

# Hexcel Sustainability



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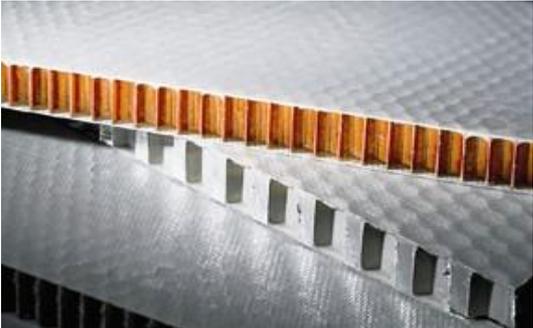
# Hexcel's Business – An Overview

Hexcel Corporation is a leading global advanced composites company. We develop, manufacture and market lightweight, high performance composites, including carbon fibers, woven and specialty reinforcements, prepregs and other fiber-reinforced matrix systems, adhesives, honeycomb and composite structures, for use in Commercial Aerospace, Space and Defense and Industrial Applications. Our products are used in a wide variety of end applications, such as commercial and military aircraft, space launch vehicles and satellites, wind turbine blades, automotive, bicycles, skis and a wide variety of other industrial applications.

We serve international markets through manufacturing facilities, sales offices and representatives located in the Americas, Asia Pacific and Europe. We are also an investor in a joint venture in Malaysia, which manufactures composite structures for Commercial Aerospace applications.

We have two business segments: Composite Materials and Engineered Products. Our Composite Materials segment is comprised of our carbon fiber, reinforcements for composites, honeycomb core and matrix product lines. The Engineered Products segment is comprised of light weight, high strength composite structures and specially machined honeycomb product lines.

The table on the following page identifies the principal products and examples of the primary end-uses of our products.



SEGMENT	PRODUCTS	PRIMARY END-USES
<b>Composite Materials</b>	Carbon Fibers	<ul style="list-style-type: none"> <li>• Raw materials for prepregs, fabrics and specialty reinforcements</li> <li>• Filament winding for various space, defense and industrial applications</li> </ul>
	Industrial Fabrics and Specialty Reinforcements	<ul style="list-style-type: none"> <li>• Raw materials for prepregs and honeycomb</li> <li>• Composites and components used in aerospace, defense, wind energy, automotive, recreation and other industrial applications</li> </ul>
	Prepregs and Other Fiber-Reinforced Matrix Materials	<ul style="list-style-type: none"> <li>• Composite structures</li> <li>• Commercial and military aircraft components</li> <li>• Satellites and launchers</li> <li>• Aero engines</li> <li>• Wind turbine and helicopter blades</li> <li>• Yachts, trains and performance cars</li> <li>• Skis, snowboards and bicycles</li> </ul>
	Structural Adhesives	<ul style="list-style-type: none"> <li>• Bonding of metals, honeycomb and composite materials</li> </ul>
	Honeycomb	<ul style="list-style-type: none"> <li>• Composite structures and interiors</li> <li>• Impact and shock absorption systems</li> <li>• Helicopter blades</li> </ul>
<b>Engineered Products</b>	Composite Structures	<ul style="list-style-type: none"> <li>• Aircraft structures and finished aircraft components, including wing to body fairings, wing panels, flight deck panels, door liners, helicopter blades, spars and tip caps</li> </ul>
	Machined Honeycomb	<ul style="list-style-type: none"> <li>• Aircraft structural sub-components and semi-finished components used in helicopter blades, engine nacelles and aircraft surfaces (flaps, wings, elevators and fairings)</li> </ul>

## Values and Ethics – Putting Values into Actions

We strive to be an industry leader and a responsible steward of resources – both human and natural. We manage our business to the highest ethical standards and we believe that each and every Hexcel employee has a personal responsibility to conduct business in an honest and ethical manner, in compliance with all applicable laws and regulations. Hexcel's Values and its Code of Business Conduct comprise the fundamental principles and key policies and procedures by which Hexcel conducts its business. Each salaried employee, as part of his or her annual performance review, is also evaluated on his or her practice of four key values and expected to single out a value that they will focus on improving in the coming year.



