

**Sustainability Report of
Harburg-Freudenberger
Maschinenbau GmbH
for the Freudenberg Site**

Reporting period: 2019

engineering excellence
powered by
passion.



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Statement from the Board of Management

With its sustainability report, Harburg-Freudenberger Maschinenbau GmbH [HF] addresses all customers, employees, suppliers and all other stakeholders who have a relationship with our company and would like to get an idea of where and how we assume corporate responsibility in terms of sustainability for today's society, the environment and also future generations and how we live this.

Our sustainability report has been published annually since 2014. This report has been prepared on a voluntary basis and relates to the 2019 financial year, which corresponds to the 2019 calendar year.

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

A handwritten signature in blue ink, appearing to read 'M. Meulbroek'.

Mark Meulbroek
Management



Organisation profile of Harburg-Freudenberger Maschinenbau GmbH

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(Freudenberg Plant)
Asdorfer Straße 60
57258 Freudenberg
Germany

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Germany

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Management Board:

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

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



Locations

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

Main business and production premises:

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

Sales / Service Locations:

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

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



Products

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

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



Work Practices and Human Rights

Commitment to Sustainable and Responsible Corporate Governance

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



The Ten Principles of the UN Global Compact

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

www.unglobalcompact.org | www.globalcompact.de



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

Human Resources

The Freudenberg site of HF is certified according to DIN EN ISO 9001: 2015:



Management system as per
DIN EN ISO 9001 : 2015

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

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



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

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

Certificate Registration No. 44 100 100491
Audit Report No. 3519 5805

Valid from 2017-06-24
Valid until 2020-06-23
Initial certification 2011



Certification Body
at TÜV NORD CERT GmbH

Essen, 2017-06-21

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

TÜV NORD CERT GmbH

Langemarckstraße 20

45141 Essen

www.tuev-nord-cert.com





The company is bound by collective agreements and offers its employees flexible working hours, collectively agreed special payments such as Christmas and holiday bonuses as well as non-tariff payments. HF upholds the right to collective bargaining by allowing employees to participate in warning strikes.

HF ensures pay equity through the tariff framework agreement (ERA). Under ERA, jobs, not employees, are grouped into the appropriate pay scale groups. When recruiting or reassigning staff, the previously prepared job description is used, regardless of age, gender or actual qualifications. In order to offer employees an appropriate, living wage, the hourly wage is significantly higher than the minimum wage, and that for all employees.

In order to do justice to the corporate value of sustainability, HF pays special attention to training in the area of human resources management and would like to offer all trainees long-term prospects wherever possible.

HF Freudenberg offers a wide range of development opportunities and social benefits to increase employees' commitment to the company. For example, there is an in-house gym and the possibility to make use of physiotherapy services.

Within the framework of a job rotation, some staff members are also able to expand their skills in an international context.

In addition, the company's flexible working hours allow employees to reconcile their private commitments with their work without stress, and HF-F gives all employees a share in the company's profits in addition to the collectively agreed special payments.

One of the cornerstones for finding qualified employees and motivating them for the long term, and thus retaining them in the company, is already in the training. With this in mind, HF-F once again took part in the IHK training fair and the Business and Engineering Day at the University of Siegen and was also represented again at the Siegen Technology Day.

In addition, HF-F once again had a team of trainees compete in the annual local soapbox race. Even before and during the event, the trainees were able to demonstrate their various skills and strengthen the cohesion within the group. The agenda for the trainees included the entire planning of the participation in the event, the construction of the soapbox, finding and implementing a motto for the participation, the race itself and also the presentation of their own "racing team" in front of a larger audience; all on their own initiative.

As usual, HF-F was also regularly represented at local schools to present the company and its training opportunities to potential future employees.

Similarly, internships were offered at HF-F for those interested. Of the total of seven new trainees for 2019, five had already completed a work placement at HF-F. In 2019, the site has employed a total of 25 student interns.

In 2019, seven new apprentices were taken on for the professions of industrial clerk, IT clerk, technical product designer, cutting machine operator and industrial mechanic as well as mechatronics technician. HF trains IT clerks for the first time. The company wants to break new ground in this way in order to be able to accommodate the internal IT requirements of the individual departments even better in the future.

