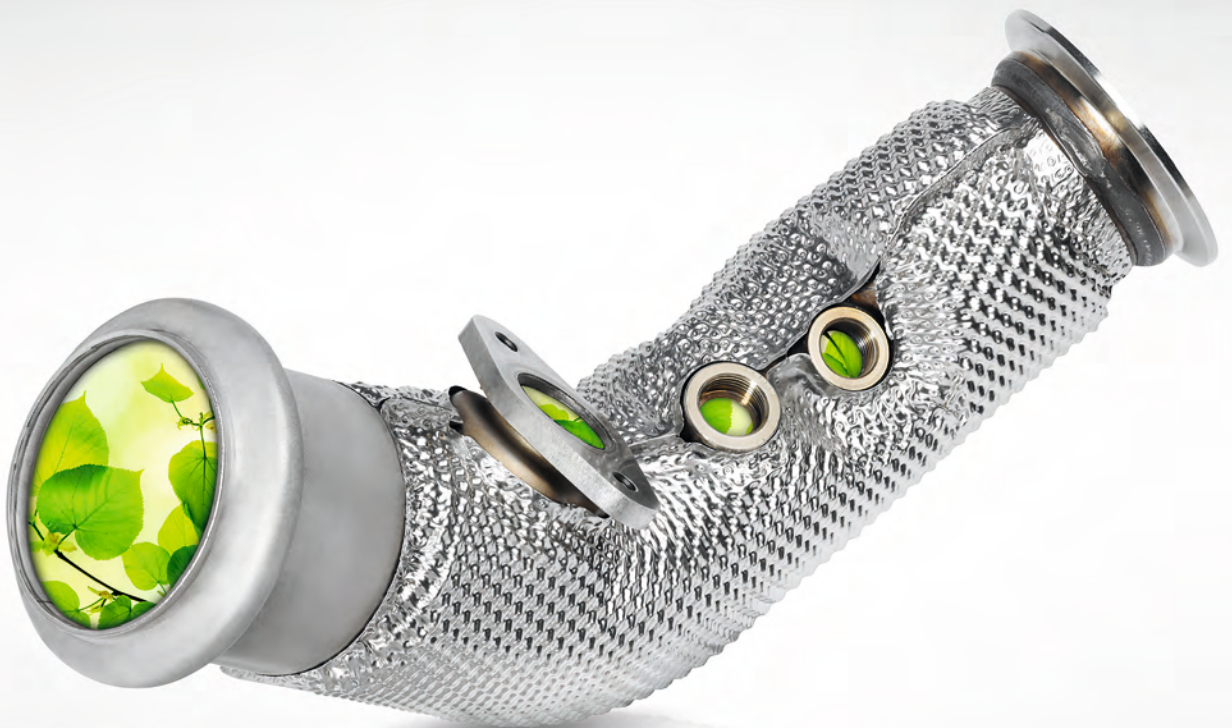


CSR REPORT 2013

A FUTURE BUILT ON SUSTAINABILITY



**elring**klinger



# Sustainability forms the basis of our success in business

*Ladies and gentlemen,*

CSR is an integral part of our corporate strategy. In addition to pursuing our primary objective of generating profitable growth, it is essential that we assume social responsibility. This includes responsible interaction with staff, the environment and society as a whole.

As a supplier to the vehicle industry, ElringKlinger has embraced responsibilities for eco-friendly mobility in particular. For the protection of the environment and in recognition of the finite supply of fossil fuels, the reduction of fuel consumption and emission levels has emerged as a key objective within the field of automobile and engine manufacturing. ElringKlinger is able to make significant contributions in all its product categories when it comes to meeting these requirements, for example plastic components aimed at reducing weight, innovative gaskets for engine, transmission and exhaust tract applications, thermal shielding systems for fuel-efficient high-performance engines and modern exhaust systems as well as end-to-end exhaust gas purification systems. We are also committed to supporting efforts to develop alternative drive concepts by pursuing extensive R&D in the field of fuel cells and battery technology.

