

Hansgrohe Group

2017/18
SUSTAINABILITY REPORT

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Foreword



Hans Jürgen Kalmbach

Chairman of the Executive Board, Hansgrohe SE

DEAR READERS,

We understand sustainability to mean dealing responsibly with people and resources. Since we were founded in 1901 in Schiltach, right in the heart of the Black Forest, we have been working and acting in harmony with the environment. Our business activities have always obliged us to be mindful, and to save and preserve resources. And this is how we act – out a sense of conviction.

Given that acting sustainably is becoming increasingly important in our society and for our customers, we want to focus more on what has been our hallmark ever since 1901: long-term thinking, from which a deep sense of responsibility for the environment and people originates. This has made our company's success possible and should guide us into the future. We will set ourselves ambitious goals, live our values and make them felt beyond the boundaries of the company. We want to be both a role model and benchmark. This is our aim.

We are confident that we will win over all our employees with this approach. After all, people – with their wishes and needs – are the focus of our company as well. Anyone who enthusiastically works on making the most sustainable moments with water even better rightly expects their company to contribute to a future worth living in.

What we are doing to achieve this is described in this Sustainability Report. It is the starting point for more visible commitment. I would like to thank all those who contributed to it.

Schiltach, September 2019

A handwritten signature in blue ink that reads "H. J. Kalmbach".

Hans Jürgen Kalmbach

Chairman of the Executive Board, Hansgrohe SE

Company Profile

ABOUT THE HANSGROHE GROUP

Hansgrohe SE and its subsidiaries (hereinafter collectively referred to as the "Hansgrohe Group") are among the world's leading manufacturers in the sanitary sector. The company's headquarters are in Schiltach in the Black Forest. Under the AXOR and hansgrohe brands, the company provides high-quality showers, shower systems, bathroom and kitchen faucets, as well as kitchen sinks.

In the 2018 financial year, the Hansgrohe Group generated turnover of 1,081 billion euros (2017: 1,065 billion euros). Around 23 percent were generated in the home market of Germany, while foreign markets accounted for around 77 percent. In China, we achieved respectable growth of around 17 percent year on year with currency-adjusted turnover of 150 million euros.

The Hansgrohe Group employs 4,687 people¹ worldwide (2017: 4,525), around 61 percent of them in Germany. Here the company has two production plants: Schiltach and Offenburg. The Willstätt branch was also added in the reporting period. There are also plants in France, the US and China. Customers of the Hansgrohe Group can now purchase products in over 140 countries.

More information can be found in the latest Annual Report 

¹ Figure excludes temporary employees

² Cut-off date December 31, 2018

THE HANSGROHE GROUP IN NUMBERS



OUR BRANDS



OUR PRODUCTION SITES ARE IN THESE COUNTRIES



TURNOVER OF HANSGROHE GROUP



THE HANSGROHE GROUP WORLDWIDE



LEGAL FORM AND OWNERSHIP STRUCTURE

A total of five Executive Board members manage Hansgrohe SE. Each of them has his own clearly defined sphere of responsibility. They also represent the company externally. Hans Jürgen Kalmbach has been Chairman of the Executive Board since August 1, 2018.

The US American Masco Corporation, based in Livonia (Michigan), USA, is the majority shareholder of Hansgrohe SE. The American company currently holds 68 percent of Hansgrohe SE shares. With more than 20 companies, Masco is one of the world’s largest suppliers of branded products for the home construction and DIY markets. The company has held a stake in Hansgrohe SE since 1985.

Within its holding company, the Klaus Grohe family, Schiltach, owns 32 percent of the shares of Hansgrohe SE.

MEMBERS OF THE SUPERVISORY BOARD

Chairman of the Supervisory Board	Klaus F. Jaenecke
Deputy Chairman of the Executive Board/ Group President, Masco Corporation	Richard O’Reagan
President and CEO, Masco Corporation	Keith Allman
Member of the Supervisory Board, Verwaltungs- und Beteiligungs-GmbH Syngroh	Richard Grohe
Elected Employee Representative	Stefan Krischak
Elected Employee Representative	Jürgen Nähr

MEMBERS OF THE EXECUTIVE BOARD

Positions of the Executive Board with effect until October 31, 2019.

Chairman of the Executive Board	Hans Jürgen Kalmbach
Chief Financial Officer/ Deputy Chairman of the Executive Board	Reinhard Mayer
Chief Distribution Officer	Christophe Gourlan
Chief Technology Officer	Frank Schnatz
Chief Digital Officer/ Labor Director	Frank Semling



The Executive Board of the Hansgrohe Group (above, f. left t. right: H.J. Kalmbach (Chairman), R. Mayer (Deputy Chairman), below, f. left t. right: C. Gourlan, F. Semling)

1 Company Management

THINKING AHEAD

At the Hansgrohe Group, the inventive company from the Black Forest, sustainability as a long-term way of operations and daily responsibility for employees and the environment is a lived, even self-evident attitude that shapes the company's quest for innovation, design and quality.

Today, the Hansgrohe Group is a company that is embracing change, growing organically and standing for sustainable added value.



VALUE CREATION

As a company rooted in the Black Forest, the Hansgrohe Group makes a significant contribution to maintaining regional structures. Our international orientation on value creation secures jobs worldwide.

OUR BUSINESS

Founded as a family business, today we are an international corporation and one of the leading manufacturers in the sanitary industry. People across the world trust our brands AXOR and hansgrohe.

The Hansgrohe Group has been synonymous with innovation, design and quality for 118 years. Our spirit of innovation has shaped the company's long history – from inventions like the first hand-held shower with different jet types and the first pull-out kitchen faucet to the first shower bar.

In 2018, the most important product categories by turnover included bathroom faucets, showers and shower systems. With them, we create inspiring and sustainable experiences with water for customers around the world.

MARKET PRESENCE AND GROWTH

The Hansgrohe Group is a reliable partner for its customers, with 33 companies, 22 sales offices and sales in over 140 countries. Its focus markets are Germany, China, France, the US and the United Kingdom. We use different sales channels, including wholesale and retail, as well as installers. Global project business plays an important role. With our own production sites in Germany, France, China and the US, we can rely on an international production network. Since 2018 the two largest German production sites have been supported by the recently established satellite plant in Willstätt.

	2016	2017	2018
Production sites	5 ¹	5	6
Metric tons of products supplied	24,320	24,682	23,682
Companies	34	34	33
Sales ² (€ billion)	1,029 ³	1,076	1,081
Employees ⁴	4,082 ⁵	4,525	4,687

FUTURE FOR THE REGION

The Hansgrohe Group is growing – and thus also its need for greater capacity. In September 2018, hose production and subsequently shower bar assembly, was relocated from Offenburg to Willstätt. With an additional 8,000 square meters of production space, the company is investing in its satellite plant and further committing itself to the region. About 90 employees work at the new plant. Thanks to teamwork in all areas, the relocation went smoothly.

The latest Annual Report provides more information on the directly generated and distributed business value 

¹The figure is not comparable with the prior-year report, as the figure was adjusted by the head office.

²Annual statement according to US GAAP

³The figure is not comparable with the prior-year report, as the 2016 Annual Report is stated retrospectively in accordance with US GAAP.

⁴Figure does not include temporary employees

⁵The figure is not comparable with the prior-year report, as the number of employees is reported here excluding temporary employees.

THE HANSGROHE GROUP VALUE CHAIN



VALUES AND INTEGRITY

Our daily actions are shaped by the values that we have defined as core success factors: innovation, design and quality.

OUR VALUES

PASSION: We are proud to be part of Hansgrohe and pursue our work with passion and enthusiasm. Our extraordinary passion for water, innovation and design helps us to create exceptional products. We inspire our customers, partners and each other.

APPRECIATION: We are respectful and fair to each other and give constructive feedback. We state our opinions and acknowledge the actions and achievements of others. This creates the basis of our teamwork and mutual trust.

TEAM-WORK: We approach each other openly and show mutual interest; we "give" and "take". Together we challenge and support one another. As teams we develop innovative and excellent solutions that reflect the sum of our ideas. We are proud of our achievements and are ready to actively take on the opportunities and challenges of the future.

TRUST: We do what we say and carry out decisions together. With our reliable and professional behaviour, we establish mutual trust and empowerment, which encourage us to act independently.