**Hexcel's Values**

<p style="text-align: center;"><b>At Hexcel, we value ...</b></p>	<p style="text-align: center;"><b>What it means</b></p>
<p><b>Responsibility.</b> We work with uncompromised integrity on behalf of our shareholders, employees and customers. We strive to be good citizens in the communities in which we live and work.</p>	<ul style="list-style-type: none"> <li>• We do the right thing</li> <li>• We're ethical, socially responsible and committed to making a positive difference in the world</li> <li>• We don't compromise on safety and are environmentally responsible</li> <li>• We value global cultures</li> </ul>
<p><b>One Hexcel.</b> We thrive on the contributions each person brings to the Company by valuing diversity, developing talent, fostering teamwork and rewarding success.</p>	<ul style="list-style-type: none"> <li>• We share a common purpose and work as one team.</li> <li>• We help people fulfill their career potential by empowering them to do their best.</li> <li>• We communicate respectfully, openly and honestly.</li> <li>• We value individuals' diversity and contributions.</li> <li>• We take pride in and celebrate our collective success.</li> </ul>
<p><b>Innovation.</b> We embrace the curiosity to explore ideas, the passion to challenge the impossible and the conviction to succeed beyond expectations.</p>	<ul style="list-style-type: none"> <li>• We continuously look for new ideas, new processes and new solutions to lead the development and delivery of world-class products.</li> <li>• We proactively make decisions and take action.</li> <li>• We are curious, enthusiastic and passionate about success.</li> </ul>
<p><b>Accountability.</b> We are accountable – to customers, shareowners, the community, suppliers and to ourselves – for achieving superior performance by expecting excellence in everything we do.</p>	<ul style="list-style-type: none"> <li>• We honor commitments and strive to exceed expectations.</li> <li>• We value customers, as well as all stakeholders.</li> <li>• We are responsible stewards of resources.</li> <li>• We get results.</li> </ul>

## **Commitment to Equal Employment and Non-Discrimination**

Hexcel provides equal employment opportunity to all job applicants and employees. We do not discriminate against applicants or employees based on race, color, religion, sex, age, national origin, physical or mental disability or status as a disabled veteran or veteran of the Vietnam era. Our commitment to non-discrimination applies to all aspects of employment at Hexcel.

All employees are regularly provided with information on the prevention of harassment of any kind, and the steps to take to report any suspected instances of harassment, in accordance with Hexcel's Values and the Code of Business Conduct.

## Hexcel's Code of Business Conduct

At Hexcel, we believe that our good name and reputation are fundamental to the continued success of our business. By practicing the Hexcel Values, we create and sustain our reputation for integrity and fairness among our employees, shareholders, customers, suppliers and the communities we are a part of. The Hexcel Code of Business Conduct sets forth policies and procedures that help us to live Hexcel's Values. It provides guidance to officers, directors and employees who are faced with ethical issues and policy-based questions.



Every Hexcel employee is charged with the responsibility for acting in accordance with, and making a personal commitment to, the Code and Hexcel's other policies. We expect all employees to lead by example and to report incidents of suspected unethical or unlawful conduct. To help our employees achieve Hexcel's high standards, we provide every employee a copy of the Code when they join Hexcel; the Code is available in every major language spoken by our employees. The Code is also available at [www.Hexcel.com](http://www.Hexcel.com).

To make sure that our employees understand how to employ the Code, we provide regular training on a variety of Code subjects. Annually, we provide every employee with training and testing regarding the principles embodied in the Code; we also annually require of our eligible managers to certify that they are in compliance with the Code. We also provide training to employees on topics relevant to their jobs. These include workplace harassment, antitrust, anti-bribery, export, health, safety and the environment as well as other laws affecting our global business.

Sometimes, even the best training is not enough, so employees are also encouraged to seek guidance when they have questions or concerns regarding the Code. They are also required to report any violation or suspected violation. Hexcel provides multiple avenues for employees to do so. First, employees are encouraged to discuss the situation with their supervisor or the next highest level of supervision. Second, employees can contact their local Human Resources representative or a member of the Law Department. Third, employees may use Hexcel's confidential, toll-free hotline called "compliance line". The Hexcel compliance line, which is managed by an independent service provider not related to Hexcel, is free of charge to users and is confidential. It is available 24 hours a day, seven days a week and can be used by all employees, regardless of where they live or what language they speak. All compliance line calls are reviewed and responded to in a timely manner.

## Corporate Governance

Hexcel's Board of Directors is committed to principles of sound corporate governance which meet or exceed current corporate governance requirements. The Board adopted Corporate Governance Guidelines which reflect the Board's commitment to monitor the effectiveness of policy and decision making by the Board with a view to enhancing long-term stockholder value.

