

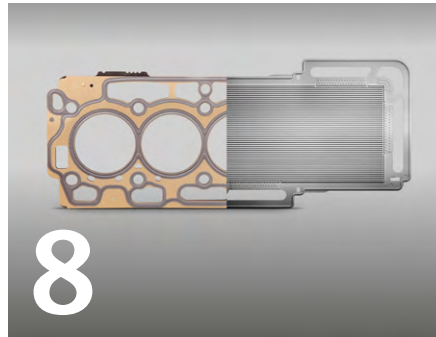


SUSTAINABILITY REPORT

2019

elringklinger

CONTENTS



3	Introduction from the Chief Executive Officer
4	Report profile and reporting period
5	Company profile
6	Stakeholder dialogue
7	The four spheres of sustainability activity
8	Products and innovations
13	Environment and quality
18	Responsibility for employees
22	Social commitment
25	Imprint

Ladies and gentlemen,

Our latest Sustainability Report illustrates yet again the impact that we as a company have on our surroundings. With the world currently undergoing considerable change, this may in fact be considered a tremendous opportunity. Even though the individual improvements we achieve are sometimes only minor in scale, the aggregate effect of such efforts can indeed be significant. Decisions made by ElringKlinger in respect of specific activities will invariably have an influence on environmental or social aspects. It is important to me personally that we take a responsible approach to such matters. With this in mind, I am particularly encouraged by the many instances in which ElringKlinger meets its social and environmental responsibilities.

Our latest Sustainability Report, covering the 2019 financial year, is aimed at providing you with an insight into the four spheres of activity in which we actively address sustainability issues. The section dedicated to Products and Innovations describes how the core competencies acquired within our well-established fields of business are now proving beneficial when it comes to serial production processes for key technologies in the area of e-mobility. The highly automated production line for battery modules is a prime example. With the help of these standard battery modules, we are able to design customized battery systems used in all-electric vehicles. At the same time, ElringKlinger is contributing significantly to the transition toward zero-emission mobility in the form of products centered around fuel cell technology and advanced structural lightweighting solutions, in addition to electric drive units.

Furthermore, our responsibility toward the environment is expressed in exacting quality standards as well as numerous measures that serve to reduce emissions at an operational level, and last but not least in the demands we place on our suppliers. This Sustainability Report includes details relating to this aspect as well as to ElringKlinger's responsibility toward its employees. Finally, this year's publication also highlights the social commitment shown by our employees in a very wide range of projects.

I am confident that the current dynamics driving technological advancement in terms of climate change, but also the re-thinking within society as a whole, will take us in the right direction. In this context, it is important that we harness the force of change – to which we all contribute – in a manner that is sensible and appropriate. Profitable growth and the creation of sustainable value are compatible with each other – and this, indeed, should be the goal of all entrepreneurial efforts.

I hope you find our Sustainability Report thoroughly absorbing.

Regards,



Dr. Stefan Wolf
Chief Executive Officer

» **C**hange is always
an opportunity to
do something better. «

Dr. Stefan Wolf,
Chief Executive Officer of ElringKlinger



REPORT PROFILE AND REPORTING PERIOD

ElringKlinger is committed to making an important contribution to sustainable development beyond its legal obligations and to reporting freely and transparently on its activities. The purpose of our annual Sustainability Report is to set out publicly what steps we have taken to meet our responsibilities as a company.

The examples shown in our latest Sustainability Report illustrate the environmental and social impacts of our business activities in 2019 with reference to a series of non-financial indicators relating to the reporting period of 2019. More financial background information and full details of our business model, the company's financial goals, and its business performance in 2019 can be found in our Annual Report.

ElringKlinger published a Non-Financial Report at the end of March 2020. This was audited by Ernst & Young Wirtschaftsprüfungsgesellschaft, Düsseldorf, and contains all the legally required disclosures of non-financial information. To avoid repeating information already contained in the Non-Financial Report, we have inserted references at various points.

Contents and structure

In relation to the environment, our employees, society, respect for human rights, and the fight against corruption and bribery, the areas of greatest significance to ElringKlinger were determined on the basis of a materiality analysis. In-house experts from our Human Resources, Legal, Quality, Purchasing, and Strategic Communications units evaluated each process in respect of its business relevance and potential impact in pre-defined categories. The issues identified during this analysis provided the structure for our 2019 Non-Financial Report and form the basis of the four "spheres" into which this Sustainability Report is divided: Products and Innovations; Environment and Quality; Employees; Social Commitment.

Reporting period, scope of the report, and other observations

Unless otherwise indicated, the reporting period covers the 2019 financial year (January 1, 2019, to December 31, 2019). The data presented relates to the entire ElringKlinger Group. Equity investments and companies outside the reporting entity are not included in this report. For reasons of linguistic simplification, we have avoided the use of gender-specific language forms in the majority of cases. General terms thus refer to all people regardless of their gender. The figures in this report are rounded where appropriate.

The Sustainability Report is available in German and English. Other related topics are available online.

COMPANY PROFILE

Business model of the ElringKlinger Group

Operating at a global level, the ElringKlinger Group is an independent development partner and large-scale manufacturer of products used within the automotive industry. Its history as a company can be traced back to 1879. Today, ElringKlinger offers a broad range of innovative, premium-quality products for vehicles powered by any type of drive system. The company operates with a clear focus on solutions tailored to eco-friendly mobility. ElringKlinger's portfolio encompasses parts, components, and systems within the areas of lightweight engineering, thermal and acoustic shielding, sealing technology, and plastic injection-molding as well as e-mobility solutions centered around battery/fuel cell technology and complete electric drive units. Applications developed by ElringKlinger can be found in all areas of the vehicle – from engine and transmission to exhaust tract and body. Beyond the automotive industry, the Group offers cross-industry products made of high-performance polytetrafluorethylene and various thermoplastics.

ElringKlinger employs around 10,000 people at 45 production and sales locations around the globe. Building on its global presence, the Group operates in close proximity to customers and suppliers, thereby ensuring transport routes are as short as possible. At the same time, the principle of intercultural communication is firmly established both internally and externally. In total, ElringKlinger is represented in 21 countries and with 39 manufacturing plants. The Group includes 39 individual enterprises. The parent company, ElringKlinger AG, has its registered office in Dettingen/Erms, Germany.



