

CORPORATE RESPONSIBILITY REPORT 2018



MANN+HUMMEL

Worldwide, we work on separating the useful from the harmful in order to make life better – or at least cleaner. This is a proud achievement for us. Filtration is and remains a key technology for which there will always be a demand. We therefore remain open to changes and want to participate in shaping the future. MANN+HUMMEL has identified sustainability, mobility and digitization as the transformation drivers for its business. The better we can master these, the more sustainably we will be able to shape the world of tomorrow.

Business Units

- Original Equipment
- Aftermarket
- Intelligent Air Solutions
- Water Solutions

Brands

- MANN-FILTER
- WIX Filters
- FILTRON
- Purolator
- MICRODYN-NADIR
- OurAir
- Senzit
- Tri-Dim

AT A GLANCE

Sales

€ **4.0** 
billion

EBIT

€ **93.6**
million

EBIT margin

2.4%

Locations

more than

80 
on 5 continents

Total assets

€ **3.9**
billion

Investment in research and development

€ **140** 
million

Employees

over
21 
thousand



in the main markets of Europe,
America and Asia


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FOREWORD



Ladies and gentlemen,

Filtration is at the core of our business. For us this means separating the useful from the harmful. Clean mobility, clean air and clean water – filtration is needed everywhere. We use our expertise to develop innovative solutions for people and the environment.

Sustainability means doing business today in a manner that will enable us to generate added value for tomorrow. We take this responsibility seriously and are setting the course for a future worth living.

We believe that the sustainable commercial development of our company is inextricably linked to the social and environmental context in which we operate. Consequently, we are actively committed to building a sustainable future, in a manner that extends far beyond our business activities.

Werner Lieberherr,
President & Chief Executive Officer

ABOUT MANN+HUMMEL

MANN+HUMMEL is the leading global expert in filtration. At over 80 locations on five continents, the company group develops powerful and innovative filter systems for various industries and applications.

Ownership and management structure

As of January 1, 2016, MANN+HUMMEL International GmbH & Co. KG is the ultimate parent company of the MANN+HUMMEL Group. It is organized as a partnership. MANN+HUMMEL is a family-owned company, the shares of which are held in equal parts by the families of the two company founders, Adolf Mann and Dr. Erich Hummel. The operational management of the business, including all economic, environmental and social issues, is the responsibility of the members of the Management Board. The Supervisory Board advises the Management Board on matters relating to the running of the company and monitors the budget as well as all key investment and acquisition projects. The representatives of both families play a crucial role here.

Values and the standards of conduct

Corporate values

Our actions with regard to our customers, our employees and the environment in which we live are guided by our “FILTER” values: **F**ocus, **I**ntegrity, **L**eadership, **T**eamwork, **E**xcellence, and **R**espect. MANN+HUMMEL is revising its values for the future. From 2019 onwards, the FILTER values will be **F**ocus, **I**nnovation, **L**eadership, **T**rust, **E**mpowerment and **R**esults.

Code of Conduct

The MANN+HUMMEL Code of Conduct comprises the fundamental behavioral guidelines for the entire group.

Social Charter

The Social Charter is a joint declaration by the Group management team and the national and international employee representatives regarding the principles of social and societal responsibility within the MANN+HUMMEL Group.

Management policy

The management policy describes the guiding principles of our company activities and the application of the MANN+HUMMEL management system (MMS). It corresponds to the certification requirements according to the management system standards ISO 9001: 2015, IATF 16949: 2016 and ISO 14001:2015.

Risk management and precautionary principles

MANN+HUMMEL aims to recognize the potential, but also the negative effects, of current and future developments at an early stage, to evaluate these and to assess their consequences. Plans with quickly realizable measures have been prepared for this purpose. All measures are supported by a company-wide planning, reporting and controlling system.

ABOUT THIS REPORT


Filtration separates the useful from the harmful. Air pollution, contaminated water – there is a great need for filtration throughout the world. Thus, for MANN+HUMMEL, its core competency, filtration, is the basis of its business and, at the same time, its duty of responsibility.


For the second time, the MANN+HUMMEL Group is presenting an overall image of its corporate responsibility for the past year in the form of a corporate responsibility report. This report has been prepared in accordance with the GRI Standards: Core option. The focus points of our corporate responsibility are presented in the report using four key phrases: value added, valued communities, value endurance and value oriented.

Our innovative strength makes a particular contribution to the value added of MANN+HUMMEL. Every day, our agenda focuses on research in the area of pioneering technologies for the health and mobility of people. We appreciate the value of our employees

by offering them attractive working conditions. We also include commitment to the local communities at our locations under the umbrella of valued communities. We maintain partnerships with not-for-profit organizations and support our employees in their social commitment. By value endurance we mean the responsible handling of natural resources at MANN+HUMMEL and its suppliers as well as the protection of our employees through occupational safety measures and measures to promote their health. Under value oriented, we include our express commitment to comply with all statutory regulations as well as our activities to prevent corruption, competition law violations and other legal infringements.

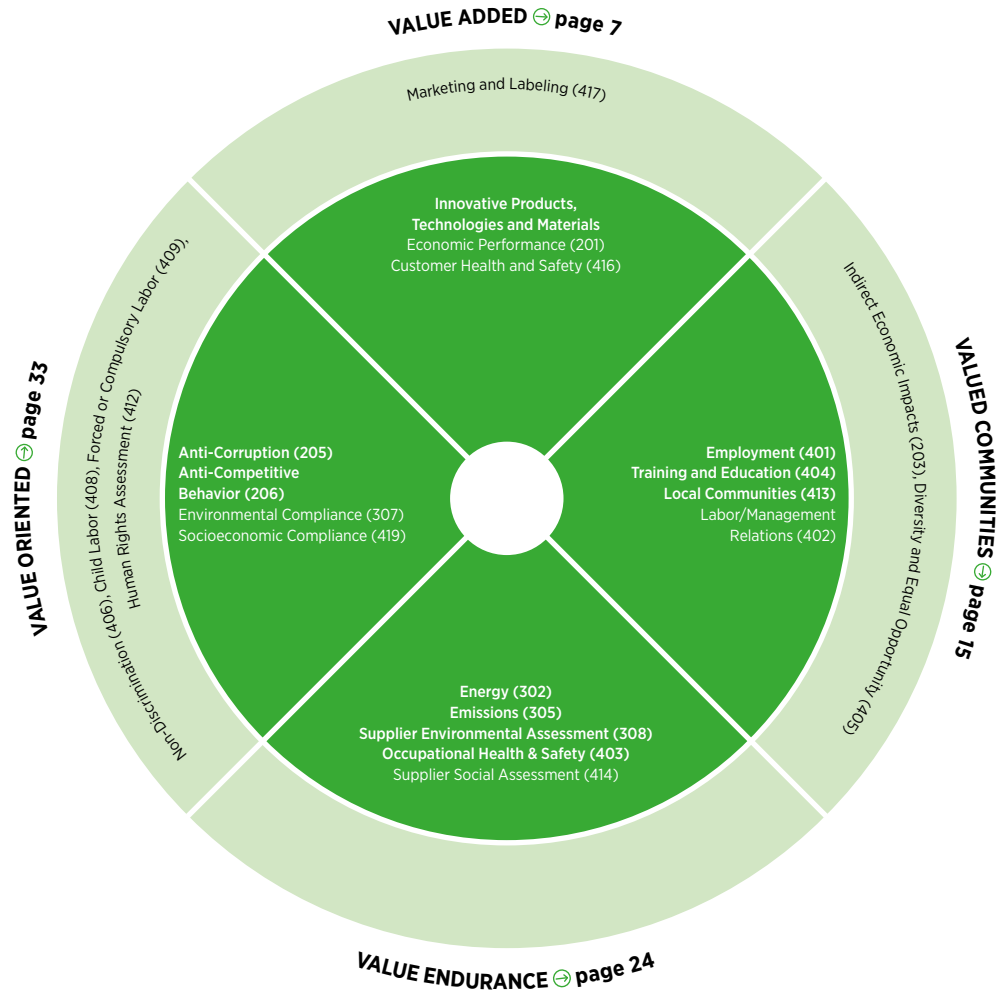
MANN+HUMMEL determined these key topics in a materiality analysis conducted in 2017. With the participation of representatives from the areas of Innovation & Strategy, Human Resources, Legal, Quality & HSE, Property Management, Purchasing & Supply Chain Management, Marketing and Corporate Communications, the

company performed an evaluation to determine those sustainability topics that are of particular relevance for MANN+HUMMEL and its partners. These topics are represented in the **materiality matrix** on  page 5.

The information in this report refers, wherever possible, to the entire MANN+HUMMEL Group. Due to internal reporting paths that are still being established and to several acquisitions over the previous years, some of the information only provides an insight into parts of the MANN+HUMMEL Group. Information on the consolidated group of the MANN+HUMMEL Group is provided in the **Annual Report 2018**  pages 43 to 46. We have opted not to use the male and female pronouns simultaneously in order to improve legibility. All references to people apply equally for both genders.

This page contains, inter alia, the following GRI Standards disclosures (2016 version): 102-40, 102-42, 102-43, 102-44, 102-45, 102-46.

MATERIALITY MATRIX



- Strategic focus
- High relevance for stakeholders & MANN+HUMMEL
- High relevance for stakeholders

The MANN+HUMMEL materiality matrix lists topics that are part of the company's strategic focus, topics with high relevance for stakeholders & MANN+HUMMEL as well as topics with high relevance for stakeholders. The numbers in brackets refer to the corresponding issues in accordance with the GRI.

This page contains, inter alia, the following GRI Standards disclosures (2016 version): 102-47.

ADDED VALUE



Value added

We develop pioneering filtration technologies that promote the mobility and health of people. Innovative strength is a deciding factor in our value added. We adjust our company structurally to the challenges of the future.

➔ page 7



Value endurance

We perform our work correctly from the very outset and do not waste resources. We do not compromise in the area of occupational safety, and we take care of our employees' health. We trust in lasting business relationships with our suppliers.

➔ page 24



Valued communities

We value our employees and the communities in which we live. We are convinced that well trained and motivated people are the key to success. We accept responsibility for our local environment and we are good neighbors.