The following are the main principles of the Corporate Governance Guidelines:

- The Board is comprised of at least a majority of directors who qualify as independent directors under the listing standards of the New York Stock Exchange.
- A director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. A director is expected to regularly attend and participate in meetings of the Board and of committees on which the director serves, and to review material distributed in advance for such meetings. A director is also expected to attend the annual meeting of stockholders.
- The Board's goals are to create long-term value for the Company's stockholders while maintaining the highest standards of ethical and lawful business conduct, and thereby to assure the vitality of the Company for its customers, employees and the other individuals and organizations that depend on the Company.
- The Board will monitor the performance of the Company and of the Chief Executive Officer in relation to these goals. When it is appropriate or necessary, it is the Board's responsibility to remove the Chief Executive Officer and to select his or her successor.
- It is management's responsibility to formalize, propose and implement strategic choices and it is the Board's responsibility to review and assess strategic direction and to evaluate strategic results.



In addition to adopting Corporate Governance Guidelines, the Board has also instituted four standing committees that perform essential corporate governance functions.

### ***Audit Committee***

The Audit Committee assists the Board's oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, our independent registered public accounting firm's qualifications, independence and performance, and our internal audit function.

### ***Compensation Committee***

The Compensation Committee oversees, reviews and approves our compensation and benefit plans and programs and defines the goals of compensation policy. In this capacity, the Compensation Committee administers our incentive plans and makes grants of stock options and/or awards of restricted stock units or other equity-based compensation to executive officers, other key employees, directors and consultants.

### ***Nominating and Corporate Governance***

The Nominating and Corporate Governance Committee regularly seeks input from the Board regarding the skills and attributes it believes new nominees should possess in order to strengthen the Board; identifies and recommends to the Board individuals qualified to serve as directors and on committees of the Board; advises the Board with respect to Board and committee procedures; develops and recommends to the Board, and reviews periodically, our corporate governance principles; and oversees the evaluation of the Board, the committees of the Board and management.

### ***Finance Committee***

The Finance Committee of the Board provides guidance to the Board and management on significant financial matters.

Hexcel publishes and periodically updates its governance documents at [www.hexcel.com](http://www.hexcel.com) under "Investor Relations."

## Risk Oversight

The Board is responsible for overseeing Hexcel's risk management. The Board sets our risk management strategy and our risk appetite and ensures the implementation of our risk management framework. Specific Board committees are responsible for overseeing specific types of risk. Our Audit Committee:

- Periodically reviews our insurance coverage, currency exchange and hedging policies, tax exposures and our processes to ensure compliance with laws and regulations including the Sarbanes Oxley Act.
- Reviews reports from complianceline, our anonymous hotline that employees can use to report suspected violations of our Code of Business Conduct; and
- Reviews environmental issues affecting the company and monitors progress on Hexcel's environmental clean up obligations.

The Audit Committee also regularly meets in executive sessions with Hexcel's internal auditors and our independent registered public accounting firm, without management present, to discuss areas of concern of which the Board should be aware. The Board, and when specific need arises, the Finance Committee, addresses significant financing matters such as our capital structure, credit facilities, equity and debt issuances, acquisitions and divestitures, and liquidity. Our Compensation Committee establishes compensation policies and programs that do not incentivize executives and employees to take on an inappropriate level of risk. Each of our Board committees delivers a report to the Board, at the next Board meeting, regarding what transpired at any committee meetings that have taken place since the last Board meeting.

Our senior management team periodically meets to discuss and review the risks that exist in connection with our business. Management makes regular presentations to the Board, no less than two times per year (and more frequently if circumstances warrant), regarding all types of material risks facing the company. At these meetings the Board discusses and reviews these risks and determines what, if any, new actions should be taken to mitigate these risks.

## Environment, Health and Safety Practices (EHS)

Hexcel is committed to actively managing a strong safety and health effort throughout the company, and to operating all of our facilities worldwide in a manner that protects human health and the environment. Hexcel strives to meet or exceed the applicable legal standards in all areas affecting safety, health and the environment.

Our goal is to achieve world class performance in our environmental, health and safety efforts. We develop management processes to help us to achieve this goal. These include conference calls by region, annual improvement plans and communication of accident and incident information.

Audits are conducted annually by Hexcel's global EHS organization in four areas: safety, process safety, product safety and environmental. This involves an audit of compliance with laws and standards, improvement plan development, communication of best practices among plants, identifying gaps and developing corporate and local standards and targets.