In the majority of cases ElringKlinger holds a Tier 1 supplier position within the automotive industry value chain. This means that it maintains a direct line of contact with vehicle and engine manufacturers. The Group's customer base includes the majority of the world's well-established producers.

The ElringKlinger Group's operating business is divided into five segments: Original Equipment, Aftermarket, Engineered Plastics, Services, and Industrial Parks. The Original Equipment segment, in turn, comprises several divisions.



PATENTED
IDEAS 2019

81



STAKEHOLDER DIALOGUE

As regards the aspect of social interaction, as a company ElringKlinger operates within a network consisting of multiple players and participants who are associated with the company – directly or indirectly and in either an active or a passive role. They can be divided into various groups with an interest or concern in the company – so-called stakeholders. The individual groups often have very different – in some cases opposing – interests and concerns. ElringKlinger is committed to engaging in a continuous exchange with all stakeholders. This dialogue provides important impetus and serves as a platform for the exchange of information that is essential to sustained advancement. Our goal is to achieve progress that delivers added value to all those involved.

Stakeholders can influence the actions of the ElringKlinger Group through their activities or decisions – and vice versa. Among our primary stakeholders, i.e., those who have close ties with the company, are Group employees, customers, suppliers, and investors. In addition, we maintain a close dialogue with the media, associations and organizations, science and academia, policy-makers, public bodies, and society as a whole.

- **Primary stakeholders**
- **Secondary stakeholders**



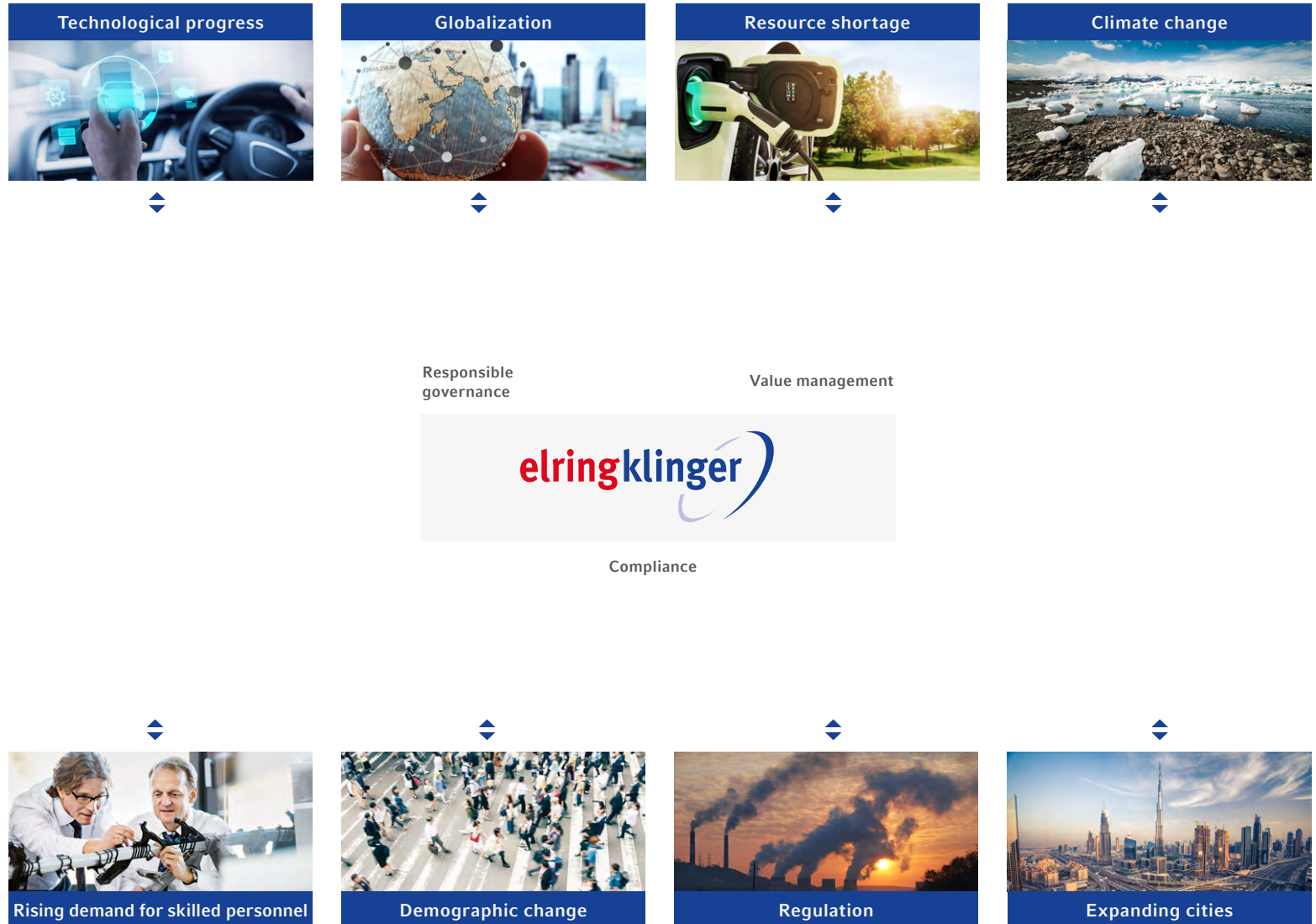
For ElringKlinger it is important that relationships with its stakeholders are underpinned by mutual respect. We are receptive to dialogue as well as to a transparent exchange of views and experiences, but also to constructive debate on controversial issues – all these aspects are important prerequisites for our continuous development. Our responsible corporate governance includes taking into account the effects of our own business activities on stakeholders and interest groups in key decisions taken by the company.