EMBODYING LEADERSHIP WORLDWIDE

As an international company, the Hansgrohe Group today faces more serious challenges than ever before. Our stakeholders justifiably expect us to behave flawlessly wherever we operate. In order to ensure ethical behaviour in our day-to-day work, our management principles offer orientation. At the same time, we see leadership principles as a yardstick for checking where we stand and where to adjust, if necessary.

Our [Code of Ethics](#) documents the values, principles and standards of conduct that are binding for all employees worldwide. We completely forbid illegal or unethical actions – even if they have a positive impact on our business or speed up results. Any violations are recorded, investigated and prosecuted.



“COOPERATION IS BASED ON TRUST AND APPRECIATION: THAT IS HOW WE ACT AT HANSGROHE. VALUES THAT ALL OUR EMPLOYEES LIVE BY, BECAUSE WE ARE ONLY SUCCESSFUL AS A TEAM. TOGETHER, WE PASSIONATELY SHAPE THE PRESENT AND FUTURE OF OUR COMPANY – FOR SUSTAINABLE AND STEADY GROWTH.”

Hans Jürgen Kalmbach, Chairman of the Executive Board Hansgrohe SE

SHAPING THE COMPLIANCE CULTURE

We pay great care to comply with and, where possible, exceed legal regulations and other requirements applicable to us. In 2018, we began setting up a compliance management system based on the ISO 19600 standard, which will be integrated into existing management system approaches. Implementation will be completed in 2019.

We have combined risk management and compliance in a single department, which is organizationally integrated in the finance department. Due to the diversity of internal and external requirements, individual topics such as product compliance and occupational safety are anchored in the respective departments. Coordination bodies ensure that the important topics from all departments are addressed by the responsible persons within the company. Coordination meetings take place on a monthly basis. Existing and new requirements affecting the company are continuously recorded in a legal database and assigned to the persons concerned. The department works closely with the Masco Corporation legal department, which supports and advises the company on all legal matters.

In connection with the implementation of the compliance management system, several measures were taken for specialists and executives, as well as internal auditors and compliance multipliers. These included, for example, training to become a compliance officer, which ten participants successfully completed with an examination by the German Association for Quality (DGQ). Lawyers working for the Masco

Corporation legal department conducted additional face-to-face training on specific topics. In 2017, for example, a total of three training courses were held with changing participant groups. Four training courses were held in 2018.

Worldwide, all employees with a PC workstation receive mandatory online training sessions on compliance and ethics on an annual basis. Employees without PCs are informed by their managers. The following training content is communicated:

- EU competition law
- Anti trust legislation
- Data protection legislation in the EU
- Financial integrity
- Anti-corruption

INFORMATION HOTLINE

Our employees are encouraged to report illegal, unethical and other questionable acts. For this purpose, a hotline has been set up by Masco Corporation and is managed by an external service provider. This is the global contact for raising concerns. Reports can also be left anonymously. The hotline number is communicated by information posters throughout the entire company (including all foreign subsidiaries and sales offices). Reports are followed up and processed by the Masco Corporation legal department. In addition, our employees can turn to competent and trustworthy persons. They are listed on the intranet under "Legal & Compliance".

Compliance with binding requirements is regularly checked by management audits and audits in accordance with the Sarbanes-Oxley Act, a US federal law. The Risk & Compliance department and the Masco Internal Audit department are responsible for conducting these audits. During the reporting period, a total of 21 audits were conducted at locations in Europe, Asia, North America and Africa.

DATA PROTECTION

Since May 25, 2018, the General Data Protection Regulation (GDPR) of the European Union, which regulates the processing of personal data by private companies and public bodies, has been in effect. Hansgrohe's Data Protection Officer, together with Masco Corporation's legal department, took several steps involving Hansgrohe's different departments to strengthen the organization in terms of its data protection regulations. For example, the company's data processing procedures were reviewed to protect personal data. Detailed organizational and technical data protection measures were documented and secured. In addition to the Hansgrohe Data Protection Officer, internal Data Protection Coordinators were appointed in all the affected business units and subsidiaries. No substantiated data protection complaints are known to have occurred in the period under review.

SUSTAINABILITY MANAGEMENT

GRI 102-40, GRI 102-42

Sustainable management is part of the philosophy of the Hansgrohe Group. As a pioneer in the industry, we strive to achieve outstanding business results over the long term – with the aim of harmonizing economic success, social responsibility and environmental protection. Hansgrohe is aware that this must also extend to the environment, and particularly to upstream and downstream value creation chains, in order to guarantee the high quality of all actions and innovations. Anyone operating in 140 countries around the world understands global challenges from their own experience.

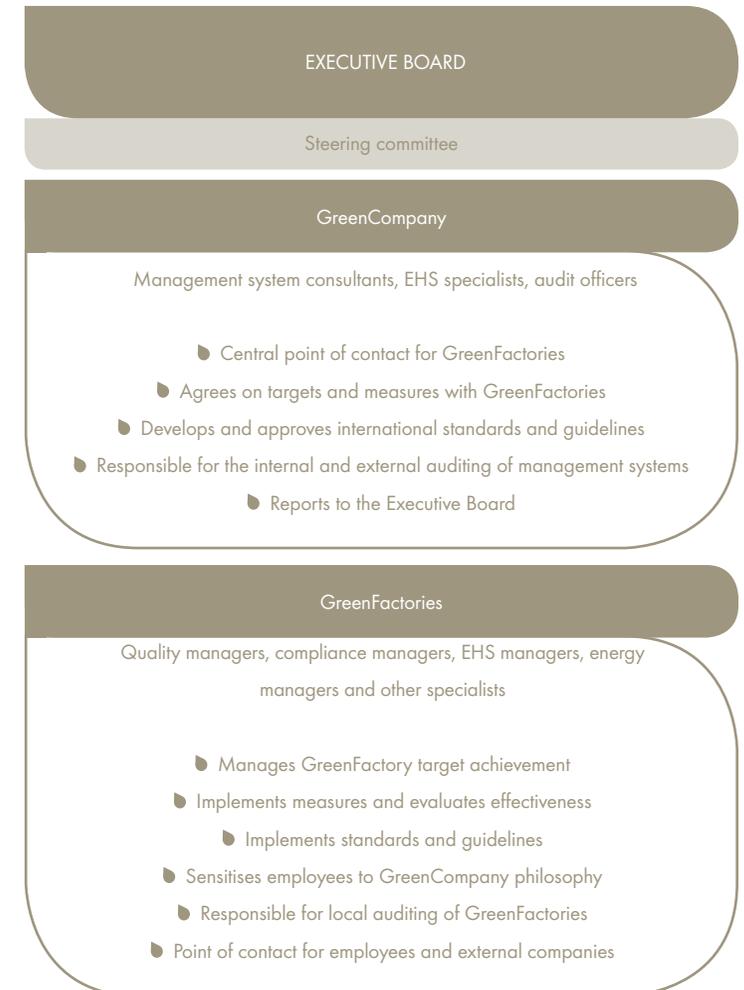
We deal with our environment and keep an eye on the interests of our stakeholders: owners, suppliers, customers, authorities, residents and employees. The selection of relevant stakeholders comes from our business activities and the international presence of the Hansgrohe Group and is regularly compared to the representatives of the respective national organizations. We make important decisions based on facts and consider the requirements placed on us. We have not only seen the obligation to act responsibly as a company since the Paris Agreement was adopted in 2015.

SUSTAINABILITY ORGANIZATION

The Executive Board of Hansgrohe SE decides on all sustainability issues. It has overall responsibility for the GreenCompany strategy and defines concrete sustainability targets. The management system is based on the logic of the internationally recognized standards ISO 9001, ISO 14001, ISO 19600, ISO 50001, OHSAS 18001.

The GreenCompany steering committee is responsible for steering and coordinating the implementation of the strategy. It is made up of members from various departments (e.g. Engineering, Development, Purchasing and Production). The Management System Officer ensures that sustainability aspects are taken into account and that the system is continuously further developed. He or she regularly reports to the Executive Board about its performance. In-house consultants and specialists support him or her in this process. The committee meets quarterly.

Targets, measures, standards and guidelines are agreed in consultation with the GreenFactories. GreenFactory management is assisted at the factories by quality managers, compliance managers, EHS managers, energy managers and other specialists. The task at the factory is to control and monitor the target achievement.



OUR SUSTAINABILITY TARGETS

The effective implementation of these standards within the Hansgrohe Group ensures the systematic management of quality and compliance, as well as sustainability issues. To achieve this, we implement local improvement measures and evaluate their effectiveness.