➔ page 15



Value oriented


We are guided by clear rules. Our Code of Conduct governs everything we say and do. Fair working conditions and openness to diversity is the basis for our cooperation. We bear responsibility for compliance with all valid laws.

➔ page 33



VALUE ADDED

The fundamental principle underlying the sustained development of MANN+HUMMEL is the company's value added.

That is why our  **Corporate Values** state: "We act as entrepreneurs and see to our products and our success. In addition, we aim to be results-oriented, direct and quick. This is how we strive to deliver the best performance."

Our innovative strength is a deciding factor in our value added. We develop pioneering filtration technologies that promote the mobility and health of people. We adjust our company structurally to the challenges of the future.

In this way, we achieve continuous growth with strong brands in different business fields.

INNOVATION

Over 1,200 employees worldwide work in research and development for the MANN+HUMMEL Group to provide innovative filtration solutions and filtration products. With **more than 2,500 patent applications, patents and utility models**, MANN+HUMMEL is a leader in the sector. During the year under review, MANN+HUMMEL spent EUR 140 million (3.5 percent of sales) on research and development and submitted over 100 patent applications. Research and development is thus a central pillar of our competitiveness. The basis is the clear commitment of management and the entire group to the financial, structural and personnel-related prioritization of research and development activities. Our vision of **Leadership in Filtration** includes the aspiration to be a technological leader. In our traditional business field, the automotive and mechanical engineering industries, MANN+HUMMEL has grown through successful **development partnerships**. We are leaders particularly in the fields of system competence and filter media. We are breaking new ground with our digital products and components for alternative drives. Our new business segment, Life Science & Environment, encompasses our commitment to clean air and clean water.

Development network

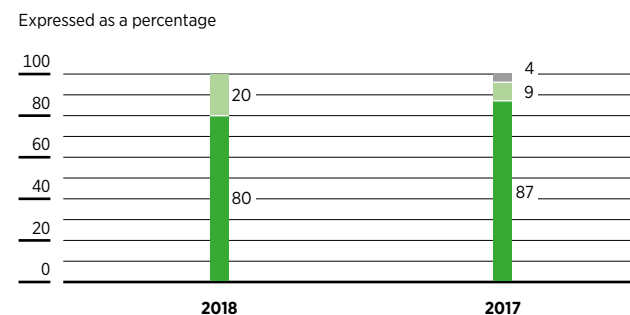
The development departments in the various business units bear primary responsibility for the research and development activities. The Innovation and Corporate Strategy corporate department plays a leading role in the innovation process. It analyzes the innovation portfolio and derives required measures. The Sales, Marketing and Legal units likewise contribute to the success of innovations.

Interdisciplinary teams are a key success factor in the innovation process at MANN+HUMMEL. For example, employees from predevelopment work closely with colleagues from different business units. The MANN+HUMMEL Group's research and development locations are linked via a **development network**, and are divided into Centers of Competence, which have the authority to issue guidelines, as well as regional clusters (Engineering Centers) and local research and development locations (Application Centers).

Our innovation process

The MANN+HUMMEL innovation process is valid for all units of the Group and is broken down into four phases: HYPE, Study, Incubation and Acceleration. Within the framework of HYPE, ideas are generated and gathered. In the second phase, Study, a better understanding of the ideas is garnered within short projects. They are reviewed as to their potential and the customer requirement. If an idea passes this phase too, it is forwarded on for the Incubation phase where concrete product solutions are defined and market launches simulated. With the release and implementation of the market launch plans, projects move into the Acceleration phase. This is when we start producing the developments. We are permanently working on reducing the time from idea generation through to marketable product (time-to-market). We rely on agile methods such as scrum and design thinking, cross-sector **technology platforms** and a meaningful standardization of processes and materials. This helps us to become faster, more effective and more flexible.

Innovation projects by business segment



■ Transportation ■ Life Science and Environment ■ Both

For evaluation purposes, projects in the Incubation and Acceleration phases of the innovation process at MANN+HUMMEL were taken into account.



A technology platform is a technology that is used for a variety of product, process and service applications. It is therefore not limited to a single product or industrial sector.

Cooperation with customers and suppliers

External influences are important for successful innovations. This is why we cooperate with development-focused suppliers and partners. In this way we benefit, for example, from the research infrastructure of universities, while in return allowing students to do practical research. With our  **Open Innovation Challenge** we invite our suppliers to realize innovations with us. All things considered, our development activities are characterized by close cooperation with the original equipment sector of the automotive and mechanical engineering industries. We constantly compare our results in the development phase with the expectations of customers. In the aftermarket business, a customer-centered customer relations management system helps us to understand the wishes of our customers and even to anticipate them at times. Moreover, we regularly exchange information and ideas with workshops, administrative bodies and other customers.

Alternative drive systems

We are putting our core expertise in filtration, systems and precise plastics processing to use so we can further expand our product portfolio of **e-mobility** products. In 2018, we expanded our existing portfolio of transmission oil filters and applied solutions from the lubricating oil and hydraulic sector to transmission oil applications.

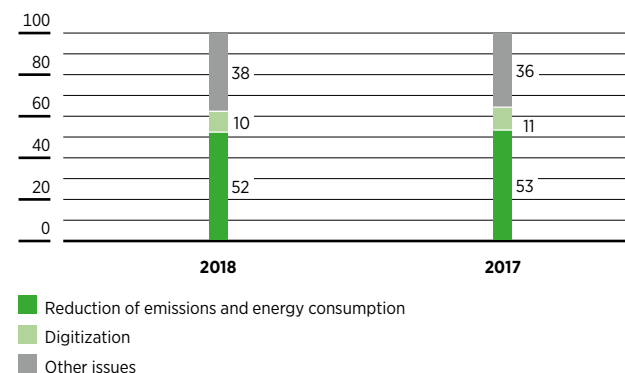
MANN+HUMMEL has won series production orders for its coolant particle filters and its coolant dryer cartridges. Our venting unit for high-voltage batteries is available as a standard component and has been well received by the market. The use of **alternative fuels** can quickly push filter media made from cellulose or mixed fiber media with cellulose and synthetic fibers to their limits. For this reason, MANN+HUMMEL has developed fully synthetic oil filter media that significantly outstrip mixed fiber media in terms of resistance to aging.

Protection of resources through energy efficiency

With new technologies for combustion engines, MANN+HUMMEL is contributing to the protection of resources and the environment. With our filter for water injection in high-performance gasoline engines we positioned a solution in a new product segment. In 2018, MANN+HUMMEL won its first contracts for this technology, and series production is set to begin in the coming years. The water filter protects the injectors of the water injection system and thus makes a significant contribution to reducing emissions in gasoline vehicles. Another example of resource conservation is the StarBox^{XT}, a new standard series for air/oil separation in compressors. This reduces oil consumption by around 30 percent. Energy-saving compressors with variable drives are also effectively supported.

Innovation projects by focus topic

Expressed as a percentage






For evaluation purposes, projects in the Incubation and Acceleration phases of the innovation process at MANN+HUMMEL were taken into account.



With the Open Innovation Challenge, which has been running since 2015, MANN+HUMMEL is opening its innovation process to the outside and thus integrating the creativity and innovation potential of its suppliers.

Smart filtration

MANN+HUMMEL is pursuing the goal of combining its filtration know-how increasingly with digital technology. Filters are to be intelligent and capable of communicating with their users. Since the establishment of an  **Internet of Things Lab (IoT Lab)** in Singapore in October 2016, we have significantly increased our activities in the area of digital products and services. Senzit, the world's first intelligent air filter monitoring system, which was launched in 2017, was expanded by MANN+HUMMEL in 2018 to create a technology platform for use in areas such as smart building filtration. With Senzit  **HVAC**, preventive and predictive filter maintenance can also be planned and implemented virtually in real time for climate control in buildings.

In 2018, MANN+HUMMEL was an exhibitor at CES, the International Consumer Electronics Show in Las Vegas, for the second time. Among the innovations presented by MANN+HUMMEL was its  **OurAir** technology with intelligent filtration solutions for indoor air in buildings. Senzit earned MANN+HUMMEL a nomination for the CES 2018 Innovation Award.

With sustainable innovations in new business fields

Our development activities are critical for growth in new business fields. We are therefore aiming to increase the number of innovation projects in new business fields. We want to incorporate acquisitions more strongly into our innovation process. In 2018, MANN+HUMMEL

subsidiary MICRODYN-NADIR acquired OLTREMARE, a leading European manufacturer of spiral membrane elements and provider of products for reverse osmosis and ion exchange. This will enable MANN+HUMMEL to expand its expertise in the water and wastewater market segments.

Filtration separates the useful from the harmful. For us, this means that we remove anything that can harm human beings from essential resources such as air and water. Our filters for vehicle passenger compartments and buildings protect people from pollutants, particles and harmful gases. Our filter systems for engines and industrial plants make a significant contribution to the functionality of these applications and can thus also impact the safety of users. The quality of our products is a central component of our corporate strategy. Our approach is to prevent rather than react.

Filters for reducing particulate pollution

During the year under review, MANN+HUMMEL developed its previously started Fine Dust Eater project into a technology platform. This incorporates filter technologies, which – either mounted on vehicles or as stationary solutions – contribute to the reduction of particulate pollution in city centers. MANN+HUMMEL developed its stationary particle filter to create the Filter Cube. With support from the state of Baden-Württemberg and the city of Stuttgart, partners were acquired for a pilot project, which has seen 17 Filter Cubes III installed along the **Neckartor in Stuttgart** since November 2018 in order to reduce particulate pollution. In the area of brake dust particle





Our IoT lab is one of the few facilities in Asia focused on research and development in the area of smart air filters for passenger vehicles and industrial applications.



HVAC stands for Heating, Ventilation and Air Conditioning.

filters we are taking the next step with the joint development of car braking systems with an add-on particle filter as part of a partnership between MANN+HUMMEL and brake manufacturer Chassis Brakes International.