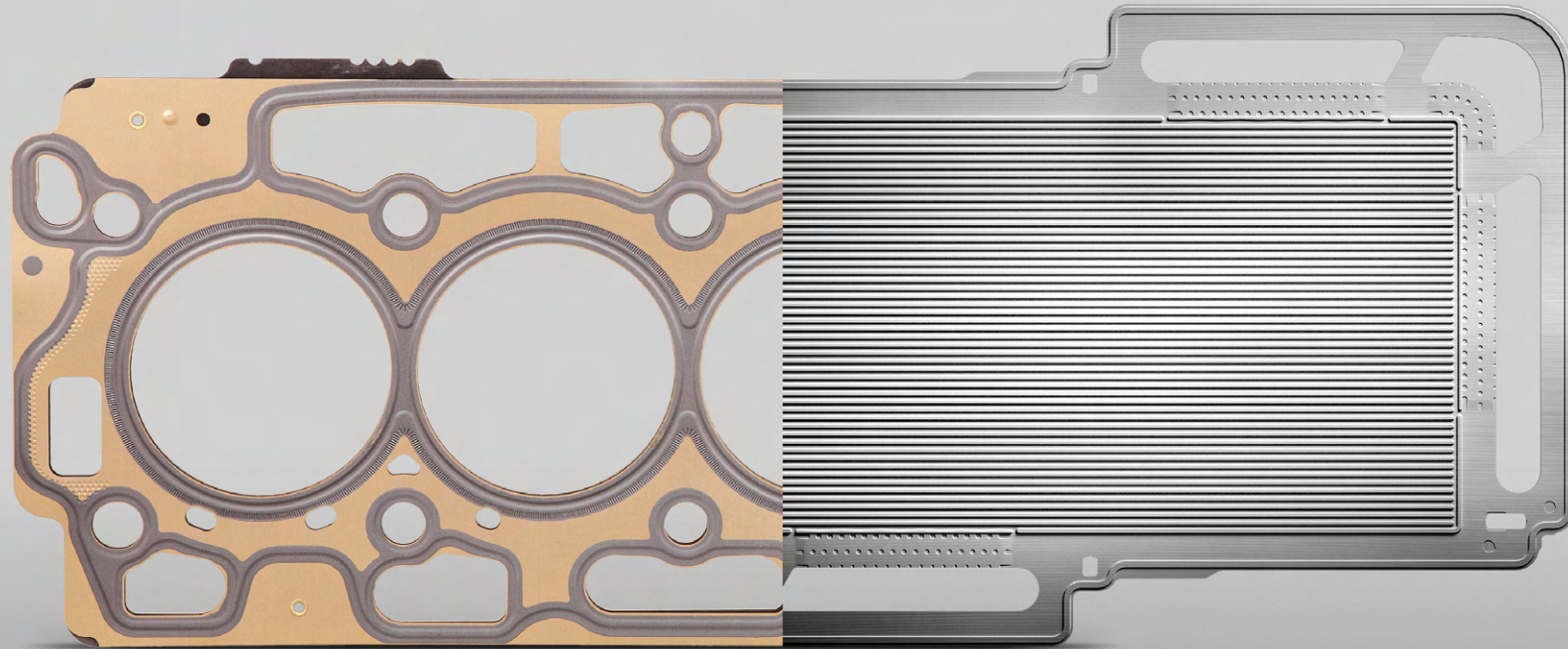
As regards the capital markets, ElringKlinger meets the highest possible transparency requirements due to its listing in the Prime Standard of the Frankfurt Stock Exchange. We also take part in capital market conferences, road shows, trade fairs, and similar events on a regular basis.

THE FOUR SPHERES OF SUSTAINABILITY ACTIVITY



Within the four spheres of activity defined by the company – Products and Innovations, Environment and Quality, Employees, and Social Commitment – the ElringKlinger Group takes every opportunity to act in a sustainable manner and in a way that provides the greatest possible value for the community as a whole. In this context, strategic decisions and business development are influenced by trends and external conditions. At the same time, however, ElringKlinger also helps shape the environment in which it operates through activities in these spheres. The model provides examples of sub-areas and measures through which ElringKlinger can exert ecological and social influence. Some of these are outlined on the following pages.





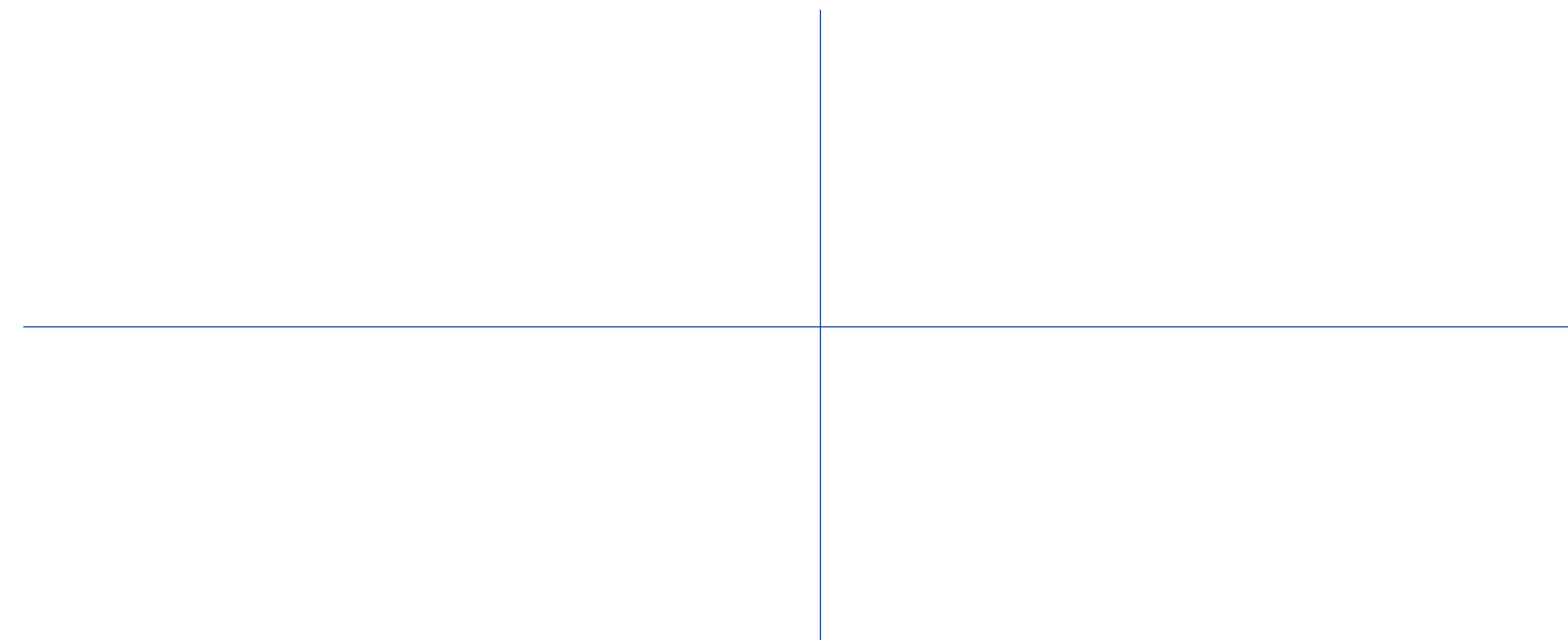
Left: **Metal cylinder-head gasket**

Right: **Metal bipolar plate of a fuel cell stack**

PRODUCTS AND INNOVATIONS

This illustration of the symbiosis of a cylinder-head gasket and the bipolar plate of a fuel cell stack symbolizes the transformation taking place in the automotive industry as well as the coexistence of different technologies. It represents the opportunities that we see in this respect. Both these products are based on ElringKlinger's same core competencies and are made using the same production technology.