Specified standards and guidelines are implemented locally. The employees are made aware of relevant issues. To this end, we use various formats such as e-learning courses, incident analysis or site inspections. Local managers also serve as contact persons for employees and external companies.

External specialist auditors regularly check the effectiveness of our management system at all plants. Certification is the result of successful testing. We also practice the principle of continuous improvement. By this we mean, among other things:

- careful planning and design of production sites, machines and processes, considering environmental, safety and health aspects,
- effective integration of relevant aspects into day-to-day business, as well as emergency preparedness and hazard prevention,
- regular fact-based controls, audits and evaluation of results achieved and
- continuous improvement through learning.

OVERVIEW OF OUR GREENCOMPANY TARGETS FOR MORE SUSTAINABILITY

	 2017 Our results	2017 Our targets	 Our targets by the end of 2020
Water efficiency ¹	+ 18.8%	+ 10%	+ 15%
Energy efficiency ¹	+ 5.7%	+ 2%	+ 5%
Waste efficiency ¹ (hazardous waste)	-	-	+ 2%
Hazardous waste efficiency	+ 17.9%	+ 5%	+ 15%
Number of accidents with more than one day of absence (Lost Day Frequency Rate; LDFR ²)	0.64	0.70	0.50
Number of days of absence caused by severe accidents (Lost Day Severity Rate; LDSR ³)	6.37	6.46	6.80
Number of accidents with external medical care (Lost Day Incident Rate; LDIR ⁴)	4.49	7.88	2.00

¹ Reference year 2014 for 2017 targets; reference year 2016 for 2020 targets

² The LDFR is calculated from the number of accidents with more than one day of absence multiplied by 200,000 hours divided by total working hours.

³ The LDSR is calculated from the number of days of absence due to an accident multiplied by 200,000 hours divided by total working hours.

⁴ The LDIR is calculated from the number of accidents with external medical care multiplied by 200,000 hours divided by total working hours.

MATERIALITY ANALYSIS

GRI 102-43, 102-44, 102-46, 102-47, 102-49

As part of our materiality analysis carried out 2018, we surveyed stakeholders on the issues of "Business", "Ecology" and "Social responsibility". In total, 30 people from different stakeholder groups (authorities, suppliers, local politicians, works council, customers, owners) completed the questionnaires, which we then evaluated.

The information obtained in this way served as the basis of an internal workshop in which we discussed and evaluated the impact of the Hansgrohe Group's business activities on people and the environment. The participants of the workshop were the contact persons from affected departments. The Executive Board of Hansgrohe SE and representatives from various departments validated the result.

As a result, we identified nine topics for which we present our corresponding concepts and measures in this Sustainability Report.

KEY TOPICS FOR THE HANSGROHE GROUP



STAKEHOLDER DIALOGUE

GRI 102-40, 102-42, 102-43, 102-44

We continuously monitor trends and other external changes, record them and evaluate them with regard to their significance for our company. The Hansgrohe Group maintains intensive contact with relevant stakeholder groups in various ways.

In cooperation with the University of Bath, we had relevant topics scientifically determined in 2014. Based on this, we defined stakeholder groups and exchanged views with them by phone, in person and through questionnaires to identify key issues and requirements. We received insightful feedback from customers, suppliers, authorities, shareholders, staff representatives and representatives of communities.

We involve our interest groups in Germany through regular employee satisfaction surveys (refer to chapter People) and standardized customer satisfaction surveys (refer to chapter Products). In addition, we are in close contact with industry experts and get involved with standards committees. Within the company, it is essential to prepare the requirements of our stakeholders in such a way that this information can be included in business decisions. This is done through the "GreenCompany" steering committee (refer to "Sustainability Organization" on page 12). Its meetings take place quarterly.

2 Products

FOR QUALITY OF LIFE

For the Hansgrohe Group, focusing on people has always been the starting point for all inventions and further developments. Human needs, desires and longings always challenge the company anew with the aim of contributing to a good life.

To maintain the high quality of our actions and all innovations, we consider the entire value chain.



INNOVATION

Making encounters with water an experience every day – that’s why we develop trend setting solutions that combine form and function. Since 1901, the Hansgrohe Group has proven with many inventions that it is one of the creative masterminds in the sanitary industry. Every year we register hundreds of industrial property rights. We currently own more than 150.000. In 2018, we were one of the most innovative among the TOP 100 German medium-sized companies.



“WE AT HANSGROHE PURSUE INNOVATION MANAGEMENT IN ORDER TO IMPROVE THE QUALITY OF LIFE OF THE INDIVIDUAL. IN OTHER WORDS, THE FOCUS OF OUR DAILY WORK IS ON PEOPLE AND THEIR NEEDS.”

Steffen Erath, Head of Innovation

SHAPING THE FUTURE WITH PRODUCT IDEAS

In the research and development department of Hansgrohe Group, we deal with the following question: What makes the lives of our customers more pleasant? We are not interested in offering trendy products that are short-lived, but rather progressive ones.

Dedicated teams of unconventional thinkers and researchers all around the world brainstorm ideas for the future. They bring products to the market that offer customers concrete added value in the long term. To complement our core business with visionary concepts, we launched the InnoLab pilot project in 2017. There we create space for experimentation and further thinking – away from the normal working day. Our digital products such as RainTunes, which enables new shower experiences using multisensory programs, are being developed there.

Our Vitality Index¹ is around 30 percent. Our "novelties", or new design concepts, make up around one-third of our sales.

VITALITY INDEX¹ OF THE HANSGROHE GROUP

	2016	2017	2018
Vitality Index ¹	28.1	26.5	29.5

¹ The Vitality Index indicates the share of sales of products in the market for 36 months or less.

SPACE FOR IDEAS

In 2017, the Hansgrohe Group launched the InnoLab pilot project to test out new approaches in product development: here an interdisciplinary team of developers work on specific issues. Only the innovation process is clearly defined. The environment is experimental; the rooms resemble a creative workshop. Inspired by a traditional spirit of invention, visionary ideas for the future are now bubbling up in the InnoLab, that have the potential to create new markets.

CREATING ADDED VALUE WITH TECHNOLOGY

Guided by its corporate values, the Hansgrohe Group creates the conditions for long-term profitable growth through technological innovations. For example, we are using ultra-precision machines for the first time in the manufacturing of the AXOR Edge faucet collection. They are mainly used in the aerospace and laser industry and make the grinding and polishing of the faucet bodies redundant. This eliminates the need for previously required work steps. The resulting grinding and polishing dusts can be avoided. The technology is also much less strenuous for employees than manual grinding and polishing.

To make showers and faucets more resistant and durable, we apply a decorative chrome finish. This is done by galvanizing, an electrochemical coating process. Chromium trioxide needs to be used for this in the production process. We want to reduce or completely avoid the use of carcinogenic chromium trioxide in production in the long term. To this end, the Production Technologies research department was set up in 2017. The aim of the development projects is to improve quality while

protecting the environment and employees. In the finished product, no chromium trioxide can be found.

MULTIPLE AWARDS AND DISTINCTIONS

The Hansgrohe Group, its brands and products have received numerous awards, including over 500 design awards since 1974. In the International Forum Design's (iF) 2019 ranking of the world's best companies for design, the Hansgrohe Group, with its hansgrohe and AXOR brands, is named in the TOP 10 out of 4,215 companies. Eight products were honoured with the iF DESIGN AWARDS 2019.



INNOVATIONS THROUGH PARTNERSHIPS

Partnerships help to realize innovations, develop technologies and improve processes. We currently cooperate with Furtwangen University, Offenburg University, Technische Universität Ilmenau, Karlsruhe Institute of Technology (KIT), KDG Glas Consulting, Oeko-Institut e.V. and the German Association for Human Resource Management (DGFP).

We are also active in various associations and institutions, including Institut Bauen und Umwelt (IBU), the Association of German Engineers (VDI), Fesa e. V., the German Sustainable Building Council (DGNB), the German Institute for Standardization (DIN), Bundesvereinigung der Firmen im Gas- und Wasserfach e.V. (FIGARWA), Deutscher Verein des Gas- und Wasserfaches e.V. – Technisch-wissenschaftlicher Verein (DVGW), the International Association of Controllers (ICV) and the Bundesverband der Deutschen Gießerei-Industrie (BDG).

We are also involved in the European Bathroom Forum (EBF) initiative, which was founded in 2017. The aim of this initiative is to introduce a standard European-wide labelling system known as "The Water Label" – to guide consumers through water-efficient sanitary products. The voluntary initiative is supported by three major European associations and ten national trade associations.

