

SUSTAINABILITY REPORT 2016

pure direction

An aerial photograph of a city park, likely the Tiergarten in Berlin, showing a wide road with traffic cutting through a dense forest of trees with vibrant autumn foliage. In the background, the city skyline is visible under a blue sky with light clouds. The CN Tower is prominent on the left side of the horizon.

elringklinger

CONTENTS

Sustainability Report 2016

3	Introduction from the Chief Executive Officer
4	Profile and period covered by the report
5	Company profile
7	Products and innovations
16	Environment and quality
22	Responsibility and employees
30	Social commitment
35	Imprint

Ladies and gentlemen,

The momentum behind e-mobility has picked up even further over the last year. This process of change is relentless, and both for ElringKlinger and the automotive industry as a whole the direction is clear: we are heading towards alternative, lower-emission (and in some cases already zero-emission) drive technologies.

The same uncertainties remain, however, primarily with regard to the pace of transformation. It is not yet clear, for example, whether manufacturers plan to develop a new generation of combustion engines or merely make technical refinements to their existing models. New regulations, especially at municipal level, could of course speed up the process. Some regions may decide to introduce driving bans or massive reductions in the permitted level of emissions, for example by specifying CO₂ or noise thresholds. Such moves would create additional momentum for change. Social developments also have an impact. Until just a few years ago, the driving license was regarded as a ticket to freedom and independence. Today, by contrast, it is no longer seen as indispensable, especially among young people living in cities. The same is true of vehicle design and performance. To put it another way, while young adults used to identify with the engine performance of their first car, today they are more likely to prioritize an integrated smartphone connection or a large touchscreen display – Driving Experience 4.0. Furthermore, young people can now get around perfectly well in our

towns and cities without a driving license thanks to a series of completely new transport concepts.

Looking even further ahead, increasing urbanization is set to bring even more changes in patterns of mobility – to cite just one example, self-driving city cars that can be ordered using your smartphone so that you don't have to drive. Personalized digital services are changing the face of mobility and our entire automotive industry.

Exciting and transformative times lie ahead. The market will have to be restructured to serve our future mobility needs. Here at ElringKlinger, we want to play an active role in shaping that future with our highly innovative products. Every day, we explore potential new developments to help generate maximum benefit from our expertise. We too have a little bit of the future in our hands.

Reflecting the title "pure direction" that we chose for our sustainability report, we want to highlight the clear strategic path we have adopted in our four core areas: Products and Innovations, Environment and Quality, Employees, and Social Commitment. In each section, you will see how much progress we have made over the last year, which areas we are treating as development priorities, and what we hope to achieve in the future.



I hope you enjoy reading our latest report.

Yours sincerely,

A handwritten signature in blue ink, which appears to read "Stefan Wolf". The signature is fluid and cursive, written over a white background.

Dr. Stefan Wolf
Chief Executive Officer

PROFILE AND PERIOD COVERED BY THE REPORT

This sustainability report assesses various non-financial aspects of the company's activities using a series of indicators. It is the sixth of its kind to be published by ElringKlinger. One of our goals is to demonstrate to our employees, customers, shareholders, business partners, and other stakeholders that we place great importance on sustainability issues at every point in our value chain. The report outlines the company's performance in this area on the basis of non-financial indicators. General information on the Group's financial position and a detailed review of its business model, financial objectives, and results for 2016 can be found in our annual report entitled "pure mobility."

This sustainability report is based on the new standards of the Global Reporting Initiative (GRI), which were published in October 2016. Our assessment is that we meet the criteria for the "core" option. The contents of the report have not been reviewed by an independent external auditor. An EU directive imposing a statutory obligation to disclose certain non-financial information takes legal effect in the fiscal year 2017. ElringKlinger will be looking to comply with this requirement by publishing a non-financial statement on the Group website by April 30, 2018.

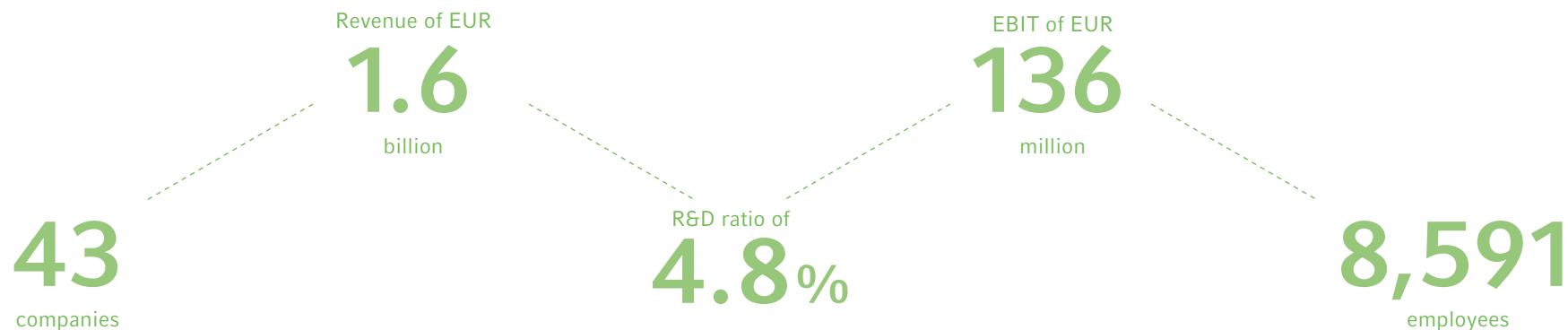
Contents and structure

Each of the issues covered in this report has been checked for relevance and allocated – by function holders who are in daily contact with stakeholders – to one of the Group's four core areas: Products and Innovations, Environment and Quality, Employees, and Social Commitment.

Scope of the report

Unless otherwise specified, the report covers the financial year 2016 (January 1 to December 31, 2016) and the entire ElringKlinger Group. Reporting does not extend to investees and entities beyond the consolidated group. The sustainability report is available in both German and English. Additional material can be found on the Group's website.

COMPANY PROFILE



Headquartered in Dettingen/Erms, Germany, ElringKlinger AG has a company pedigree spanning 137 years. During this time, the Group has evolved into an independent and globally positioned development partner and original equipment manufacturer. ElringKlinger offers cutting-edge solutions for all types of drive system – whether optimized combustion engines, high-performance hybrids, or environmentally-friendly battery and fuel cell technology. The Group began diversifying its product portfolio at an early stage. Today, ElringKlinger offers a well-established range of cylinder-head and specialty gaskets alongside lightweight plastic components and housing modules for the drivetrain and the vehicle body. This is complemented by thermal and acoustic shielding components for the engine, transmission, and exhaust tract as well as components for lithium-ion batteries and fuel cell systems. In addition to products destined for the automobile industry, the Group manufactures exhaust gas purification systems used in ships, buses, trucks, construction and agricultural machinery, locomotives, and power stations. Within the Engineered Plastics segment ElringKlinger offers cross-industry products made of the high-performance material Polytetraflon as well as thermoplastics.

The market for drive systems is changing in response to global megatrends such as population growth, environmental protection, and globalization. It is precisely here that ElringKlinger's product portfolio comes to the fore, the aim being to help reduce carbon dioxides, nitrogen oxides, hydrocarbons, and soot particulates.

Changes to Group structure

The Group structure changed as a result of company formations and acquisitions transacted in 2016. Effective from April 11, 2016, the subsidiary Hug Engineering AG, a 93.7% subsidiary of ElringKlinger AG, acquired a further 80.0% of interests in CODiNOx Beheer, B.V., Enschede, Netherlands, and now holds a 90% interest in that entity. ElringKlinger took over the business operations of Maier Formenbau GmbH, based in Bissingen/Teck, Germany, as part of an asset deal completed as of June 1, 2016. In addition, the Group established a new production company in October 2016 by the name of ElringKlinger Silicon Valley, Inc., Fremont, USA.

ElringKlinger has a global network of strategically located production plants and sales offices. From these sites, the Group serves the three key economic areas of Europe, NAFTA, and Asia (primarily China and Japan). Additionally, the Group operates in the emerging economies of Asia and South America.

As of December 31, 2016, the ElringKlinger Group encompassed 43 companies and employed a workforce of more than 8,500 people.

Risk management

ElringKlinger operates with a comprehensive risk management system for the purpose of identifying risks at an early stage. Markets, customers, and suppliers are monitored in order to detect risks well in advance. This is complemented by a thorough risk assessment conducted by the Group on an annual basis and covering various categories of opportunity and risk. To this end, both risks and opportunities are evaluated according to the probability of their occurrence and their possible financial impact. In addition, the Management Board supplies regular information to the Supervisory Board on the current risk situation, relevant compliance-related issues, the status of any significant legal disputes, and other matters of critical importance.