HF's parent company, L. Possehl & Co. mbH, has offered a trainee programme since 2017 in which graduates go through various Possehl Group companies. The individual programme sections are divided into company runs and project work, and in 2019 HF-F welcomed two trainees.

In the area of company health management, various sports courses and physio-therapeutic care continue to be offered at the Freudenberg site in the company's own STARK fitness studio. The existing cooperation with the Diakonie Südwestfalen was further expanded and is very well received by the staff.

In this context, HF-F hosted the Diakonie network meeting, where company representatives from various companies who also use the social hotline came to HF-F to learn about the issue of generational conflict in companies.

At the end of 2018, the "Strategy 2023" project was launched, which accompanied the corporate group throughout 2019. The answers to the questions served as the basis for the project work: Where we are today? Where do we want to be tomorrow? What are our goals?

The focus was on working out solutions across the group with the help of which one would like to achieve the set goals. For this purpose, nine roughly formulated thematic fields were defined, each with corresponding sub-themes. These range from the points of corporate strategy, external digitalisation and breathing strategy to general process optimisation.

Teams were formed from participants from the European company locations and all team members have been trained in the course of several events in so-called agile project management.

For the area of "Labour practices and Human Rights", two strategy projects are of importance:

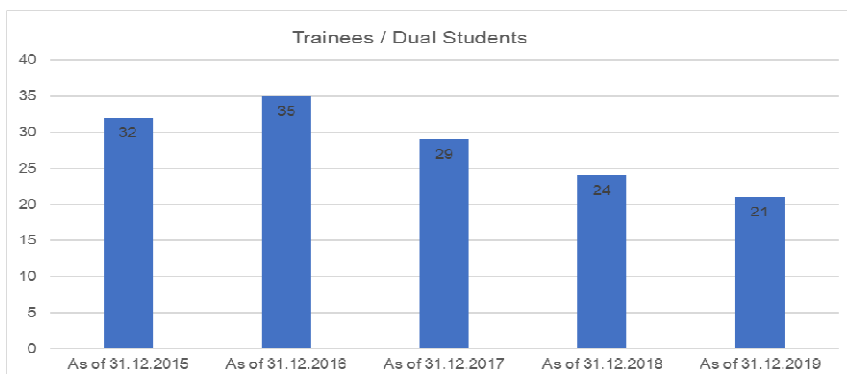
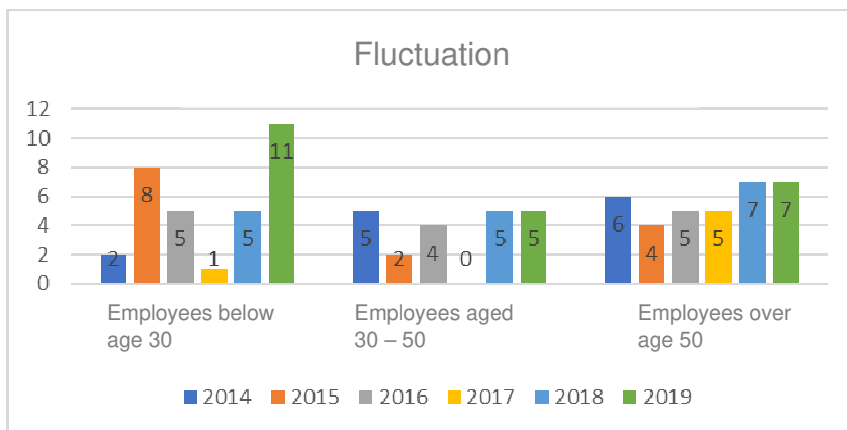
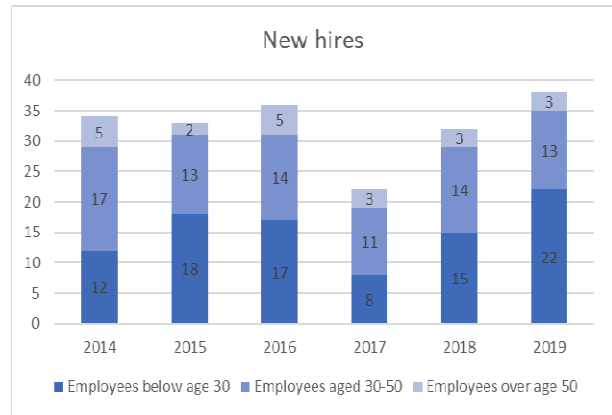
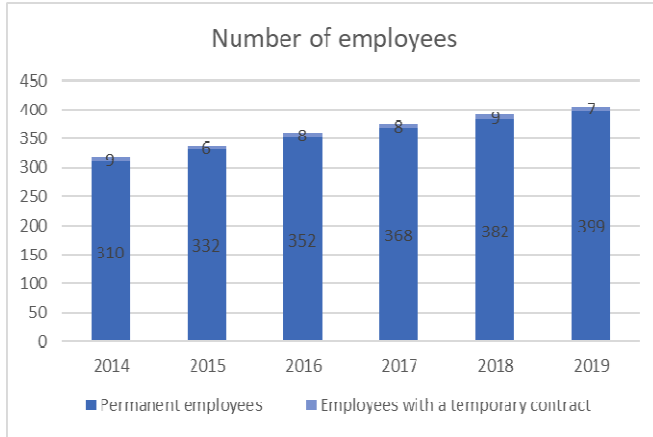
First, the "Roles and Responsibilities" project. The assigned team's goal here was to develop a cross-group concept with the help of agile project management in order to be able to communicate a clear understanding of responsibilities for each position in the company. In the course of this, uniform job descriptions have been created for all management positions throughout the Group.



