

# CSR Policy DIN ISO 26000

Corporate Social Responsibility: Our social responsibility

Human Rights and  
Corporate Culture



Work Practices  
and Development



Environment  
and Energy

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6th issue, November 2020

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Hanomag Härtecenter GmbH  
Merkurstraße 14  
30419 Hannover

Created/modified: F. Lambracht/ M. Maschke

Checked: D. Fleischner

Authorised: K. G. Zettlmeier

## Foreword of the Executive

Dear Readers,

We are pleased that you have chosen to read our guide on - social responsibility. Whether you are reading this document as our employee, our customer or because you are interested in the Hanomag Lohnhärterei- Group for completely different reasons, here you can find out about our rules for social cooperation.

Here, we will demonstrate how we work, so as to meet your and our demands. The Hanomag Lohn-härterei Group provides technically demanding -heat treatment procedures for its customers. We know what kind of people we need for these processes, who use their knowledge and skills on a daily basis, so as to keep ensure a high level of quality for our customers and reduce the risks and impacts on -others and the environment. We take responsibility for these -people by challenging- and encouraging them.

In return, we expect every employee to take responsibility in regard to their work, as well as vouch for -quality, safety and the environment.

„As a company, we bear responsibility for the people we work with, the environment in which we work and the social environment that we shape.“

## CSR Policy

### Respect

- for the individual
- against discrimination
- mutual respect

### Dialogue

- open
- transparent
- relevant

### Leadership

- clear goals
- performance-oriented
- cooperative

The Hanomag Lohnhärtereier Group enjoys a good reputation among its customers in relation to the company's trustworthiness, which is based on the fact that it conducts its business systematically and continuously with the highest level of integrity and in compliance with the laws and regulations applicable to its activities. Business success depends on building and maintaining the trust of customers, employees, government agencies and the public.

We have therefore established basic principles for our actions, which enable all employees of the Hanomag Lohnhärtereier Group to expand this trust within their framework and to translate it into responsible, customer-oriented actions.

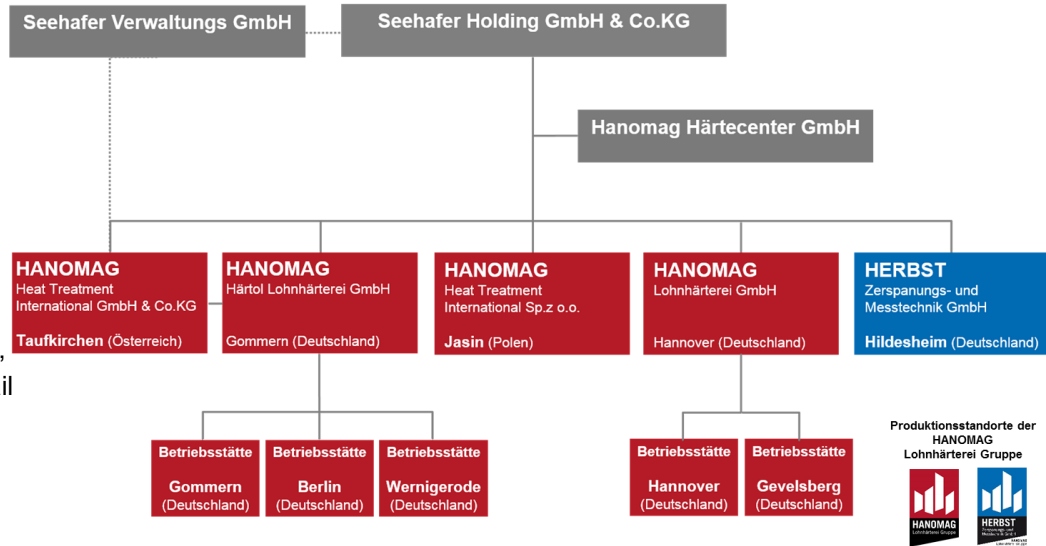
The social responsibility of our group is based on three pillars: respect, dialogue and leadership.

Based on these principles and on the rules of our Code of Conduct and our management systems, we are constantly developing our corporate culture.

## Organisation

The organisation of the group is divided into the share holders, the head office and the respective locations. The activities are regulated and supported by various management systems. In some places, we use the expertise of external professionals to safeguard and improve our performance.