## Employee Safety and Health

While the responsibility for safety and health is shared by every employee, we believe our management must provide the direction, accountability and resources for these efforts to be effective. Each manager at Hexcel is responsible for safety and health in his or her respective area. A healthier, safer Hexcel is a more profitable enterprise – a win-win for employees and shareholders.

To be world class in safety and health means that Hexcel:

- Strives to eliminate workplace injuries
- Protects employee health from workplace exposures
- Complies with safety and health regulations
- Protects Hexcel property from accidental loss
- Promotes the safe use of Hexcel products



Hexcel's safety performance remains better than that of U.S. manufacturers generally. If we benchmark Hexcel's performance against all manufacturers, we are in approximately the 70<sup>th</sup> percentile in terms of our accident rates.

Hexcel Safety Awards for No Lost Time were awarded to:

- Seguin, Texas - 11 years
- Parla, Spain - 5 years
- Dublin, CA – 4 years
- Illescas, Spain - 2 years
- Stade, Germany -2 years



Each year, we are challenged to exceed our current performance. We have instituted programs to reward employees for safety performance improvement and programs to prevent accidents and injuries. For example, at our Les Avenières site, we have developed a program to prevent injury or discomfort from repetitive strain injuries. This program recently won the EU Good Practice Competition for Ergonomic Improvements.

## ***Our Facilities***

Hexcel designs, constructs and operates its facilities in a manner that minimizes the impact of our operations on human health and the environment. Each Hexcel facility has a carefully crafted environmental management system, which is, in effect, a road-map describing in detail how that facility will operate to assure compliance with the Hexcel Environmental Policy and our Code of Business Conduct. Each facility is audited for compliance with applicable laws and regulations, and its environmental management system.

Hexcel has a project management team which oversees the design and construction of new facilities. Recently, this team received the Leadership in Environmental and Energy Design program certification for wind energy manufacturing at our Windsor, Colorado site, where the design of the site has incorporated “green” technology. This site is one of the first industrial manufacturing sites in Colorado to achieve this certification.

Our plant in Illescas, Spain incorporates some of the very latest green technology. This includes an oxidation oven abatement system which lowers air emissions from our carbon fiber lines, a state-of-the-art waste water treatment system to reduce water emissions and a prototype heat recovery system in one of the oxidation ovens to capture heat from combustion gases used to preheat makeup air to the oven. The heat recovery system has lowered our gas consumption by 20%.

More efficient air emission scrubbers and monomer recovery systems have been utilized on the newest production lines built in our Decatur, Alabama facility. The steam boiler systems installed in support of these lines incorporate high energy efficient design and low nitrous oxide emissions. Future production lines installed in Decatur will employ water recycling technology and a more energy efficient solvent recovery evaporator system.

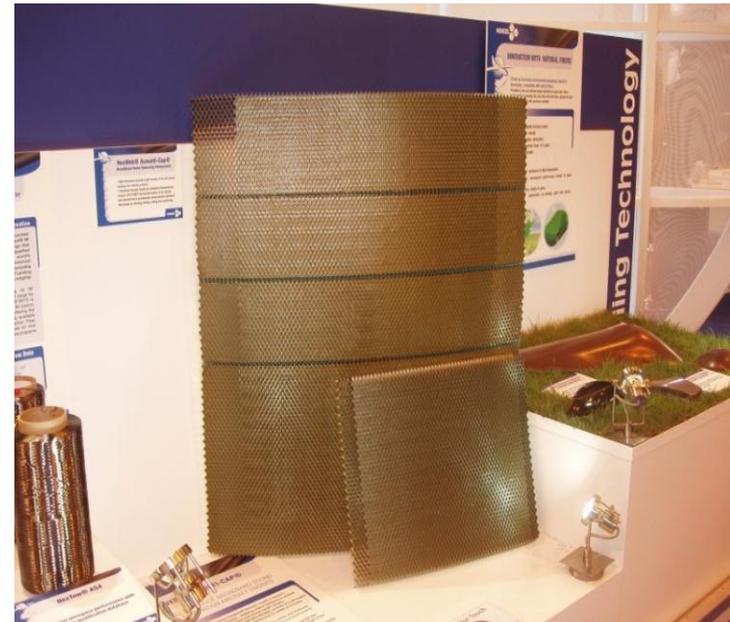


## ***Our Facilities – Looking Forward***

The latest generation of aerospace and wind energy prepreg lines that we have brought on line in recent years all utilize state-of-the-art energy efficient drive systems. The same applies to our new carbon fiber and PAN lines.