The demands made on our products and technologies are becoming increasingly complex, and our business continues to thrive in this challenging environment. This is underpinned by the acquisitions we have made in recent years. Buoyed by growing demand for Hug mobiclean R™ advanced filter technology, our company managed to establish itself as the market leader in the US retrofit market in 2013. Drawing on our superior technical expertise as well as the positive feedback received from end customers, we can look forward to excellent prospects within the market.



At an operational level, too, we are always looking to come up with new solutions to ensure a more eco-friendly approach to manufacturing. Since 2013, our French subsidiary ElringKlinger Meillor SAS has been producing transmission control plates in-house; for this purpose, the enterprise integrated a de-greasing line that can be operated without the use of any solvents (see page 6).

As in the previous years, a number of projects were undertaken relating to HR and community work. This report includes a summary of some of these projects.

We believe that only companies with a strong social and community commitment to complement their goal of profitable growth will remain successful in the long term – ElringKlinger is one of these companies.

I hope you enjoy reading our latest report.

Regards,

A handwritten signature in blue ink that reads "Stefan Wolf". The signature is fluid and cursive, with a large loop at the end of the last name.

Dr. Stefan Wolf

# A product portfolio for the future of mobility

With new legislation being introduced around the globe, manufacturers have no choice but to deliver substantial reductions in the CO<sub>2</sub> emissions of cars and commercial vehicles. By 2021, for example, the level of greenhouse gases emitted by new vehicles will have to

fall by a further 20% in Europe and by as much as 30% in the United States. Even emerging market countries such as China have their sights on low-emissions technology, with a legally prescribed target of cutting CO<sub>2</sub> emissions by 30%. There is still plenty of scope for

1

## Downsizing

*Downsizing, i.e. the reduction of a vehicle's engine displacement, can help to cut fuel consumption by more than 25%.*

*The automotive industry has seen a growing trend towards more compact, turbocharged engines with a similar performance rating. This is reflected in the current statistics: by 2018 almost 70% of new cars registered in Europe, and up to 40% worldwide, will be equipped with turbochargers. Downsizing also translates into higher injection pressures and rising operating temperatures, placing greater demands on sealing and shielding technology. With this in mind, ElringKlinger develops highly sophisticated sealing and shielding solutions for engine, transmission, turbocharger and exhaust tract applications.*

ElringKlinger  
products

### Gaskets

- Cylinder-head gaskets
- Specialty gaskets, e.g. for turbochargers or exhaust tract



Metaloseal™ metal layer gasket for high-temperature applications

### Plastic housing modules

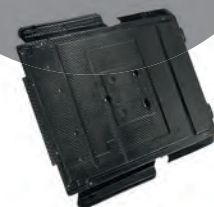
- Cam covers
- Oil pans
- Oil suction pipe modules
- Charge air ducts and more



Ready-to-install plastic engine oil pan (with additional functions) for commercial vehicles

### Thermal and acoustic shielding systems

- Underbody shielding components
- Engine shielding components
- Shielding components for electromagnetic radiation



ElroCooustic™ shielding component

meeting this target with the traditional combustion engine. The car industry is pressing ahead with efforts to develop affordable solutions aimed at making combustion engines even more efficient and thus also more environmentally friendly. In parallel, alternative drive technologies are being improved and refined.

2

## Exhaust gas purification technology

*Increasingly sophisticated exhaust-cleaning technology is being deployed to reduce the harmful soot particles, hydrocarbons and nitrogen oxides produced by vehicle engines.*

*The Euro 6 standard for cars and Euro VI standard for trucks that came into force in 2014 will raise the bar even further. It is perfectly possible that particulate filters may also be required in petrol engines in future.*

ElringKlinger  
products

### Exhaust gas purification systems

- Oxidation catalysts
- Diesel particulate filters
- SCR technology for nitrogen oxide reduction



Combined exhaust gas purification system

Almost the entire product range offered by the ElringKlinger Group – featuring solutions for the engine, transmission and exhaust system as well as in the field of e-mobility – is centered around the reduction of CO<sub>2</sub> emissions and the promotion of “green mobility”.