In 2020, the job description structure developed here is to be extended to all positions in the HF MIXING GROUP and the strategy solution will thus be finally implemented. The resulting improved comparability of the individual positions in the companies of the group allows synergy effects to be used even better.

The second project to be mentioned here concerns the introduction of strategic group-wide human resources planning. Here, the focus of the team's work was on identifying mission-critical positions and creating a skills matrix. This makes it possible to analyse knowledge-critical positions in the company and also to provide access to the skills of employees across groups. This solution is also to be finally implemented in 2020.

Personnel Development at the Freudenberg Site in Figures



Occupational Health

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

Luxemburger Deklaration

zur betrieblichen Gesundheitsförderung in der Europäischen Union



Diakonie in Südwestfalen

issues and medicine.

The cooperation between HF and the Diakonie Social Hotline continued in 2019. Here, the social hotline offers the HF staff and their relatives the opportunity to contact the hotline anonymously on all issues relating to care, social

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



As the health of employees is a high priority at HF, the entire workforce was offered a flu vaccination free of charge in autumn 2019.



Fair Business Practices

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

As in previous years, no violations of the HF Anti-Corruption Policy were reported in 2019. The same applies to the Code of Conduct.

Environment and Climate

Environmental management

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

HF is certified according to DIN EN ISO 14001 : 2015:





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

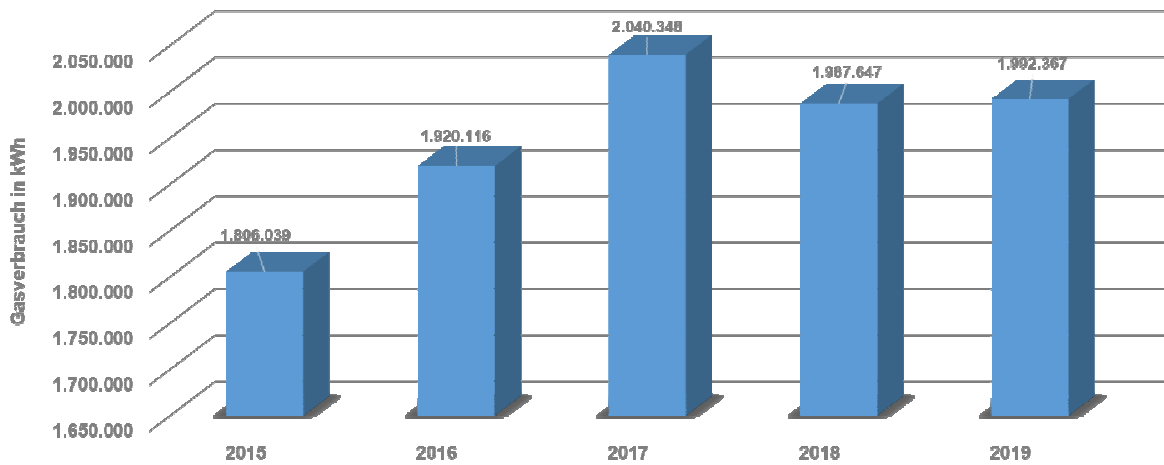
Application and maintenance of the environment management system is the responsibility of the commission appointed for environmental management by the company's management. This commission advises the managers in the company when implementing legal and official requirements and promotes employee motivation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