Protection of vehicle occupants

Our latest cabin air filters for vehicles are capable not only of effectively removing almost all particulate matter, pollen, soot and mold from the incoming air but also nitrogen oxides. In this way, we are protecting the health of vehicle occupants from their negative effects. Newly developed filter media with nanofiber technology, which we use in cabin air filters, removes particles at  **HEPA** level (High Efficiency Particulate Air Filter).  **FreciousSmart**, the cabin air filter concept presented by MANN+HUMMEL in 2017, was further developed in 2018 with three filter stages for use in specific situations. A predevelopment project with a European car manufacturer is driving forward the intelligent system control of FreciousSmart. The biofunctional cabin air filter FreciousPlus from MANN-FILTER, which offers vehicle passengers reliable protection against harmful gases, allergens, mold and particulate matter, was further developed for use in trucks and presented at Automechanika 2018.

Clean building air

Mid-year, we introduced our new FreciousComfort filter series for air conditioning and ventilation technology. Unlike conventional particle filters, the series features anti-allergy and anti-microbial functions. The filters bind particulate matter as well as airborne allergens and suppress the growth of mold and bacteria on the filter medium. During the year under review, MANN+HUMMEL also introduced the new Pro  **ATEX** product range. It is used in air conditioning and ventilation systems in potentially explosive atmospheres. MANN+HUMMEL thus has one of the most comprehensive ATEX ranges for air conditioning and ventilation systems on the market. In 2018, MANN+HUMMEL acquired Tri-Dim Filter Corporation, the largest private air filtration company in North America. The company has an extensive portfolio of products and services for heating and air conditioning.

Ultrafiltration membranes against multi-resistant germs

Hazardous, robust, multi-resistant germs as well as micro pollutants and micro particles enter into wastewater that is processed in sewage treatment plants via the disposal cycle. These pollutants cannot be efficiently separated out using traditional biological wastewater treatment methods. The MANN+HUMMEL subsidiary, MICRODYN-NADIR has been working with the operators of a sewage treatment plant for some time now, testing a new method of separating out multi-resistant germs: a combination of activated carbon and submerged membrane filtration set up downstream in a conventional



The FreciousSmart filter system protects against ultra-fine particles measuring as little as 0.1 micrometer, suspended particles, respirable particulate matter, nitrogen dioxide, ozone, sulfur compounds as well as volatile organic compounds.



ATEX stands for ATmosphères EXplosibles (explosive atmospheres). The ATEX Directive covers issues related to explosion protection in the European Union.




HEPA stands for High Efficiency Particulate Air Filter. It filters suspended particles such as pollen, dust, viruses and bacteria.

wastewater treatment system. Trace materials, micro plastics and activated carbon are thus retained from the cleaned wastewater of the secondary clarification process.

Product safety

We contribute to the protection of the health and safety of our customers through the MANN+HUMMEL management system as well as all processes and standards of advanced product quality planning, quality assurance and risk management. We inform end users and service personnel about the correct use of our products through product information and training courses, for example. In accordance with the requirements of the Automotive Quality Management System

Standard  **IATF 16949**, MANN+HUMMEL has established a stringent process for product safety. This describes the process from the initial development of a product through to the introduction of required measures for product safety-relevant incidents. Both the production locations and corporate departments undergo regular internal and external audits. This guarantees compliance with and continuous improvement of our management system and the corresponding processes. Other functions whose activities have a bearing on the health and safety of customers are the development departments, product management and business development. Furthermore, suppliers are also included in the process.



The International Automotive Task Force (IATF) is a group of automotive manufacturers and industry associations working together to harmonize product standards pertaining to quality assurance.

BUSINESS PERFORMANCE AND MARKETING

Our filtration expertise, built up over nearly 80 years, and the fact that we continue to hold a number of patents, patent applications and utility models, represent a competitive advantage that has a positive impact on all Group brands. We intend to rely even more on sustainable ideas that contribute to the protection of resources, keep air and water clean and protect the health of people. We are constantly adjusting our organization and processes to the challenges of the future and improving our efficiency. MANN+HUMMEL understands the importance of continuously nurturing relationships with its stakeholders, in order to strengthen trust in the company and its brands. Through our activities, we want to secure our competitiveness and generate added value for our customers.

Reorganization of business units

At the start of the year under review, we restructured our business into two segments in order to focus our business activities and achieve sustainable growth across the Group. The new Transportation business segment encompasses the Original Equipment and Aftermarket business units, previously contained within Automotive Original Equipment, Automotive Aftermarket, WIX-FILTRON and Industrial Filtration. The second segment, Life Science & Environment, is divided into the existing Intelligent Air Solutions and Water Solutions business units.

Results of operation

In the year under review, our sales increased slightly by 1.6 percent to EUR 3,955.3 million (previous year: EUR 3,892.1 million). Exchange rate effects had a negative impact on sales growth. Our EBIT – operating profit or loss – deteriorated significantly compared to the previous year. It fell by EUR 91.5 million or 49.4 percent to EUR 93.6 million. The result was influenced by major one-off effects: extraordinary impairments on intangible assets amounting to EUR 40 million as well as provisions for the reorganization of production plants and other restructuring measures amounting to EUR 13.6 million. The net financial result in 2018 was down EUR 20.6 million compared with the previous year. This results primarily from negative fluctuations in the value of the existing securities portfolio. Tax expenses increased significantly compared with the previous year. This was due primarily to the write-down of deferred tax assets on temporary differences and existing loss carryforwards.

Cash flow and investments


Cash flow from operating activities fell by EUR 96 million to EUR 233 million compared with the previous year and was due mainly to the lower operating result. Higher investments in net current assets also contributed to a deterioration. Cash outflows for investment activities also increased year-on-year from EUR 165 million to EUR 270 million. While overall investment in tangible and intangible assets was almost

on a par with the previous year, payments for company acquisitions rose significantly to EUR 127.2 million. This was due primarily to the acquisition of Tri-Dim in the USA. The free cashflow as at the end of the fiscal year amounted to EUR – 37.2 million (previous year EUR 163.9 million). There were no liquidity shortfalls in the year under review and none are expected in the future. MANN+HUMMEL has a stable, adequate liquidity position.

Stakeholder communication

MANN+HUMMEL places great value on direct contact with its stakeholders. The departments responsible for the continuous development and maintenance of stakeholder relationships include Communications and Marketing, in particular Product and Brand Management, and Sales, particularly Customer Service and Business Development. By consolidating the Original Equipment and Aftermarket business for Automotive and Industrial, we have simplified and streamlined contact with our customers. In the aftermarket business we rely on Key Account Management with “One Face to the Customer”. MANN+HUMMEL is also a TecAlliance shareholder. TecAlliance sets standards in the automotive aftermarket worldwide and is a provider of leading expert solutions. The confidence in our brands is also reflected in the awards they have received. Readers of the trans aktuell, lastauto omnibus and FERNFAHRER journals once again voted MANN-FILTER as “best brand”.

Product information

Through the appropriate labeling of its products and documentation of the product characteristics, MANN+HUMMEL complies with statutory regulations and satisfies the requirements of its customers. The latter receive information on the components and characteristics of the products and scope of services. We thus avoid incidents of damage and complaints. MANN+HUMMEL labels its products with respect to transport, storage and disposal, as well as with notices on hazardous substances in accordance with the respective, specific regulation. With the  **International Material Data System (IMDS)**, we also use a globally standardized exchange and management system for material data in the automotive industry, which discloses the chemical composition of components, semifinished products and materials. In the aftermarket business, we use installation instructions and fitting videos to inform our customers about the proper handling of products. Furthermore, we offer product-specific training courses.

Reduction of cost level from 2019

Neither our operating result nor the consolidated net income achieved met our expectations for the year 2018. Currency effects, operational problems at various locations, rising costs for raw materials and shifts in the product mix meant that the expected mid-single-digit growth could not be achieved. As a result, the Management Board decided to implement a EUR 100 million cost restructuring program in 2019. The savings are to be achieved through job cuts and reduced nonpersonnel costs.




IMDS is the material data system of the automotive industry. Data on materials that are used in the manufacture of automobiles are recorded, analyzed and archived in the IMDS.



VALUED COMMUNITIES

“We value our employees and the communities in which we live. We are open-minded and welcome diversity.”

This commitment is part of our  **Corporate Values**. For our employees this means that we are convinced that well-trained and motivated people are the key to success, and so we work consistently on developing ourselves and others. Our role in society is also part of our values: “We feel at home wherever we are working. We integrate ourselves and aim to be a good neighbor. Finally, we listen to others and help them.” We show our appreciation for our employees through respectful communication, equal opportunities, training and education and attractive working conditions. We monitor the impact of our actions on society and participate in the community.

EMPLOYMENT AND COMMUNICATION

It is essential for MANN+HUMMEL to attract new employees and retain them. In the competition with other companies for qualified specialist and skilled labor, we aim to distinguish ourselves as an attractive employer. Our management policy states: “We are committed to our responsibility toward our employees and provide them with a first-class working environment.” MANN+HUMMEL is confident that companies which rely on a corporate culture based on partnership better fulfill the needs of their employees. This refers to both the experience of a meaningful activity and the awareness of contributing to something greater together. In our [Code of Conduct](#) we describe our efforts to offer all our employees challenging, meaningful and satisfying opportunities for personal and professional development. For MANN+HUMMEL, a corporate culture based on partnership also includes clearly communicating company decisions, strategic projects and structural changes. We involve employee representatives at an early stage in change processes and inform employees about new developments at the right time.

Composition of workforce¹

Number of persons (as at 12/31/2018)	Male	Female	Total
Workforce by employment contract	13,496	8,735	22,231
Permanent	12,030	7,785	19,815
Temporary ²	1,466	950	2,416
Workforce by hours	13,496	8,735	22,231
Full-time	13,134	7,366	20,500
Part-time	362	1,369	1,731

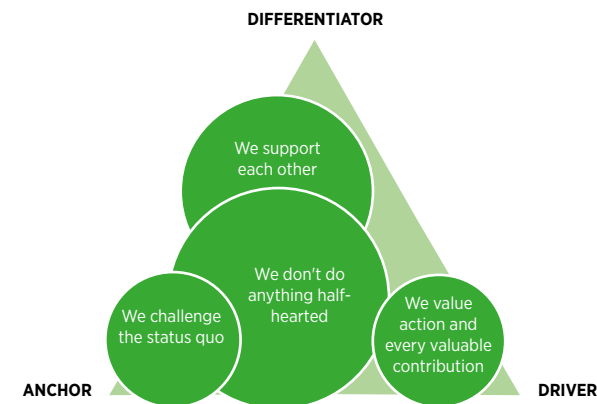
¹ Excluding the acquisitions Oltremare and Tri-Dim.