3

## E-Mobility

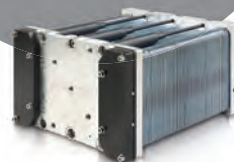
*The volume of components supplied by ElringKlinger for cell component systems is set to increase markedly, as the first all-electric vehicles roll off the production line.*

*In parallel, the E-Mobility division is helping to drive forward the development of new battery cell housings as a member of an industrial consortium.*

ElringKlinger  
products

### Bipolar plates for fuel cell stacks

Components for lithium-ion batteries, e.g. cell contact systems or cell housings



Fuel cell stack as a range extender

## Resource efficiency takes center stage

ElringKlinger had set itself the target for 2013 of reducing its relative (in relation to sales revenue) direct and indirect CO<sub>2</sub> emissions by 3%. However, the company was unable to reduce its relative CO<sub>2</sub> emissions in 2013.

This was mainly due to a higher level of electricity and gas consumption, which rose by 8% and 7% respectively across the ElringKlinger Group. The increase in electricity consumption was partly attributable to expansion of the Group's production facilities, e.g. in Buford (USA) and Dettingen/Erms (plastic housing modules). Overall CO<sub>2</sub> emissions were also driven higher by production ramp-ups for entirely new components and a shift in the Group's portfolio towards more energy-intensive products. The rise in gas consumption in 2013 was mainly due to the long, cold spring in Europe.

ElringKlinger is committed to maximizing energy efficiency when it buys new machines and equipment.

In 2013, the company acquired two large presses for its factories in China and Mexico. The new machines consume significantly less energy than the previous models.

Low CO<sub>2</sub> emissions are an important criterion in the selection of new company vehicles. In 2013, average CO<sub>2</sub> emissions for the vehicle fleet fell sharply to 145 (157) g/km. This was achieved in part by a policy of regularly updating the vehicle fleet and partly through the purchase of a second, environmentally friendly, plug-in diesel hybrid with CO<sub>2</sub> emissions of just 99 g/km.

The company's vehicle fleet was further strengthened in mid-2014 with the inclusion of two additional all-electric cars. ElringKlinger has already installed the necessary infrastructure, including recharging points. The company also plans to allow visitors who travel to the site in an electric vehicle to use the recharging points without a fee.



*Potential energy savings from cogeneration systems (CHP)*

In 2013, three cogeneration, i.e. combined heat and power (CHP), units were in operation at ElringKlinger's headquarters in Dettingen/Erms. The waste heat from electricity generation can be used for production processes and in winter to heat the offices. The CHP units are linked to an absorption cooling system that allows waste heat to be used for cooling purposes in the summer months. The CHP units have already significantly reduced the site's external energy requirements. Therefore, an additional CHP was installed in 2014.



*High quality standards are a key element of any strategy to maximize the resource efficiency of production processes. In this context, with the exception of the new plant in Indonesia, all the ElringKlinger Group's production sites are certified in accordance with the automotive industry standard TS 16949 and/or ISO 9001. All the Group's production sites have implemented an environmental management system based on ISO 14001.*

*In 2014, ElringKlinger initiated the launch of an energy management system based on ISO 50001 that will help to deliver further sustainable growth. Final certification is scheduled for 2015. At the same time, the company intends to manage its energy needs more efficiently by refining the way energy consumption is measured.*

