. The personnel department records the development needs of all employees using strategic personnel planning, regardless of their age. Measures are then implemented specifically, on a demand basis and relating to the target group or theme.

In 2004, the MUMM (“Joining in and getting motivated”) programme was started that ensures the employability of our employees. The focus here is on integrating the 50+ generation into business processes. MUMM has now become a fixed component of the corporate philosophy of Hansgrohe and is promoted with the support of the entire workforce and management team. The Hansgrohe Group was awarded the “AARP International Innovative Employer Award” in Brussels in 2010 for the implementation of the programme.

Furthermore, the Hansgrohe Group is also committed to reintegrating employees with a reduced capacity to work as part of the FILM programme (internal project to encourage and reintegrate staff with impaired abilities).

To retain knowledge within the company, early on individual cases are identified for the mutual exchange of expertise between older and younger employees with timely planning for training a successor so there is a shared transition and handover period. Furthermore, an agreement is made with some older employees who are retiring that they will return temporarily or for specific tasks or projects. As part of our succession planning process, a concept will be developed by the end of 2013 that deals with aspects in these areas.

LA 12 Employee Performance and Career Development Reviews

All employees, who are employed through collective bargaining agreements, receive an annual performance review on which their performance-related pay (governed by a collective bargaining agreement) is based. The performance evaluation is carried out with the employee’s line manager. During this evaluation, current performance is assessed and targets and measures are specified to achieve goals. Apprentices receive regular performance evaluations as part of their training plan.

LA 13 Diversity in the Workforce and Governance Bodies

Age structure, gender distribution and the number of regions from which employees come are an indicator of the diversity of employees within the Hansgrohe Group.

In the reporting year, the Hansgrohe Group employed people from more than 30 nations. The proportion of women in management positions is currently about 12 per cent. There is still plenty of scope for action here. However, from the company’s point of view, an enforced quota of women would be the wrong path to take. Like their male colleagues, female employees must be prepared for a career move in a performance-based process. Hansgrohe is handling this issue proactively. For example, the quota of women in Hansgrohe trainee development programmes, which prepare talented employees for upcoming management functions, is already 30 per cent.

The Hansgrohe Group is also committed to ensuring diversity in the workforce outside the factory. For example, Hansgrohe trainers frequently attend technology lessons to encourage female school leavers to pursue technical professions.

LA 14 Ratio of Basic Salary of Men to Women

Almost two thirds of all employees within the Hansgrohe Group are employed through collective bargaining agreements. The collective bargaining agreements specify remuneration in accordance with various pay grades to ensure that men and women are treated equally. Fair and equal remuneration of men and women is the norm at Hansgrohe. Salaries are based on an employee’s performance or the level of responsibility in the relevant position. The relevant information will be collected from all Hansgrohe Group sites for the next report.
Human Rights

Management Approach

Responsibility for human rights issues at Hansgrohe is shared by the Human Resources department, Risk Management division and the legal department of the majority shareholder Masco that Hansgrohe depends upon.

The Hansgrohe Group supports and respects compliance with international human rights in all aspects. The company is committed to being an exemplary, reliable and fair business partner and employer. This principle is anchored as a central theme of Hansgrohe’s corporate philosophy. In addition, the Code of Business Ethics of parent company Masco stipulates the relevant guidelines and ensures that Hansgrohe is not involved in any infringements of human rights during its business activities.

In the Masco framework contract for suppliers and the SBPP [Supplier Business Practices Policy], agreements are made with suppliers with regard to compliance with human rights, see HR2.

HR 1 Inspection of Investment Agreements for Human Rights Aspects and Clauses

Compliance with international human rights is a matter of course for the Hansgrohe Group. No investment agreements are critical in terms of human rights aspects. The framework conditions explained in HR2 apply for our suppliers.

HR 2 Inspection of Suppliers for Human Rights Aspects

The “Masco Corporation Regulations for Business Methods of Suppliers” are a fixed component of all framework delivery contracts of the Hansgrohe Group. These regulations are also a component when acquiring and approving a supplier and have been agreed previously with the top 100 suppliers. This corresponds to about 90 per cent of our entire purchasing volume. In countries, which are rated rather critically, further inspection of suppliers for compliance with the guidelines is carried out on-site by our majority shareholder, the Masco Corp. The guidelines for our suppliers can be seen at http://masco.com/our-suppliers/.

HR 3 Employee Training on Human Rights

The “Guiding Principles of a Sustainable Company” of the Hansgrohe Group and the ethics guidelines of parent company Masco are accessible to all employees via the intranet. As part of general training, employees are sensitised to the issue of human rights.