² Excluding 299 trainees, 109 interns and 2,734 temporary/contract workers.

Employee recruitment

In 2018, MANN+HUMMEL focused on the further development of its employer brand and promoted a greater understanding of its **employer value propositions** among employees. The core message communicated to both employees and candidates alike is that our success is based on the support of our colleagues. Furthermore, we are resolute in our determination to find solutions and to do things properly. We aim to leave no challenge unresolved. Everyone at MANN+HUMMEL is given the opportunity to excel. All doors are open to those who have ideas, who accept responsibility and who want to achieve something. Our employer brand is focused on valuing people who recognize and utilize opportunities. We expect our employees and applicants to broaden their horizons, to take the broader view, to understand problems and offer solutions. The individual components of our employer value propositions also form part of our recruitment process. This means that for every new hiring, we want to check whether candidates can identify with our core principles and whether they are compatible with us. The responsible drivers of the employer value propositions are the Human Resources and Corporate Communications departments. Ultimately, however, all employees and managers shape the corporate culture.


Employer brand positioning



Employer brand positioning lies somewhere between anchor, differentiator and driver. The anchor strengthens the foundation of the employer brand and creates stability. The differentiator distinguishes the brand from other brands and raises its profile. The driver supports change in line with the corporate strategy.

Locations in particularly dynamic economic regions suffer now and then – as do the competitors – from high fluctuation and strong competition on the recruitment market. These include Queretaro in Mexico, Shanghai in China, Okrisky and Uhersky Brod in the Czech Republic. We are meeting these challenges through, inter alia, recommendation programs with our employees, increased participation in job fairs and partnerships with universities. In 2018, MANN+HUMMEL hosted the  **Family Business Career Day**. In June, around 650 selected candidates visited the MANN+HUMMEL technology center in Ludwigsburg, where they had the opportunity to meet specialists and managers as well as owners from 50 family businesses.

Communication and dialog

In its  **Social Charter**, MANN+HUMMEL Group expressly recognizes the right of all employees to establish collective **employee organizations** and to take part in collective bargaining to regulate working conditions. The Management Board and Location Manager work together with the relevant employee organizations constructively on the basis of mutual trust. Even in the event of a dispute, their objective is to maintain a stable, long-term cooperation. In 2018, a total of 94 percent of employees at our locations in Germany were included in collective bargaining agreements. The **management staff** bear a particular responsibility for communication with our employees. Their role is to put the success factors of our company

into practice and to encourage their employees to do the same. They are tasked with informing their employees comprehensively and in good time about all important topics. The Corporate Communications function also assumes the responsibility of communicating important topics to employees and of supporting the provision of information via the management staff. For this reason, the corporate department, together with Human Resources, launched the **LiFE - Leadership in Filtration Experience** roadshow in 2018 to promote a better understanding of the corporate strategy. As part of this campaign, the Management Board and top executives attended **employee meetings** at over 60 locations in the Group to demonstrate how MANN+HUMMEL is positioning itself strategically with regard to the major industry trends. The meetings were followed by several hundred workshops, in which employees discussed the roadshow content in greater detail.

Focus was also placed on supporting change projects in which the employee organizations are intensively involved. We inform the employee organizations in accordance with the relevant statutory and industrial agreement requirements. In Germany, we support the holding of an annual meeting of the works councils once a year, which includes the presentation of a Management Board report.

In its management policy, MANN+HUMMEL undertakes to understand its organization, interested parties and the relevant internal and external demands. This means that communication is not designed to be unidirectional only, but that opportunities for dialog should also exist. This includes greater use of the employee app **M+H Connect**. MANN+HUMMEL launched its employee app




The Foundation for Family Businesses and the Entrepreneurs Club host an annual Family Business Career Day, where graduates as well as both young and experienced professionals can introduce themselves and discover career and job opportunities with 50 family-owned enterprises.

This page contains, inter alia, the following GRI Standards disclosures (2016 version): 102-41.

in 2018, and it is now used by almost 7,000 employees. It has been rolled out in eight other countries, including China, Mexico, the United Kingdom and Germany. Around 64% of all employees worldwide took the opportunity to give their opinion on leadership behavior, teamwork and other issues in an engagement survey conducted in 2018. Managers and the Human Resources department then used the results of the survey as a basis for workshops, in which employee feedback was discussed, optimization potential identified and possible measures drawn up. The Management Board, together with executive management, defined the following objectives: increased confidence in management and its decisions, faster and more effective teamwork as well as greater recognition of development work within the company. The measures for achieving these objectives are being developed by the various departments and functions.

Attractive working conditions

On the one hand, the establishment of attractive working conditions is the responsibility of the HR and plant managers of the individual locations. On the other, the Human Resources corporate department has a controlling role for the entire MANN+HUMMEL Group. When

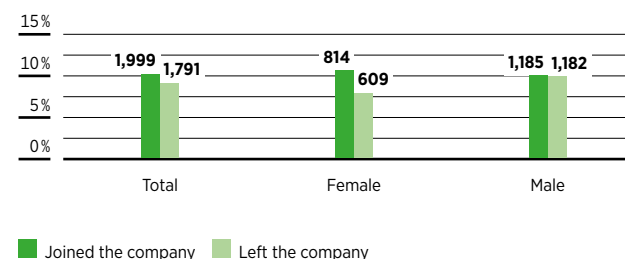
defining working conditions, we focus on attractive remuneration, maximum **flexibility at work** and a positive environment at the relevant location. In our largest  **production plant in Marklkofen**, we offer around 3,000 employees over 100 different part-time models that are aligned to their individual needs. We provide employees in the administration areas with tools that facilitate flexible, location-independent working. As an international Group, we offer our employees the opportunity to work in cross-border, global teams. The attractiveness of each location with respect to infrastructure and employee supply is also something we focus on. Offers relating to the company pension scheme and the negotiation of attractive supplementary health insurance policies are part of our employee offering at the individual locations.



At MANN+HUMMEL's largest production plant, located in the Bavarian municipality of Marklkofen, around 3,000 employees produce 200 million filter elements annually.

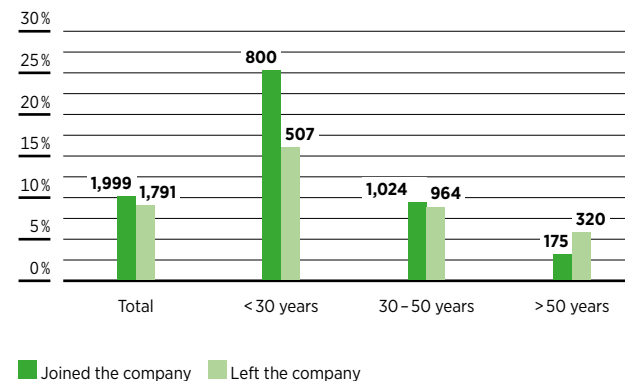
Employee turnover by gender

Expressed as a percentage ¹ and in absolute terms



Employee turnover by age group

Expressed as a percentage ¹ and in absolute terms



¹The percentage indicates the rate of employees joining/leaving the company in the respective employee segment. Permanent employees only, excluding retirees. Excluding the acquisitions Oltremare and Tri-Dim.

DIVERSITY AND EQUAL OPPORTUNITIES

MANN+HUMMEL bears responsibility for ensuring that its employees are treated equally. In our Code of Conduct, we make it clear: “The success of MANN+HUMMEL is based on the diversity of people and a respectful attitude and approach to others.” By this we mean that we acknowledge and value the personal and individual differences of all our employees. Equal opportunities and **equal treatment**, regardless of ethnicity, skin color, gender, religion and nationality are guaranteed in the MANN+HUMMEL Group. The same applies to the sexual orientation, social background, or political views of an employee, provided that the latter are based on democratic principles and a tolerance of people with different opinions. This is enshrined in our Social Charter. Employees are not given preference or put at a disadvantage owing to their membership of a company employee organization. Employees of both genders are selected and promoted on the basis of their abilities and function-specific qualifications. Our new [platform “SpeakUp”](#) is just one way in which we work to counteract potential incidents of discrimination. In this way, every employee has the opportunity to report suspected cases. MANN+HUMMEL promotes teams comprising colleagues with different backgrounds and a **wide variety of experiences**. This can make it easier to understand new markets. It is the responsibility of our Human Resources personnel to deploy the abilities and technical

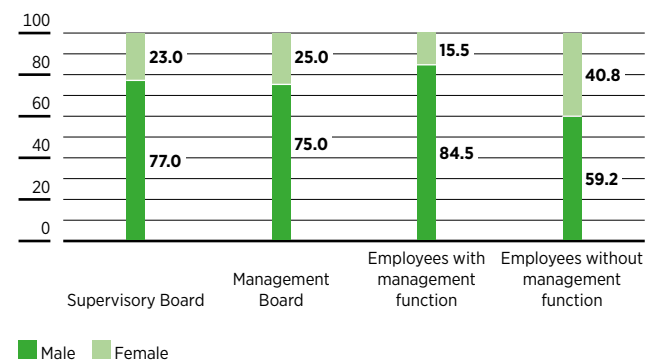
skills of employees of different backgrounds correctly so that creative problem solutions can be developed and productivity can be increased. In 2017, MANN+HUMMEL set its own target values and deadlines for the proportion of women on the Supervisory Board, the Management Board and at other management levels. The respective targets are 8 percent for the Supervisory Board and 25 percent for the Management Board. The current proportion of women on the Management Board is 25 percent, while on the Supervisory Board the figure stands at 23 percent. For the two management levels beneath the Management Board, the proportion of women is 10 percent and 11 percent respectively.



On the “SpeakUp” whistleblower platform, infringements of legal regulations, such as bribery, extortion, embezzlement or theft, can be reported.