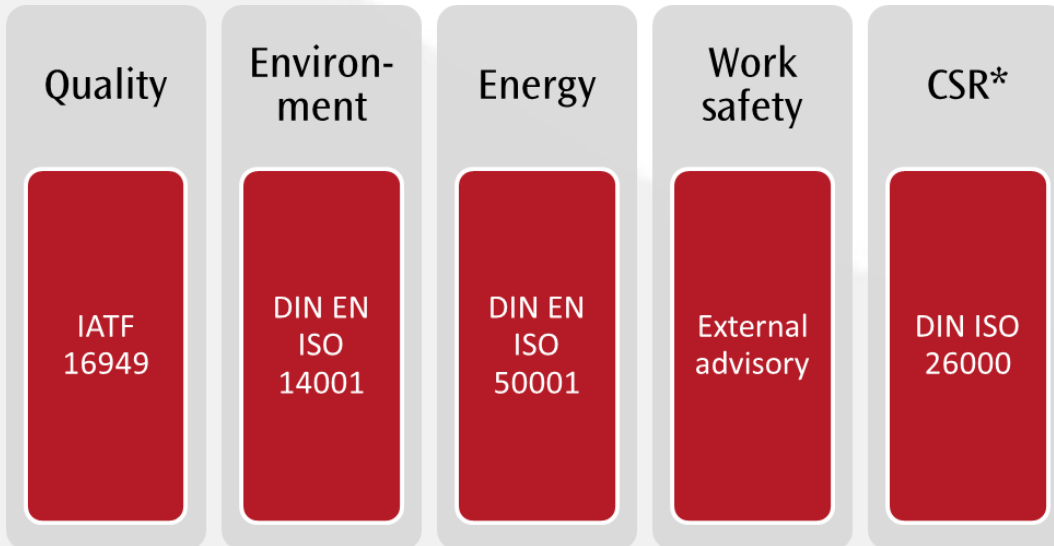
The organisation also includes the areas management systems, customer orientation and leadership, which will be explained in more detail below.



## Structure of management systems

Our business activities are built on a chain of management systems. As a result, we speak the same language as our customers in terms of quality, are constantly improving our energy-related and

environmental performance and are ensuring high standards in the field of occupational safety. In respect to CSR, our measures are based on DIN ISO 26000.



*\* CSR cannot be certified*

## Customer orientation

We work for our customers. We use our knowledge, our strength and our means, so as to meet the high expectations of our customers on a long-term basis. Our goal is to be the best partner for our customers in the field of heat treatment.

In order to achieve this goal, we primarily need committed and qualified employees, in addition to modern technology and functioning management systems.

We work closely with our customers, so as to develop exactly the kind of heat treatment processes our customers need. In addition, we undertake activities, which make it easier for our customers to achieve their goals, especially in terms of quality assurance and logistics. The business activities of all of our customers differ from each other. At Hanomag we therefore try to understand each individual customer's specific needs to find the best solution.

The basis of our customer orientation is the commitment of every person involved, as well as responsible thinking and acting. Our competence, our values and our behaviour contribute to the success of the Hanomag Lohnhärtereigrupp.

„If there is any one secret of success, it lies in the ability to get the other person's point of view.“

Henry Ford

## Leadership characteristics

Our group of companies operates in Germany, Poland and Austria, three countries, in which human rights are guaranteed and protected. However, we are well aware that we have to carefully examine our decisions in relation to the different cultures in our company and when deciding to cooperate with customers and suppliers.

Our Code of Conduct excludes any cooperation with organisations that violate fundamental rights.

Looking further at this topic, and to sensitise our senior managers and employees to grievances or even possible complicity, we would like to emphasise the following principles:

We reject any form of child or forced labour. We do not cooperate with customers or suppliers who disagree on these points or whom we know to be active in countries, where child and/or forced labour is tolerated.

Our core values are based on our constitution. We do not accept expressions or activities, which are unconstitutional, racist, religiously extremist or otherwise undignified, to be carried out within our establishments in any form whatsoever. Calls for violence against individuals or groups are immediately notified to the police.

„Setting an example is not the main means of influencing others, it is the only means.“

Albert Schweitzer



## Key topic: Human Rights

The managers in our group support the regulations described in here. For this reason, we place high demands on the leadership and communication skills of our management staff.