COMMITMENT TO STAKEHOLDERS

The stakeholders of ElringKlinger have a direct or indirect relationship with the company and exert influence in various ways. The exchange with stakeholders is of fundamental importance to the Group: understanding the needs, interests, attitudes, concerns, and opinions of stakeholder groups assists greatly in corporate decision-making.

In addition to the website, the Group uses various means of communication to promote regular and transparent dialogue:



PRODUCTS AND INNOVATIONS

Eco-friendly mobility thanks to lightweighting and efficient drive systems

ElringKlinger has responded to the far-reaching transformation of the automobile industry with solutions aimed at enhancing the efficiency of the combustion engine as well as innovative alternative drives. Through its broad product portfolio, the Group is helping to make personal mobility as environmentally compatible as possible.

INNOVATIVE SOLUTIONS FOR ALL TYPES OF DRIVE

High level of research and development activity

The automobile industry is undergoing radical change, which is manifesting itself in megatrends such as efficient powertrains, autonomous driving and sophisticated safety systems. Common to these is the aim of meeting the basic human need for mobility while ensuring superior ride comfort and protecting the environment.

ElringKlinger is applying its innovative flair to influence this transformation process constructively, utilizing its core expertise to advance and enhance proven technologies. Change is also regarded as an opportunity to develop new emission-cutting products and break into new business areas.

The culture of innovation that exists within the company is rooted in a consistently strong focus on research and development. In the 2016 financial year, R&D costs amounted to €74.8 (71.2) million. The Group's research and development department had 570 (562) employees as of December 31, 2016. To an extent, development successes are reflected in the high number of patent applications made annually: the Group secured 68 (67) new patents in 2016 alone.



	2016	2015
R&D costs ¹ (in EUR million)	74.8	71.2
R&D ratio ¹	4.8 %	4.7 %
Capitalization ratio ²	9.9 %	13.8 %
Patent applications	68	67
R&D employees	570	562

¹ Including capitalized development costs.

² Capitalized R&D costs in relation to R&D costs including capitalized R&D costs.

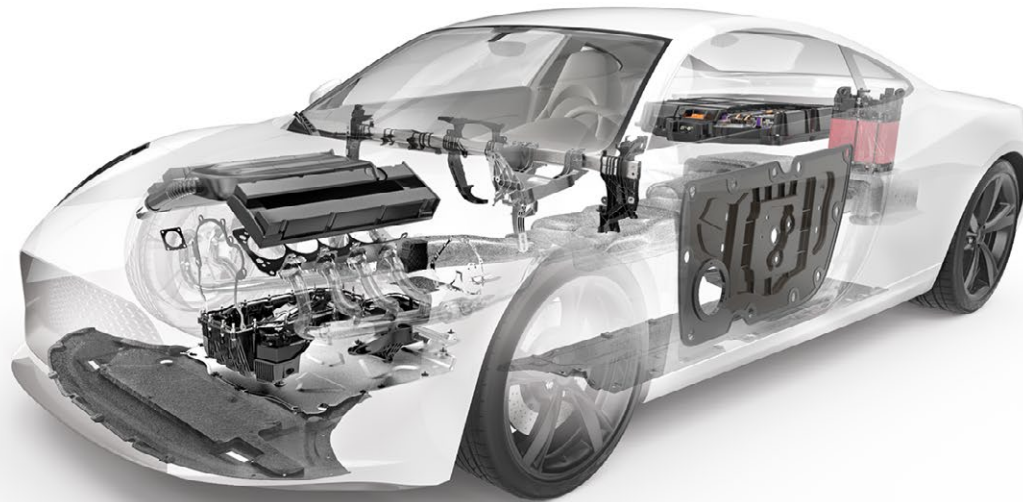
STIFTERVERBAND ASSOCIATION HONORS SPECIAL RESPONSIBILITY OF ELRINGKLINGER TO THE STATE AND SOCIETY

The Stifterverband, one of the biggest private science funding institutions in Germany, awarded ElringKlinger its "Innovative Through Research" seal of approval in 2016. The association thereby honored the special responsibility that ElringKlinger accepts towards the state and wider society through its innovations.



ELRINGKLINGER'S PRODUCT PORTFOLIO

Progress through new technologies and ever more extensive fields of application



FIRED UP FOR THE FUTURE

ElringKlinger has been working with the Center for Solar Energy and Hydrogen Research (ZSW) since 2008 on fuel cell and battery technology. In this interview, Armin Diez, Head of New Business Areas and Battery Technology at ElringKlinger AG, and Prof. Werner Tillmetz, board member and Director of Electrochemical Energy Technologies at ZSW, tell us about the various areas of collaboration between their two organizations and look ahead to the future of alternative drive concepts.

How did ElringKlinger and ZSW first come into contact?

TILLMETZ — ElringKlinger and ZSW both have their roots in Baden-Wuerttemberg. We already knew each other because we were based in the same region and were members of the same associations, and of course there are overlaps in our fields of activity.

DIEZ — ElringKlinger was looking for an independent institution to be involved in groundwork and research with regard to New Business Areas. This led to our initial contact with ZSW, and over the years it has developed into a close and very fruitful collaboration.

How do your two organizations collaborate?

TILLMETZ — We work together within the field of fuel cells and lithium-ion batteries. This includes a number of areas, including component design, production engineering, and qualification testing.



Armin Diez (left) in discussion with Prof. Dr. Werner Tillmetz (photograph: ZSW).



DIEZ — The focus is on traditional contract work such as testing, validating, and certifying our fuel cell stacks and battery modules. ZSW also provides us with other services, including safety testing and cell and material analyses.

How do you both benefit from the partnership? Or, to put it another way, what are the benefits for science on the one hand and industry on the other?

DIEZ — For us at ElringKlinger, of course we benefit from ZSW's wealth of experience in fuel cell and battery research, particularly in fundamental development, and this helps us make continuous advances in our product development.

TILLMETZ — For us at ZSW, close ties to industry are absolutely essential. 85 % of our funding comes from third parties, so it is vital that we have strong partners like ElringKlinger, both for funded projects and direct research contracts.

Another interface for ElringKlinger and ZSW is the OptiFeLiO project (optimized design and manufacturing concepts for the production of lithium-ion battery housings). What is the background to this and what are its objectives?

DIEZ — The main focus is on how to make housings and components for lithium-ion cells more efficient in terms of their function and production, with particular regard to electromobility applications. We are working with other companies towards a common goal.

TILLMETZ — We are trying to improve the energy density of the cells in order to increase vehicle range and reduce the cost of components and production processes. This is where ZSW's expertise with lithium-ion technology can make an important contribution to the industry.

ElringKlinger and ZSW also work together as part of the KLiB (Lithium-Ion Battery Competence Network). How important is a tight-knit relationship between industry and science throughout the whole value chain?

DIEZ — Along with two premium vehicle manufacturers, the network also includes cell and battery suppliers. ElringKlinger is one of several companies that contribute their expertise in the area of battery materials and components. The network includes representatives from every stage of the value chain, so we have very productive discussions and all benefit from sharing our knowledge and experience.

TILLMETZ — The network is trying to establish a lithium-ion cell industry, something that has never existed in Germany before. So it is playing a key role in the process of fast, effective value creation.

In 2014 the ZSW set up a research production line for lithium-ion cells, and ElringKlinger is one of its users. What are its main achievements so far?

TILLMETZ — As an open research platform for the industrial-scale manufacture of cells, this facility is one of its kind. We are also building a huge store of detailed information that could be vital for successful cell manufacturing.

Fuel cell or battery – which do you think has the best future in electromobility?

TILLMETZ — Battery systems are suitable for all kinds of urban vehicles with low requirements when it comes to range and recharging. Fuel cell systems are ideal for vehicles that in the past have used diesel engines, such as touring saloons, delivery vans, and city buses.

DIEZ — Both methods have their merits, so ElringKlinger is working on innovative solutions for both fuel cell and battery systems. As things stand, we expect both these technologies to have a future. Complementing batteries, fuel cells offer the advantage of greater range and faster refueling.

TILLMETZ — With their compressors and heat exchangers, fuel cells offer more scope for German industry than batteries. Increased use of fuel cells could also help mitigate the worsening situation with regard to the availability of certain raw materials used in batteries.

Some manufacturers are looking to increase the share of electric vehicles to 25 % by 2025. In your opinion, do the necessary conditions exist for the planned transition in drive technology to take place?

TILLMETZ — Battery-powered vehicles are on course to be a huge worldwide success. This year we passed the mark of one million electric cars manufactured, and in eight years we will be producing in excess of 20 million electric vehicles a year. But to do this we will need at least ten factories the size of the gigafactory in Nevada.