ELRINGKLINGER PORTFOLIO: TRANSFORMATION IN FOUR STRATEGIC FIELDS



Whether for conventional, hybrid, or all-electric drive units – ElringKlinger offers a broad portfolio of systems, components, and products used in both passenger cars and commercial vehicles. Additionally, many of our products, such as fuel cells or high-tech sealing systems, are also deployed in non-automotive applications. Drawing on our core competencies such as the stamping, embossing, forming, and coating of metal or plastic injection-molding, complemented by our expertise in technologies centered around e-mobility and the processing of high-performance plastics, we have established an extensive portfolio that covers four strategic fields.

RESEARCH & DEVELOPMENT – EMBRACING MULTIPLE TECHNOLOGIES

The vehicles of the future will only gain broad acceptance if they offer sustainable, safe, and networked mobility. These are the criteria that lie at the heart of the current transition process, and hence drive R&D activities at ElringKlinger. We are faced with a wide range of new vehicle concepts and drive technologies – from combustion engines to hydrogen propulsion. As development partners to the automotive industry, our focus is on finding sustainable solutions.

Research and development (R&D) at ElringKlinger is driven by a desire to offer solutions that help to reduce or even prevent harmful emissions. Industry experts expect that different technologies will coexist. Therefore, one can assume that the market for internal combustion engines will gradually shrink as demand for alternative drive systems grows. ElringKlinger is addressing this issue with a broad spectrum of development projects. We are doing this by harnessing our core competencies and far-reaching expertise in the world of classic combustion engines and transferring it to new applications for battery electric and hydrogen-based drive concepts. The previous illustration of a cylinder-head gasket and bipolar plate shows that our wealth of experience in precision die-cutting, embossing, forming, and coating is a key asset in the current transition process.

In the 2019 financial year, our development projects were mainly concentrated in the field of e-mobility and related primarily to battery and fuel cell technology. However, ElringKlinger has also pressed ahead with new developments in traditional areas such as shielding technology, cylinder-head and specialty gaskets, and lightweighting/elastomer technology, with a view to steadily increasing the efficiency of combustion engines through technical advances. In this case, increasing efficiency means improving the relationship between engine performance and consumption.

At the end of 2019, the ElringKlinger Group employed 611 people in the area of R&D. R&D expenditure (including capitalized development costs) amounted to EUR 80.8 million in 2019 (2018: EUR 87.2 million). This equates to an R&D ratio of 4.7%, which is within the medium-term target range of around 5–6%.

In 2019, ElringKlinger registered 81 (2018: 80) property rights for the purpose of protecting its technological expertise and intellectual property. They relate to new developments at product or process level.

We are harnessing our far-reaching expertise in the world of classic combustion engines and transferring it to new applications for battery electric and hydrogen-based drive concepts. «

	2019	2018
R&D expenditure ¹ (in EUR million)	80.8	87.2
R&D ratio ²	4.7 %	5.1 %
Capitalization ratio ³	20.7 %	12.7 %
Patent applications	81	80
R&D staff	611	590

¹ Including capitalized development costs

² R&D costs in relation to consolidated sales

³ Capitalized development costs in relation to R&D costs

ALL SET FOR ELECTROMOBILITY: BATTERY TECHNOLOGY FROM ELRINGKLINGER

ElringKlinger is committed to the ongoing refinement of battery technology for use in the field of e-mobility. And now we have taken a major step forward. We have demonstrated our systems expertise by setting up an initial series production line for battery systems. At the same time, we are honing individual components so that they work together for maximum efficiency. This saves precious resources while meeting strict requirements relating to performance, safety, service life, and individual vehicle concepts. This complex industrialization project required our staff to combine technical prowess with a strong team spirit.

» You have to understand the whole system in order to design the best components. «

In 2019, ElringKlinger set up a highly automated production line for the manufacture of standard battery modules at its German site in Thale (Saxony-Anhalt) – at a plant initially covering an area of 5,000 square meters. The production line measuring 70 meters in length can produce up to 300,000 battery modules a year. Its flexible design means that it can be used for a wide range of customer projects.

Employees from the whole value chain – procurement, production, assembly, logistics, and sales – brought their expert knowledge to the table to ensure that this complex project would be up and running as quickly as possible. Right from the start, our production and development engineers worked closely together to ensure the designs could be easily adapted to the manufacturing processes involved. The teams also collaborated with plant manufacturers to produce detailed specifications for the highly customized machines. These also included equipment that had to meet extremely strict safety criteria for cell testing, module testing, and safeguarding components. The whole process was underpinned by ElringKlinger's core competency in cost-effective series production. Nevertheless, the company still had to venture into uncharted territory in order to meet the specific requirements of battery production, including setting up cleanroom facilities and special manufacturing processes.



Even when constructing prototypes, all materials and process data have complete traceability. A 100% test is also carried out on every component.



In the cell test, automation is used to check the thickness, weight, and internal resistance of a prismatic cell.

Technology Center for E-Mobility

ElringKlinger has built a 5,000-square-meter Technology Center at its Dettingen/Erms site to drive forward key technologies in the field of electromobility. It has all the production processes it needs to develop solutions for alternative drive technologies as prototypes and pilot runs. This means that new products can undergo practical tests at an early stage and be further enhanced before entering series production. Customer sampling phases can run smoothly while the appropriate manufacturing processes are developed in tandem.



As early as the development phase, ElringKlinger engineers at the new Technology Center for E-Mobility test designs to determine their suitability for series production.



A battery module is prepared for connection by laser welding.