CONCEPTS FOR MORE SUSTAINABILITY

The human being, water, sustainability: these three terms shape the work of the Hansgrohe Group in field of innovation. With our efficiency technologies, we offer our customers responsible handling of precious resources. Products equipped with EcoSmart technology consume up to 60 percent less water than conventional products. With CoolStart technology, cold water flows automatically instead of hot water when the handle position is in the neutral position, reducing energy consumption.

PRODUCT RESPONSIBILITY

We are continuously expanding our range of economical products, and thus contribute to environmental protection. The entire Executive Board and the individual departments of the Hansgrohe Group are responsible for the control of product policy. When developing new products, we consider legal requirements, product safety requirements and the growing environmental awareness of our customers worldwide.

GREEN PRODUCTS

We take the raised environmental awareness in society into account in our product development. Experts are continuously working on making our products efficient, easy to manufacture and safe. The term “Green Products” covers all products that are particularly resource-efficient compared to conventional products.

These include showers with a maximum flow rate of 9 liters per minute, faucets for washbasins with a maximum flow rate of 5 liters and other faucets with a flow rate of no more than 8 liters per minute. These products made up 26.5 percent of total sales in 2018 and 28.5 percent in 2017 (2016: 27 percent).

GUARANTEEING PRODUCT SAFETY

Careful product development is very important to us. In particular, we focus on stricter legal requirements, product safety and increasing environmental awareness. We also rely on thorough product testing in our own laboratory, which operates in accordance with the international requirements for the competence of testing and calibration laboratories (ISO/IEC 17025). In addition, we regulate product requirements in our own standards, which are known as HG standards. One example is HG 783 Environmentally-friendly products – ingredients.

During the reporting period, we also registered all affected products in accordance with the requirements of the EU directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS). Since 2011, the RoHS directive has regulated the

use and sale of certain hazardous substances, including lead, mercury, cadmium, chromium trioxide and certain brominated flame retardants and plasticizers.

It is not uncommon for our protected designs and products to be copied.

We actively and vigorously investigate product counterfeiting. In this way, we make our customers aware of the existence of counterfeit products and protect them from the danger of counterfeit products of often inferior quality.

IN DIALOGUE WITH CUSTOMERS

GRI 102-43

We focus on direct contact with our customers – both with dealers and with end consumers. We take criticism as an opportunity to further improve our processes. A [standardized customer survey](#) provides additional valuable information. The Net Promoter Score (NPS) acts as an important control parameter.

Our German field sales representatives visit over 30,000 customers a year. In addition, we deal with over 100,000 written and 250,000 phone enquiries every year. Our Technical Service team is always available for special cases and questions from plumbers. They answer more than 90,000 telephone and over 20,000 written enquiries per year. In addition, they communicate at eye level with customers from the trade sector – no wonder, since everyone there is a trained and certified plumber.

SUPPLY CHAIN

Our company is present in over 140 countries across the globe. We operate a complex manufacturing and supply network to supply customers all over the world with our products. We are aware of the many challenges. These include compliance with human rights, environmental protection, conflicts with raw materials and corruption.

SUSTAINABILITY HAS PRIORITY

Together with our suppliers, we want to minimize risks and build long-term relationships by acting responsibly. Therefore, in terms of supplier selection, we pay attention to compliance with ethical standards, responsible work practices and environmental protection.

New suppliers are not included in the supplier pool until they have been approved by an internal committee and all contract documents have been submitted. The internal committee can be made up of different people depending on the category of supplier. Experts and supplier auditors are often involved alongside the commodity buyer in case the supplier delivers production material.

Suppliers of production materials are assessed for quality capability as part of a potential analysis on location at the production sites. In this way, we ensure that our expectations can be met and that this provides the foundation for a reliable and long-term partnership.

The supplier also confirms to comply with all REACH requirements before joining the supplier pool. REACH (Registration, Evaluation, Authorization

and Restriction of Chemicals) is an EU chemicals regulation which came into effect in 2007. It applies to all member states. According to the principle “no data, no market”, only chemical substances which have previously been registered may be marketed and sold within the applicable area. The Hansgrohe Group neither produces nor imports chemical substances or mixtures into the EU. Hansgrohe is a downstream user; we are not subject to any registration obligations.

SUSTAINABLE SUPPLIER MANAGEMENT

We use the opportunity to convince ourselves of the sustainability performance of our supply chain through supplier audits, among other things. We use specially trained auditors for this purpose. During the reporting period, ten auditors passed the examination for the process audit standard of the German Association of the Automotive Industry (VDA 6.3), thereby demonstrating their competence.

The random audits are carried out by the parent company Masco, as well as by our own specialist. In 2018, 30 suppliers were examined (2017: 41). Complaints must be dealt with immediately and any deficiencies remedied. In 2018, we also carried out additional environmental and occupational health and safety audits, particularly in Europe.

We pay special attention to the improvement of occupational health and safety and environmental performance, as well as systematic identification and compliance with legal and contractual requirements. The audited companies performed above average, and there were no significant complaints.

TRANSPORT AND LOGISTICS

Our suppliers regularly supply us with a wide range of raw materials. We produce our products at several German factories, as well as in France, China and the US. Our logistics system also includes internal transport within the company or within production sites, as well as distribution and disposal logistics. The transport of goods within and between our factories is essentially provided by the company’s own employees and vehicles. The transport of components, as well as semi-finished and finished products, is supported by external service providers. The company trucks cover approximately 130 thousand kilometers annually. In short: we operate complex logistics chains to ensure that our customers in about 140 countries can be delivered reliably and on time.

In this way, the Hansgrohe Group contributes to the generation of CO₂ emissions and thus also impacts climate change. When we optimize our logistics processes, we also have a great lever to improve our own carbon footprint.

Our customers receive our goods from warehouses in Offenburg, Shanghai and Alpharetta. We significantly expanded the Offenburg Logistics Center in the reporting period and put it into operation in 2017. In 2018, we processed around 2.2 million order lines from there. As a result, around 6,500 packages on around 30 trucks left the site every day. The 30-million-euro investment in the site also led to much more efficient logistics processes. The newly created space enabled us to integrate a service provider who had previously worked in external premises. This eliminates the transport of

products between Hansgrohe and the service provider’s external building. We are also working to improve the utilization of our shipping packages in distribution logistics. Our aim is to utilize the available package volume as efficiently as possible through optimized packaging planning based on the quantities and geometric properties of the products to be packaged. As a result, we have achieved an approximately 8 percent improvement in the utilization of the shipping packages. At the same time, we are focusing on the environmental friendliness of the filling material.

3 Environment

MINDFUL OUT OF PRINCIPLE

Mindfulness is something that has always set Hansgrohe apart. Anyone who handles the resource of water and uses it to create emotional experiences and useful functions for people understands the value of nature and wants, indeed needs, to preserve it.



ENVIRONMENTAL MANAGEMENT

Sustainable thinking and actions characterize the Hansgrohe Group. We have been using renewable energy in our production since the 1980s. Today, we strive to protect the environment at all our factories, weigh up opportunities and risks, and draw up action plans to improve our environmental performance, reducing harmful environmental impacts.

To meet our own requirements, we have implemented an environmental management system at all Hansgrohe Group factories. This ensures, among other things, that we strictly comply with statutory environmental and waste disposal guidelines throughout all our operations.

In addition, we record consumption data and define specific efficiency indicators at all production sites. They serve as indicators of whether the measures taken are effective and whether we are achieving the targets we have set ourselves. We largely achieved our milestones in 2018. Only in the area of water efficiency we did narrowly miss the GreenCompany target (see page 13).

There were no significant violations of environmental laws or regulations during the reporting period. However, in June 2017 there was an incident in which a non-water-polluting liquid entered the outlet channel of the Schiltach production factory. Nevertheless, we took this comparatively harmless incident as an opportunity to develop further preventative measures together with the responsible authority. For example, we installed an automatic slider on the factory premi-

ses, which can be controlled from several points to stop the flow into the public sewer system. This and other measures were implemented in 2018.

SCOPE OF KEY PERFORMANCE INDICATORS

All Hansgrohe Group production sites and the figures from the headquarters in Schiltach are included.