To us, leadership means the achievement of goals. We are aware that each individual member of staff counts, as well as the quality and clarity of the goals and the leader themselves.

Leaders must build and earn the trust of their employees. We expect supervisors to serve as a role model for their teams. They own up to their mistakes and take responsibility. True leadership requires the willingness and courage to make decisions in line with the group's interest, as well as to defend these accordingly. This reliability and continuity is part of our responsibility towards our employees.

We expect senior managers to recognise good performance and to provide constructive feedback promptly, as well as during performance development reviews. We rely on senior managers to treat information confidentially by nature and content. You are required to protect trade secrets and confidential customer information and not to disclose it to third parties.

We guarantee data protection and treat personal data in accordance with legal regulations.

In addition, leadership responsibility also means that behaviour damaging to our corporation, criminal acts, maladministration and special risks shall be notified to the company internally. Persons reporting such incidents must not be disadvantaged in any way. In an emergency, managers are to coordinate evacuation and rescue operations and act according to our contingency plans.

Other regulations relating to our social responsibility, such as:

- Anti-discrimination
- Compensation and benefits,  
Working conditions
- Political commitment
- Conflicts of interest
- Freedom of association
- Privacy Policy

are included in our Code of Conduct.

## Corporate culture

Our culture demonstrates how we work together, how we interact with each other, and how we behave internally and externally. Every employee, regardless of their role and direction, acts as an ambassador for our company. This task is not always easy, because the subject matter that someone from the Hanomag family is supposed to represent to customers, authorities, media or the public can be very complex. We respect that each of us copes with their tasks in their own way using their qualifications and personality.

This is exactly what our culture is about: respect, dialogue and leadership. It's about focusing on our customers. Building trust and driving change forward. The corporate culture of the Hanomag Lohnhärtereier Group promotes the responsibility of the individual in a result, which ultimately convinces our customers.

We understand that this form of cooperation is the driving force behind our company's success. That is why we strive to implement these principles at all of the group's sites. We are still at the very beginning and are aware that each site has grown from a different historical and cultural basis.

Part of this culture is also, that we assume social responsibility. Water sports are of particular importance to us. But also the support and participation in football matches, company runs and other events of this kind, which is an expression of cohesion and belonging even outside of working life.

The corporate culture is important in relation to the group's sustainable growth. Unlike our technologies, strategies and organisational structures, it is the constant fingerprint of the Hanomag Wohnhärtereier Group. It guides us to be an attractive employer, reliable business partner and innovative technology leader in the heat treatment industry.

## Anti-discrimination, respect for individuals, diversity as an opportunity

Employees have equal opportunities in relation to their competencies, -experience and performance, regardless of gender, -nationality, religion, age, disability, -sexual orientation, political opinion, union membership, social background or ethnic origin.

All employees are -treated with respect. Discrimination, physical or -verbal harassment or unacceptable threats will not be tolerated.

We take our people seriously. We recognize each other and value each other. We treat each and every one of us with respect.

Respect is the foundation of all relationships. Only those, who feel respected develop strength and take responsibility. Mutual respect is the basis for working with colleagues, managing dialogues with managers and dealing with suppliers and customers.

We trust each other that everyone understands and executes their part. We acknowledge the contribution of each individual and promote their initiative. We actively listen, support and learn from each other and with each other.

We see diversity as an opportunity, because we are all individuals with very different experiences and abilities. Each of us wants to be treated with respect, so as to achieve our goals in the interest of our customers in relation to our work and mission.

At the time of printing this directive, we employ people from 20 different nations. The group is thus also a reflection of the cultures of the world.

We consider differences as an advantage, diversity as a strength. It helps to increase our productivity, collaborations and innovation. It helps us to look at problems from a wide range of perspectives and to find excellent solutions.

## Key topic: Work Practices

Here at the Hanomag Lohnhärterei Group, we see ourselves as a strong team. We work together to achieve goals for our customers. Each individual contributes to this through their participation. The active role you play as an employee of this group takes us further on both a human and a professional level.

We take the future of our company seriously, because we all want the group to grow and develop. Therefore, we contribute wherever our competence and our knowledge is required. We address problems openly, because this is the only way to make the right decisions. We are responsible for and represent the decisions taken. This applies in particular to senior managers and employees, who are looking after customers.