The next generation of solvated tower process equipment has been designed to incorporate high energy efficient ovens as well as a state-of-the-art incinerator system delivering energy efficiency and low emissions.

At Hexcel, we appreciate that the world is changing, and believe that successful enterprises recognize that conservation of all resources is a significant factor in their success.





## **Environmental Awareness at Hexcel**

### **Hexcel “green” facts at a glance**

Hexcel is continuing to meet or exceed environmental emission limitations at all plants around the world. Many Hexcel sites are ISO 14001 certified. ISO 14001 is a standard for environmental management systems established to help organizations minimize how their operations adversely affect the environment. Hexcel’s greenhouse gas emissions are at the very lowest level the US Environmental Protection Agency considers worthy of tracking.

We strive to recover and recycle raw materials and wastes, as well as reduce energy consumption by making processes more efficient. In the US, Hexcel recycles more than 30 million gallons of process water annually. In 2011, we recycled more than 3,500 tons of materials in the US and over 4,500 metric tons in our non-US operations. We strive to reduce the amount of scrap that we produce, to lower the amount of material that we need to recycle each year.

There are chemical use laws in virtually every country in which Hexcel does business. We maintain an ongoing awareness of these laws which relate to many of our raw materials, in order to ensure compliance. Hexcel works to reduce or eliminate the use of raw materials that may present unusual risk to human health or the environment.

When compared to other companies, we believe Hexcel is in a good place in terms of our recycling efforts, compliance with environmental laws and regulations as well as the engineering achievements at our facilities. Every plant engineer in Hexcel has cost, reliability and energy efficiency at the top of his or her agenda, and we are considering various ways to encourage our engineers to be more innovative in this area.

## Hexcel Products and the Environment

- Three of our plants - in Austria, China and the USA - are dedicated to making composite materials for wind turbine manufacturers. Wind energy is a clean, renewable energy source. The American Wind Energy Association states: “Electricity generated by wind turbines won’t dirty the air we breathe or emit pollutants like other energy sources—that means less smog, less acid rain and fewer greenhouse gas emissions. Running a single 1-MW wind turbine can displace 2,000,000 tons of carbon dioxide in one year (equivalent to planting one square mile of forest).” In the US, the wind energy industry installed approximately 31% more general capacity in 2011 as compared to 2010.
- Hexcel products help to reduce greenhouse gas emissions in other ways due to their weight-saving characteristics. One of our aerospace customers claimed that for each 1lb of weight saved in an aircraft when composites replace metal, there is a corresponding reduction in fuel consumption of 500 gallons during the life of the airliner. Hexcel carbon fibers, prepregs and honeycombs – and innovations like HexMC® - play an important role in reducing weight in aircraft.



- ❑ Hexcel's HexMC® product is being used to great effect on the Boeing 787 Dreamliner. HexMC® offers low density, with good strength and stiffness properties. We can mold this composite material into complex shapes to make parts that previously would have had to be machined or forged from metal. Hundreds of HexMC® parts have been certified for the 787 Dreamliner including Window Frames, Brackets, Fittings, Gussets, Clips/Cleats, Intercostals and Pans. The HexMC® window frame has a significant impact on two key characteristics of the Dreamliner. The new low density, high strength composite frame results in almost a 50% weight savings over a traditional aluminium frame, as well as offering superior damage tolerance.
- ❑ The Boeing 747-8 has the aerospace industry's newest engine design, the GEnx-2B, with fan blades made from Hexcel's HexTow® IM7 carbon fiber and HexPly® prepreg. HexWeb® lightweight honeycomb and engineered core components are used in the nacelle and thrust reverser, as well as the aircraft secondary structures and interiors. In addition, the GEnx-2B nacelles benefit from Hexcel's broadband noise reducing Acousti-Cap® technology that enables the engine designers to achieve superior acoustical performance without a structural weight penalty. The widespread use of Hexcel's composite materials in the 747-8 contributes to the greater fuel efficiency and noise reduction that allows airlines to lower fuel costs. The 747-8 Intercontinental provides double-digit improvements in fuel efficiency compared with the 747-400. The airplane is quieter, with a 30% smaller noise footprint than the 747-400.
- In addition to the benefits from saving weight, composite components do not fatigue or corrode so they are durable and have a longer service life than traditional construction materials.