DIEZ — I'm also optimistic that the shift to electromobility will accelerate over the coming years, even though the conditions are not yet fully in place. There are still unanswered questions relating to the increased demand for electricity that will result from greater numbers of electric vehicles, and the need to expand the charging infrastructure. ElringKlinger has already demonstrated its expertise as a supplier of series components for electric vehicles, and now it is ready to play its part in shaping the future of mobility.

ABOUT ZSW

The Center for Solar Energy and Hydrogen Research Baden-Wuerttemberg (ZSW), a non-profit foundation under civil law, was jointly established in 1998 by the Universities of Stuttgart and Ulm, the German Aerospace Center, the state of Baden-Wuerttemberg, and a number of commercial firms. ZSW carries out applied research, particularly in the areas of lithium-ion batteries, fuel cells, and solar cells, and it has established itself as one of Europe's leading energy research institutes. Joint ventures and growing volumes of contract work are proof positive of the benefit of close collaboration between science and industry.

LIGHTWEIGHTING: MEGATREND IN THE AUTOMOBILE INDUSTRY

More than a material substitution



Plastic oil pans from ElringKlinger offer significant potential for weight and cost savings, for example in the commercial vehicles sector.

“Lower carbon emissions through reduced vehicle weight” – the megatrend of lightweight design in the automobile industry is now unstoppable. The benefits of reduced weight are considerable: according to a generally accepted rule of thumb, a vehicle reduced in weight by 100 kg uses 0.4 liters less fuel for every 100 km.

ElringKlinger offers a range of innovative technologies for the manufacture of lighter structural components used in a vehicle’s bodywork. In addition to the processing of thermo-plastic fiber-reinforced materials (organo sheets), these involve HFH (hydroforming hybrid) technology, hydroforming combined with plastic injection molding, and the processing of various sandwich materials combined with composites; combinations of these technologies are also possible. The focus is always on the following three factors: weight reduction, cost effectiveness, and functional integration.



Tooling technology is critical in producing lightweight components.

Lightweighting has become more than a question of material substitution; it is a design philosophy whereby a material is only used where absolutely needed, thus saving materials and costs and ultimately conserving resources. The process technology used to handle lightweight materials is critical. In its fast-growing Lightweighting/Elastomer Technology division, ElringKlinger concentrates on evolving suitable technologies and turning more and more applications into reality. Alongside expertise in materials and processes, the company mainly benefits from its ability to develop sophisticated tools for specific production processes within the Group.

ADDED ECOLOGICAL VALUE

Structural components from organo sheets



Door module carriers made from organo sheets; functional elements such as the window lift and locking system are fitted to this.

© Brose

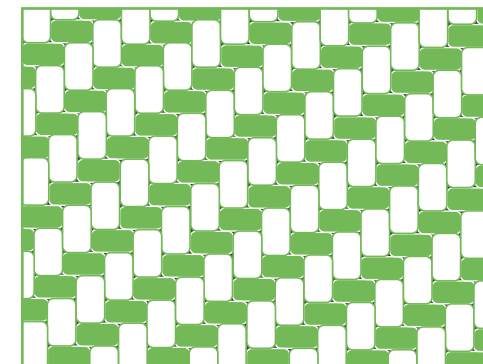
Lightweight door module carriers from ElringKlinger

In June 2016 ElringKlinger secured a major serial-production contract from the German automotive supplier Brose to supply door module carriers that will be installed in the compact-class model of a global car manufacturer. For ElringKlinger, the order represents another milestone in the development of lightweighting solutions aimed at reducing vehicle consumption and emissions. By using very light and extremely durable fiber-reinforced materials (known as composites or organo sheets), door module carriers play a part in reducing the weight of car doors. Given that components of thermoplastic materials and glass fibers can be fully recycled at the end of their lifecycle, ecological value is added.

ElringKlinger is expanding production capacity on several continents to produce these structural components. Highly automated manufacturing technology makes it possible to form organo sheets and incorporate injection-molded plastic elements for additional component functions in a single step. ElringKlinger is thus one of the first automotive suppliers to process thermoplastic fiber-reinforced composites as part of mass production.

ORGANO SHEETS

Organo sheets are long fiber-reinforced, thermoplastic composites. Since their mechanical properties such as rigidity, strength, and thermal expansion can be defined more effectively than is the case for metallic sheets, they facilitate countless possible applications. For the automobile industry, their reduced weight, functional integration, and handling benefits set them apart from conventional metal components. Organo sheets can be recycled. For this purpose, the component is crushed and can be re-used as a short fiber-reinforced plastic.



Fabric sample of a carbon fiber composite with thermoplastic matrix.

CLEAR DIRECTION

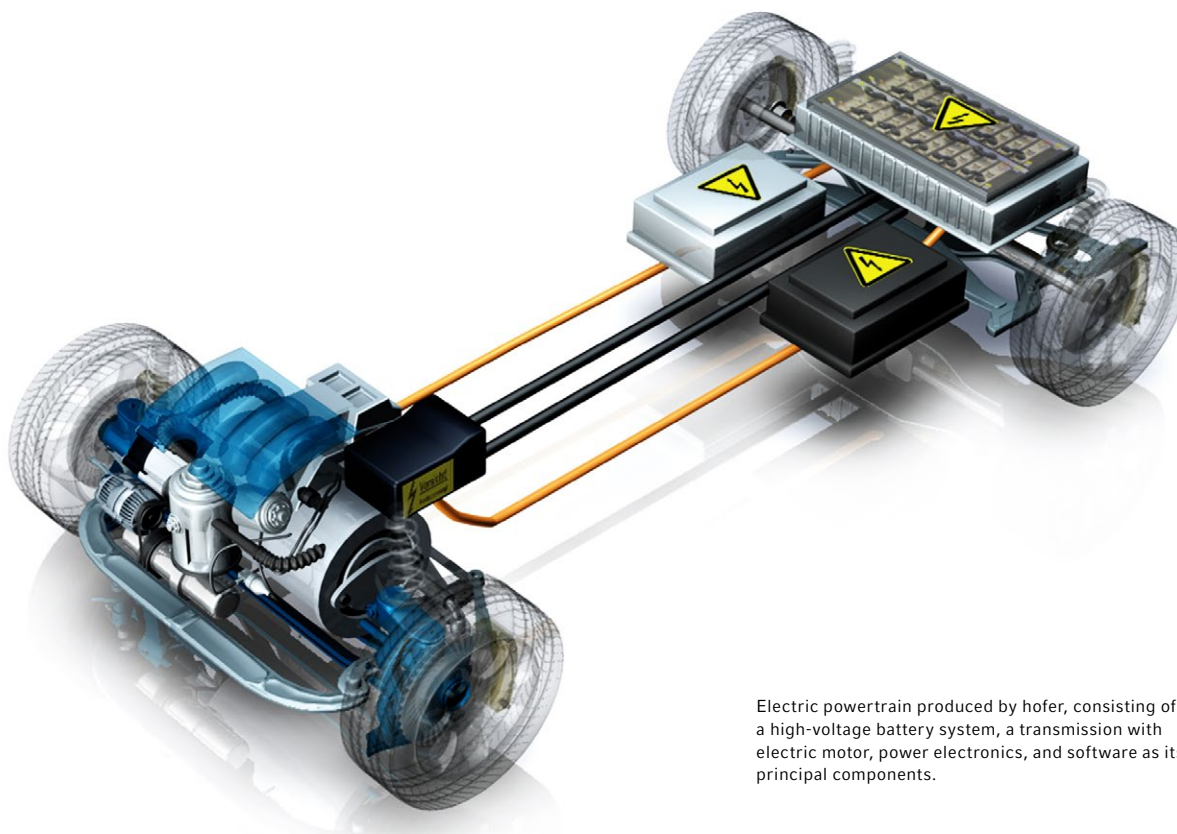
Focus on e-mobility reinforced by investment in hofer

In 2016, ElringKlinger AG made a strategic investment in system specialist hofer AG, thereby significantly stepping up its efforts within the area e-mobility and extending its skill-set with regard to end-to-end electric powertrain technology.

The core competencies of engineering company hofer lie in the development of highly efficient, state-of-the-art drive systems. This also encompasses electronics and software, which play a pivotal role in electric vehicles in particular. hofer specializes mainly in solutions for the sports and luxury car segment, where standards in respect of quality and performance characteristics are extremely high. Adding ElringKlinger's credentials in the field of industrialization and execution to the mix creates a particularly strong partnership. Together with hofer, ElringKlinger offers complete drive systems for hybrid and all-electric vehicles.

ABOUT THE HOFER GROUP

Headquartered in Nürtingen, Germany, the hofer AG Group was established in 1980 as an engineering company and today employs more than 800 people. The team consisting primarily of engineers and automotive specialists is acknowledged in particular for its solid expertise in the field of mechatronics, electronics, and software. In October 2016, ElringKlinger negotiated a strategic investment of 27% in hofer AG, in addition to acquiring a majority interest of 53% in its subsidiary hofer powertrain products GmbH.