We see employee participation as an important building block for our company's success. That is why we conduct performance development reviews and determine employee satisfaction. Proposals for improvement are encouraged, analysed and implemented, if they are beneficial and effective.



## Feedback and open dialogue

Everyone in our company wants to feel that their work is recognised. We need recognition for what we contribute, our initiative, our performance for the team, the company and for the customers.

We need constructive and honest feedback. Otherwise, we run the risk of not recognising mistakes or repeating wrong actions. We need feedback as praise, when things go well. Feedback is the bar as to whether things went well or badly.

Our senior managers are required to provide timely and open feedback, which can be reacted to in a constructive manner. Through active listening, you can identify occurring problems and help to solve them. This is especially important in times of difficult terms and conditions or major changes.

Written communications shall be timely, relevant and clear. Personal meetings and team meetings are used to communicate openly and proactively.

„Too many people fail to realize  
that true communication is  
mutual.“

Lee Iacocca

## Safe at Hanomag

Safety, especially in the area of heat treatment, is not just another subject matter, but the subject matter par excellence. High temperatures, process chemicals, floating loads and electrical hazards are just some of the risks we are dealing with. Our aim is to consistently identify the risks for all people present at our sites, to analyse and minimise them. Hanomag avoids materials and methods that pose risks to the environment and health, where appropriate alternatives are available.

Together with our external consultants, we create risk analyses, which we update as needed. Return to work meetings after accidents at work give us an insight into the causes and occurrence of the respective accident. We are thus able to apply specific technical or organisational solutions, or influence the behavior of any employees at risk.

Through our operating regulations, we ensure that all relevant information is available to third parties for safe working in our premises.

„The prevention of accidents must not be regarded as a provision of the law, but as a dictate of human obligation and economic sense.“

Werner von Siemens 1880

## Apprenticeships and training

For us, social responsibility also means qualifying our employees for the tasks we entrust them with. We do this as a training company, through study-practice models and in further training our employees in relation to their tasks.

We copy and track the qualifications of each employee. If someone starts a new role or rejoins us, we compare the existing qualifications with our requirements profile and draw up a training plan.

A number of specified training sessions and instructions are mandatory for all employees of the group. These include induction training and safety instructions, instructing third-party companies in relation to our operating regulations and instructions relating to this CSR policy.

We give everyone who works with us or for us the best possible tools for their task.

### Apprenticeship

- Vocational training
- Interdisciplinary study

### Training

- Job-related
- Function-related (delegate)

### Instruction

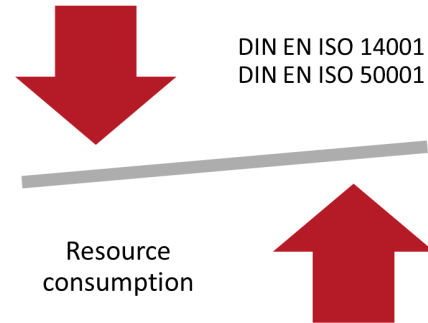
- Job-related
- Briefing of new employees

## Key topic: Environment and Energy

The services and processes of the Hanomag Lohnhärtereirei Group are designed in such a way that energy, natural resources and raw materials are used efficiently and waste and residual materials are minimised or reused.

Heat treatment procedures naturally require a lot of energy. Any waste of energy may lead to considerable costs for us. This would be money, which we cannot spend on our employees or on improving our infrastructure. For this reason, we have set up an energy management system, which allows us to track our consumption, identify individual consumers, identify peak consumption and minimise waste.

We know that we have not exhausted all of the possibilities in our considerations. That is why we continue to work on analysis and savings opportunities. We organise work on these matters in the form of projects, which either concern the entire group or individual sites. In practice, this has the effect that we are building an automated energy data collection at all sites. In addition, a group-wide lighting project is aimed at replacing the previously used bulbs with modern LED technology. In addition to the high savings potential, this project is mainly aimed at optimising the respective lighting at all workplaces and thus generating an additional gain in safety for our employees.