What's New in 2019

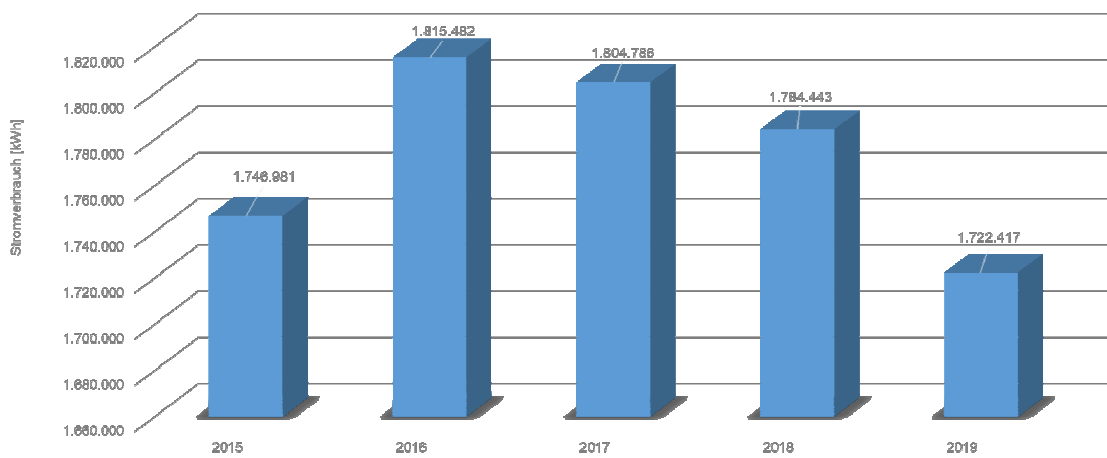
Replacing the existing foam packaging system with a more environmentally friendly system in logistics led to a 25-mass-% reduction in foam consumption. This also indirectly reduces packaging waste for our customers.

Environment and Energy in Figures (Freudenberg site)

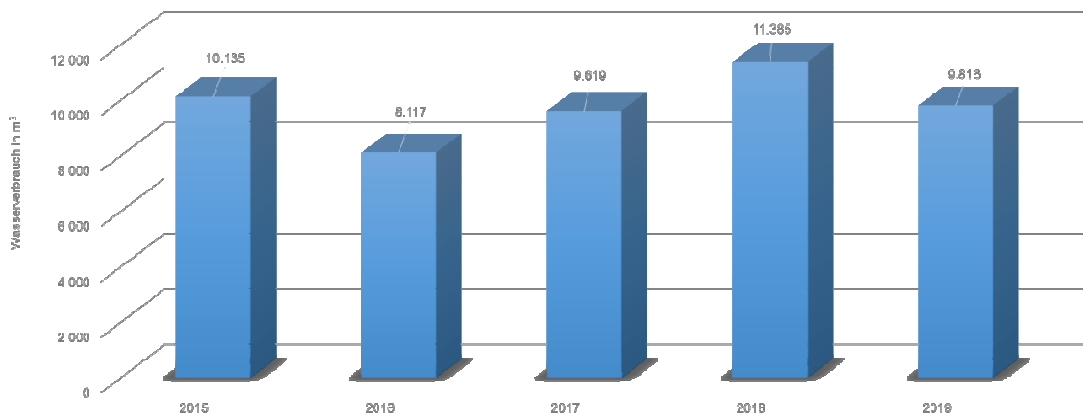
Gas Consumption



Power Consumption



Water Consumption



Waste

The waste generated mainly comes from metalworking (Figure 1), from packaging residues that can no longer be used and from the administrative area. Essentially, the waste is pre-sorted and properly recycled with our certified waste management companies.