Electric powertrain produced by hofer, consisting of a high-voltage battery system, a transmission with electric motor, power electronics, and software as its principal components.

ON A CLEAN COURSE

Lowest-emission passenger ferries in the United States thanks to exhaust gas purification systems from Hug



Equipped with exhaust gas purification systems supplied by ElringKlinger's Swiss subsidiary Hug, four passenger ferries in the United States are now among those producing the lowest emissions in the country. ElringKlinger's exhaust gas purification system includes a selective catalytic reduction (SCR) system with oxidation catalysts. It helps to scale back by around ten tons per year the harmful atmospheric emissions of nitrogen oxides, particulates, and carbon monoxide produced by diesel-fueled marine engines. Independent emissions tests have shown that the level of pollutants emitted by all other diesel-powered passenger ferries currently in operation in the United States is higher.

Among other things, engineers at the ElringKlinger company were faced with the challenge of having to develop a system

that was optimized both in terms of footprint and weight for the purpose of incorporating it within a confined engine room. It also had to be easy to install and service. Certified to meet the requirements of US emissions standard EPA Tier 3, the engines equipped with Hug technology even comply with the stricter Tier 4 standard.



EXHAUST GAS PURIFICATION BY HUG

Road traffic accounts for only a fraction of all the emissions that damage our health and the environment. There is still considerable work to be done within the maritime industry in particular when it comes to tackling environmental pollution. ElringKlinger's Exhaust Gas Purification division is responsible for developing, producing, and marketing exhaust abatement systems for virtually any type of engine powered by fossil fuels within the non-automotive market.

ENVIRONMENT AND QUALITY



Focus on environmental and quality awareness

ElringKlinger is committed to improving and intelligently structuring its business processes on a continual basis for the purpose of minimizing its use of resources. The Group has therefore incorporated clearly defined objectives in its environmental and quality policy.

ElringKlinger has set itself the target for 2017 of reducing its relative (in relation to sales revenue) direct and indirect CO₂ emissions by a figure in the low single-digit percentage range. To this end, the Group continuously optimizes its internal processes and looks very closely at resource consumption when making new or replacement investments.

Growth-induced increase in emissions

Emissions from gas, heating oil, and engine test stands as well as those associated with the company's own vehicle fleet are regarded as emissions caused directly by the company (so-called Scope 1 emissions). Indirect emissions (Scope 2) include all those attributable to electricity consumption and air travel in the year under review.

	2016 ¹	2015 ²
Total direct and indirect CO ₂ emissions in metric tons	104,200	91,320
CO ₂ emissions in metric tons per EUR 1 million in sales	66.9	60.6
Total direct CO ₂ emissions in metric tons	26,700	23,020
Of which direct CO ₂ emissions from gas, oil, engine test stands, etc. in metric tons	25,700	22,150
Of which CO ₂ emissions for vehicle fleet in metric tons ³	1,000	870

¹ The subsidiaries ElringKlinger Hungary Kft. and new enerday GmbH were not included in the data for 2016.

² The subsidiaries ElringKlinger Automotive Manufacturing, Inc., Polytetra GmbH, ElringKlinger Logistic Service GmbH, and new enerday GmbH were not included in the data for 2015.

³ Vehicle fleet of ElringKlinger sites in Germany (Dettingen/Erms, Langenzenn, Runkel, Thale, Lenningen, Bietigheim-Bissingen, Magdeburg, and Ergenzingen). The figures are based on information provided by manufacturers with regard to CO₂ consumption and mileages defined in vehicle lease agreements.

In 2016, total direct and indirect CO₂ emissions rose to 104,200 (91,320) metric tons. Of this figure, a total of 25,700 (22,150) metric tons was attributable to Scope 1 emissions, i.e., gas and heating oil consumption as well as engine test stands. The increase by 16.0 % was due to several factors. First, compared to the previous year, the latest figure now for the first time includes the new buildings in Bietigheim-Bissingen and Runkel.

Secondly, the US subsidiary ElringKlinger Automotive Manufacturing was included in the reporting structure in 2016. The average figure of CO₂ emitted per vehicle within the company car fleet fell to 134 (140) g/km. Direct CO₂ emissions attributable to the vehicle fleet and rental cars rose by 14.9 % to 1,000 (870) metric tons. However, this increase was due solely to the higher number of company cars in use. In 2016, ElringKlinger decided to purchase an additional electric vehicle to complement the two all-electric company cars already in use.

	2016	2015
Total indirect CO ₂ emissions in metric tons	77,500	68,300
Of which indirect CO ₂ emissions from electricity in metric tons	72,400	64,100
Of which indirect CO ₂ emissions from flights in metric tons ¹	5,100	4,200

¹ Air travel attributable to sites in Germany, Switzerland, and France as well as centrally recorded flights relating to sites in the UK, the US, and China.

In 2016, aggregate indirect CO₂ emissions increased by around 13 %. They amounted to 77,500 (68,300) metric tons in total. The expansion of ElringKlinger's global production network coincided with an increase in annual electricity requirements in 2016. ElringKlinger makes a point of reviewing energy efficiency classes when purchasing new machinery and equipment, in addition to updating existing machinery and equipment on a regular basis. Furthermore, business travel within the Group was more pronounced compared to the previous year due to the larger extent of machine relocations as well as the expansion of existing facilities and also the construction of new plants. This was reflected in an increase in indirect CO₂ emissions from air travel to 5,100 (4,200) metric tons.

In total, CO₂ emissions rose to 66.9 (60.6) metric tons per EUR 1 million in sales revenue. Due to the expansion of business outlined above, ElringKlinger was unable to meet its goal of reducing relative CO₂ emissions by a figure in the low single-digit percentage range in 2016.

Energy consumption up due to expansion of production space

In 2016, energy consumption (electricity, gas, and other energy carriers) was up by around 11 % on the prior-year figure at 298,100 (267,800) MWh. The increase in absolute energy consumption was attributable in part to the first-time inclusion of heating oil consumption at one of the Swiss subsidiaries. It was also partly due to the new facilities at ElringKlinger's sites in Suzhou and Changchun, China. In completing its cross-group certification according to ISO 50001, the ElringKlinger Group stepped up its efforts to assess energy flow from a holistic perspective; this included establishing a comprehensive infrastructure of meters at the respective production plants. This has already helped to detect excessive energy consumption and identify potential areas for improvement. Individual measures defined on the basis of these assessments are to be implemented gradually from 2017 onward.

	2016	2015
Absolute energy consumption (electricity, gas, and other energy carriers) in MWh	298,100	267,800
Of which electricity consumption in MWh	176,800	164,200
Of which gas consumption in MWh	108,700	97,840
Of which heating and fuel in MWh	12,600	5,760
Absolute energy consumption per EUR 1 million in sales in MWh	191	178
Electricity consumption per EUR 1 million in sales in MWh	114	109

Waste management

Waste management is an integral part of the overall environmental management system. All employees are encouraged to avoid waste to the largest extent possible and, insofar as it is inevitable, separate waste materials cleanly in order to significantly reduce the overall volume of residual waste.

In 2016, the volume of waste rose by 6.5 % to 54,200 (50,900) metric tons. Of this total, around 86 % was attributable to metal waste materials arising mainly from stamping processes used in production. All of this metal waste was subsequently sold. As a matter of principle, processing and disposal of the total volume of waste are conducted only by specially accredited waste management companies.

Biodiversity

ElringKlinger does not operate any production plants located in nature conservation areas. In the majority of cases, the Group builds its production facilities in designated business and industrial parks. Therefore, ElringKlinger has not yet evaluated this aspect as part of a management approach.

Water and wastewater

ElringKlinger is committed to using water as sparingly as possible. The task of monitoring water usage is performed at a decentralized level, which includes tailored optimization measures at each site. The same applies to the issue of wastewater management. In the context of ISO 14001 certification water consumption is regularly checked throughout the Group.

In the 2016 reporting period water consumption rose to 188,918 (186,815) m³, which was also attributable to the expansion of office and production space.

Conflict minerals

ElringKlinger avoids the use of materials whose production or marketing are controlled by violent military and paramilitary groups. So-called conflict minerals include tantalum, tin, tungsten, and gold. Some of these conflict commodities come from the Congo and neighboring countries; in some cases they are used to finance smoldering conflicts in these regions.

ElringKlinger's products include minuscule amounts of these raw materials. In order to ensure that they are sourced solely from conflict-free regions, ElringKlinger maintains a close dialogue with its suppliers and knows the origin and source of the commodities it procures.