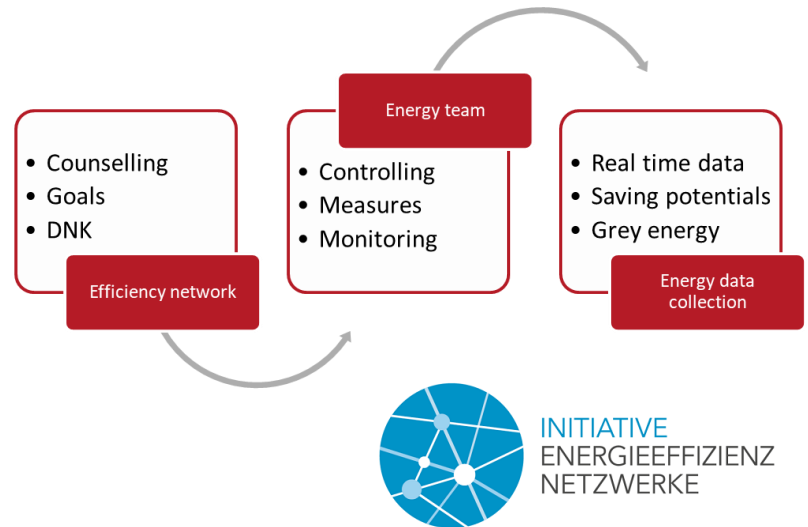
## Energy efficiency network

The increasingly evident climate change in Germany has led the German government to call on trade and industry to join together by means of energy efficiency networks.

At Hanomag, we are clearly aware that we have special responsibility as a heat treating organisation. Our business requires large amounts of energy on a continuous basis. That is why we are particularly interested in analysing our consumption, whilst recognising our potentials and taking action.

One of these measures is our membership in the energy efficiency network for the Hanover region. Together with other well-known companies from Lower Saxony's state capital, we are working on savings targets, transfer of know-how and a unified sustainability report.

We strengthen our energy management system through working groups, consultations and the exchange of experience with other participating companies.



## Report Sizes DNK

When selecting our non-financial indicators, we will, going forward, follow the guidelines of the German Sustainability Code (DNK).

As part of the preparation process, we are currently able to provide key figures and documents for the following areas:

Field	* Fulfillment according to DNK report sizes (Aug. 19)	Examples
Strategy	75 %	Corporate policies
Process management	70 %	Management and premium systems
Environment	90 %	DIN EN ISO 14001
Society	70 %	Training, code of conduct, CSR directive
Political influence	40 %	Trade associations, efficiency network
Behaviour compliant with legislation and directives	90 %	Trade associations, legal compliance audits



Deutscher  
NACHHALTIGKEITS  
Kodex

*\* The degree of compliance refers to the presentation and compliance with the reporting figures from the German Sustainability Code (DNK)*

## Key topic: Fair Operations and Business Practices

The Hanomag Lohnhärtereier Group is committed to:

- ⇒ complying with applicable laws and regulations
- ⇒ demonstrating and promoting their commitment to responsible business practices in regard to instructions, decisions and activities
- ⇒ incorporating the principles of this directive in regard to important processes

The Hanomag Lohnhärtereier Group prefers to cooperate with suppliers, consultants and other business partners, who agree to these principles.

The Hanomag Lohnhärtereier Group measures itself against its competitors in a fair and integral way. The Company does not enter into any agreements or arrangements with competitors, customers or suppliers, which unduly affect the market. The Hanomag Lohnhärtereier Group gains information about its competitors through legitimate methods.

The reports are transparent, truthful and timely with the aim of presenting the company's performance in a realistic manner.

Our conduct within the market, towards the company and towards our employees is governed by our Code of Conduct, which we also make available on our website for our partners and the public, should they be interested.

The chapters summarised under this key topic are all taken from our Code of Conduct. Only the chapter on 'Supplier Management' is listed separately, as this area is currently changing and developing due to a new issue of important standards in the field of management systems.

## Anti-corruption, money laundering, tax system, property, political participation

### Combating corruption

The Hanomag Lohnhärtereirei Group does not participate in or endorse corrupt practices of any kind. Employees of the Company may not accept payments, gifts or other forms of remuneration from third parties, which could actually or appear to affect the objectivity of their business decisions. In principle, this is not the case with gifts and invitations, which are within the framework of customary business hospitality, custom and courtesy.

### Money laundering

The Hanomag Lohnhärtereirei Group does not accept, allow or support money laundering.

### Tax system

The company adheres to the tax law and the tax regulations of the country, in which it conducts its business.