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

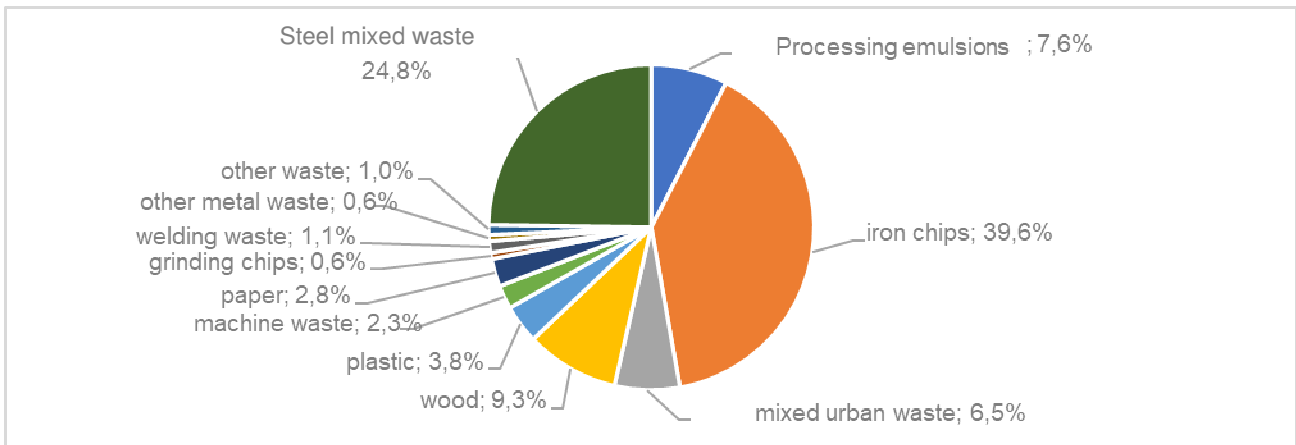


Figure 1: Types of waste – percentage of distribution 2019

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

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

In 2019, the separate collection rate was increased by 3% to 92.8% by implementing some improvement measures.

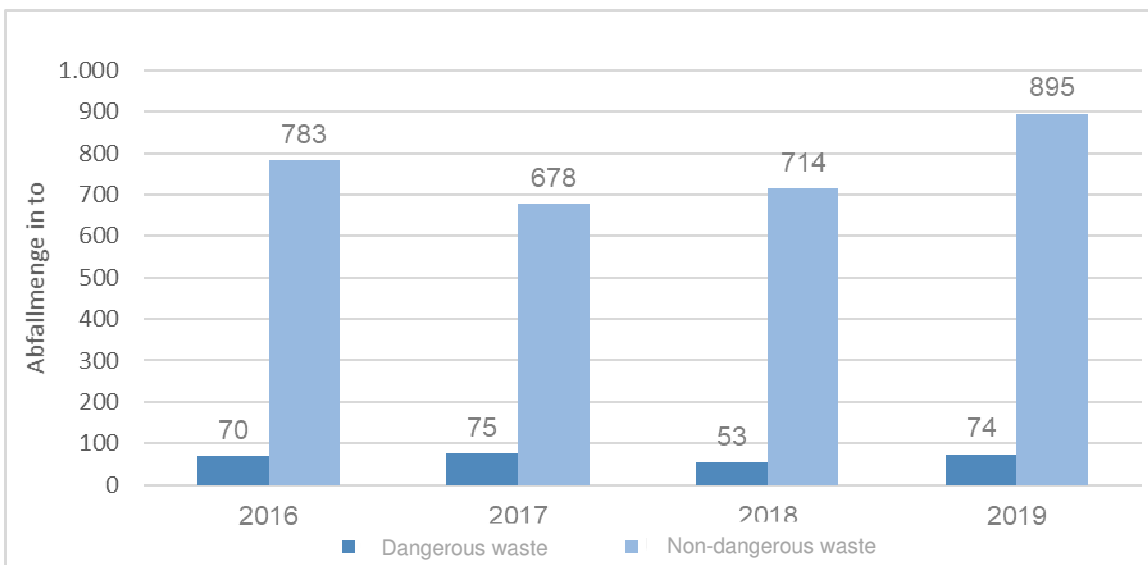


Figure 2: Waste quantities



Sustainability Certificate

Harburg-Freudenberger Maschinenbau GmbH, Freudenberg

contributed significantly towards protecting the environment via its collaboration with the REMONDIS Group again in 2019:*