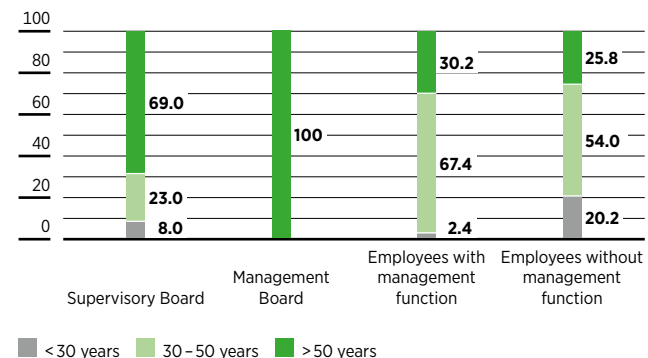
Diversity by gender¹

Expressed as a percentage



Diversity by age group¹

Expressed as a percentage




¹Excluding the acquisitions Oltremare and Tri-Dim.

EMPLOYEE DEVELOPMENT

Only with skilled employees can MANN+HUMMEL achieve its aim of being the market leader in filtration. The education of an employee forms only the foundations of his qualifications. The challenges a person faces in their professional life change constantly, thus simultaneously offering the opportunity and making it necessary to develop further. MANN+HUMMEL supports its employees in their life-long learning process. On the one hand, the development of employees lies within the sphere of responsibility of the management staff. On the other hand, Human Resources also plays a leading role in the process. The corporate department defines concepts in the areas of talent management, training and education and career planning, and supports their implementation.

Training and target agreements

Within the framework of the “Fit for performance” program, we focused on the systematic development of our employees. The program also includes a comprehensive and cross-functional list of training measures and the annual target agreement and feedback processes. In 2018, we conducted structured performance appraisal meetings with practically all the employees in the administration area. Using the new platform  **About Me**, employees can make their career goals transparent. This makes it easier for the company

to realize the individual development of employees. Furthermore, a systematically performed successor management system helps us to identify succession risks quickly and at an early stage and to initiate the future career steps of our employees today. The development plans including succession planning for every employee is another element here. MANN+HUMMEL has also developed an annual, Group-wide feedback process and implements this worldwide for all employees. Management staff are encouraged to speak to employees about their plans for the future and to agree to development plans.

Function-specific training


The **Fit for profession** program features function-specific training courses and academies which aim to qualify employees in the various work areas. In order to better harmonize the development of employees with the business strategy, we strengthen their technical expertise in functional academies. We foster excellent developers of filtration technology within the framework of a specialist career path. In the area of sales, employees can expand their expertise at a newly instituted, function-specific training academy. In addition, MANN+HUMMEL is testing virtual learning methods.



The “About Me” platform provides employees, management staff and HR managers with a shared resource for discussing the career goals of employees.

Management training


Our Code of Conduct describes the role of our managers in interaction with their employees: they should work to increase employees' identification with the company and take a trustworthy and open approach when working with others and in teams. Moreover, it is their task to assess employees regularly and fairly and to foster and encourage them individually as a coach. Within the framework of the **Fit for leadership** program, MANN+HUMMEL utilizes a learning curriculum for management staff to continuously prepare them for their management tasks. The focus of the training program in 2018 was on the implementation of the corporate strategy. For the 500 top executives, the **Organization & People Development** team from the **Human Resources** corporate department ran 13 management training events in America, Europe and Asia over the course of the year.

Approximately 1,500 managers from the levels below this completed local seminars, which were organized by Human Resources staff on site, the content of which corresponded to the program offered to executive management. The activities of "Fit for leadership" also include a program to promote top talent. It assists selected talented individuals in preparing for their next career step. In addition, our employees were able to reapply for the InCube program, which is designed to develop alternative business ideas. The program offers selected employees the opportunity to develop new ideas separate from their everyday work. For six months, employees work as an independent start-up company. Participants of the InCube program have developed, among other things, the  **qlair** AI-based platform for proactive air management in commercial buildings.



qlair is a solution for analyzing air quality, which optimizes air purification services and products with the aid of building and pollutant emission data. The IoT-based solution facilitates an understanding of the complex data supplied by hardware.

MANN+HUMMEL IS PART OF THE COMMUNITY

MANN+HUMMEL has a long tradition of commitment to the local community. In the 1950s and '60s, our company founders were already demonstrating this commitment through  **housing development programs** for their employees and the institution of a corporate health insurance company. To this very day, MANN+HUMMEL continues to contribute to the local communities at its locations. We maintain partnerships with not-for-profit organizations and support our employees with their voluntary work. The business activities of MANN+HUMMEL are not independent of political framework conditions. We are profiting from global economic processes and so also want to support these. It is with great concern that we note a rise in national demarcation and protectionist tendencies; we fear that these will have a negative impact on the business development of the MANN+HUMMEL Group.

Memberships and external initiatives

Companies and representatives of the MANN+HUMMEL Group are members of various economic, research and professional associations. These include the VDA (German Association of the Automotive Industry), the VDMA (German Engineering Association) and numerous local chambers of commerce in Germany. The research associations include, for example, the American Filtration

& Separations Society. The President & General Manager Original Equipment of MANN+HUMMEL in 2018, Kai Knickmann, held the position of deputy chairman of the Research Association for Combustion Engines (FVV) during the year under review. At our headquarters, we cooperate with the LivingLab in Ludwigsburg, a group of stakeholders from the worlds of business, politics and science. This knowledge and innovation network meets regularly to discuss the goal of developing Ludwigsburg as a smart city.

Location decisions

New locations with a total of around 900 employees were added to the MANN+HUMMEL Group in 2018. With the acquisition of OLTREMARE, based in Fano (Italy), and Tri-Dim, which has multiple locations in the USA and Canada, MANN+HUMMEL continues to grow. The opening of new locations is contingent on various audits and impact assessments. These include ground and building surveys. When planning new production plants, we assess the environmental aspects according to ISO 14001.

Decisions for or against the retention or expansion of a location are tied to the central corporate strategy and are made by the Management Board in consultation with the responsible managers in the relevant regions.



Since 1949, a housing development program has been helping employees to achieve low-cost home ownership with assistance from MANN+HUMMEL.

Employee commitment and partnerships

At many locations, MANN+HUMMEL maintains partnerships with not-for-profit and public institutions. In North Carolina in the USA, we provide financial support to the organization  **United Way of Cumberland County** (UWCC). The objective of this organization is to promote sustainable development in the region by financing programs focusing on education, financial stability, health and ensuring basic social needs. From Brazil to France, from Italy to South Korea and Japan, MANN+HUMMEL is committed to local communities at its locations. Initiatives supported by the company include reading contests for schools in Brazil, cleanup campaigns in Japan and campaigns promoting environmentally conscious behavior in Italy. For a number of years, the MANN+HUMMEL Group has collaborated with the organization **arche noVa – Initiative für Menschen in Not e.V.**, which is involved in development cooperation and disaster relief worldwide. The main focus of the work carried out by arche noVa is water, sanitation, and hygiene projects in crisis areas. In 2018, MANN+HUMMEL donated  **EUR 13,861** to a charity project for the establishment of decentralized water systems in the  **Donetsk region (Ukraine)**.

The MANN+HUMMEL Foundation

The MANN+HUMMEL Foundation was set up in 1991 to mark MANN+HUMMEL GmbH's 50th anniversary and had 500,000 Deutsche Marks at its disposal. On the occasion of its 75th anniversary in 2016, MANN+HUMMEL increased the foundation's capital to EUR 750,000. The purpose of the Foundation is **to provide youth welfare services**, and to support gatherings for young people from different countries in particular. In 2018, the MANN+HUMMEL Foundation supported school and youth exchanges as part of town-twinning relationships between Ludwigsburg and Montbéliard (France), Caerphilly (United Kingdom), Jewpatorija (Ukraine), St. Charles (USA) and Nový Jičín (Czech Republic) as well as Sasa (Israel).



Employees of MANN+HUMMEL in North Carolina have the option of donating part of their salary directly to United Way without any further effort on their part.



13,861 employees took part in the internal engagement survey in 2018. MANN+HUMMEL made a donation of one euro for every employee who took part.




In many districts of the Donetsk region (Ukraine) the water supply was severely at risk and the infrastructure was barely adequate. The donation is supporting repairs to the local water supply network as well as the complete overhaul of sanitary facilities and water treatment systems.





VALUE ENDURANCE

MANN+HUMMEL manages the resources directly associated with the company's value creation process responsibly.

It is expressed as follows in our  **Corporate Values**: “We perform our work correctly from the very outset, waste no resources and take care of our employees' health.” In this context, we want to use only as much energy as we need and not harm the environment unnecessarily as a result of emissions. We protect our employees with the highest level of occupational safety and we take care of their health. Our suppliers are also an important resource.

We expect them to implement sustainable business practices. We therefore put our faith in having constant business relationships.

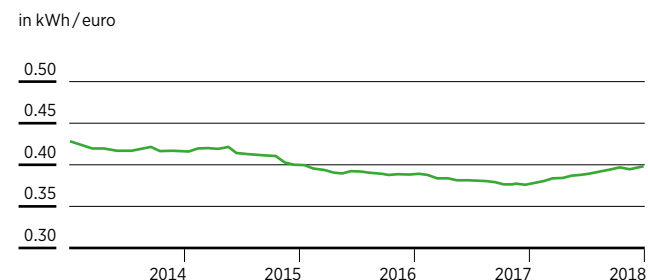
CONSUMPTION OF RESOURCES AND EMISSIONS

As an industrial enterprise, MANN+HUMMEL uses energy primarily for the production of its goods. This places a burden on natural resources and involves the production of CO₂ and other emissions. We recognize that our value creation process has a negative impact on the environment and we want to minimize these effects. Our Code of Conduct emphasizes: “We give a high priority to protecting the environment and natural resources, and to avoiding unnecessary waste in both our development and production processes.” Our production and peripheral processes, such as compressed air supply and tool cooling, are a major focus. Other starting points for saving energy include climate control and lighting in buildings. This has both an environmental and economic component, as energy costs have a negative effect on our profit. Our customers, in particular those from the automotive and mechanical engineering industries, expect greater transparency from us when it comes to energy consumption and emissions. They want their supply chains to have a minimal impact on the environment. These issues are therefore also aspects of our competitiveness. Since 2018, all production locations of the MANN+HUMMEL Group in the Transportation business segment, which accounts for 97 percent of sales, are certified to the international standard for environmental management systems  **ISO 14001**. German locations are also validated according to  **EMAS** by external environmental experts.