### Ownership/Financial Responsibility

We respect the material and intangible property of the company, which serves to achieve our goals. It is used within the framework of operational regulations.

### Export controls/economic sanctions

The company undertakes to comply with all applicable trade control laws.

### Political participation

The Hanomag Lohnhärtereirei Group is neutral with regard to political parties. We exercise political influence through our cooperation in our interest associations. Our participation mainly focuses on the Wirtschaftsverband Stahl und Metall (Wirtschaftsverband Stahl und Metall e.V.) and the Wirtschaftsverband Wärmebehandlung und Werkstofftechnik e.V. (AWT).

Regarding our employees, we respect the right of all employees to join in an association, so as to represent their interests as employees, and to organise themselves and negotiate collectively or individually.

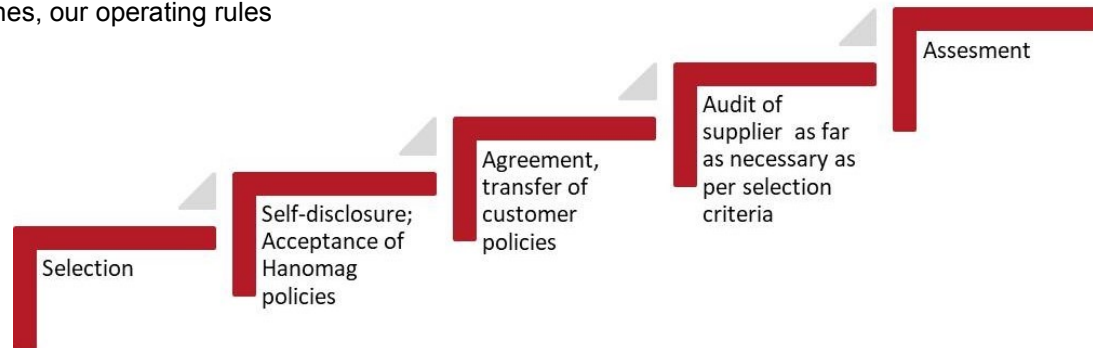
## Supplier management

We pay special attention to the group's suppliers. Their supplies and services depend on the functionality, quality and reliability of our heat treatment processes.

The success of the group is based not least on the common strengths, which we use in cooperation with our suppliers. For this reason, we work with suppliers that suit Hanomag and with whom we aim for long-term, extendible supply relationships. This common approach also involves selecting and developing suppliers according to certain rules. After all, we can only meet our customers' requirements with suppliers, that meet our requirements. We rely on a systematic system, which has proven itself in cooperation with our suppliers, but which also adapts to a changing environment using appropriate steps. Suppliers receive our quality, environmental and energy guidelines, our operating rules and our Code of Conduct.

By means of self-assessment, we determine, which skills, resources and management systems suppliers have. Suppliers of the Hanomag Group must demonstrate at least one certification according to DIN EN ISO 9001. Implementation of an environmental management system will lead to preferential treatment during the selection process. If both are not the case, but a supplier is of high importance to Hanomag, we carry out supplier audits and follow the respective improvement measures.

Suppliers who meet these requirements will receive an authorisation.



## Key topic: Consumer Concerns

The Hanomag Lohnhärtereirei Group presents its products and services truthfully and complies with applicable regulations and legal requirements. The company does not make false statements or provide misleading information about its products or services. These include safety and environmental aspects.

The heat treatment- procedures offered by us can generally be accessed via our website. To clarify the respective environmental impact and resource consumption, we determine specific key figures, which relate to one tonne of heat-treated goods. We are currently able to make statements about electricity and gas consumption, emissions of CO<sub>2</sub> and waste volumes.

However, the focus of our customers is on the constant quality of our heat treatment processes. Since we mainly deal with components from the automotive industry, this aspect is directly linked to product safety. The aspect of quality at Hanomag therefore also indirectly refers to the safety of end users. We focus on this, because we can only carry out evaluations of value chains and life cycles within very limited horizons, since we ourselves are always part of our customers' value chain.

We have implemented company-wide quality management systems according to IATF16949 or DIN EN ISO 9001. Here, we explain how everyone in the group assumes responsibility for the quality of our services.