#### THE ELRINGKLINGER GROUP - KEY ENVIRONMENTAL INDICATORS

	2013 <sup>1</sup>	2012 <sup>2</sup>	2011 <sup>3</sup>	2010	2009
Total direct and indirect CO <sub>2</sub> emissions in metric tons	88,300	80,900	68,000	57,500	50,400
CO <sub>2</sub> emissions in metric tons per EUR 1 million in sales	75.1	71.8	65.8	72.3	87.0
Total direct CO <sub>2</sub> emissions in metric tons	23,300	22,700	20,000	16,700	13,700
Of which direct CO <sub>2</sub> emissions from gas, oil, engine test stands, etc. in metric tons	22,600	22,100	19,400	16,700	13,700
Of which CO <sub>2</sub> emissions for vehicle fleet <sup>4</sup> in metric tons	660	580	600	–	–
Total indirect CO <sub>2</sub> emissions in metric tons	65,000	58,200	48,000	40,800	36,700
Of which indirect CO <sub>2</sub> emissions from electricity in metric tons	62,000	55,700	46,000	40,800	36,700
Of which indirect CO <sub>2</sub> emissions from flights <sup>5</sup> in metric tons	3,000	2,500	2,000	–	–
Absolute energy consumption (electricity, gas and other energy sources) in MWh	240,000	223,500	199,800	168,100	125,300
Absolute energy consumption per EUR 1 million in sales in MWh	204.2	198.3	193.5	211.3	216.1
Of which electricity consumption in MWh <sup>6</sup>	144,200	133,400	119,500	98,700	72,900
Electricity consumption per EUR 1 million in sales in MWh	122.7	118.3	115.7	124.0	125.7
Water consumption in m <sup>3</sup>	163,400	163,700	162,200	129,200	87,200
Solvents in metric tons	1,060	940	930	850	600
Total waste in metric tons	43,700	42,100	42,600	34,500	23,200
Of which metal waste in metric tons	36,200	35,100	35,700	28,500	18,800

<sup>1</sup> 2013 figures include ElringKlinger Korea Co., Ltd. for first time at 100% (2012: 50%). The new plant in Indonesia will be included from 2014

<sup>2</sup> Prior-year figures adjusted for entities consolidated on a proportionate basis

<sup>3</sup> Comparison with previous year is limited due to acquisitions carried out in 2011

<sup>4</sup> Vehicle fleet of ElringKlinger AG sites Dettingen/Erms, Gelting, Langenzenn, Runkel, Thale and (since 2013) Lenningen

<sup>5</sup> Air travel attributable to sites in Germany, Switzerland and France as well as centrally recorded flights relating to sites in the UK and US

<sup>6</sup> Excluding output from in-house CHP units

## “Green” highlight in production

**The French subsidiary of the ElringKlinger Group, ElringKlinger Meillor SAS (based in Nantiat), is making a key environmental statement with its production of transmission control plates. At the beginning of 2013, the company commenced manufacturing operations for complete transmission control plates.**

The focus was on making its production processes as environmentally friendly and sustainable as possible. With this in mind, the company invested in a pioneering degreasing station that can be operated entirely without the need for hazardous solvents.

Unlike conventional systems containing solvents, the new unit uses a pressurized steam jet to clean the components. This makes it much more eco-friendly than solvents-based degreasing systems. By optimizing its production processes, the company has cut the previous annual requirement of 1,020 liters of perchloroethylene – a volatile, non-flammable cleaning fluid – to zero.

Thus, ElringKlinger is able to operate without the need for harmful solvents, the result being a cost-effective process that benefits both the environment and the company.

*Solvent-free  
cleaning system for*  
**environmentally-  
friendly manu-  
facturing**

*ElringKlinger embraces*  
**ecological  
awareness**  
*in production*

*The company has now  
dispensed entirely  
with the use of  
1,020 liters per-  
chloroethylene  
per annum*





## New laboratory for new



*Shielding technology goes "green" – the trend towards energy harvesting*

**The automotive industry as a whole has not been immune to the trend towards energy recovery, but now the advances are reaching the field of shielding technology, too. The priority used to be to remove heat as efficiently as possible in order to protect components from overheating; today, the focus is on tapping into this excess heat as a new source of energy. The mot de jour: "energy harvesting".**

Instead of simply accepting the loss of generated energy, we can apply green shielding technology to make at least some of it reusable. This innovative form of energy generation offers considerable market potential. Recognizing this, ElringKlinger has set up a new development laboratory at its site in Langenzenn. The aim is that this laboratory will be used to pursue more of the company's own development interests, particularly in the area of fundamental research. The lab will also be looking to participate in publicly funded

projects on research and development (R&D) in this field and forge links with academic and scientific R&D partners. The fact is that shielding technology offers plenty of room for growth.

At the same time, the requirements placed on shielding systems are becoming increasingly exacting. Large shielding components and generous installation space have become things of the past; downsizing, lightweight construction, legal issues and comfort demands have all translated into ever higher thermal and acoustic requirements for shielding materials. With this in mind, research conducted at the new development laboratory will also cover highly efficient insulating materials and ceramic surface coatings. In the long term, building these skills and capabilities will ensure that the Shielding Technology division will retain its unique selling points.