Increasing energy efficiency and reducing emissions

The Operations department is responsible for the energy-efficient and low-emissions design of production processes and buildings. This includes plant and production planning and facility management as well as maintenance and repair. The Quality & HSE (Health Safety and Environment) corporate department analyzes the energy consumption and CO₂ emissions of the individual locations. These report the corresponding data back to the corporate department on a monthly basis. Supply Chain Management is responsible for the purchasing and transport of goods as well as the associated energy consumption and CO₂ emissions. MANN+HUMMEL is committed to continuously reducing emissions for every product manufactured. The majority of our emissions are associated with the use of energy. **Energy efficiency** is therefore the key to further reducing our emissions. We monitor emissions at location level and carry out improvements based on the analysis of production processes and location-specific requirements. In this context, the Quality & HSE corporate department has established a HSE improvement program together with the MANN+HUMMEL Group locations. Within these programs, ideas up to and including concrete projects, with which the

Development of energy efficiency in the last 5 years



The graphic shows the development of energy efficiency at MANN+HUMMEL as a rolling average over 12 months. Over the last five years, energy consumption per euro EBIT was reduced. Energy intensity fell from 0.43 kWh/ euro at the start of 2014 to 0.40 kWh/euro by the end of 2018. This corresponds to a reduction of 7%.



ISO 14001 is the internationally accepted and adopted standard for environmental management systems.



EMAS (Eco-Management and Audit Scheme) is a joint system of the European Union for voluntary environmental management and environmental auditing.

Environmental indicators¹	2018	2017	Delta in %
Energy consumption in MWh	504,756	476,063	6
Electricity	316,764	307,347	3
District heating	428	611	-30
Geothermal energy	724	776	-7
Combustibles	186,158	166,517	12
Natural gas	171,864	152,876	12
LPG/propane	9,753	8,572	14
Heating oil	4,541	5,069	-10
Fuels	682	811	-16
Diesel	625	750	-17
Gasoline	57	61	-6
Greenhouse gas emissions in tCO₂e	177,083	182,232	-3
Scope 1 ²	29,193	28,753	2
Combustibles	29,004	28,540	2
Fuels	189	213	-11
Scope 2 ³	147,890	153,479	-4
Electricity	147,715	153,228	-4
District heating	175	251	-30


¹ Excluding the acquisitions Wix-Filtron, MICRODYN-NADIR, TriSep, Jack Filter, Vokes Air, Oltremare and Tri-Dim. We are continuously working on a uniform database and the integration of acquisitions.

² Scope 1 emissions are produced during combustion in separate heating systems/engines.

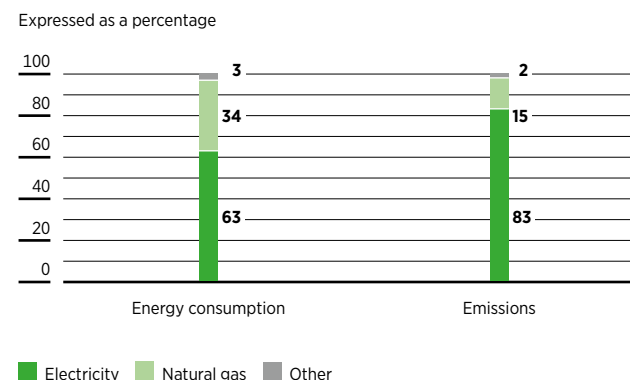
³ Scope 2 emissions are produced during the production of electricity and district heating obtained by MANN+HUMMEL.

locations can reduce their energy consumption and, indirectly, their emissions, are developed and monitored. The corporate department conducts a monthly progress review with management from the respective regions and from corporate headquarters.

In absolute terms, consumption and emissions rose in 2018. This is due to, among other things, increasing use of air conditioners in our plants in North America and Asia as well as seven new thermal afterburning systems in Fayetteville (USA). Through the use of modern light sources (LED) and intelligent lighting control, the modification of cooling systems in production, the replacement of compressors as well as other measures for buildings, central supply systems, infrastructure and production lines, we have reduced electrical energy consumption by 5,500,000 kWh. This corresponds to a calculated emission saving of approx. 3,300 tons of CO₂.

In 2018, MANN+HUMMEL took part in the  **Carbon Disclosure Project (CDP)** for the third time and disclosed its energy and CO₂ emissions data to customers.

Energy and emissions by energy source 2018



CDP is a global system for the publication of environmental data. It enables companies, cities, countries and regions to measure and control their environmental impact.

Further development of data analysis and standards

In the year under review, MANN+HUMMEL further supplemented and listed its greenhouse gas emissions within the framework of internal optimization processes. Since 2017, Scope 3 emissions have been examined along with Scope 1 and Scope 2 emissions.


Based on purchasing volumes, the associated CO₂ emissions were estimated with the aid of typical industry-specific emission factors.

In the case of transport, the estimate is based on distances and transported quantities. On the basis of the available data, around 27% of transport costs have so far undergone a CO₂ emissions assessment. This has resulted in greater transparency in the reporting of our emissions. Since the year under review, we have been examining

energy consumption by energy type. In the coming year, we will also examine energy consumption by application area, including production and building technology, in order to be able to better identify consumption patterns and further savings potential.

The Quality & HSE corporate department has also asked the individual locations to conduct a self-assessment in 2019 to examine in detail typical drivers of energy consumption, such as drive energy, process heat, lighting, compressed air, cooling and heating, in order to identify further improvement potential.

OCCUPATIONAL HEALTH AND SAFETY

MANN+HUMMEL bears responsibility for the safety of its employees. Everyday working life involves risk, particularly in connection with production processes. Employee absences due to accidents or illness are a burden for those affected and have an impact on our productivity. This is dealt with in our  **Social Charter**: “Occupational health and safety, and the protection of the environment are given a high priority in the MANN+HUMMEL Group.”

We are also committed to the target of “zero accidents” in our management policy. MANN+HUMMEL’s responsibility toward its employees is also expressed in our Code of Conduct: “Our internal processes ensure that we provide healthy workplaces. Any potential deficits in this area are rectified immediately.”

Occupational health and safety



We take occupational health and safety as well as environmental protection into consideration in all relevant business processes linked with our management system. The Quality & HSE corporate department monitors and coordinates occupational health and safety at global level. It examines data on the accident rate and the severity of accidents at location, regional and global level on a monthly basis. Operations plans and monitors production processes and real estate within the MANN+HUMMEL Group. This includes plant planning, production planning, facility management, maintenance and production. In this process, working conditions are evaluated and the right conditions for occupational health and safety are created. Managers from Operations are trained by HSE experts at the

Occupational health and safety 2018¹

Accident frequency rate	3.1	Number per million working hours
Accident severity rate	74.0	Days per million working hours
Absence rate	4.1	%

¹ Excluding the acquisitions Wix-Filtron, MICRODYN-NADIR, TriSep, Jack Filter, Vokes Air, Oltremare and Tri-Dim. We are continuously working on a uniform database and the integration of acquisitions.

The accident frequency rate counts accidents resulting in a loss of at least one working day. The accident severity rate states the total number of working days lost. The absence rate includes absences due to illness, accidents, recovery and therapy, divided by scheduled working hours. There were no deaths.

respective locations. The 2016 **Health, Safety and Environment (HSE) Big Rules**  page 36 are implemented at the locations and are part of team discussions and actions. The HSE Big Rules strengthen awareness in relation to the responsibility of each individual for occupational health and safety and environmental protection. They are binding for all employees worldwide. In the year under review, MANN+HUMMEL decided to introduce an occupational health and safety management system in accordance with  **ISO 45001** at the MANN+HUMMEL plants. Introduction at the first 18 locations began in fall 2018 and should be completed by the middle of 2020.

In the last five years, MANN+HUMMEL has reduced the number of accidents per million working hours by 41 percent. In 2018, we were able to celebrate the fact that six plants completed one million working hours without an accident at work, while a further three plants completed two million working hours without an accident.



The ISO 45001 standard defines requirements for occupational health and safety organizations. These requirements must be represented in corporate processes and put into practice. The objective of ISO 45001 is to systematically and preemptively identify and continuously minimize health risks in the workplace in order to be able to avoid health problems, injuries and accidents at work.

Uniform conditions

With a HSE improvement program and the establishment of a corresponding global database, MANN+HUMMEL has made individual plant projects for improving occupational health and safety transparent for other locations. Similar initiatives are being proposed at locations across the Group. The Group-wide conditions for occupational health and safety created by MANN+HUMMEL in 2017, including the updating of our global standards for HSE governance, HSE risk analyses and HSE root cause analysis, are now being taken to the next level with the introduction of an occupational health and safety management system in accordance with ISO 45001.

Health management

MANN+HUMMEL aims to promote all processes, which give employees greater self-determination with regard to their health and enable them to improve and maintain their health. Occupational health management is part of the Human Resources corporate department. Health management at German locations is based on an internally developed five-pillar model. On the basis of this model, MANN+HUMMEL aims to cover all aspects of health and to improve physical, mental and social well-being. The five pillars are work-life balance, health promotion, demography management, occupational integration management and occupational health and

safety. In Germany, we are in a partnership with the mhplus corporate health insurance company. We host regular cooperative events at MANN+HUMMEL locations.