HANSGROHE GROUP ENVIRONMENTAL TARGETS

in percent

	2020
Energy efficiency ¹	+ 5%
Water efficiency ²	+ 15%
Waste efficiency ³ (excluding hazardous waste)	+ 2%
Hazardous waste efficiency ³	+ 15%

¹ Energy weighted with primary energy factors in MWh per tonnage of product sold

² Figure stated in m³ per tonnage of product sold

³ Figures in metric tons per tonnage of product sold

ENVIRONMENTAL PROTECTION STANDARDS

We regularly examine ourselves as part of internal and external system audits. Independent auditors inspect all production plants in Germany, France, the US and China. The Hansgrohe Group Audit Officer is responsible for handling the audits.

Certification makes our commitment transparent and comprehensible. All Hansgrohe Group production factories are certified according to ISO 14001, the international standard for environmental management systems. All European production factories are additionally certified according to ISO 50001, the standard for energy management systems.

ENERGY AND EMISSIONS

The Hansgrohe Group regards itself as a GreenCompany (see page 12) and views sustainability as a prerequisite for long-term market survival. The suitable use of energy sources, savings in energy consumption and efficient production are central goals for the Group’s worldwide operations.

SYSTEMATICALLY ANALYZING ENERGY CONSUMPTION

We use our energy data recording system to record energy-relevant data to quickly identify and implement potential savings. Recorded data show the energy consumption at the different factories and help to identify key consumers and influencing factors. This is where we start to minimize the energy demand in a targeted manner.

This is achieved through technical precautionary measures, organizational changes or specific employee trainings. In order to check the effectiveness of the measures taken and make any further adjustments, the measures are continuously verified and evaluated. All European production plants of the Hansgrohe Group have such energy data recording systems.

We have also set up a recording system at the largest non-European production plant in Shanghai and the new German plant in Willstätt and put it into operation in 2018.

KEY ENERGY PERFORMANCE INDICATORS AND TARGETS

in MWh

	2016		2017		2018	
	Actual	Target	Actual	Target	Actual	Target
Energy efficiency ¹	6.94	7.11	6.83	7.08	6.62	6.90

¹Energy weighted with primary energy factors in MWh per tonnage of product sold

HANSGROHE GROUP ENERGY CONSUMPTION

in MWh

	2016	2017	2018
Energy consumption	80,886	82,755	80,952
of which electricity	57,744	58,816	58,202
of which natural gas	22,546	22,188	21,292
of which fossil gas	319	410	175
of which fuels	¹	1,341	1,283
of which district heating	277	0	0

¹For technical reasons, no data on fuel consumption was recorded in 2016.

LONG-TERM REDUCTION OF EMISSIONS

The greenhouse gas emissions of the Hansgrohe Group are calculated based on the internationally recognized Greenhouse Gas Protocol (GHG) standard.

The following emissions are reported:

- Scope 1: Direct emissions from the combustion processes of stationary systems (natural gas, heating oil) and mobile systems (fuel from procurement and distribution transport and the company’s own and leased cars)
- Scope 2: Indirect emissions from purchased electricity and district heating
- Scope 3: We cannot yet report on emissions at the current time.

In accordance with the guidelines of the GHG Protocol on Scope 2 emissions, in effect since 2015, the Hansgrohe Group reports its greenhouse gas emissions according to the location-based method. This means that country-specific assumptions of the respective national electricity mix are used to calculate emissions.

HANSGROHE GROUP EMISSIONS

in metric tons CO₂

	2016	2017	2018
Direct emissions (Scope 1)			
Emissions by Hansgrohe Group sites	4,778	4,482	4,301
Emissions by the company's fleet of vehicles	¹	363	350
Indirect emissions (Scope 2)			
Electricity / heat consumption by Hansgrohe Group sites	30,849	31,401	30,855
Total emissions (CO₂)	35,627	36,246	35,506

¹In 2016, the vehicle fleet emissions were not recorded for technical reasons.

Our measures to improve our environmental efficiency have a positive impact and are helping to reduce emissions: during the reporting period, we reduced direct and indirect CO₂ emissions by 2 percent compared to the previous year.

MEASURES AT A GLANCE



EFFECTIVE USE OF THE PRODUCTION AREAS:

Smart model assembly lines for our factory in Germany

The use of our production areas has a significant influence on energy efficiency. For this reason, we have compacted the areas at our production plant in Schiltach with smart variant assembly lines. The design enables a high degree of utilization and fits into the production hall in a space-saving manner. Due to the U-shaped construction, it offers short walking distances and a clear assembly flow. The lines can be height-adjusted individually.



MODERNIZATION OF BUILDINGS AND EQUIPMENT:

LED lighting reduces electricity consumption in France by 20 percent

In recent years, we have invested in the refurbishment and modernization of existing facilities and buildings. One focus has been on the French factory close to Strasbourg. In 2017, the lighting system was

fully converted to modern LED lighting in the production area. We also invested in a second modern air compressor. These measures meant that the site's total power consumption was reduced by around 20 percent.



PRESERVING THE ENVIRONMENT WITH NEW TECHNOLOGIES:

Energy-efficient use of heat waste in our foundry in China

Metal casting is an energy-intensive process producing heat waste. Energy is also needed for cooling. In 2017, we replaced the cooling unit with a modern cooling tower to optimize the energy consumption in our plant in Shanghai. This unit is considerably more energy-efficient and can be fully switched off in winter. The heat produced is then used to heat the building – saving further energy.

WATER AND WASTE WATER

The responsible use of water is essential for the Hansgrohe Group. We are actively committed to reducing the consumption of water in the production of our products. The volumes of water used are procured from third parties and returned as waste water.

Waste water from electroplating is cleaned in special waste water treatment plants and then discharged into the public sewer system. The quantities of waste water from electroplating are measured. A separate recording of the total volumes of waste water is planned. The respective legal requirements of countries provide the minimum standards for industrial and sanitary waste water.

For our production sites, it is of great importance that clean water is available and accessible. In many regions of the world, however, this is increasingly at risk. In order to meet our responsibility when using water, we have carried out a risk assessment of our production sites. Considering the Aqueduct Water Risk Atlas of the World Resources Institute, we identified a high risk of water stress at our plant in China. In addition to water shortage, water stress also takes other factors into account, such as water quality or access to water. We are therefore working particularly hard at this plant to reduce water consumption and improve our waste water quality. The water consumption of the plant in China shows that our efforts are worthwhile. In 2018, only 55,899 m³ of water were consumed (2016: 65,116 m³; 2017: 53,914 m³). We expect a further decline, so that 42,698 m³ of water will be consumed in 2019.

In recent years, we have been able to increase our water efficiency and successfully reduce water consumption in relation to manufactured products, and not only in China. In 2017, the installation of a new water circulation system in the research and development laboratory resulted in very significant water savings.



Continuous reduction of water consumption at Hansgrohe Sanitary Products China

KEY WATER PERFORMANCE INDICATORS AND TARGETS

and waste water, in m³

	2016		2017		2018	
	Actual	Target	Actual	Target	Actual	Target
Water efficiency ¹	8.17	8.21	7.11	7.88	7.18	6.74

¹ Figure stated in m³ per tonnage of product sold. Nonetheless, we missed our interim target for the reporting period. A rising demand for testing in the laboratories and control technology complications led to a rise in water consumption in 2018. An additional CO₂ heat pump and a UV treatment unit for the circulation water is planned to counter this trend. Commissioning is planned for 2019.

PRODUCTION EFFICIENCY OVER 10,000 M²

A new electroplating plant costing around 30 million euros was installed at the premises in Offenburg-Elgersweier. The chrome-plated finish of showers and brass faucets is impossible without the electroplating processes. Thanks to the use of modern technologies and circulation guides, this plant will reduce waste by around 35 percent and cut water consumption by up to 15 percent the final expansion stage compared to 2016. Operations began in the spring of 2019. The old plant will be shut down in 2020.

HANSGROHE GROUP WATER CONSUMPTION

in m³

	2016	2017	2018
Water consumption	193,626	172,840	177,267

MATERIALS AND WASTE

We predominantly use metals and plastics in our production. Our quality faucets are essentially made of brass. Plastic is solely used as the starting material in the production of showers. We attach great importance to the use of renewable materials in our product packaging.

KEY MATERIAL AND WASTE PERFORMANCE INDICATORS

and targets, in metric tons

	2016		2017		2018	
	Actual	Target	Actual	Target	Actual	Target
Waste efficiency ¹ (excluding hazardous waste)	0.15	²	0.16	²	0.22 ³	0.22
Hazardous waste efficiency ¹	0.07	0.06	0.05	0.06	0.05	0.06

¹Figures in metric tons per tonnage of product sold

²The performance target for waste efficiency was defined for the first time for 2018.