## Business success underpinned by promotion of talent – ElringKlinger rated among “top employers”

Well-motivated and committed employees are vital to the company’s long-term success. Accordingly, ElringKlinger strives to offer its employees an attractive working environment. By way of example, it has drawn up a Group-wide Code that establishes binding principles for all employees and managerial staff with regard to staff development, pay, working hours, freedom from discrimination, health and safety. The Code can be accessed online at <http://www.elringklinger.de/en/sustainability/guiding-principles/code-of-ethics>.

In order to boost its appeal as an employer, ElringKlinger promotes specific measures that help to reconcile the demands of family and career. The childcare provision organized by ElringKlinger for the first time during the 2013 summer holidays for school-age children proved very popular. This program was repeated during the holidays in 2014.

Employee satisfaction is also reflected significantly in the company’s sickness and staff turnover rates. As in the previous year, the sickness rate for 2013 remained low. Despite the Group’s expanding workforce in countries such as China and Brazil, where higher staff turnover is relatively common, the overall staff turnover rate fell to 5.2% (6.7%). ElringKlinger’s appeal as an employer was underlined by the results of a survey in the business magazine FOCUS that placed the company in the list of top employers. With a ranking of 18th in the “Automotive and Supplies” category, ElringKlinger made it into the Top 20 alongside some of the biggest names in the industry. The FOCUS survey was primarily based on criteria such as leadership culture, corporate image, career opportunities and pay. Over 12,000 employees from around 2,000 different companies took part. The views of members of the career network Xing and ratings submitted via the Kununu platform were also taken into account.

A major element of ElringKlinger’s HR work involves recruiting talented young people and providing employee training. Staff at ElringKlinger are offered training opportunities to suit their particular needs. These can take the form of further professional training in specific areas (e.g. language courses and software skills) or individual staff development programs. During the year under review, the Group spent a total of EUR 1.0 (1.0) million on training and professional development.

A special training program is in place to prepare talented employees for future leadership roles on both the technical and managerial side. Nine young people embarked on the program in 2013 and are expected to complete it by spring 2014. The concept was revised and extended as recently as 2012.

ElringKlinger has been offering both technical and commercial apprenticeships for several decades. Dual work/study programs have also been set up in collaboration with cooperative state universities. Other options available to students at ElringKlinger include internships and opportunities to prepare a bachelor’s or master’s thesis. In 2013, the company hosted a total of 51 (42) students and interns at various sites in Germany.

## Focusing on social skills



*Employees at  
ElringKlinger get in-  
volved in community  
projects*

### FROM DESKWORK TO SPADEWORK

“We need good employees for the future, and social skills are very important in this context.” Employees at ElringKlinger fully embraced these words of our CEO Dr. Stefan Wolf. As part of the high-potentials program, upcoming executive staff set up a bare-foot path in Dettingen/Erms. The path was created together with employees from Bruderhaus-Diakonie and Danzer. Planning on the project began in early June, with financial support from ElringKlinger. Access to the path, set up in the “Sonne” residents’ association garden, is barrier-free and fulfills a therapeutic purpose aimed at basal stimulation. For people with a disability, it is important to be able to feel the different materials – which include bark mulch, artificial turf and ElringKlinger plastic granulate. The path covers a total of six stations. Each individual one will in future offer a very special “touch experience”.

### FROM CONFERENCE ROOM TO NATURE AND SUPPORTERS’ TERRACES

The second group of high-potentials set out with residents of Bruderhaus-Diakonie to Welzheim for the senses experience path to discover their skills of perception in breathtaking natural surroundings. The upcoming executives also organized a joint excursion to the “comtech Arena” in Großaspach, where a friendly soccer match took place between SG Sonnenhof Großaspach and FC Bayern Munich. From the stands they were able to enjoy the game between the German league titleholders and the regional team from Baden-Württemberg right up close.

The company’s high-potentials were unanimous in their summing up. All of them found their projects fun and took a whole range of new experiences away with them. The encounter awoke the participants’ awareness of the small and beautiful things in life that are often only perceived marginally because they have become routine for those without a disability. At the closing event of the program those taking part in the high-potentials program presented the specialist projects that they had put together to the other participants of the program.