- Consumption of primary raw materials was reduced by 135.1 tonnes
- Energy was generated and energy consumption reduced by 607.1 MWh
- Carbon emissions were cut by 73.6 tonnes of CO₂ equivalents

According to our waste statistics for 2019, the following waste streams were collected separately and included in the evaluation process:
materials contaminated with oil // mixed waste for recycling // mixed building & demolition waste // paint & varnish waste // paper, card, cardboard // plastic film, plastics // spray cans // wood.

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

REMONDIS SE & Co. KG



Thomas Conzendorf
Board Member

REMONDIS Assets & Services GmbH & Co. KG



Herwart Wilms
Managing Director

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

Waste Balance 2019

Customer: Harburg-Freudenberger Maschinenbau GmbH, Freudenberg
 Customer ID: 68101454

Waste Code	Waste Designation	Container Type	Amount	Unit
08 01 11 *	waste paint and varnish containing organic solvents or other hazardous substances	ASP 800	0.68	TO
12 01 09 *	machining emulsions and solutions free of halogens	suction-/cleaning truck	69.50	CBM
15 01 01	wastepaper	5.0 cbm large refuse container	5.08	TO
15 01 01	paper, card, cardboard	10.0 cbm skip-loaders press	15.71	TO
15 01 03	Al waste wood	15.0 cbm skip container	1.15	TO
15 01 03	Al wooden packaging	5.0 cbm skip container	3.73	TO
15 01 03	Al wooden packaging	10.0 cbm skip container	46.13	TO
15 01 03	Al wooden packaging	36.0 cbm skip container	19.11	TO
15 01 03	All wooden packaging	36.0 cbm roll-off container	5.31	TO
15 01 06	mixed packaging	20.0 cbm skip press container	32.94	TO
15 02 02 *	absorbents, filter materials (including oil filters not otherwise specified), wiping cloths, protective clothing	1.1 cbm galvanized	0.22	TO
15 02 02 *	absorbents, filter materials (including oil filters not otherwise specified), wiping cloths, protective clothing contaminated by hazardous substances	ASP 800	1.77	TO
16 01 19	plastics	10.0 cbm skip container	27.78	TO
16 05 04 *	gases in pressure containers (including halons) containing hazardous substances	200 l clamping ring barrel	0.24	TO

Waste Balance 2019

Customer: Harburg-Freudenberger Maschinenbau GmbH, Freudenberg
 Customer ID: 68101454

Waste Code	Waste Designation	Container Type	Amount	Unit
16 05 04 *	gases in pressure containers (including halons) containing hazardous substances	ASP 800	0.27	TO
17 01 07	mixtures of concrete, bricks, tiles and ceramics	delivery	1.00	PAU
17 01 07	mixtures of concrete, bricks, tiles and ceramics	delivery	0.70	TO
17 02 01	All waste wood	40.0 cbm roll-off container	2.45	TO
17 02 01	wood	40.0 cbm roll-off container	5.17	TO
17 09 04	mixed building and demolition waste	10.0 cbm skip container	0.83	TO
20 01 39	plastics	5.0 cbm large refuse container	6.53	TO
20 02 01	biodegradable waste	delivery	1.00	PAU
20 03 01	mixed municipal waste	5.0 cbm large refuse container	18.20	TO

HF Energy Management

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



Sustainable procurement

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

Supplier Self-Disclosure - Focus on “Corporate Social Responsibility“

In the course of the annual supplier evaluation, those suppliers who have not yet been requested by HF to submit a supplier self-disclosure in the area of Corporate Social Responsibility (CSR) will be contacted step by step in order to be able to evaluate them in this area as well. In total, this evaluation now includes 187 suppliers.