Locations certified worldwide

ElringKlinger regularly appoints third parties to review the structures, workflows, and processes of the company. Production sites around the world are set up in such a way as to comply with ISO standards. The globally applied environmental management system, for example, is certified according to ISO 14001. The system defines the responsibilities and procedures of operational environmental protection while ensuring operational processes and products are consistently environmentally compatible and employees utilize available resources responsibly.

A certification audit of the Group's energy management system to ISO 50001 was successfully undertaken at all ElringKlinger sites in Europe at the end of 2016. By analyzing energy consumption more accurately, the Group is aiming to exploit savings potential at the point of origin; this will benefit the environment in the long term. In the first phase of optimization, compressed air consumption, which is extremely energy-intensive,

will be identified and minimized. In future, idle machinery will also be depressurized. Essentially, ElringKlinger plans to shut down machinery during lengthy downtimes (such as weekends) throughout the Group.

The certification standard ISO/TS 16949 has become the established quality management system for the automotive supply sector. It supports the Group in preventing errors, reducing waste, implementing improvements, and ultimately guaranteeing a consistent quality level across the Group and the wider sector. With the exception of Indonesia, all ElringKlinger sites are now certified under the standard.

Away from the automobile industry, the subsidiary ElringKlinger Kunststofftechnik GmbH also supplies many customers in the medical engineering and food technology fields – strictly regulated sectors with fast-growing requirements. Generally, this involves products for the manufacture of medicines and cosmetics as well as foodstuffs and feed products. The sites in Bietigheim-Bissingen and Heidenheim therefore comply with Good Manufacturing Practice (GMP) for Food Contact Materials, which ensures quality in production processes and the production environment. As a supplementary measure, the quality management system at Bietigheim-Bissingen was certified under EN ISO 13485 for medical products in 2016 (the standard mainly entails specific quality requirements for medical products).

ElringKlinger receives resource efficiency award

ElringKlinger was confirmed as one of the top 100 businesses for resource efficiency in 2016. Companies in Baden-Wuerttemberg were honored for their commitment to implementing measures aimed at conserving materials and energy. ElringKlinger received its award for a procedure the company developed to produce metal ring gaskets, which are subjected to the highest (alternating) thermal loads; they are made of specialty steels alloyed with a high proportion of nickel and other elements.

The metal ring gaskets installed in turbochargers were previously manufactured by means of a conventional punching and bending process. Owing to the geometry of these metal ring gaskets (with relatively small edges and large gas duct in the center), a conventional punching process produces up to 90 % stamping waste.

This conventional production method was the starting point for a new development project that prioritized resource conservation. Working with a manufacturer of special machines, ElringKlinger successfully introduced a made-to-measure production process. To do this, the entire process – from material feed, cutting, and forming to welding – was revised, optimized, and at the same time fully automated. In this way, ElringKlinger developed a unique process that makes financial and environmental sense. The quantifiable savings mainly relate to materials; every year, up to 21 metric tons of the nickel base alloy can be saved. In addition to the direct and visible avoidance of stamping waste, resources are saved on a large scale thanks to the discontinuation of waste transportation and melting, which are no longer necessary. Moreover, the energy requirement of the new production process is many times lower than that of a conventional punching process.

The award underlines the innovative flair of ElringKlinger in the manufacture of technologically sophisticated products.

Production starts in Class 8 clean room

Comprising almost 7,000 products for around 4,000 customers, the product portfolio of the subsidiary ElringKlinger Kunststofftechnik GmbH differs greatly from the other business activities of ElringKlinger AG. The company specializes in processing the high-performance plastic polytetrafluoroethylene, and in relevant application technology. In addition to products for the vehicle industry, the company supplies sectors such as mechanical engineering, chemical engineering, and systems engineering as well as the medical industry.

The demands on sensitive products as regards cleanliness are rising steadily. As part of a project to expand the production area at Bietigheim-Bissingen by 8,000 square meters, ElringKlinger has constructed a Class 8 clean room for the first time in the company's history. Production and packing is now performed under controlled conditions in a separate, flexible, 950-square-metre production area.



The new Class 8 clean room facilitates product manufacture under controlled conditions.

PURCHASING AND SUPPLIER MANAGEMENT



Bernd Weckenmann has been in charge of ElringKlinger's central materials management department since November 1, 2016.

“Active purchasing and goods control plays a major part in the success of a company.”

BERND WECKENMANN

Having been active in materials management within the automotive sector for around 21 years, Bernd Weckenmann joined ElringKlinger as Vice President Global Purchasing at the start of November 2016. In the interview below he discusses how the role of purchasing has changed over the years and sets out his new priorities for ElringKlinger.

Mr. Weckenmann, you have been with the company for around six months now. In that time you have already tackled many issues and made many changes. In your view, how has purchasing in general changed over recent years? Where do you think ElringKlinger in particular can improve?

WECKENMANN — Globalization has been affecting supply chains in the automobile industry for many years. It is all the more important, then, to harness the many advantages of the globally networked world we live in. When we look at the procurement of raw materials by the Group, including alloyed stainless steels (and especially nickel chromium alloys), carbon steel, aluminum, polyamide-based polymer granules, and elastomers as well as polytetrafluoroethylene (PTFE) used in the Engineered Plastics segment, we have to examine our global sources to ensure material availability and secure good commodity prices. Given that material costs account for more than half of the cost of goods sold for the Group, optimizing purchasing structures can have a significant impact on a company's overall costs. It is always worthwhile adapting your purchasing organization to the globalized world and accelerating its integration with the company's core processes.

What exactly needs to change if we are to globalize purchasing at ElringKlinger?

WECKENMANN — As a first step, we have started to transform the purchasing structure, which used to be strongly focused on regional needs, into a matrix organization. From now on, vertical lines will be responsible for processes, systems, and structures; horizontal axes will take on functional responsibility while also overseeing the material and commodity groups.

In future, strategic purchasers at the factories will be subordinate in functional terms to commodity managers, who are mainly responsible for the sources of direct and indirect commodity groups such as traditional production materials and equipment, tools, and services. The commodity managers focus on global purchasing activities. Together with the strategic purchasers at the factories, commodity managers are also responsible for devising and implementing commodity strategy.

What are the benefits of the new organizational structure?

WECKENMANN — The task is to pool the purchase volumes of the factories as best we can, analyze the markets, and select strategic suppliers for future purchase volumes around the world. We believe there is definite potential in bundling volumes across the Group, which will enable us to improve terms and conditions through economies of scale. Before an order is placed, we always consider the total cost of ownership. In other words, we consider all the costs of procurement, including the associated logistical processes. One thing we can say with certainty is that absolutely precise and needs-based purchasing always has a positive effect on inventory management and thus the Group's working capital. Long transport routes, for example, can lead to a build-up of requisite safety stocks. Local procurement can be a good idea in such cases. That's why it is essential to take account of procurement costs as a whole.

That makes sense, but does it entail any new risks?

WECKENMANN — If we look at the whole supply chain in the automobile industry, the globalization trend is really making things more complex all the time. Because of this, calculating the risks is very important, as is weighing up pricing

and cost criteria. We look at a whole series of potential factors when considering the risk, including currency risks, risks of political instability, and the loss of expertise, to name just a few. Through active supplier management, we also make sure every supplier that offers their services is able to meet our working, social, and environmental standards. To this end, we have set down clear environmental and quality guidelines which are already accepted and upheld by the vast majority of suppliers. At random intervals, our supplier management team inspects the production plants of suppliers by carrying out audits under the VDA 6.3 standard. As soon as we receive audit findings, we agree on improvement measures to introduce within a certain timeframe. Supplier evaluations are also carried out every six months to assess supply quality and level of service as well as delivery reliability. Through these processes we can minimize risks and stabilize our flow of goods.

Looking to the future, how are the forthcoming projects looking and how are you preparing for the transformation of the automobile industry – after all, the product portfolio of ElringKlinger is also changing?

WECKENMANN — To prepare for the future as effectively as possible, we have defined five priorities for the Group. Alongside the changes to the organizational structure I described before, we will be launching four other projects in the weeks ahead. These will include the introduction of sourcing software, which will speed up and simplify the tendering

and award process. There is no doubt we can only maximize our efficiency potential if we exchange views and ideas across the divisions of the Group. This must happen on a regular basis. For this reason, there will be weekly purchasing meetings with the responsible persons from the divisions and the central areas of quality and logistics.

Supplier nominations will only be made after these meetings, and we will set up procurement controlling in parallel. Part of the job specification here involves the third priority, the drawing up of a five-year plan.

The fourth priority is the clear definition of cost saving measures. In future, potential savings will be evaluated and implemented in the course of monthly dialogue with local purchasers, their senior managers, and the commodity managers.