In addition to this factual aspect of quality management, there is a side to this, which is defined by the motivation and attitude of employees, which cannot be expressed in figures, facts and documents. At the end of the day, regarding the aspects of quality and reliability, the human side is just as indispensable as the formal part, as well as effective plant engineering, infrastructure and logistics.

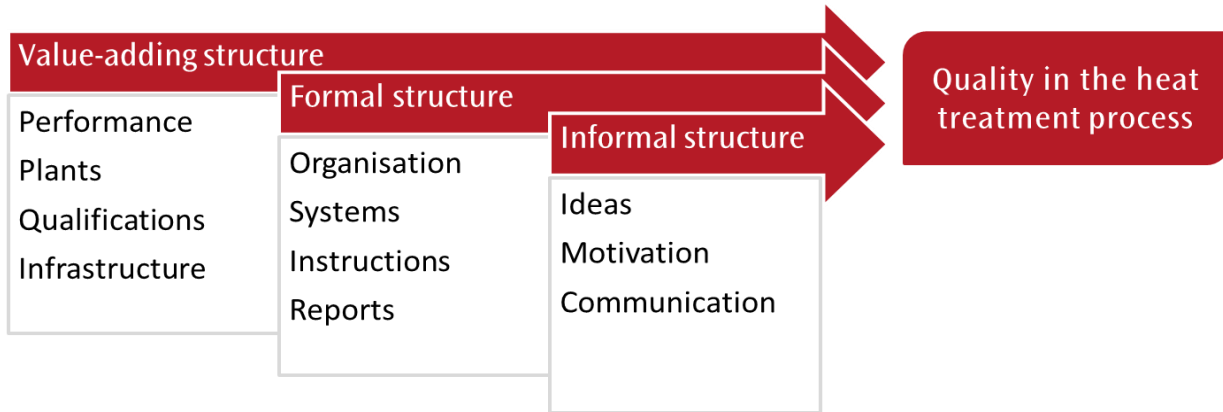
Not only do we meet our customers' very high technological demands, we also make a significant contribution towards product safety.

## Quality Management

Often it is safety features that we improve efficiently through our heat treatment processes on our customers' products.

In co-operation with our customers, we place particular importance on the protection of customer data. In addition to basic procedures during the course of our QM system, we finalise -confidentiality agreements in many cases.

We systematically process customer complaints and analyse their causes. Each group site has complaint officers, who take care of the concerns of our customers in the event of a complaint. We apply quality methods and methods for material testing, so as to develop corrective measures.



## Key topic: Community Involvement and Development

The social commitment of the Hanomag Group is particularly evident in the support of sports clubs and events. Shareholders and employees of the company actively engage in water sports, organise football tournaments with other companies or take part in company runs.

The second pillar consists of cooperations with associations, universities and institutes in the field of heat treatment. This is often about improving work and plant safety. In co-operation with suppliers and regional initiatives, we discuss measures, so as to reduce electricity and gas consumption and thus reduce CO<sub>2</sub>.

Furthermore, the work with the associations and universities is aimed at developing existing or new technologies for heat treatment. Particular emphasis should be placed on the working group (working group Wärmebehandlung + Werkstofftechnik e. V.) with the Institute for Materials Technology. Here, our company is represented on the Board of Management and the Scientific Advisory Board. We are also involved in the further development of materials technology through our cooperation with the Forschungsvereinigung Antriebstechnik e.V. (FVA).