Close collaboration between Development and Production allows us to develop cost-optimized products that are ready for series production.

The brand new battery module with 12s1p connection (12 cells in series and 1 cell in parallel) and an energy content of 2.2 kWh forms the basis of ElringKlinger's storage batteries. This means that individual modules up to 800 volts can be connected in the vehicle as required and used in various configurations with storage capacities of 2.2 to 60 kWh. This allows different battery systems to be created for purely battery-powered cars. Cost-effectiveness and sustainability went hand in hand during the development phase, as resource conservation and longevity help to protect the environment and reduce costs.

The rapid shift towards electromobility means that industrialization processes involve both technical challenges and time pressures. This requires a strong team spirit within the company«

ENVIRONMENT AND QUALITY

ElringKlinger products have an impact on the environment at every stage of their life cycles. This constitutes a strong environmental responsibility that the Group aims to meet through its environmental and quality policy. This policy incorporates the certified environmental management system introduced throughout the Group as well as ongoing measures aimed at conserving resources and minimizing emissions. We have set ourselves the target of actively devoting approximately one percent of our total investments to carbon-cutting measures.

2.6%

Further cut in emissions

Reducing CO₂ emissions is critical in terms of countering climate change. For ElringKlinger, it is very important to minimize these emissions. As part of its environmental management efforts, ElringKlinger regularly collates and monitors environmental indicators such as energy consumption and emission levels through specific, Group-wide reporting. In the 2019 financial year, the Group succeeded in reducing total direct and indirect CO₂ emissions by 3,000 tons to 115,300 tons in spite of a slight revenue increase; this represented a 2.6 % reduction on the figure for 2018. ElringKlinger cut CO₂ emissions per EUR 1 million of sales revenue by as much as 4.2 % on the previous year's value.

Carbon emissions can be divided into direct emissions (i.e., those resulting from business activity) and indirect emissions (i.e., those produced in connection with goods and services procured). The development was encouraging in 2019 for indirect emissions, which made up the largest proportion (78 %) and resulted chiefly from power consumption: compared to the 2018 figure, the total was reduced by 5,100 tons (5.4 %) thanks to lower electricity consumption and a fall in air travel. In 2019, the electricity required by the ElringKlinger Group was marginally below the 2018 value (201,100 MWh compared to 203,100 MWh); in relation to Group revenue, the figure fell by 2.7 %. The fact that machinery operating times were reduced in some cases facilitated this trend.

The company's direct CO₂ emissions constituted 22 % of total emissions in 2019; emissions at ElringKlinger largely result from the consumption of gas and heating oil. Emissions rose in

In the 2019 financial year, the Group succeeded in reducing total direct and indirect CO₂ emissions by 3,000 tons to 115,300 tons in spite of a slight revenue increase; this was equivalent to a 2.6 % reduction.

	2019	2018
Total direct and indirect CO ₂ emissions in t	115,300	118,300
CO ₂ emissions per EUR 1 million of revenue in t	66.8	69.7
Total direct CO ₂ emissions in t ¹	25,500	23,300
of which direct CO ₂ emissions from gas, oil, engine test benches, etc. in t	24,300	22,200
of which direct CO ₂ emissions by the vehicle fleet in t ²	1,200	1,100
Total indirect CO ₂ emissions in t	89,800	94,900
of which indirect CO ₂ emissions from electricity in t ³	84,800	87,500
of which indirect CO ₂ emissions from air travel in t ^{4,5}	5,000	7,400

¹ For the parent company ElringKlinger AG, gas, oil, engine test benches, etc. produced 12,200 tons (2018: 12,200 tons) of direct CO₂ emissions. Direct CO₂ emissions by the vehicle fleet amounted to 800 tons (2018: 800 tons).

² Emissions are calculated by multiplying the annual mileage of vehicles by the CO₂ emissions stated by the relevant vehicle manufacturer. The fleet of company vehicles includes all vehicles at ElringKlinger sites in Germany. The figures for rental vehicles include the Rest of Europe, the USA, and Canada.

³ For the parent company ElringKlinger AG, 26,300 tons (2018: 28,400 tons) of indirect CO₂ emissions arose from electricity.

⁴ For ElringKlinger AG, air travel produced 4,200 tons of CO₂ emissions in 2019.

⁵ Air travel relating to sites in Germany, Austria, Switzerland, France, and Hungary as well as centrally recorded flight bookings for the sites in Italy, Turkey, and the USA.

tandem with the higher requirement for gas and heating oil linked to weather conditions in 2019. Additional new plant and machinery also served to raise consumption levels.

When acquiring vehicles for its fleet, ElringKlinger aims for the highest possible CO₂ efficiency class. In 2019, the number of electric and hybrid vehicles in the company fleet continued to increase. The total number of company vehicles rose to 235 in 2019 (compared to 219 in 2018). This marginally increased direct CO₂ emissions for the fleet (including rental vehicles). Where rental vehicles are included, the average CO₂ emissions per vehicle amounted to 137 g/km in the year under review (compared to 131 g/km in 2018). When comparing prior-year values, it should be noted that CO₂ emissions for newer vehicles are measured according to the stricter WLTP¹ test standard, which has been mandatory since September 2018. The change in the measurement procedure has resulted in higher average CO₂ limit values.

¹ Worldwide harmonized light vehicles test procedure: measurement procedure to determine exhaust emissions, mandatory for all new cars registered in the EU since Sept. 1, 2018



The proportion of hybrid and electric cars in the company fleet continued to rise in 2019.

Energy consumption

Minimizing energy consumption is a core aim of environmental management within the Group. Environmental officers are tasked with conserving finite resources while preventing ecologically harmful emissions. In 2019, ElringKlinger successfully reduced its reliance on ecologically harmful sources of energy through a range of measures, including the construction of charging stations for electric vehicles, process optimizations, and the procurement of energy-efficient systems. Energy-saving renovations as part of building maintenance also contributed to a reduction in energy consumption. Together with lower year-on-year utilization levels in some factories, this brought about a 3.1 % fall in absolute energy consumption for the Group in 2019. In relation to sales revenue, the energy requirement was actually cut by 4.3 % in relative terms. In order to record energy-relevant data more accurately and evaluate it efficiently, ElringKlinger implemented energy management software at its main site in Dettingen/Erms in 2019.