The fifth major project, which we have started, involves dealing with material price rises. To minimize this risk to the Group, we will need to protect ourselves more effectively. It is therefore very important that we integrate price escalator clauses into contracts with clients. If we don't, there is always a risk that the higher costs will not be passed on in full, or only passed on at a later point.

As you can see, we are taking steps to establish a more global structure on the purchasing side as well.

Many thanks for the interview!

RESPONSIBILITY AND EMPLOYEES



Sights set on joint success

As a leading technological group, ElringKlinger is heavily reliant on the expertise, commitment, and innovative capacity of its employees, who form the basis for the success of the company. In return, ElringKlinger endeavors to create an attractive and motivational working environment for its staff that allows them to think and act independently. With courage, passion, and the willingness to break new ground, every employee can play a part in ensuring the company's future success. All employees are united by a common goal: actively to shape the mobility of the future.

Overview of personnel structure

The ElringKlinger Group had 8,591 employees around the world as of December 31, 2016, equivalent to an increase of 8.6 % or 679 persons compared to the previous year. The workforce structure is balanced, with the majority of salaried employees (53.8 %) aged between 30 and 50. The proportion of employees under the age of 30 is around one quarter, while 20.6 % of the workforce are over 50. The average age across the Group is 39 years. The proportion of female employees is 27.9 %, representing roughly one third of the workforce.

The fluctuation rate in 2016 was 6.4 %, within the medium-term target range of a mid-single digit percentage. The relatively low level of employee resignations is evidence that ElringKlinger is offering staff a motivational and attractive working environment with a view to retaining its workforce for the long term.

EMPLOYMENT

	2016	2015
Absolute number of employees	8,591	7,912
Of which men	72.1 %	71.6 %
Of which women	27.9 %	28.4 %
Average number of employees	8,322	7,653
Breakdown by age group		
Less than 30 years old	25.6 %	25.8 %
30 to 50 years old	53.8 %	54.1 %
Over 50 years old	20.6 %	20.1 %
Staff turnover rate	6.4 %	5.7 %
Percentage of part-time employees	4.8 %	4.7 %
Employees on permanent contracts	7,025	6,337

Fundamentally, the personnel policy of ElringKlinger seeks to establish a high proportion of full-time employees. Staff members with permanent contracts form the core workforce, which is complemented by employees with limited-term contracts and temporary workers. This policy enables the company to respond flexibly to economic upturns and downturns. The proportion of employees with permanent contracts was stable at a high level of 81.8 % in the year under review; by contrast, the proportion of part-time employees stood at 4.8 %.

Generally binding Code of Conduct

The ElringKlinger Code of Conduct contains regulations and guidelines governing the ways in which employees act towards one another, third parties, and the environment. It also enshrines the company's commitment to the observance of international human rights. At the same time, the Group rejects all forms of child and forced labor. ElringKlinger also opposes all forms of discrimination on grounds of gender, race, skin color, religion, age, origin, disability, or sexual orientation. All employees are responsible for complying with the Code of Conduct, while the Management Board is responsible for upholding these principles. No breaches of the Code of Conduct were reported in 2016.

Occupational health and safety

The health and safety of employees is of primary importance to ElringKlinger. The Group contributes to its own survival and future success by establishing and maintaining a safe, healthy, and performance-enhancing working environment along with a comprehensive health management scheme. All guidelines and principles on occupational health safety are

enshrined in the occupational health and safety policy, which is binding on all ElringKlinger employees without exception.

The number of accidents at work leading to absences of more than three days fell again in reporting year 2016. ElringKlinger prevents workplace accidents as far as possible through preventive measures such as the implementation of Group-wide safety standards and the issuance of regular safety guidance to employees. In the event of an accident, the cause and circumstances are thoroughly investigated and the safety standards in place are amended as appropriate to ensure a consistently high level of protection.

OCCUPATIONAL SAFETY

	2016	2015
Average number of sick days per employee	10.1	10.1
Work-related accidents leading to more than 3 days off work	223	268
Work-related fatalities	0	0

Training and further education

Well-trained employees are instrumental to the success of ElringKlinger. For this reason, the company continually trains young people to enter technical and commercial trades. The vocational training ratio for 2016 was 4.7 %, a further increase on the previous year. ElringKlinger also arranges work placements in various departments every year and helps students complete dissertations. In the year under review, the company employed 80 interns and students, a figure unchanged on the previous year's value.

Providing training for employees is another high priority of ElringKlinger. The emphasis is on the development of social

and methodological as well as professional skills. The Group devotes a figure in the low single-digit million euro range to education and training each year. More than 6,000 performance appraisals were carried out in reporting year 2016 in order to determine professional and personal training measures in line with the individual needs of employees.

EDUCATION AND TRAINING

	2016	2015
Vocational training ratio ¹	4.7 %	4.3 %
Interns and thesis students ¹	80	83
Number of qualification interviews conducted ¹	6,002	5,388

¹ Figures based on German sites only, adjusted prior-year figures.

Company suggestion scheme

ElringKlinger encourages ideas for improving workflows and processes through a company suggestion scheme. All suggestions submitted by employees are reviewed. Where a proposal would lead to an efficiency gain or cost saving for the company, it will be approved and implemented as soon as possible; in successful cases, employees who submit such ideas will receive a bonus. A total of 270 improvement proposals were submitted at German locations in 2016, with 65 of these duly implemented.

SUGGESTION SYSTEM

	2016	2015
Number of improvement suggestions submitted ¹	270	330
Improvement suggestions successfully implemented ¹	65	96
Improvement suggestions rejected ¹	154	174

¹ Figures based on German sites only, adjusted prior-year figures.

Supporting diversity and equal opportunity

ElringKlinger is committed to diversity, equal opportunity, and non-discrimination for its workforce. As an employer of more than 8,500 staff members at 47 locations around the world, cultural diversity is a key success factor for ElringKlinger. In an internationally oriented company, an understanding and appreciation of other cultures and situations and the integration of employees from other countries are fundamental aspects of employee relations. ElringKlinger actively promotes this stance by offering intercultural training and enabling individual employees to spend lengthy periods abroad on international projects.

Equal opportunity for men and women is a high priority for ElringKlinger. In appointing managerial staff, the company is solely guided by the requirements of the role in question. Where there are several equally qualified candidates to choose from, the need to maintain an appropriate number of women is taken into account when making an appointment. For the first two management levels below the Management Board itself, target figures on the proportion of women were defined according to the requirements of stock corporation law. ElringKlinger has set itself the target of raising the proportion of women in the second tier of management to 15 % by the end of June 2017 and maintaining the proportion of women in the first management tier at around 7 % at the very least. In reporting year 2016, the proportion of women in managerial positions in the top two management levels and below totaled 14.5 %.

Employees with disabilities and other health issues enjoy special protection and advancement opportunities at ElringKlinger. The works council and (where required) an equal opportunities officer primarily look after the interests of this employee group. It is a long-standing tradition of ElringKlinger to work with various social institutions and employ people with physical or mental impairments. As of the end of 2016, ElringKlinger had a total of 173 employees with a severe disability.

DIVERSITY AND EQUAL OPPORTUNITY

	2016	2015
Number of employees with severe disabilities	173	200
Number of employees in management positions	641	611
Of which women	93	88
Of which local nationals	540	561
Absolute number of employees		
In partial retirement ¹	77	76
On maternity leave ¹	8	10
On parental leave ¹	52	40

¹ Figures based on German sites only, adjusted prior-year figures.

Reconciling professional, family, and private life

Over recent years, flexible working time models have become an increasingly popular way of reconciling working, family, and private life. ElringKlinger offers its staff a range of options to individualize working hours, including home office, flexi-time, and part-time arrangements. Flexible working time models are in high demand with employees; by the end of reporting year 2016, the proportion of part-time workers had risen by almost 10 % on the previous year.

RUNNING FOR CHANGE

High potentials showing social commitment

Tackling non-profit projects is a key element of an ElringKlinger scheme for high-potential employees (High Potentials Program) aimed at strengthening the social skills of future managers. The High Potentials have tasked themselves with organizing a sponsored run on the company premises in Dettingen/Erms in aid of refugees. ElringKlinger will donate a fixed amount for every lap of a 400-metre course completed, with the total funds raised subsequently presented to a refugees' aid organization. The sponsored run, in which all ElringKlinger employees as well as refugees living in the Erms valley are invited to participate, will take place in October 2017. To ensure a successful project, the ten-strong team has formed a number of working groups to handle event organization, fundraising, and public relations.