³The higher figure is because some waste which was stated as raw material in 2016 and 2017 now needs to be declared as waste. The figure also includes for the first time the packaging waste from a service provider who was integrated into the Hansgrohe Group waste system due to the conversion of the Offenburg Logistics Center.

HANSGROHE GROUP WASTE AND HAZARDOUS WASTE

in metric tons

	2016	2017	2018
Waste (excluding hazardous waste)	3,576	3,940	5,326
Hazardous waste	1,632	1,342	1,97

VOLUMES OF MATERIALS USED IN THE HANSGROHE GROUP

volume in metric tons

	2016	2017	2018
Metals	4,644	5,623	5,698
Plastics	2,086	2,310	2,219
Chemicals	1,251	1,232	1,219

MEASURES AT A GLANCE

- Promoting the sustainable use of material: A project in the plastics sector proves that with selected products, the use of regranulate in surface parts is feasible and has no influence on the requirements. At the same time, we use 30 metric tons of recycled material and protect the environment.
- Careful use of materials: The foundry in Schiltach returns sprue parts directly to the casting process without additional removal of impurities. This avoids transport to external brass melts and reduces energy consumption; 300 metric tons of brass can be reused directly.
- Reducing the use of materials with value analysis: A value analysis of the product (WAPRO) showed that the use of materials can be further reduced; 15 metric tons of brass can be saved by reducing the thickness of certain brass parts.

RESPONSIBLY DEALING WITH WASTE

The manufacture of our products generates waste such as wooden pallets, foils or core sand, which we can no longer process in-house. They are always handed over to authorized disposal companies at all production sites and around 80 percent of them are recycled professionally.

Since the temporary storage of hazardous waste can pollute the floor due to incorrect handling, we use closed waste cabinets. Such cabinets were introduced at both the Schiltach production plant and the plant in Shanghai (China) during the reporting period. Regular training measures are also held at all production sites.

In 2017, the excavated earth from the research and development laboratory construction project was deposited; 60 metric tons of material could not be reused due to contamination.

DISPOSAL METHODS FOR HAZARDOUS MATERIAL IN 2018

for the Hansgrohe Group as a percentage of total hazardous waste

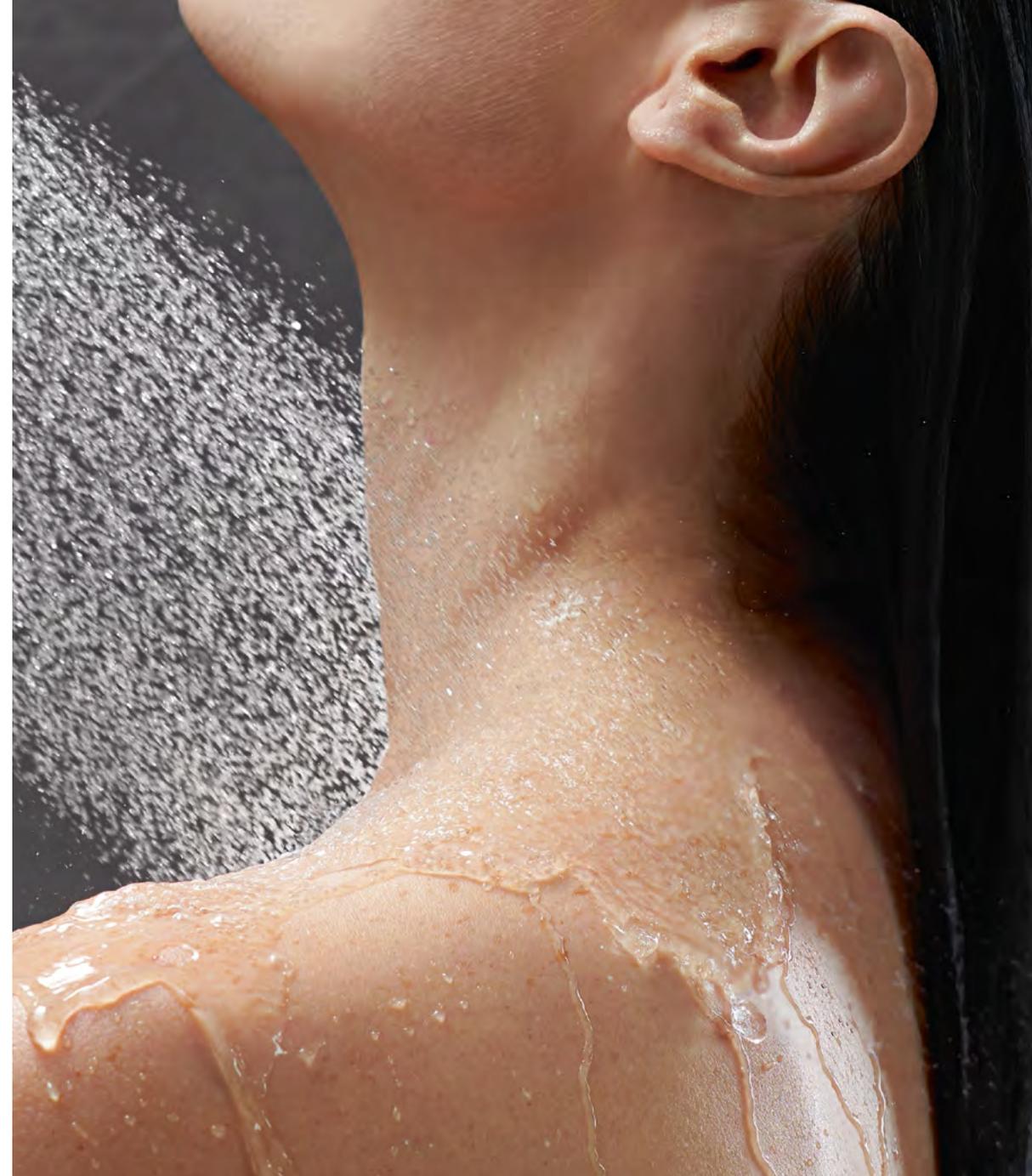
	2017	2018
Recycling ¹	72	80
Recovery including energy recovery	14	13
Waste incineration	7	6
Landfill	4	0
Other (physical-chemical treatment)	3	1

¹The percentage is based on the weight of hazardous waste handed over to disposal companies; 80 percent of it is recycled by the disposal company.

4 People

THE FUTURE AT GLANCE

The employees of the Hansgrohe Group are highly motivated to make their contribution to the sustainable development of the world, for which they develop, manufacture and market products daily. Products that use and appreciate nature's resources like few others, that give people real pleasure and are inconceivable without an intact environment.



EMPLOYEE STRUCTURE

GRI 102-43

The Hansgrohe Group employed 4,687 people worldwide during the 2017/2018 reporting period (cut-off date: December 31, 2018). Of these, 2,864 worked in Germany and 1,823 at foreign locations. The total number of employees includes all full-time and part-time employees, trainees and students. This figure does not include temporary employees who are employed for production work.

The total workforce rose by around 3.6 percent in 2018. The number of new employees at the German sites was particularly high at 432. We hired all trainees, and many temporary workers were given permanent positions. At 4.5 percent, the Group-wide fluctuation rate rose slightly compared with the previous year. Hansgrohe SE asks about employee satisfaction in the form of regular surveys. The most recent survey took place from March 20 to April 7, 2017, at the German sites among 2,758 employees.



All trainees were taken on in 2018.

SCOPE OF KEY PERFORMANCE INDICATORS

Unless otherwise stated, all Hansgrohe Group sites, the headquarters in Schiltach and all subsidiaries are included. The key performance indicators on new appointments include replacement appointments and newly created positions, but do not include interns, students writing their dissertation or thesis, holiday workers or apprentices.

EMPLOYEES BY REGION

Figures per capita as a percentage, cut-off date December 31

	2016	2017	2018
 Europe	73	75	75
 Asia	19	18	19
 USA	7	6	5
 Africa	1	1	1
 Australia	0	0	0

AGE STRUCTURE OF THE WORKFORCE

Figures given as a percentage, cut-off date December 31

	2017	2018
Employees under 30 years of age	27	26
Employees aged 30–50	52	52
Employees older than 50	21	22

This represents the first year of reporting of the key performance indicators, so no prior-year data is available.