HR 4 Incidents of Discrimination and Actions Taken

The Code of Business Ethics of shareholder Masco (http://masco.com/about/corporate-governance/) also covers the exclusion of all discrimination. Decisions about the selection, place of employment and remuneration of employees in the company are made exclusively on the basis of qualifications and work performance. Hansgrohe employees have the opportunity to report any infringements of these rules via an “Ethics Hotline”. As part of general training, employees are sensitised to the issue of discrimination. No incidents of discrimination are known to Hansgrohe during the reporting period.

HR 5 Business Activities identified where Freedom of Association or the Right to Collective Negotiations could be jeopardised

All Hansgrohe employees are free to join trade unions, associations and organisations at any time. The rights to freedom of association or collective negotiations are not restricted.
HR 6 Business Activities identified as having a Risk of Child Labour

The exposure of the Hansgrohe Group to child labour is considered low due to the industry and the countries, in which business activities are carried out, as well as the high quality requirements. In its "Guiding Principles of a Sustainable Company", the Hansgrohe Group declares itself categorically against child labour. Suppliers of the Hansgrohe Group are questioned regarding this, see HR2.

HR 7 Business Activities identified as having a Risk for Incidents of Forced or Compulsory Labour

The exposure of the Hansgrohe Group to forced or compulsory labour is considered low due to the industry and the countries, in which business activities are carried out, as well as the high quality requirements. In its "Guiding Principles of a Sustainable Company", the Hansgrohe Group declares itself categorically against forced or compulsory labour. Suppliers of the Hansgrohe Group are questioned regarding this, see HR2.

HR 8 Human Rights Training of Security Personnel

The Hansgrohe Group is not dependent at any of its international sites on special safety precautions to avoid the risk of human rights infringements. For this reason, this Indicator is considered irrelevant for the business activities of the Hansgrohe Group.

HR 9 Violations involving Rights of Indigenous People

The Hansgrohe Group does not have a subsidiary in any relevant regions.
Society

Management Approach

In terms of its business activities, Hansgrohe SE wants to be a role model for ethical, environmentally-friendly and socially responsible economic activity. The Code of Business Ethics of shareholder Masco [http://masco.com/about/corporate-governance/] highlights the principles and guidelines for the scope of action. The Masco legal department is available for any issues of social responsibility. All employees are encouraged in regular training sessions to report any illegal, unethical or other dubious actions. This can also take place through the Ethics Hotline.

Proper behaviour and the fair treatment of employees and customers are significant components in the corporate culture. Both internally and externally, the basis is an open, transparent and fair dialogue in order to include the suggestions and requirements of stakeholders. The behaviour of the company and its employees as per the Business Ethics guidelines prohibit any form of corruption. Globally fair competitive conduct is an important principle of the company.

SO 1 Effects of Business Activities on Communities or Regions

In principle, the potential for conflict with the local communities is considered to be low. One example of the exemplary handling of the neighbourhood’s concerns is the process of our planned factory expansion in Offenburg and the citizens’ initiative that resulted from it. As part of public opinion forums and an inspection of new premises, transparent decision-making processes and extensive information of all parties involved were achieved, see 4.16.

After significant changes and on a rotation of three years, Hansgrohe provides the residents of local communities with information about safety measures and how to deal correctly with any operational disruptions as part of the Hazardous Incident Ordinance (12th regulation of the Federal Immission Control Act). LA 7

SO 2 Business Units which have been investigated for Corruption Risks

Internal training about various issues is provided for Hansgrohe employees. This must be completed every year (see SO3). Inspection of the individual business units occurs during the management audit.

The “Masco Corporation Regulations about Business Methods of Suppliers” and the “Masco Supplier Business Practice Policy” apply for our suppliers (see HR2).

SO 3 Employee Training in Anti-Corruption

All management and administration employees undergo training each year on the following issues:
- Masco Ethics
- EU Competition Law
- Antitrust
- EU Data Protection
- Financial Integrity
- Anti-Bribery

Employees are obliged to complete the training within a certain amount of time via an online portal.

In the run-up to the bi-annual ISH sanitation trade fair, a Masco in-house lawyer is in charge of training about legal issues on behalf of Hansgrohe. This is available for all employees who will work at the trade fair.
SO 4 Incidences of Corruption and Measures Taken

There were no incidences of corruption during the reporting period.

SO 5 Political Positions and Participation in forming of Political Will and Lobbying

The company acts in an apolitical way and does not participate in lobbying. However, Hansgrohe gives an opinion of political decisions if the company or its employees are significantly affected by this.