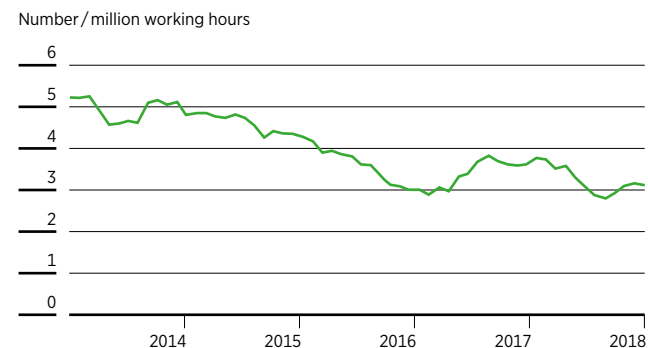
Health programs

Bringing health directly into the workplace at MANN+HUMMEL is the job of external sports scientists who act as “Health Contact Persons”. Their task is to prevent musculoskeletal disorders among employees at the German locations. The Health Contact Person runs a health-promoting campaign with each employee over a three-month period. The “**BOARDING GESUNDHEIT**” (BOARDING HEALTH) concept aims to ensure that employees aged 55 and over remain healthy and active up to retirement age and beyond. In the form of an experiential one-day seminar with long-term follow-up support, employees pursue the goal of good health into old age. With the “Keimfrei mit H2 - hilfreiche Hygiene am Arbeitsplatz” (Germ-free with H2 - helpful hygiene in the workplace) campaign, MANN+HUMMEL has raised awareness about dangerous germs in the workplace and put regular measures in place for the disinfection of workplaces and equipment. Another internal health campaign launched in the year under review focused on carpal tunnel syndrome. The health management team at MANN+HUMMEL informed employees in Germany about the causes, effects and measures for the prevention of nerve damage to the hand.

Five pillars of health



Development of the accident frequency rate in the last 5 years

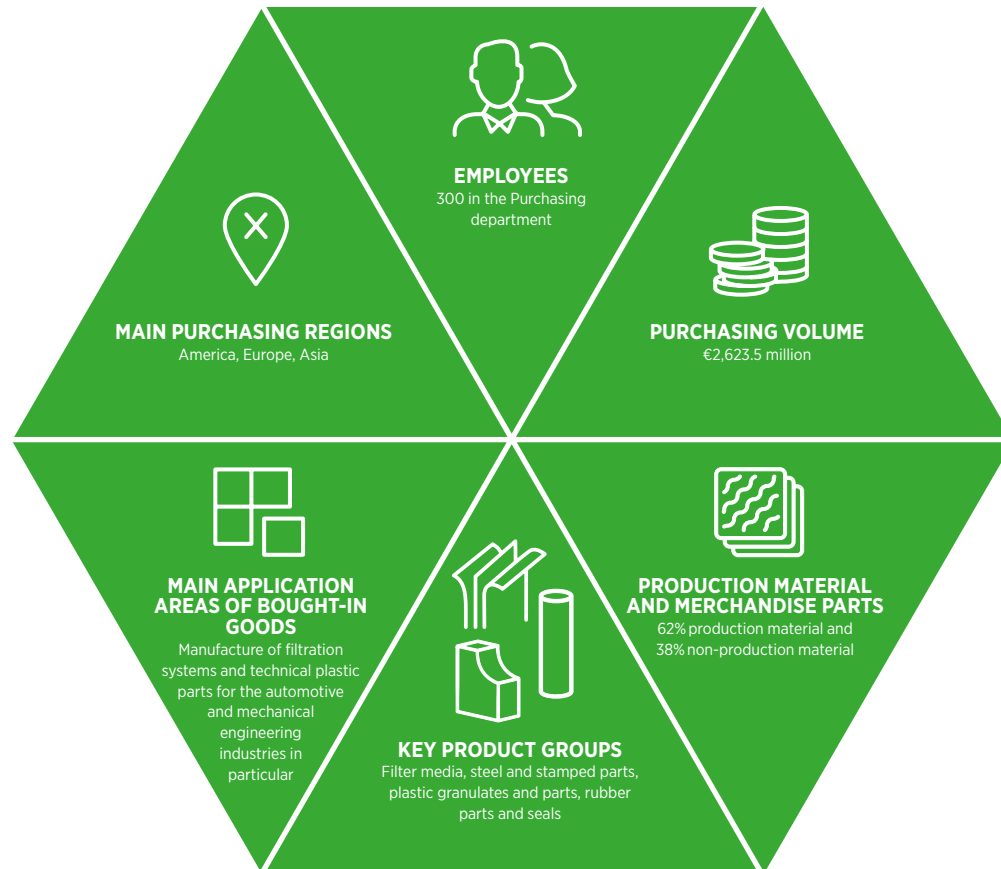


The accident frequency rate is calculated by dividing the total number of accidents that led to at least one lost working day by the sum of the hours worked in the current month. This ratio is normalized with a factor of one million. In the period from the start of 2014 to the end of 2018, MANN+HUMMEL reduced the accident frequency rate from 5.3 to 3.1 accidents per million working hours. This corresponds to a reduction of around 40 percent.

SUPPLY CHAIN

Value-based corporate governance and economic, environmental and social responsibility transcend the boundaries of a company. MANN+HUMMEL believes that the business activities of its suppliers should have a minimal negative impact on the environment and society. We therefore work with suppliers who share our expectations and our commitment to sustainable business. Our customers are increasingly looking at the impact made not only by our business, but also by that of suppliers, and are demanding transparency. This applies across the entire global supply chain and is thus an important issue for all areas of the MANN+HUMMEL Group. Compliance with all legal requirements by our suppliers is thus not only required for compliance reasons, but also has a direct impact on our competitiveness. Every new MANN+HUMMEL supplier therefore undergoes a central, multi-stage approval process. **Supply Chain Management** is responsible within the MANN+HUMMEL Group for selecting our suppliers and communicating our expectations and works in coordination with the departments. Furthermore, the merging of the Purchasing and Logistics departments to form Supply Chain Management has resulted in better networking and more efficient processes.

Purchasing at a glance



Size and structure

The global **purchasing volume** of the MANN+HUMMEL Group amounted to EUR 2,624 million in 2018 (+4.6 percent compared to 2017). 62 percent of this amount is attributable to production materials and 38 percent to merchandise parts, non-production materials and services.


The key product groups are filter media, steel and stamped parts, plastic granulates and parts as well as rubber parts and seals. We use these products for the manufacture of filtration systems and technical plastic parts for the automotive and mechanical engineering industries in particular. Our competence in the processing of plastic and in the area of filter media is evident in the success of the MANN+HUMMEL brand in the Automotive Original Equipment market and of our brands MANN-FILTER, WIX Filters, FILTRON as well as Purolator in the aftermarket. Non-production materials include amongst others the areas of facility management, IT, consumer goods, logistics, energy and travel.

Environmental protection

MANN+HUMMEL requires its suppliers to monitor their processes with respect to their environmental impact, to improve them and to have them certified according to **EMAS, ISO 14001** or comparable standards. Should this prove not to be the case, transitional periods of up to two years are possible. MANN+HUMMEL requires each

new supplier of production material to provide a supplier self-assessment, which includes questions in relation to the environment and environmental protection, among other issues. By doing so, we ensure that the supplier has written environmental guidelines and targets for environmental protection. We also audit every new supplier of production material with respect to quality as well as their environmental management and hazardous materials, water and wastewater, waste management and technology. The MANN+HUMMEL general conditions of purchase stipulate that the supplier must comply with all applicable environmental legislation. The continuous improvement of corporate environmental protection and the prevention of environmental damage must be systematically safeguarded.

Humane and environmentally friendly extraction of materials

Our general conditions of purchase include an obligation on the part of every supplier to comply with the requirements of the EU regulation on chemicals  **REACH**. Products that are not fully compliant with the requirements of REACH may not be supplied to MANN+HUMMEL. Furthermore, in accordance with the quality assurance agreements that we conclude with every supplier of production material, the supplier is obliged to use only certain materials. These must meet the requirements of all valid statutory technical safety regulations in the areas of health, safety and environment as well as all relevant



The regulations and standards that MANN+HUMMEL requires from its suppliers include REACH, RoHS, GADSL, ELV, IMDS.

technical standards in the country of production and internationally. Our Supplier Manual, which MANN+HUMMEL provides to all of its suppliers, contains instructions and regulations concerning issues such as REACH and IMDS. MANN+HUMMEL expects its suppliers from the automotive industry to use the International Material Data System (IMDS). Beyond the automotive industry, we require comparable declarations to REACH, which are updated twice a year. All suppliers that use the  **conflict minerals** wolframite, cassiterite, columbite, tantalite or gold are obliged to declare the origin of the materials. If they source conflict minerals from unregistered foundries or refineries, we ask them to have them registered in accordance with the Responsible Minerals Initiative (RMI) or to switch their sources of supply. We also ask our suppliers to make provisions for corresponding regulations vis-à-vis their suppliers.

Fair working conditions

MANN+HUMMEL has integrated its Code of Conduct into the general conditions of purchase in order to make it part of the contract with our suppliers. By signing the MANN+HUMMEL general conditions of purchase, suppliers confirm that they comply with the MANN+HUMMEL Code of Conduct in the performance of their services. In accordance with the MANN+HUMMEL Social Charter, they are also obliged to respect human rights, respect labor standards and not to tolerate any discrimination or forced and child labor. By accepting the general terms and conditions, the supplier also commits to combating corruption and bribery. All of our orders and the Supplier Manual also contain a direct reference to the Code of Conduct. In the event that the supplier infringes these obligations, MANN+HUMMEL shall be entitled to withdraw from the contract without prejudice to any further claims. We also take the issues of occupational health and safety as well as human rights, forced and child labor into account during audits of suppliers of production material.




Conflict minerals are raw materials and mineral resources that are extracted or mined in conflict or risk areas in breach of human rights and international law.



VALUE ORIENTED

We accept responsibility for the people we deal with, for the society in which we work and for the environment.

We want to build trust and trust the people with whom we work. Our Code of Conduct governs everything we say and do. This is what it says in the MANN+HUMMEL  [Corporate Values](#). The basis of this value orientation is compliance with all valid laws. We actively prevent breaches of competition law and corruption in particular.

Fair working conditions are the basis for cooperation at MANN+HUMMEL. We prevent discrimination.