As a manufacturing enterprise, ElringKlinger requires an almost constant supply of energy. Factors such as climate protection and assured availability play a part in procurement processes alongside cost considerations. For reasons of conservation, and to ensure a measure of independence from electricity suppliers, ElringKlinger operates combined heat and power (CHP) units as well as wind turbines and solar installations at its sites. The coastal factory in Redcar in the United Kingdom, for example, harnesses the very favorable wind conditions locally to produce electricity using wind turbines. At its site in Dettingen/Erms, ElringKlinger partially meets its energy requirement with a number of CHP units.

	2019	2018
Absolute energy consumption (electricity, gas, and other energy sources) in MWh ¹	303,200	312,800
of which electricity consumption in MWh ²	201,100	203,100
of which gas consumption in MWh	103,200	105,100
of which heating oil and fuel in MWh	6,100	9,000
Absolute energy consumption per EUR 1 million in revenue in MWh	176	184
Electricity consumption per EUR 1 million in revenue in MWh ¹	116	120

¹ Excludes electricity generated using company CHP units

² Includes electricity generated using company CHP units

» **E**lringKlinger actively devotes one percent of total annual investments to carbon-cutting initiatives. «



In order to record energy-relevant data more accurately and evaluate it efficiently, ElringKlinger implemented energy management software at its main site in Dettingen/Erms in 2019 and aims to roll out the software across the Group.

Investing in the environment: a clear duty

When deciding on investments and other procurements, ElringKlinger takes environmental aspects into consideration as well as technical requirements and value for money. Although we regard a climate-conscious stance as self-evident, this is not sufficient in itself. As a Group, therefore, we have set ourselves the goal of actively devoting approximately one percent of total annual investments² to initiatives aimed at cutting carbon emissions. In reporting year 2019, ElringKlinger achieved this goal thanks to a range of measures that included energy-saving building renovations, the installation of LED-based lighting in company factories, and the construction of charging points for electric vehicles in company parking lots.

² Investments aimed at achieving this target (in particular additional investment in energy-saving measures) partly relate to investment in property, plant, and equipment.

» ElringKlinger avoids the use of (raw) materials extracted or produced in an environmentally or socially unacceptable way or in contravention of human rights.«

Steady optimization of energy efficiency

ElringKlinger is committed to ensuring steady improvements in its energy efficiency. The company is assisted in this aim by ISO 50001 matrix certification, which was implemented at its European production sites in 2016. Through the certification, for example, the Group has improved the metering infrastructure at individual production facilities with a view to identifying and quantifying energy streams more effectively. This has helped to release hitherto untapped energy potential while reducing energy costs and the emission of greenhouse gases such as CO₂. In the course of certification, a steering and working group was also set up with the goal of establishing systems and processes that would bring about continual performance improvements in terms of energy.

Water and wastewater

ElringKlinger regularly monitors the water consumption of the Group in accordance with applicable ISO 14001 certification. Individual optimization measures linked to water con-

sumption and wastewater are introduced as necessary at all Group sites. Individual sites and employees are encouraged to use water sparingly and, needless to say, observe the legal regulations on wastewater disposal. In 2019, water consumption for the Group totaled 236,915 m³ (2018: 223,066 m³). The amount consumed increased on the previous year's value, mainly because of the expansion of production facilities.

Biodiversity

Once again, ElringKlinger's operating activities had no impact on nature conservation areas and biodiversity during reporting year 2019. In the majority of cases, ElringKlinger's production facilities are located in designated business and industrial parks, usually in close proximity to the premises of large automobile manufacturers and suppliers. In this way, the company is able to reduce emissions and costs associated with time-consuming transport activities. For this reason, ElringKlinger does not evaluate this specific aspect as part of a management approach.



ElringKlinger has been certified under ISO 50001 since 2016 with a view to facilitating continual improvements in energy efficiency, for example through more stringent monitoring of water and electricity consumption.

Conflict resources

ElringKlinger avoids using (raw) materials extracted or produced in an environmentally or socially unacceptable way or in contravention of human rights. Among the most affected conflict and high-risk areas are countries affected by (civil) wars, countries in an unstable post-conflict situation, countries with weak state governance (or no state governance at all), and countries that systematically violate international and human rights law. Conflict resources include tantalum, tin, tungsten, and gold. ElringKlinger requires very small quantities of such commodities to manufacture its products, but does not obtain these commodities from conflict zones. Even where procuring these resources indirectly via trading chains, ElringKlinger ensures they are not derived from affected countries.

On the basis of supplier information and obligations on suppliers to comply with working, social, and environmental standards, there was no indication that ElringKlinger procured conflict resources from affected high-risk regions in 2019.

SUPPLIER MANAGEMENT AT ELRINGKLINGER



ElringKlinger names Langer 2019 Supplier of the Year.
(Photo: © Langer)

The shift towards alternative drive technologies is now unstoppable. As a result, value chains in the automotive sector are changing faster than ever. This trend has a direct impact on the Group's supplier management team, as they are responsible for qualifying new partners and monitoring the performance of our existing suppliers.

Reflecting a diversified portfolio that includes products for both fully electric vehicles and those with a fuel-cell drive, the Group has a large number of dedicated suppliers. In fact, the total has risen to almost 1.300 in recent years, as the Group has introduced new and increasingly complex products that require us to source a greater number of components. More and more of our new suppliers come from outside the automotive sector – companies that are keen to seize the opportunities

presented by the ongoing transformation of our industry. The work involved in choosing new suppliers puts additional pressure on our purchasing teams in terms of supplier selection. At the same time, this trend also means that the supplier management team has to perform more extensive assessments. Their job is to ensure that every one of our suppliers complies with the relevant employment, social, and environmental standards.

At ElringKlinger, we place great importance on supplier performance. After all, the quality of our own products depends crucially on the quality of the materials and the semi-finished and finished components we obtain from our suppliers. Most have adopted comprehensive quality and environmental management systems based on IATF 16949, ISO 9001, ISO 14001, or EMAS. ElringKlinger also places great importance on environmental safeguards in its suppliers' operations and on codes of conduct and workflows governing the implementation of each company's environmental policies. Until recently, the Group's detailed requirements were set out in the form of quality and environmental guidelines. In 2019, these had been accepted by around 67 % (2018: 67 %) of our approved direct suppliers. In the same year, however, partly reflecting changes in the automotive sector, these guidelines were replaced by a new and comprehensive supplier handbook. All suppliers were notified accordingly. The new handbook is largely based on the IATF 16949 standard and addresses issues such as compliance, employee welfare, working conditions, and corporate integrity. It also includes a Code of Conduct setting out what we expect of our suppliers in terms of environmental management systems, social responsibility, and workplace safety. The Code is based on the principles of the International Labour Organization (ILO).