The 2019 survey of suppliers came to the following conclusion:

The maximum score achievable in the various parts ranged from:

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

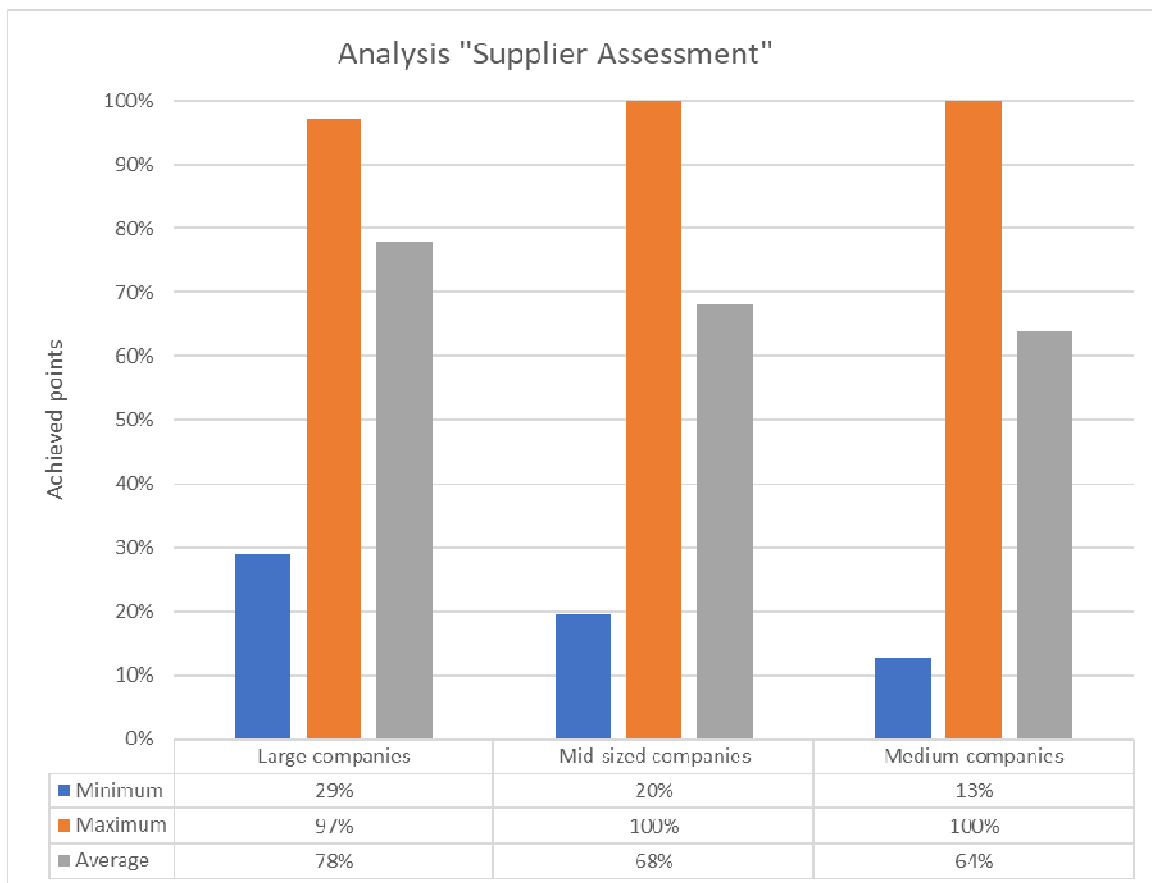
The following results could be achieved on average from the evaluated questionnaires:

	Part I:	Part II:	Part III:	Part IV:
Avg. marks scored:	47.86	48.9	16.0	37.0
Ø- Percentage value:	53 %	70 %	53 %	74 %

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

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

This gives the following conclusion:



The break up of company sizes was given as follows:

Large companies: 66
 Mid-sized companies: 68
 Small companies: 53

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

The annual supplier evaluation, in which the CSR area is assessed by the above-mentioned evaluation is covered, all relevant suppliers were evaluated. A grade point average of 1.59 was achieved. In addition to the CSR criterion, the supplier evaluation considers the aspects of quality, price level, adherence to delivery dates and general order processing.

Supplier Audits

In 2019, a total of 1 supplier audits were carried out and a total of 23 strategically important suppliers of HF Freudenberg have been audited so far with regard to their organisational and technical processes as well as their performance capabilities.