Running for a good cause

In keeping with the slogan "Laufend die Welt verändern" ("running for change"), the event aims to show how refugees can be supported and integrated. "The refugee debate is a current social issue that we will address through the sponsored run. We want to make a small contribution to the integration of refugees living in the Dettingen/Erms area, not just by assisting them financially but also by helping them to integrate with society through sport," says Fabian Hörz, a member of the High Potentials group, when asked to explain the original idea for the project. The goal is for entrants to train together prior to the event. An appeal has been issued to all interested

employees and refugees through various communication channels, inviting them to join the ElringKlinger running group. In the context of company sports, running enthusiasts regularly meet after work to run a few laps, with sports gear provided for refugees who need it. "Training together is the first step towards integrating, even before the sponsored run takes place," believes future executive and co-organizer Fabian Streit.

Bringing cultures together through sport

Successful integration means uniting different ethnic groups, promoting a sense of community, and living together peacefully. At ElringKlinger, integration is a reality: people from many nations work side by side towards common goals at this global company. Successful integration can come about in the workplace, but also away from the working routine, and sport can play a major role here: after all, sports imparts values, creates solidarity, and encourages communication. "Sport can bring people of different cultural backgrounds together and deliver a major contribution to a more tolerant society," says Chief Executive Officer Dr. Stefan Wolf. "The sponsored run organized by the High Potentials group is a worthwhile project that ElringKlinger is happy to support."



ELRINGKLINGER'S HIGH POTENTIALS PROGRAM

The company's scheme for executives of the future is aimed at young, motivated employees who display above-average performance and the potential to secure a managerial position in the foreseeable future. The scheme aims to ensure key positions within the company are increasingly filled from within its own ranks. Over a one-year period, the prospective managers are assigned challenging tasks that are designed to prepare them for their future careers at ElringKlinger. The High Potentials are supported by mentors in the process.

ELRINGKLINGER UNIVERSITY



With 47 locations around the world and more than 8,500 employees, ElringKlinger is undoubtedly a global player in the automotive supply industry. The strong internationalization of the company is reflected in its workforce structure, with 60 % of employees now based outside of Germany. Steady growth and the increasingly international profile of the workforce has entailed changes to the ElringKlinger working environment. To continue meeting the rising demands of work in a globalized world, the company offers its staff a full range of training opportunities – and thanks to the introduction of a global training program, internal courses are now offered across the Group.

“ElringKlinger University” was launched by the personnel department in order to standardize the level of knowledge in comparable roles across all sites. “ElringKlinger University is a training program with an international focus. It enables us to pool training needs for all sites and supply training cost-effectively,” explains Sandra Stöckl, the responsible personnel officer. Although the training measures offered by ElringKlinger University currently focus on certain specialist topics, they will gradually be expanded to cover interdisciplinary themes.

As a first step, regional personnel managers report their training needs to Group headquarters; next, the personnel department at head office in Dettingen/Erms analyzes the requirements and defines courses to be provided, taking a centralized view. Employees then use an internal platform to register for the courses, which are held for staff from multiple sites. “ElringKlinger University benefits both sides: employees get support for personal advancement while ElringKlinger builds the broad-based expertise of its staff,” concludes Sandra Stöckl.

OUTSTANDING VOCATIONAL TRAINING

The apprentices of today are the experts of tomorrow. In recognition of this fact, ElringKlinger attaches great importance to providing young people with excellent vocational training in both hard and soft skills. ElringKlinger is recognized as one of the best companies in Germany for young people to begin their careers because of its first-class infrastructure and the high quality of its training.

Around 140 young people are currently training at the Group's various locations around Germany. The company also offers some 100 internships every year. ElringKlinger has a wide range of opportunities for young people who are interested in pursuing technical or business careers, ranging from industrial mechanic or toolmaker to product designer, business IT specialist, or industrial management assistant. Other options include dual study programs and the "Reutlinger model", where industrial mechanic apprentices combine their in-company training with mechanical engineering studies. "By working closely with local schools, we start to build relationships with potential future employees at an early stage. We also hold an annual information day on vocational training and study options," says Sigrid Moritz, Head of Commercial Training at ElringKlinger.



Trainees in technical areas spend much of their time in the well-equipped apprentices' workshop at Group HQ in Dettingen/Erms. This spacious facility incorporates numerous work stations and a selection of turning and milling machines. The complex also includes a central tool store, a training room for in-house courses, and a programming room for CAD/CAM software. Giuseppe Vernaci, Head of Technical Training, points out: "The apprentices' workshop is equipped with the very latest machinery and even has a 3D printer."

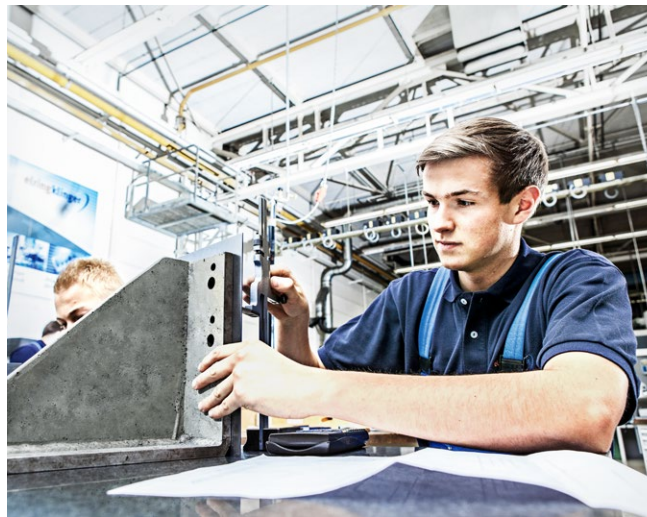
In their first year, technical apprentices learn basic manual and machine-related skills such as filing, drilling, and turning.





Vocational training at ElringKlinger is always varied, top-quality, and with a practical orientation.

They also learn how to operate the CNC machines. Over the subsequent years the focus of their training becomes more specific, involving product training and specialized tasks relating to their future areas of activity in toolmaking, prototype building, or maintenance. "Our apprentices also assist the various divisions in their day-to-day work. For example, they produced a display model of a new product using 3D printing, and our customer was particularly impressed," says trainer Heiko Bauder.



Along with the quality of its vocational training, ElringKlinger also offers young people a number of other benefits. Students on dual study courses have an opportunity to work and gain valuable experience at one of the company's international locations. And once they have qualified, trainees have excellent prospects because ElringKlinger guarantees them a job for an indefinite period. ElringKlinger also believes it is vital for young people to develop their soft skills. Programs such as induction workshops at the start of their apprenticeships, interactive training days, and internships at community service institutions all help them to improve their teamwork and social skills.

The quality of the training provided by ElringKlinger has been recognized by independent experts. ElringKlinger AG was awarded the SCHULEWIRTSCHAFT prize in the "Starter" category for the training year 2016/2017 by Germany's Federal Ministry for Economic Affairs and Energy. At the beginning of the next training year, a pilot project called Training 4.0 will be launched to ensure the standard of training is maintained. The aim is to ensure training materials and the machinery used in the apprentices' workshop are more closely networked and digitalized.

ELRINGKLINGER APPRENTICE IS RUNNER-UP IN NATIONAL CNC TURNING COMPETITION

In September 2016, Lucas Holstein, an apprentice toolmaker at the Runkel factory, put his skills to the test at the WorldSkills Germany competition. He took second place in the CNC turning category. After winning the qualifiers in Bielefeld, the 18-year-old from Limburg came a close second at the German Championships in Stuttgart. "I just needed one more percentage point to win and go on to the World Championships," said Lucas with pride.

Lucas Holstein was one of six talented under-22 technicians who represented Germany's best CNC operators in this exciting competition. All the contestants displayed incredible skill, accuracy, and strong nerves as they completed the tasks they were given on the state-of-the-art lathes. Lucas and his fellow contestants had to work against the clock to accurately produce and machine a range of components from the drawings they were given. This involved creating executable CNC programs, determining and gauging the tools they needed for the job, setting up the machinery, and then producing the components. A panel of experts quality-tested the components before selecting the winners. Intense concentration was required, along with the ability to work with great precision and relish a challenge. "It was really exciting" – this is how Lucas Holstein described the atmosphere during the competition.



Runner-up Lucas Holstein (right) at the prizegiving. Photo: Jörg Wehrmann (WorldSkills Germany)

Bernd Schäfer, Head of Training at Runkel, was also very proud of his apprentice's achievements: "We are delighted that Lucas came second in the German Championships." Schäfer also believes Holstein's outstanding result confirms the high quality of ElringKlinger's technical training: "It also underlines the first-class facilities that we have at our apprentices' workshop."



SOCIAL COMMITMENT

Combining social commitment and sustainable business

ElringKlinger believes it has a duty to actively contribute to society's progress and well-being. After all, society and business need healthy conditions in which to function. The ElringKlinger Group is committed to making a positive contribution to equal opportunities, education, and youth development. ElringKlinger's philosophy has always involved using a portion of its profits to support charities and other good causes.