The Supplier Management Team have introduced a number of measures in recent years to minimize risk and maintain a stable flow of input materials. These include inspecting our suppliers' production facilities at irregular intervals to monitor compliance with the VDA 6.3 standard. In addition, suppliers are regularly evaluated using a scoring model. The highest scores are awarded to companies that demonstrate outstanding performance in the areas of quality, punctuality, technology, and service. Every year, we name the best suppliers in various categories as our "suppliers of the year." In our Raw Materials category, the title of Best Supplier 2019 was awarded to Samsung C&T Deutschland GmbH and Samsung Precision Stainless Steel (Pinghu) Co., Ltd. Together, the companies achieved a supplier rating of 98 %. In the Components category, the award went to Langer GmbH & Co. KG with a supplier rating of 90 %.

All these measures are designed to strengthen the Group's supply chain and therefore contribute to our wider goal of shaping the future of mobility along sustainable lines.

»With the help of our supplier handbook we ensure that every supplier complies with the specified labour, social, and environmental standards.«



RESPONSIBILITY FOR EMPLOYEES

In its guiding principles, ElringKlinger has formulated clearly defined management policies as the basis for all activities aimed at advancing and supporting the company's employees. To this end, continual qualification and training measures offer each individual the opportunity to enhance their personal capabilities and skills. This in turn enables the company to respond to changes in professional staffing needs. After all, ultimately, the success of the company depends on the commitment, expertise, and team spirit of employees who are incorporated into a firmly established system of values that energizes all concerned.

Development of the employee structure

As at the end of 2019, the ElringKlinger Group had a total of 10,393 employees worldwide; based on a yearly average, 10,461 people were working for the Group. The company is determined to ensure that all employees are offered the same opportunities and shown the same respect, regardless of gender, age, ethnic origin, or other characteristics. Therefore, the aim is to establish a suitably balanced workforce structure across the Group. As regards the age profile, the largest proportion of the workforce (55.2 %) is aged 30–50; 22.8 % and 22.0 % respectively are younger or older.

ElringKlinger pursues a long-term personnel strategy. For the company and its staff to work together on the basis of trust, reliability and the ability to plan ahead are essential. Accordingly, ElringKlinger offers permanent employment contracts where possible. At the end of 2019, 9,191 Group employees were employed on open-ended contracts. Despite this, certain general conditions linked to temporary peaks in workload or significant economic fluctuations may require some employees to work on fixed-term contracts in certain circumstances.

Given the global presence of the Group, ElringKlinger employees are deployed around the world. As of December 31, 2019, 4,324 employees were based in Germany, equivalent to 41.6 % of the total workforce. Accordingly, the proportion of staff based abroad stood at 58.5 % (6,069 employees). Of this number, North America accounted for 2,069 employees, Europe (excluding Germany) had 2,028 employees, the Asia-Pacific region had 1,545 employees, and South America/Rest of the World had 427 employees.

» **A**n existing value system can be of benefit to society only if it is practiced. Clearly defined guidelines are therefore made available to employees. «

Fixed system of values

An existing value system can be of benefit to society only if it is practiced. The system should be defined as clearly as possible and made available to those who actually implement it in the form of guidelines. ElringKlinger has enshrined its system of values within a Corporate Code, a Vision & Mission Statement, and a Code of Conduct that are binding on both managers and individual employees. As part of its Corporate Code, ElringKlinger commits to upholding international human rights. At the same time, the company rejects any form of child labor and forced labor. ElringKlinger also opposes all forms of discrimination, whether on the basis of gender, race, skin color, religion, age, ethnic origin, disability, or sexual orientation.

	2019	2018
Employees as at December 31	10,393	10,429
of which men	70.0 %	71.0 %
of which women	30.0 %	29.0 %
Proportions by age group		
Under 30	22.8 %	25.4 %
30–50 years	55.2 %	54.6 %
Over 50	22.0 %	20.0 %
Staff turnover rate ¹	15.2 %	7.3 %
Percentage of part-time workers	4.9 %	4.6 %
Employees on permanent contracts	9,191	9,016

¹ 2019: total fluctuation; 2018: employee resignations

Healthcare management and occupational safety

As part of its occupational health and safety policy, ElringKlinger acts in line with stringent guidelines to guarantee and protect the health and safety of its employees. Workstations (and the areas around workstations) are therefore designed so as to be safe and efficiency-enhancing for staff members. All guidelines in this occupational safety policy are binding on both the Management Board and employees of ElringKlinger.

Naturally, ElringKlinger strives to avoid accidents at work altogether by means of safety standards and preventive measures applicable across the Group. These include regular safety briefings and on-site health and occupational safety inspections. In the event of an accident, the cause and steps leading up to the incident are carefully examined and existing safety standards are adapted as necessary. In 2019, the relative frequency of accidents per 1,000 full-time employees was reduced to 16.1 (2018: 29.1). Throughout the Group, 167 workplace accidents leading to absence periods of more than three days were registered.

Occupational Safety

	2019	2018
Work-related accidents leading to more than 3 days off work	167	304
1,000-employee incident rate	16.1	29.1



ElringKlinger applies Group-wide safety standards and preventive measures to avoid workplace accidents.

Vocational and further training

In-house apprenticeships and further training are key elements of human resources management at ElringKlinger. After all, the world of work is in a constant state of flux, with job requirements evolving in response to technological advances and developments in wider society. It is therefore critically important that ElringKlinger is capable of reacting to such change flexibly through a targeted range of vocational and further training options designed to attract and develop skilled staff. Training courses, support programs, and educational measures are continually enhanced in the course of staff development as part of ElringKlinger personnel management. The combined non-financial report for 2019 contains more details.

Diversity and equal opportunity

For the ElringKlinger Group, diversity means more than having a multicultural employee structure; it also means respecting and incorporating different viewpoints, experiences, and skills across all levels of the hierarchy and all organizational units. For the company, it goes without saying that all employees should be treated equally and with due regard to their individuality. The Group also prizes cultural diversity as one of the factors in its success. A range of social, cultural, and linguistic backgrounds is regarded not merely as an asset but as essential to long-term survival in a global environment. Appreciation, tolerance, and respect for one another are always the main focus of day-to-day interactions.