EMPLOYEES BY GENDER

Figures given as a percentage, cut-off date December 31

	2017	2018
Male	64	62
Female	36	38

No further prior-year figures can be reported due to adjusted calculations.

EMPLOYEES BY EMPLOYMENT STATUS

Figures per capita for Hansgrohe SE and Hansgrohe Deutschland Vertriebs GmbH, cut-off date December 31

	2017	2018
Full-time employees	2,400	2,586
Part-time employees	277	278
Temporary employees	185	64

NEW APPOINTMENTS BY AGE

Figures per capita, total number, cut-off date December 31

	2017	2018
... under 30 years old	243	214
... 30–50 years old	234	174
... over 50 years	41	44
... of which male	331	229
... of which female	187	203

This represents the first year of reporting of the key performance indicators, so no prior-year data is available.

NEW APPOINTMENTS BY REGION

Figures per capita, total number, cut-off date December 31

	2017	2018
... Europe	365	350
... Asia	52	52
... USA	26	26
... Africa	3	3
... Australia	1	1

This represents the first year of reporting of the key performance indicators, so no prior-year data is available.

TOTAL FLUCTUATION (STAFF TURNOVER) RATE¹

Figures given as a percentage, cut-off date December 31

	2017	2018
Total fluctuation rate	3.9	4.5

¹The fluctuation rate gives the ratio of staff departures to the average number of employees.

FLUCTUATION BY AGE GROUP, GENDER AND REGION¹

Figures per capita, cut-off date December 31

	USA		Europe		Asia	
	2017	2018	2017	2018	2017	2018
... under 30 years old	9	15	18	29	62	67
... 30–50 years old	7	18	33	43	35	31
... over 50 years	6	6	6	4	0	0
... of which male	16	23	32	41	93	93
... of which female	6	16	25	35	4	5

¹Regions include production sites and the headquarters of the Hansgrohe Group.

EMPLOYEE DEVELOPMENT

Against the background of a changing and ever more complex working world, employee development is becoming increasingly important. Digital developments, new forms of work, and changes in values and culture, as well as an aging society, are only some of the challenges of our time.

In order to position itself for the future, to attract talented people and to retain them for the long term, the Hansgrohe Group relies on the continuous further development of each individual – whether in professional or personal terms. The Human Resources Board is responsible for this. The core elements of our HR strategy Hansgrohe 2020+ are lifelong learning, demographic change and management culture.

Using various employee development tools, we regularly assess the performance of our employees in order to determine their individual training needs. Depending on the location, this is done by means of development questionnaires or by formulating appropriate target agreements. We offer our international subsidiaries the freedom to adapt their employee work to the respective national requirements.

The central instruments of employee development at Hansgrohe are as follows:

- **HANSGROHE CAMPUS**
Boasting six faculties (Strategy & Innovation, Brand, Sales, Efficiency, Personnel & Leadership and Digital), the CAMPUS provides precisely the training needed to overcome future corporate challenges. Organizing events, seminars and workshops, the CAMPUS is a place where people can meet up and share knowledge. 208 events were held with internal and external experts during the reporting period. A total of around 5,500 people attended the events.
- **TALENT MANAGEMENT & TALENT MOBILITY**
In 2018, we extended our talent management system to our international sites to create Group-wide transparency about our talented employees. We also established structures to professionally organize international staff transfers, whether for short-term deployment in a project or as a long-term stay abroad. The number of long-term assignments abroad thus rose from two to six, and there were six short-term assignments in 2018.
- **LEADERSHIP DEVELOPMENT**
Our employees provide managers with regular feedback using the Leadership Barometer. The feedback is then discussed in moderated workshops and implemented in appropriate measures.

HANSGROHE CAMPUS STARTS IN CHINA

Learn, teach, network! That is the slogan of the Hansgrohe CAMPUS, which cooperates with universities and offers employees events, seminars and workshops. Its program is now also starting in China, supplementing the training scheme already established there for the development of local employees. We are also financially supporting external further training measures, such as MBA programs.



Two trainees ended their technical training in 2017/2018 at our site in China.



Maintenance department: 10 years accident-free;
Manual Electroplating department of the Schiltach production site: 12 years accident-free.



HANSGROHE TALENT FACTORY

In order to offer young people the best possible training, we opened the Hansgrohe talent factory in Schiltach in 2013 – a training workspace with over 40 technical workplaces. It offers trainees the opportunity to work independently on tasks and projects – always supervised by a team of coaches. The quality of our training is appreciated: in 2017, the Hansgrohe Group was awarded the BEST PLACE TO LEARN® training seal.



Awarded Germany's quality seal as a top training company

ACQUIRING AND DEVELOPING YOUNG TALENT

Falling student numbers and the trend towards higher education are also making themselves felt at Hansgrohe when applications are received. In order to increase visibility, we cooperate with various schools in the region, take part in training fairs and hold our own events such as the Nacht der Ausbildung. This has enabled us to keep the training quota relatively stable in recent years. In 2018 it was 5.6 percent.

We offer suitable applicants the opportunity to complete corporate studies at one of our partner universities in Mosbach, Karlsruhe, Horb am Neckar or Villingen-Schwenningen. They can choose between

twelve different disciplines. In the reporting period, the company had 110 corporate students.

HANSGROHE SE TRAINING QUOTA

Figures given as a percentage, cut-off date December 31

	2016	2017	2018
Training quota	6.3	6.0	5.6

HANSGROHE SE TRAINEES AND STUDENTS

based on Germany per capita, cut-off date December 31

	2017	2018
Dual students	55	55
Industrial trainees	60	62
Commercial trainees	22	26

This represents the first year of reporting of the key performance indicators, so no prior-year data is available.

"THE "DIGITAL TRANSFORMER" TRAINING IN COOPERATION WITH THE UNIVERSITY OF ST. GALLEN GAVE ME THE OPPORTUNITY TO DEVELOP BOTH PERSONALLY AND PROFESSIONALLY."

Sven Lurker, Marketing Manager Digital, Global Brand Marketing AXOR-Team

OFFERING ATTRACTIVE TRAINING

The promotion of skills starts with the next generation. At the Schiltach site, we are one of the largest training companies in the region. In 2018, we offered 49 young people across the Group the opportunity to start vocational training at the Hansgrohe Group. We employed a total of 159 trainees and corporate students. As a rule, all junior staff are taken on.

OCCUPATIONAL HEALTH AND SAFETY

In the evening, we want our employees to leave our company as healthy as they were when they arrived in the morning. Therefore, we have established an occupational Health and Safety Management System at all production sites. It is certified according to the OHSAS 18001 standard and is regularly audited by internal and external auditors. At the same time, the central occupational Health and Safety Committee deals with current safety and health-related issues. The Executive Board and Hansgrohe SE's company doctors, among others, attended the eight meetings held during the reporting period.

In recent years, we have succeeded in keeping the number of accidents at a low level – a success that will not have us rest. Based on concrete findings and key figures, we continuously work on optimum conditions – through training, technical measures and process improvements. Production departments in Germany that have been accident-free for more than three years are rewarded. The maintenance department, with ten accident-free years, and the manual electroplating department at the Schiltach production plant, with twelve accident-free years, lead an internal medal table.

Most injuries were classified as "contusion, crushing, compression" (refer to the table of injuries by type and region). There were no fatal occupational accidents at the Hansgrohe Group during the reporting period.

INJURIES BY TYPE AND REGION

Figures per capita for Hansgrohe SE; Hansgrohe Deutschland Vertriebs GmbH; Hansgrohe Wasselonne S.A.S; Hansgrohe Inc.; Hansgrohe Sanitary Products (Shanghai) Co. Ltd., cut-off date December 31

Injuries by region	USA			Europe			Asia		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Male	0	2	0	17	13	13	2	1	3
Female	0	2	0	2	4	0	0	0	0
Total range	0	4	0	19	17	13	2	1	3
Absent days	0	69	249	180	145	172	15	9	36
Type of injury									
Cutting / piercing injury	0	1	0	9	5	6	0	0	0
Contusion, crushing, compression	0	3	0	9	10	4	0	0	1
Fractures	0	0	0	1	2	2	1	1	2
Chemical burns	0	0	0	0	0	1	1	0	0

RAISING AWARENESS

The employees of the Hansgrohe Group are trained in all aspects of occupational safety at regular intervals. A total of 13,677 training courses were held in the reporting period. In order to further raise the awareness of our employees, we have introduced the sensitization format "5-minute of occupational safety" at all locations in Europe, which discusses safety topics.