LEARNING AND HELPING

ElringKlinger apprentices build a clay press for a development project

In 2016 a very special project for the company's vocational trainees demonstrated how social responsibility can be meaningfully incorporated into our business activities. ElringKlinger made a clay press for use in developing countries, based on designs drawn up by students at the Horb campus of the Baden-Wuerttemberg Cooperative State University (DHBW). The project was managed by a team of three apprentices enrolled in an integrated vocational trainee and degree program in mechanical engineering. After seven months, the team presented a prototype of a hydraulic clay press. It was designed to be used by villagers in some of Africa's poorest regions so that they can make clay bricks for housebuilding without the need for electricity.

Acquiring new skills and actively embracing our values – these principles went hand in hand for the apprentices who worked on the project. They took the basic designs and then planned every stage right up to the finished product. They

procured the materials, defined the process steps, communicated with other project members, and coordinated every stage. It was a case of learning by doing, as they were constantly faced with new challenges. The designs had to be improved several times during the course of the project. This meant they had to quickly learn how to use CAD software, and above all they had to work together and think outside the box. They developed a strong team spirit and as a group found ways of resolving complex problems. The team was united by a common goal: the press had to be perfect for its intended use, and help people to help themselves.

The project underlines ElringKlinger's ongoing commitment to society above and beyond its normal business operations. The management team encourages and supports this kind of social commitment on the part of employees. Working on this development project gave the ElringKlinger apprentices an opportunity to expand their horizons and actively take on responsibility.



Working together for a common goal: ElringKlinger apprentices testing the almost complete clay press.



The mechanical press can exert seven metric tons of pressure. It produces a clay brick in just four minutes.

“Things don't always go according to plan when you're working on a project. But we were motivated by the knowledge that it was for a good cause.”

JANA SCHOLER, APPRENTICE AT ELRINGKLINGER

BETTER KNOWLEDGE, BETTER SKILLS, BETTER FUTURE

As a member of the Wissensfabrik association, ElringKlinger supports learning and an entrepreneurial spirit in schools

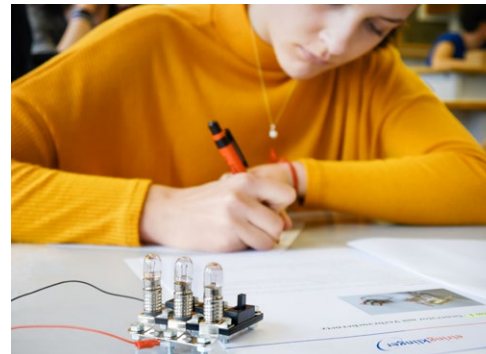
In 2016, as part of its membership of Wissensfabrik – Unternehmen für Deutschland e.V., ElringKlinger began an educational partnership with Münsingen high school. ElringKlinger supported a number of projects under the banner Power4School – Students Discover Energy. During the year, three classes from the first stage of secondary education had an opportunity to take part in the program. The pupils conducted a range of experiments to learn about energy conversion processes. The program also involved working with apprentices at ElringKlinger AG and attending project days at the company's headquarters. The project was rounded off by asking the students to build a cell phone charging station for a bicycle. Working in three groups – mechanical engineers, technical product designers, and industrial engineers – the pupils also successfully mastered this challenge.



With project books in their hands, the students are looking forward to some fascinating experiments.

“As a businessman, I feel I have a duty to help young people to discover their particular inclinations and talents and help them to flourish.”

DR. STEFAN WOLF — Chairman, ElringKlinger AG



ElringKlinger has been a member of Wissensfabrik – Unternehmen für Deutschland e.V. since January 2016. Under the banner “Better knowledge, better skills, better future,” the association of around 130 companies and foundations has launched projects in kindergartens and schools all over Germany. The emphasis is on childhood education and developing an entrepreneurial spirit. Members contribute to society by forging partnerships with educational establishments.



Drawing the right conclusions from practical tests: students working on functional models.

BUILDING BRIDGES BETWEEN SCHOOL AND WORK

ElringKlinger works closely with schools throughout the region

ElringKlinger is preparing young people for working life by building strong partnerships and planning regular activities with schools. By visiting the company to work on projects, pupils gain hands-on experience and real-life insights into the world of work – things that cannot be learnt solely at their desks.

This close, ongoing partnership with local high schools is a key element of the work of ElringKlinger's HR department. Students learn about different occupations and have a chance to think about their own strengths and weaknesses in order to gain a clearer view of what they are looking for in their future lives and careers.



Above: young women get to grips with technical processes at Girls' Day.
Below: students present the results of their workshop-format project days.

ElringKlinger takes the top prize at the 2016 SCHULEWIRTSCHAFT awards

ElringKlinger came out on top at the 2016 SCHULEWIRTSCHAFT awards. The network for promoting partnerships between schools and business awarded the prize in recognition of ElringKlinger's high level of commitment to the economic and digital education of school students.

This award recognizes the many activities organized by ElringKlinger to promote youth development. They include regular workshops and programs held at the company's headquarters in Dettingen/Erms, such as the Student & Engineer Academy, training for job applicants, and internships.



Anna Fröhlich (center of picture), personnel officer at ElringKlinger AG, accepts the SCHULEWIRTSCHAFT prize on behalf of ElringKlinger at the Ministry for Economic Affairs in Berlin.

INCLUSION AND INTEGRATION

Social responsibility has many facets

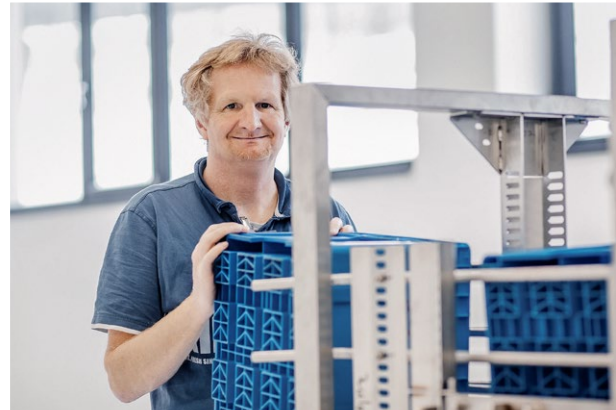
More jobs for people with disabilities

In 2016 ElringKlinger continued to create jobs for staff at BruderhausDiakonie. The work involves cleaning, relabelling, and assembling boxes for dispatching cylinder-head gaskets at our headquarters in Dettingen/Erms. This job is challenging for people with disabilities, but ElringKlinger once again decided to work with the BruderhausDiakonie workshops and their subsidiary, Intego GmbH. Our joint aim is to help people with disabilities and people who cannot or are not yet in a position to work in the primary labor market to participate in working life. These 30 or so jobs have been set up in such a way that the employees assume responsibility for their own tasks and can complete them independently. Our initial experience with this collaboration has been overwhelmingly positive, and ElringKlinger believes this is also a result of a sense of mutual respect.

Inclusion has always been important to ElringKlinger. Through its ongoing partnerships with BruderhausDiakonie, the company regularly employs people with mental and/or physical disabilities.

Helping refugees to integrate

ElringKlinger also believes it has a duty to actively help refugees to integrate into society. As an employer, the Group is providing openings for migrants to enter the world of work. This can be achieved in a number of ways, as illustrated by two examples from the 2016 financial year:



An employee of the BruderhausDiakonie workshops is part of the inclusive, efficient team that ensures transport containers are ready for use at ElringKlinger's distribution warehouse.

During the 2016 Pentecost holidays, ElringKlinger employed an Eritrean refugee at its head office in Dettingen/Erms. The young man took part in a two-week internship at the apprentices' workshop, where he learned a range of manufacturing techniques and worked on small projects. He was accompanied by a technical apprentice who was always on hand to help him with his work and social integration.

In fall 2016 ElringKlinger employed a Syrian refugee as part of an initial training program. The 25-year-old already held a degree in Computer Engineering from his home country. The six-month qualification program at ElringKlinger provided the

During his internship the refugee from Eritrea gained an insight into working life at ElringKlinger.



basis for a subsequent vocational training scheme to become an IT Specialist, a course he can also complete at ElringKlinger.

IMPRINT

ElringKlinger AG

Max-Eyth-Straße 2
D-72581 Dettingen/Erms
Phone +49 7123 724-0
Fax +49 7123 724-9006
www.elringklinger.de

CSR contact

Kathrin Graf
Phone +49 7123 724-88279
Fax +49 7123 724-858279
investor-relations@elringklinger.com

An aerial photograph of a city, likely Stuttgart, Germany. A wide, multi-lane road with traffic runs through the center of a vast, lush green park. The city skyline is visible in the background, featuring various buildings and the prominent Stuttgart TV tower (Fernsehturm) on the left. The sky is a clear, pale blue with some light clouds.

elringklinger