SO 6 Contributions to Parties and Politicians

Hansgrohe does not donate to parties, individual politicians or people who are applying for a political position.

SO 7 Legal Actions for Anti-Competitive Behaviour

No legal action was taken against Hansgrohe due to anti-competitive behaviour during the reporting period.

SO 8 Fines for Non-Compliance with Laws and Regulations

There were no significant fines due to non-compliance with laws and regulations during the reporting period.
Product Responsibility

Management Approach

As a fundamental part of the quality philosophy, the product engineering process at Hansgrohe is continually accompanied by analyses and optimisations concerning product safety and quality, guaranteeing that all standards and legal regulations are complied with. Many products are also inspected by external licensing offices. During the development phase, research, technology and product management teams work with an FMEA, a Failure Mode and Effects Analysis, which is designed to preclude any quality risks in the development and production phase and during use by the consumer. This interlocking quality and risk management is used to fulfil customer demands for functionality, reliability and application safety to the highest standard possible.

The international Hansgrohe production sites are certified in accordance with ISO 9001 for quality management. Through the systematic documentation of processes and continual product inspections, we guarantee conformity of Hansgrohe products. Methodical training helps employees to solve difficult tasks in the production environment. Within the Hansgrohe production system, methods such as Lean Management, continual improvement process projects and Six Sigma are used to sustainably reduce and avoid process variation and errors.

The sub-departments of the Technical Service Centre (TSC) accompany the market launch of Hansgrohe products: in extensive field tests with customers and in the limescale laboratory, products are tested in practice before their market launch. Prototype tests, international product releases, product audits, database analyses and risk analyses take place during the application technology process.

Technical consultation and complaints are dealt with by the top-class service of the TSC. Errors are analysed and sustainable solutions are sought. Hansgrohe voluntarily offers consumers a manufacturer’s guarantee of five years. Since July 2012, the company has also increased the replacement parts availability guarantee from 10 to 15 years.

Through e-learning and training about Hansgrohe products, employees are encouraged to foster quality awareness and a quality culture. For example, a basic course on sanitation and technology and Hansgrohe products is provided to all new employees as part of their induction programme. An extensive training programme is also supplied for tradesmen all over the world.

Hansgrohe goes a step further when it comes to the subject of product responsibility. A frequent cause for complaints is incorrectly cleaned products. Together with manufacturers from the cleaning agent industry, Hansgrohe developed tests for cleaning detergents and gives cleaning recommendations to ensure products have a long life span. See also 4.16

Another example of the cross-division service is the extensive function tests of more than 2000 combinations of Hansgrohe fittings and washbasins of established manufacturers. The clearance between the fitting and washbasins is investigated here, together with the spray function so that we can provide customers with recommendations for the right combinations.

See www.hansgrohe-int.com > Planning > Which mixer goes with which wash basin

PR 1 Life Cycle Stages in which Health and Safety Impacts of Products are assessed

All products of the Hansgrohe Group represent very little risk in terms of health and safety for customers when properly installed and used. During the planning and development phase, all products undergo a risk analysis, in which the products are examined with regard to the relevant health and safety aspects.

The EHS team [EU Chemicals Regulation REACh] tests the chemicals used in production. Hansgrohe is intent on continually reducing the use of hazardous chemicals, thus reducing the environmental impact of products.

PR 2 Non-Compliance of Regulations concerning Health and Product Safety

An extensive risk analysis for Hansgrohe products forms the basis for safe installation, commissioning and use. During the reporting period, there were no convictions or warnings about infringements on conditions relating to product safety and health protection.
PR 3 Legal Obligations to provide Information about Products and Services

The assembly instructions of all Hansgrohe products contain information for the correct installation, safe cleaning industry, correct cleaning and proper usage.

The European “Water Efficiency Label” (WELL) seal of quality provides information about the water and energy efficiency of sanitary products. Hansgrohe is one of the first manufacturers to have its fittings and showerheads audited. The European valve association (EUtiled Valves) conducts the “Water Efficiency Label” certification procedures. Class A indicates the most efficient use of resources. The flow rate and water temperature is evaluated for the audited fittings and showerheads. The WELL label differentiates between the private sector (efficiency class A to D) and the public and commercial sector (efficiency class A to F).

Fittings from the Metris, Talis and Focus ranges are WELL-certified Hansgrohe washbasin mixer taps for the private sector with the best grades of WELL-class A****. Certifications of building materials and fixtures are becoming increasingly important in public buildings and hotels. Water and energy saving potentials are under increasing scrutiny. In the public sector, the electronic mixer taps of the Metris S, Talis and Focus ranges received the best mark of WELL-class A******. Hansgrohe is also the first manufacturer to have submitted a showerhead for WELL certification. Among the showerheads, the Crometta 85 and Croma 100 series received WELL-class A** (maximum of two stars was possible).