*Our team of apprentices  
also visited various community  
care organizations. Each year, for  
instance, our second-year vocational  
trainees join such a care facility for  
one week as part of local “Social  
Learning” projects.*

## THE ELRINGKLINGER GROUP – KEY HR INDICATORS

	as of Dec. 31, 2013	as of Dec. 31, 2012	as of Dec. 31, 2011
Absolute number of employees	6,716	6,263	6,075
Of which men	70.1 %	69.7 %	69.4 %
Of which women	29.9 %	30.3 %	30.6 %
Average number of employees	6,543	6,314	5,729
Breakdown by age group			
Less than 30 years old	24.9 %	24.3 %	25.6 %
30 to 50 years old	56.0 %	56.8 %	55.7 %
Over 50 years old	19.2 %	18.9 %	18.7 %
Vocational training ratio <sup>1</sup>	3.9 %	3.1 %	2.4 %
Interns and thesis students <sup>1</sup>	51	42	117
Staff turnover rate	5.2 %	6.7 %	5.8 %
Average number of sick days per employee	9.1	9.4	8.6
Employees covered by collective agreements	4,728	4,554	3,927
Number of qualification interviews conducted	5,379	4,844	4,616
Percentage of part-time employees	4,7 %	4,6 %	4,6 %
Employees on permanent contracts	5,577	5,433	5,413
Number of employees with disabilities	189	189	178
Number of employees in management positions	525	449	260
Of which women	64	55	32
Of which local nationals	476	420	178
Work-related accidents leading to more than 3 days off work	292	236	178
Work-related fatalities	0	0	0
Absolute number of employees			
In partial retirement <sup>1</sup>	76	72	78
On maternity leave <sup>1</sup>	8	3	25
On parental leave <sup>1</sup>	24	28	45
Number of improvement suggestions submitted <sup>1</sup>	289	264	1,150
Improvement suggestions successfully implemented <sup>1</sup>	98	75	490
Improvement suggestions rejected <sup>1</sup>	148	119	166

<sup>1</sup> Figures based on German sites only. Prior-year figures have been adjusted

## ElringKlinger: Global success and social commitment

ElringKlinger AG makes regular donations to charities. In 2013, the company gave around EUR 116,000 (70,000) to support a range of socially active organizations and projects.

ElringKlinger is also indirectly involved in social causes via Paul-Lechler-Stiftung. This trust is supported by the Lechler families, who are also major shareholders of ElringKlinger AG. Through this connection, each year part of the company's profit is channeled into Paul-Lechler-Stiftung. It supports numerous social projects.

In addition, ElringKlinger has been working closely with the Bruderhaus-Diakonie foundation and the associated disabled persons' workshops in Dettingen/Erms for many years. They independently handle complete processes for ElringKlinger's Aftermarket division, including tasks such as the finishing and packing of gasket sets. We continued a digital archiving project, initially launched in 2012, with great success in 2013 and extended it to cover other areas of the business.

The majority of companies within the ElringKlinger Group support socially active organizations and donate funds for disadvantaged people around the globe.

*The Brazilian subsidiary ElringKlinger do Brasil Ltda., for instance, has committed itself to a wide range of welfare activities. This also includes support of the Horizon Project, a partnership established with a care home for young children and teenagers living in poverty. ElringKlinger do Brasil Ltda. donates food, clothing and toys. Additionally, the company offers a range of apprenticeships for young people from disadvantaged backgrounds.*



## Green investments increasingly important to capital markets

Companies with a “green” product range are increasingly attractive to a growing number of investors. In this context, a well-defined combination of sustainable investment models within the capital market and a long-term business model is essential. Non-financial indicators are becoming more and more important. ElringKlinger is regularly assessed on these criteria by various rating agencies.