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

Current audit Overview:

Overview Supplier rating HF-Freudenberg 2016 - 2019				
Supplier	Date	Audit Team HF	Status	Result
Tallers Guibe S.A.	06.10.2016	D. Berkemeier	completed	A
Dr. W. Ostermann GmbH & Co.KG	07.10.2016	D. Berkemeier / N. Gedigk / S. Groos	completed	A
Rybak+Hofmann GmbH & Co.KG	26.10.2016	D. Berkemeier / N. Gedigk	completed	A
Geweke GmbH & Co.KG	13.12.2016	D. Berkemeier / S. Bäumer / S. Groos	completed	A
Dimab GmbH & Co.KG	14.12.2016	D. Berkemeier / M. Arbter / S. Groos	completed	B
Bornbusch GmbH & Co.KG	04.07.2017	M. Arbter / K. Dietershagen	completed	A
Fries GmbH	16.08.2017	M. Arbter / K. Dietershagen	completed	A
EPM GmbH	21.09.2017	S. Groos / N. Gedigk	completed	A
Silbitz Group GmbH	19.10.2017	D. Berkemeier / M. Hofmann	completed	A
Weinreich Industriekühlung GmbH	15.11.2017	D. Berkemeier / N. Gedigk	completed	A
Universal Hydraulik GmbH	15.11.2017	S. Bäumer / F. Krebs	completed	A
Hermann GmbH	06.12.2017	S. Bäumer / S. Groos	completed	A
Johann Maffei GmbH & Co.KG	12.12.2017	M. Arbter / K. Dietershagen	completed	A
Proficut Messertechnik GmbH	17.05.2018	M. Arbter / K. Dietershagen	completed	B
GS-Bosnien	28.05.2018	D. Cosic / M. Hofmann	completed	A
Georg Automation GmbH	18.07.2018	S. Groos / F. Krebs	completed	A
C. u. W. Keller GmbH & Co.KG	22.08.2018	N. Gedigk / D. Berkemeier	completed	A
Kelviplast GmbH & Co.KG	28.08.2018	N. Gedigk / D. Berkemeier	completed	A
D. Oerter GmbH	05.09.2018	S. Bäumer / M. Hofmann	completed	B
S.C. Uzina Mecanica Marsa S.A.	11.09.2018	M. Hofmann / D. Cosic	completed	B
Pleissner Guss GmbH	24.09.2018	S. Bäumer / D. Berkemeier	completed	A
TMT d.o.o.	12.09.2018	M. Arbter / K. Dietershagen	completed	B
Corts, Remscheid	08.05.2019	M. Arbter / K. Dietershagen	completed	B

Waste Management (Remondis)

Since 2015, HF has been constantly monitoring and analysing its own waste management with the aim of continuously optimising it and reducing waste wherever possible. In this regard, a sustainability certificate and a detailed waste balance sheet were again issued for HF by Remondis in 2019.

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

	2015	2016	2017	2018	2019
Primary material savings (in tonnes)	87	155	156	134.5	135.1
Energy generation- and savings (in MWh)	310	752	866	551.1	607.1
CO ² Reduction (in tonnes CO ² equivalent)	55	101	91	66.6	73.6

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

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

- Recording
- Transport
- Pre-treatment
- Utilisation

The sustainability certificate and the waste balance sheet can already be seen on page 20 et seq.



Enterprise Content Management (ECM) / Paperless Office

At the end of 2018, a project was launched within the HF MIXING GROUP to digitalise processes and workflows. It is based on a digital archive, which at the same time provides an intelligent document management. This project is being driven forward under the term ECM (=> Enterprise Content Management) and in 2019, the purchasing and accounting departments at the HF site in Freudenberg went live. In the area of procurement, the project scope was defined in 2019 and the planning, coordination and predominant project implementation were carried out. The go-live is scheduled for the beginning of 2020. This will be followed by the timely connection of the accounting system, which should be completed by autumn 2020.

In addition to the targeted increase in efficiency and optimisation of the process on a digital basis, at least 85% percent savings of analogue working materials such as paper, toner, folders, etc. are expected.