PR 4 Non-Compliance with Legal and Voluntary Obligations to provide Information about Products and Services

There were no infringements with regard to information obligations during the reporting period.

PR 5 Surveys of Customer Satisfaction

Customer satisfaction is an important aspect for the economic success of the Hansgrohe Group. As Hansgrohe is bound to a three-tier distribution channel in many countries, customers must be differentiated into two categories: the group of wholesale and retail traders and processors (for example, architects and technicians) and the group of end consumers.

Feedback from both groups is important, but must be considered and handled separately.

Hansgrohe uses the feedback from various customers and incorporates it into the development of its products. One example of this is the iClub customer club for technicians in Germany, in which seminars and events concerning Hansgrohe products are offered. This official framework is also frequently used to conduct surveys and collect opinions. If these actions are carried out early in the production development process, there is the opportunity to incorporate the findings into the product development procedure. A number of projects have already been generated from the iClub. These include the “ProMarketing” platform, which offers a series of professional marketing tools for trade customers.

We have now created the opportunity to seek direct feedback from our end consumers within the Hansgrohe Aquademie, our visitor centre in Schiltach. Visitors can give their opinions about products or Hansgrohe at several terminals located throughout the Aquademie.

The most important tools for recording customer satisfaction are the sales representatives of the Hansgrohe Group. Via direct contact and systematic customer relationship management, they ensure the maintenance and development of customer loyalty and collect feedback through direct personal contact.

Currently, no systematic evaluation is available of all the activities that can give a quantitative statement about customer satisfaction.

PR 6 Adherence to Laws concerning Advertising

The Hansgrohe Group’s advertising complies with all legal regulations. This is ensured by the legal counsel of our majority shareholder, the Masco Corp.

We do not distribute any products whose sale in certain markets is prohibited or which are the object of public disputes.
PR 7 Non-Compliance with Legal and Voluntary Regulations concerning Advertising

There were no infringements with regard to advertising during the reporting period.

PR 8 Justified Data Protection Complaints

One justified complaint from a third party arose during the reporting period. However, there were no losses or theft of customer data. There were no complaints from regulatory bodies.

PR 9 Significant Fines due to Infringements against Legal Regulations concerning the Acquisition and Use of Products

There were no infringements against legal regulations and no fines with regards to the acquisition and use of Hansgrohe products during the reporting period.
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<td>2.4 Headquarters of the Organisation</td>
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<td>All indicators identified as material for the Hansgrohe Group were mentioned in the GRI report.</td>
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**Economy**

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<td>Im GRI Bericht wurden die für die Hansgrohe Gruppe wesentlichen Informationen genannt.</td>
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**Environmental Protection**

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<td>EN 1</td>
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<td>Within the analysis of materiality we identified metals, plastics and chemicals as the most important materials used by the Hansgrohe Group.</td>
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<tr>
<td>EN 2</td>
<td>Percentage of Materials used that are Recycled</td>
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<td>Currently we are not able to give quantitative information due to missing measuring systems.</td>
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<td>EN 3</td>
<td>Direct Energy Consumption</td>
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<td>Currently we are reporting our direct energy consumption in kWh. The energy consumption in Joule will probably be available in our report in 2015.</td>
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<td>EN 4</td>
<td>Indirect Energy Consumption</td>
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<td>Currently we are reporting our indirect energy consumption in kWh. The energy consumption in Joule will probably be available in our report in 2015.</td>
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<td>Currently we are not able to categorize our waste. A categorization will probably be available in our report in 2015.</td>
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<td>EN 27 Percentage of Products sold, for which the Packaging Materials are reclaimed</td>
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<td><em>Aktuell liegen hierzu keine durchgehenden Auswertungen vor.</em></td>
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<td>EN 28 Fines and Non-Monetary Sanctions for Non-Compliance with Environmental Laws and Regulations</td>
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<td>A more detailed categorization will be given in our report in 2015.</td>
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<td>The workforce fluctuation is currently not available for all production plants. We plan to make the information available for all production plants in our report in 2015.</td>
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<tr>
<td>With the mentioned activities the Hansgrohe Group ensures the notification of the employees regarding significant operational changes.</td>
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<td>Within the analysis of materiality the lost time injury rate was identified as material. This indicator is used in the internal steering process regarding the safety at work.</td>
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<tr>
<td>A categorization has not been identified as material. The further training of employees is focused on the needs of the employees.</td>
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