- As early as 2007, it was one of the first automotive suppliers to sign up to CDP (formerly “Carbon Disclosure Project”), which is currently supported by more than 750 investors with total assets of around USD 92 trillion. In 2013, ElringKlinger was given a rating of 78C.
- Oekom Research, one of the leading sustainability rating agencies, again gave ElringKlinger “prime” investment status (C+) in 2013. This puts the company in the top 25 percent, i.e. above the industry average.
- The prestigious rating agency Sustainalytics placed the Group 4th out of 58 in its 2013 “Automotive Components” ranking.
- In 2013, ElringKlinger was again awarded the “Quality Mark for Sustainability” by DZ Bank.
- ElringKlinger has also been listed in the “DAXglobal Sarasin Sustainability Germany Index” for some years.





# Vehicle industry focused on reduction of emissions – Opportunities for ElringKlinger

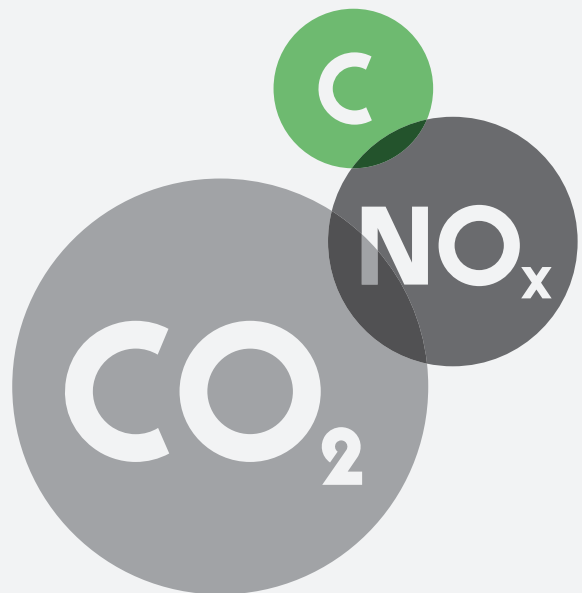
One of the key objectives currently being pursued by the vehicle industry is to scale back emissions. This applies not only to CO<sub>2</sub> but also to other harmful components such as soot particles, nitrogen oxides and hydrocarbons.

At present, Europe is known to have the strictest emission standards worldwide. According to a resolution passed by the EU Commission, the level of CO<sub>2</sub> pollutants emitted by new vehicles will have to be reduced from 120 g/km at present to 95 g/km by 2021. These requirements will have to be met by 90% of each manufacturer's vehicle fleet as early as 2020. The authorities in Brussels are already discussing levels of 75 to 65 grams for the years from 2025 onwards.

At the same time, the United States and emerging countries such as China have put in place legislation that prescribes a reduction in emissions by up to 30% in the coming years. When formulating legal provisions relating to permissible emissions, the growth-driven emerging countries tend to look at the particularly strict Euro standards as a basis for policy making.

For the ElringKlinger Group this legislative framework offers considerable potential with regard to development and revenue growth. The trend towards more fuel-efficient engines opens up additional sales opportunities and new sales markets for highly heat-resistant specialty gaskets and shielding components, such as those required for turbochargers, in exhaust systems and increasingly within the area of lightweight construction.

Hybrid vehicles – i.e. the combination of a combustion engine and an electric motor – are becoming increasingly popular. Many car makers are extending their product portfolio to include hybrids, the aim being to



meet the strict CO<sub>2</sub> regulations applied at fleet level. According to industry experts, half of all new vehicles rolling off the production lines by 2025 will be hybrids.

For ElringKlinger, hybrid vehicles open up the possibility of significant revenue growth per unit. In the case of plug-in hybrids, in particular, the company offers not only components required for conventional combustion engines but also new products such as cell contact systems and pressure equalization modules. This lifts the average revenue potential per vehicle by a considerable margin.

Stricter emission standards are also becoming increasingly relevant in sectors beyond the car industry, e.g. in shipping, for commercial vehicles and for stationary engines used in power stations. This is unlocking new niche markets for the products offered by the Exhaust Gas Purification division. The revenue potential associated with the issue of greenhouse gas reduction can be categorized as significant as regards the possible financial prospects for the ElringKlinger Group.

## IMPRINT

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This report was produced in a climate-neutral manner. This means that the CO<sub>2</sub> emissions which were created as a result of its production have been offset by certified climate protection projects.



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