With company sites in 21 countries and a geographically unbound network of customers, suppliers, and other partners and interested persons, ElringKlinger benefits from continuous intercultural exchange and knowledge transfer. Employees temporarily seconded to other countries receive regular support in the form of intercultural training.



In 2019, 202 people with severe disabilities were employed within the Group.

ElringKlinger is strongly committed to the inclusion and integration of disabled persons. For many years, the company has maintained close partnerships with a number of social institutions, including BruderhausDiakonie. The Group promotes a culture of integration that recognizes the skills and individual talents of people with disabilities. Severely disabled staff and employees with health impairments receive specific support and special protection at ElringKlinger. Besides the Works Council, Equal Opportunities Officers address the concerns of affected staff as necessary. In 2019, a total of 202 severely disabled people worked for the Group (2018: 212).

As part of its values system, ElringKlinger defines the standards it expects of employees in the Code of Conduct. These include zero tolerance of discrimination within the Group and a commitment to treating both genders equally and offering all employees equal opportunities. The Group encourages women to take up managerial positions, with mandatory targets set out in its Corporate Governance Declaration. The defined targets to be achieved by June 30, 2022, are a 0 % proportion of women in the Management Board, 10% at the top leadership level, and 15 % in the second leadership tier below Management Board level.

We offer flexible working time models to reconcile professional and private life.



Diversity and Equal Opportunities

	2019	2018
Number of employees with severe disabilities	202	212
Absolute number of employees		
in partial retirement ¹	80	93
on maternity leave ¹	18	15
on parental leave ¹	70	65
Part-time	511	482

¹ These figures apply only to the company's German sites (employees in Germany as of Dec. 31, 2019: 957).

Reconciling professional, family, and private life

In today's society, reconciling professional life, family life, and personal leisure interests has become a very high priority and is an indicator of quality of life. This is another area in which ElringKlinger accommodates societal developments through modern working time models with individual arrangements such as mobile working, flexitime, and part-time contracts.

» All employees are promoted regardless of gender and all benefit from the same opportunities. The Group welcomes women in managerial positions. «

Care of dependents

Caring for dependents is a valuable contribution made by people in their family circumstances. ElringKlinger respects this commitment and supports employees who decide to care for a relative. In partnership with the service provider WDS.care GmbH, the Group offers a special consultation and care plan that helps employees reconcile their career and care responsibilities.



S O C I A L
C O M M I T M E N T

ElringKlinger's product portfolio is a genuine driving force. Above and beyond this, however, the company also wants to do its bit for advancing society in the broader sense and supports voluntary social commitment – both through its own Group activities and the efforts of individual employees or groups of employees. This includes helping out with social projects just as much as our work to promote inclusion as well as donations and sponsorship. In addition, a portion of ElringKlinger's profits has always gone to charitable causes via the Lechler Foundation, which holds a substantial percentage of the company shares in family ownership.

JOINT PROJECT “BEEES AND EDUCATION”

In 2019, young professionals from ElringKlinger and a group of high-school students from the Graf-Eberhard-Gymnasium (GEG) in Bad Urach joined forces in a project geared toward raising society’s awareness of issues such as biodiversity and, specifically, the need to protect bees. The team worked together to construct, set up, and manage beehives and harvest and bottle their honey.

The ElringKlinger employees involved were members of the Potential Leader Program for young professionals, which forms an integral part of HR development. As well as completing a specialist assignment, participants also usually pick their own social project to work on during their training phase. “In our group, we agreed on a few key elements that were important to us,” says Markus Aigner, one of the participants in the program. “This showed us that we wanted to achieve something on a social, environmental, and local level and make an active contribution to education on sustainability issues.”

The project participants sold the honey they made in the form of a “bee partnership,” where every ElringKlinger employee had the chance to bid for a jar of honey. The proceeds were donated to the GEG to support the creation of customized classrooms, multi-purpose rooms that will enable all students to receive personalized, state-of-the-art teaching in the future. As it has done for potential leader programs in the past, the Paul Lechler Foundation made an additional donation this time around too – in this case one for each jar of honey produced.



» **W**e wanted to raise society’s awareness of biodiversity and the need to protect bees.«

Florian Hörtreiter, member of the Potential Leader Program at ElringKlinger AG



Jars of honey, which were sold and the proceeds donated to the participating school to create state-of-the-art classrooms.



ElringKlinger employees and students at the Graf-Eberhard-Gymnasium working together to set up beehives.



PROJECTS MAKING THE WORLD A LITTLE BETTER



Employees at ElringKlinger's UK site collected donations for the Movember campaign.

ElringKlinger employees support Movember movement

In November 2019, employees at ElringKlinger's Redcar site in the UK took part in the global "Movember" event to promote men's health. This involved growing a mustache to highlight the campaign and the charity behind it, which aims to raise awareness of health problems among men and combat male cancers and psychological illnesses. The efforts of our colleagues at ElringKlinger Great Britain Ltd. raised over GBP 800 for this good cause.

Dual-curriculum pilot project launched in China

Our Chinese subsidiary ElringKlinger China Ltd. launched a pilot project in 2019 to provide more support for vocational training for young people. Run in partnership with the vocational training association for the German private sector (bbw), the training project aims to introduce technical vocational courses with a practical bent in line with standards that have proven successful in Germany. ElringKlinger's Suzhou site thus offered nine young people the opportunity to train in a technical profession such as that of process mechanic, tool mechanic, or machining technician. The trainees are supported by designated in-company mentors during their two-year course. The first year is spent mostly at vocational college, while training in the second year is largely provided on the job. With this project, ElringKlinger is tackling the skills shortage while also giving young people at international level better career prospects and development opportunities.



Trainees at ElringKlinger's Chinese site in Suzhou and their mentors about to begin a new training model.



IMPRINT

ElringKlinger AG

Max-Eyth-Straße 2

72581 Dettingen/Erms

Phone +49 (0) 7123 724-0

Fax +49 (0) 7123 724-9006

www.elringklinger.com

CSR contact

Dr. Jens Winter

Fon +49 7123 724-88335

jens.winter@elringklinger.com