We ensure the best possible processes throughout the entire production network and develop solutions that can be implemented at every production facility. To this end, we develop binding standards and guidelines, such as uniform occupational safety inspections. Identified problems are recorded with the help of a system; measures are defined and followed up to their effective conclusion. We continuously monitor problem areas so that we can make effective improvements. Working together, we thus collected, coordinated and internationally standardized best-practice approaches from all sites during the reporting period.

BEST PRACTICES – SAND TREATMENT

At our production site in Shanghai (China), the sand preparation process was automated. This eliminates the need for heavy manual work steps, and the addition or mixing of chemical binders is carried out in a closed system. Employees are not only relieved of physical strain, but they also no longer come into contact with chemicals.

OCCUPATIONAL ACCIDENTS WITH MANDATORY REPORTING

Figures as a percentage for Hansgrohe SE; Hansgrohe Deutschland Vertriebs GmbH; Hansgrohe Wasselonne S.A.S.; Hansgrohe Inc.; Hansgrohe Sanitary Products (Shanghai) Co. Ltd., cut-off date December 31

	2016		2017		2018	
	Actual	Target	Actual	Target	Actual	Target
Number of accidents with more than one day of absence (Lost Day Frequency Rate; LDFR ¹)	0.62	0.80	0.57	0.70	0.49	0.60
Number of days of absence caused by severe accidents (Lost Day Severity Rate; LDSR ²)	5.78		6.46		13.86 ⁴	3.70
Number of accidents requiring external medical care (Lost Day Incident Rate; LDIR ³)	8.89		4.49		0.61	6.90

¹The Lost Day Frequency Rate (LDFR) is calculated from the number of accidents with more than one day of absence multiplied by 200,000 hours divided by total working hours.

²The Lost Day Severity Rate (LDSR) is calculated from the number of days of absence due to an accident multiplied by 200,000 hours divided by total working hours.

³The Lost Day Incident Rate (LDIR) is calculated from the number of accidents with external medical care multiplied by 200,000 hours divided by total working hours.

⁴The target was missed due to the illness of an employee in the US in 2017. A connection between the person's work and illness is suspected.

PROMOTING HEALTH-CONSCIOUS CONDUCT

In order to ensure the well-being of our employees, we attach great importance to health-promoting measures and have therefore developed the comprehensive health management system hans!Fit. It includes programs on a variety of topics, as well as offers and measures in the area of health promotion.

We offer health courses ranging from yoga to Pilates at our German locations in Schiltach and Offenburg, including Willstätt. In 2018, a total of 545 employees took part. We also offer shiatsu treatments at the major German production plants. They were used almost 970 times in the reporting period. We are currently developing practical short training courses on ergonomics for assembly employees. A total of 350 production employees have already completed this in the reporting period.

HEALTH-PROMOTING MEASURES

- Health courses ranging from yoga to pilates and shiatsu treatments
- Ergonomic workplace consultations for employees at computer workstations
- Health days and company mental health advice
- Management training courses on how to handle employees experiencing personal crises

DIVERSITY AND EQUAL OPPORTUNITIES

We are convinced that diversity enriches our company and makes it more efficient. As an employer, the Hansgrohe Group avoids and does not tolerate any discrimination based on gender or sexual identity, religion or belief, ethnic or national origin, disability or age. In this context, we pay attention to equal opportunities and want to achieve greater gender diversity, which we support with flexible working time models.

Our attitude is reflected in our values and our leadership model. Masco's [Code of Ethics](#) governs the principles of equal treatment in the workplace and applies to all employees. If employees feel discriminated, they can contact their manager, the human resources department or the works council. Our hotline offers the opportunity to report discrimination anonymously. There were no complaints during the reporting period.

HANSGROHE GROUP MANAGERS BY AGE

Figures given as a percentage, cut-off date December 31

	2017	2018
... under 30 years old	5	5
... 30–50 years old	74	71
... over 50 years	21	24

This represents the first year of reporting of the key performance indicators, so no prior-year data is available.

HANSGROHE GROUP MANAGERS BY GENDER

Figures given as a percentage, cut-off date December 31

	2017	2018
... of which men	80	80
... of which women	20	20

This represents the first year of reporting of the key performance indicators, so no prior-year data is available.

REMUNERATION AND SOCIAL BENEFITS

GRI 102-41

The remuneration of the Executive Board is based on the size, complexity and economic position of the company, as well as the performance of the Executive Board as a whole. The amount is defined in consultation with the Supervisory Board. The remuneration of managers excluded from the collective wage agreement is defined in the Executive Board's Remuneration Guidelines and is based on the economic situation of the company.

The remuneration of employees in Germany is mainly based on the collective wage agreement for the metal industry. We make no distinction between part-time and full-time employment in the case of benefits granted. Our company agreements comply with the legal and collective bargaining conditions. As a matter of principle, we look for opportunities to take on the temporary workers concerned in permanent employment.

WHY A ZERO TARGET?

In accordance with the Act on the Equal Participation of Women and Men in Management Positions in the Private and Public Sectors, the Executive Board resolved in the Supervisory Board resolution of September 17, 2015, to set a target of 0 percent for the participation of women in the Executive Board by 2018. This also applies to the Supervisory Board. The reason: male members of the Executive Board at that time had been appointed or re-elected shortly before.

RECONCILING WORK AND FAMILY

We are committed to constantly improving the compatibility of work and family or private life. In Germany, all employees can take parental leave. We also offer holiday programs for children. Sabbaticals are already possible in Germany and China.

About this Report

GRI 102-45, 102-48

With this report, the Hansgrohe Group creates transparency with regards to its strategy and progress about sustainability towards its stakeholders. The Hansgrohe Group Sustainability Report is published every two years. This Report covers the calendar years 2017 and 2018. The Report was produced for the first time in compliance with the Global Reporting Initiative (GRI) standards. This Report was prepared in accordance with GRI standards: Option "Core". Key topics were elaborated upon in workshops.

The previous 2015/2016 report was published in January 2018 and was prepared based on the G4 Guidelines, fourth generation, of the Global Reporting Initiative (GRI).

The following companies were essentially consolidated for this Report: Hansgrohe SE; Hansgrohe Wasselonne S.A.S; Hansgrohe Inc.; and Hansgrohe Sanitary Products (Shanghai) Co. Ltd. Further information on consolidation can be found in our Annual Report 2018 (www.hansgrohe-group.com). No subsequent restatement of information from earlier reports is necessary.

The following changes took place in the reporting period: With effect from August 1, 2018, Hans Jürgen Kalmbach replaced the former Chairman of the Executive Board, Thorsten Klapproth. A new production facility was established in Willstätt in 2018. Hose production and shower bar assembly were relocated from Offenburg to Willstätt. Richard Grohe was elected to the Supervisory Board at the Annual General Meeting on May 9, 2018. He took over the remit of Pierre

Nikolas Grohe. There were also some significant international changes. The French and US sites acquired new Managing Directors: Frederic Pfeiffer on July 1, 2018, and Oliver Bahr on July 23, 2018, respectively.

The Sustainability Report 2017/18 was submitted to the Global Reporting Initiative (GRI) to implement the GRI Materiality Disclosure Service. The correct positioning of the Materiality Disclosures (GRI 102-40 to 102-49) in the Report was confirmed by the GRI Services Team. There is no external verification. This report is published exclusively in digital form.

For reasons of legibility, we generally use the male form in this report. However, this does not constitute a valuation. This refers equally to all gender identities.

GRI Content Index

The "Sustainability Report 2017/18" was submitted to the Global Reporting Initiative (GRI) to implement the GRI Materiality Disclosure Service. The correct position of the "Materiality Disclosures" (102-40 to 102-49) in the Report was confirmed by the GRI Services Team. The service was performed on the German version of the report.



GRI-STANDARDS

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GRI 102	General Disclosures 2016	

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GRI 103	Management Approach 2016 (including 103-1, 103-2, 103-3)	11	
GRI 205-2	Communication and training about anti-corruption policies and procedures	11	We do not report on the number and percentage of employees trained, as the information is confidential and considered as business secret.
GRI 206	Anti-competitive Behavior 2016		
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GRI Standards (GRI 102-47)		Page	Annotation
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GRI 419	Socioeconomic Compliance 2016		
GRI 103	Management Approach 2016 (including 103-1, 103-2, 103-3)		
GRI 419-1	Non-compliance with laws and regulations in the social and economic area		No legal violations are known to have occurred.

AR = Annual Report 2018 

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