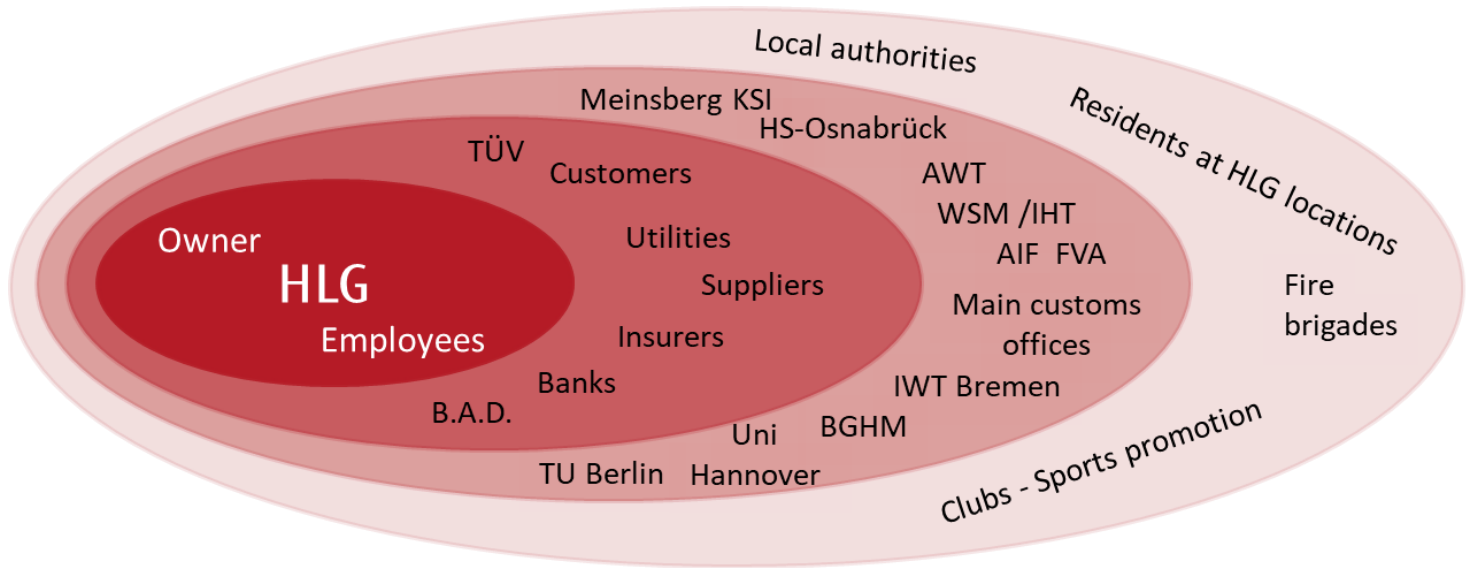
This commitment is underlined by two patents in the area of heat treatment technology.

Several of our employees study models in study practice and thus bring new knowledge to the company. We also support courses, which are not necessarily related to heat treatment.

In terms of our impact on society, we distinguish between two perspectives: contextual observation and our stakeholders. The former includes our mission statement, the corporate culture, CSR, our services, our employees and our know-how. This is about our internal community. The second focus, which is on our environment, deals with authorities, municipalities, our customers, market companions, trends, the state of the art, associations and the people with whom we meet outside our day-to-day business here at Hanomag.



# Stakeholders: Broad Dialogue



## Reports

When this directive is updated in September 2019, our non-financial reporting, a somewhat bulky term specified by federal law, will be under development. This is primarily related to the fact that we are not directly subject to reporting-. We report as part of the supply chain of our listed customers. Currently, only a few of our customers have established binding CSR rules for their suppliers and those, where that is the case, have specified various different forms.

Therefore, we are currently gathering what our customers need in this regard, so as to derive the relevant information. We are currently comparing our key figures with the requirements of the DNK (German Sustainability Code) → see chapter *Reporting Sizes (DNK)*.

Internally, we already report on all the key parameters, including in abstraction on the tonnage we treat. We also determine CO<sub>2</sub> equivalents from gas, electricity and operating material consumption. The same applies to our waste streams.

In the area of consumer concerns, we carry out extensive quality checks, record complaints and evaluate the efficiency of our training courses.

In all areas, we ensure through internal and external audits that deviations in the systems are detected, analysed and corrected. We also ensure that our legal compliance is compliant with external audits.

## Contact



**Hanomag Härtecenter GmbH**

**Merkurstraße 14**

**30419 Hannover**

**Tel: +49 511 640 74-0**

**Fax: +49 511 640 74-309**

**[hhc@haertecenter.de](mailto:hhc@haertecenter.de)**

**[www.haertecenter.de](http://www.haertecenter.de)**



# CSR Policy

## Corporate Social Responsibility: Our social responsibility

This policy provides impulses for building, interpreting and implementing social responsibility. The structure and choice of topics are based on DIN ISO 26000 and provide you with an up-to-date overview of the elements contained within this norm. We have not implemented all 37 areas of action contained within this set of rules, but have selected 26 topics, which we believe to be essential and relevant to us.

- CSR Policy
- Organisation management
- Human rights
- Working practices
- Environment
- Fair operating and business practices
- Consumer concerns
- Integration and societal development