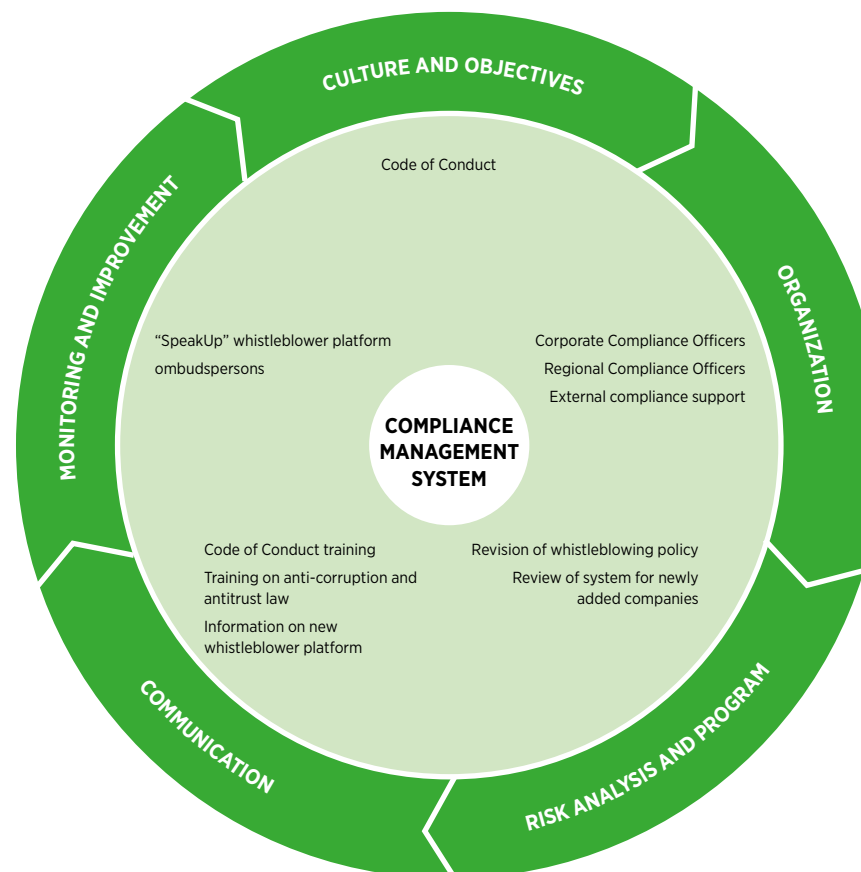
GENERAL COMPLIANCE WITH THE LAW, ANTI-CORRUPTION REGULATIONS AND COMPETITION LAW

In its Code of Conduct, MANN+HUMMEL makes a clear commitment to upholding applicable laws and general social, ecological and ethical principles. They form the basis of all corporate decisions. The Code of Conduct contains clear regulations to ensure fair competition and to prevent bribery. Along with responsibility for laws and statutes, avoiding violations of the law is part of MANN+HUMMEL's overall risk management. Violations of the law within the company would result in legal and financial penalties, damage to the company's image and economic losses. Measures aimed at ensuring compliance are communicated in our key sectors and are thus one of the elements that influence competitiveness. We strive to ensure the integrity of the entire MANN+HUMMEL Group in the long term. We do this through a structured compliance management system.

Compliance management system

The basis of our compliance management system is a firmly established compliance culture, which is expressed in the Code of Conduct and in our values. Our stated objective, which is supported in every respect by management, is to put our Corporate Values into practice and bring our business in line with all legal requirements. We rely on a strong, global compliance organization, which supports employees in the implementation of compliance objectives. Risk analyses form the basis of our compliance programs. We therefore regularly introduce measures in our daily business, which contribute to reducing risks. We raise awareness among employees through

Compliance management system



communication campaigns. Finally, monitoring instruments help to ensure the effectiveness of the selected measures and to eliminate possible weaknesses.

Culture and objectives

MANN+HUMMEL has had a firmly established and anchored compliance culture for many years. The MANN+HUMMEL Code of Conduct comprises the fundamental behavioral guidelines for the entire group. It is our main instrument for the implementation of objectives in the area of compliance. It contains guidelines for basic behavior, dealing with business partners and third parties and avoiding conflicts of interest. The Code of Conduct also covers the use of company assets, the protection of information and data as well as the environment, health and safety. It is stated categorically here: "Breaches of the law, of contracts, or of the Code of Conduct will not be tolerated and may lead to work sanctions." We deal with possible antitrust violations more specifically: "Competition motivates us to produce our best performance. However, reliable business partnerships that benefit everyone can only be based on fair competition and strict compliance with the law." The environment is also covered by the Code of Conduct: "We give a high priority to protecting the environment and natural resources in both our development and production processes." MANN+HUMMEL wants its employees to identify with the Corporate Values and to manage the business in line with all legal requirements. It is therefore described clearly in the Corporate Values: "Our Code of Conduct governs

everything we say and do." The **HSE Big Rules** (Health, Safety and Environment, see ☺ page 36) focus attention on the issues of occupational health and safety and environmental protection. They strengthen awareness regarding the responsibility borne in these areas by each individual. The HSE Big Rules apply to all employees worldwide.

Organization

Every unit of the MANN+HUMMEL Group is essentially responsible for ensuring that our business activities are conducted within the framework of all valid laws. Our compliance management system is supported by the **Corporate Compliance Officer**. MANN+HUMMEL created this position in 2017 to take greater account of the importance of this issue. **Regional Compliance Officers** in the various parts of the world support the Corporate Compliance Officer. Since September 2018, a vacancy for the position of Corporate Compliance Officer has been bridged temporarily with external support. The corporate and regional functions Operations and Quality & HSE play a pivotal role in the context of compliance with environmental legislation. Operations plans and monitors production processes and real estate within the MANN+HUMMEL Group. Those responsible for plant planning, production planning, facility management as well as maintenance and repair act on the basis of the respective legal conditions. Quality & HSE analyzes the energy consumption, waste management and CO₂ emissions of the individual locations.

Risk analysis and program

Following the relaunch of the compliance system in 2017, the focus in 2018 was on further implementation. This relaunch included the **revision of the Code of Conduct**. The updated **anti-corruption guidelines**, which apply to all units of the MANN+HUMMEL Group, result in frequent employee requests in relation to activities subject to approval in daily compliance practice. The majority of all tasks can be dealt with independently by employees using detailed, practical instructions as to appropriate behavior toward business partners, e.g. the handling of invitations and gifts. The Code of Conduct states the following regarding corruption: "MANN+HUMMEL succeeds due to the price, performance, quality, and suitability of the products and services it offers. We do not give or receive bribes, even if this results in a business transaction not taking place."

MANN+HUMMEL regularly reviews the effectiveness of its compliance management system for newly added companies. In 2018, we discovered that employees in the USA have no telephone contacts for reporting compliance issues. These should be provided in the coming year. MANN+HUMMEL will also revise its Group-wide guidelines for reporting compliance issues in 2019.

HSE BIG RULES





Communication

MANN+HUMMEL launched a worldwide communication campaign in 2017 to raise awareness about compliance instruments. 25,000 copies of the revised Code of Conduct were distributed in 18 languages. In 2018, the focus was on reinforcing this content in employees' everyday working lives. To this end, MANN+HUMMEL conducts **Code of Conduct training** worldwide, which is completed by all employees, thus making them more aware of these issues. The training provides basic instructions for avoiding corruption, antitrust violations and environmental offenses. These are illustrated using examples from the working environment. Two-thirds of employees who can access the e-learning program took part in a first wave of Code of Conduct training provided by MANN+HUMMEL in 2018. In addition, employees in companies that are not yet fully integrated into the IT structures of MANN+HUMMEL IT or do not have a PC were trained in groups using videos. Both the e-learning formats and the classroom-based training courses are available in different languages so that they reach as many MANN+HUMMEL employees as possible. In the training we make it clear that every employee is obliged to follow and comply with national and international rules governing fair competition and not to take actions that would be in breach of antitrust law. We explain that every employee must be restrained and cautious in their approach to gifts, invitations and other donations, and that business partners should not be offered anything which could be regarded as an attempt to influence their business decisions. We also emphasize the need to comply with the relevant environmental legislation and to correct potential irregularities without delay. Certain employee

groups, for example sales, purchasing and all management staff, are increasingly being called upon to deal responsibly with compliance issues on account of their task areas. We are therefore providing these approximately 6,000 employees with training in **anti-corruption and antitrust law** – and already reached over two-thirds of this employee group worldwide in 2018. Employees whose activities have a direct impact on the environment are being trained individually in **environmentally friendly behavior**.

Monitoring and improvement

We regularly review our compliance management system. Various reporting paths have been established to assist in the identification of possible compliance violations. In 2017, MANN+HUMMEL launched the  **whistleblower platform “SpeakUp”**, where employees as well as customers and suppliers can provide information about possible compliance violations – anonymously if preferred. The whistleblower platform was welcomed by employees and used for reporting purposes in 2018. Local telephone numbers are to be provided in 2019. It is an effective instrument for the identification of misconduct and for the detection and elimination of weaknesses in the system. Alternatively, employees can opt to contact the Corporate Compliance

Officer directly or indirectly through external  **ombudspersons**. In addition to providing ad hoc reports as needed, the Corporate Compliance Officer provides information about compliance cases to the Management Board and family representatives every three months and to the Supervisory Board and Works Council once a year. In the reporting period, MANN+HUMMEL was the subject of two preliminary investigations under competition law. One of the investigations was stopped without any further findings in the reporting period. No further details can be given in relation to the second, ongoing investigation at present. The Quality & HSE corporate department has internal **HSE Legal Compliance Audits** carried out by all locations annually. These audits are also performed by independent external experts every three years. The audit questions are based on local legal and technological requirements. A HSE alert system takes effect in the event of infringements. Depending on the severity of an infringement, targeted information may be sent all the way up to the Management Board. The internal audit department audits the implementation of the updated Code of Conduct as well as the execution of employee training. The internal audit department is also responsible for compliance audits.



MANN+HUMMEL has appointed ombudspersons in almost every country where it has its own locations. They are bound by an obligation of confidentiality and forward reports to the Corporate Compliance Officer without disclosing the identity of the employee in question.




On the “SpeakUp” whistleblower platform, infringements of legal regulations, such as bribery, extortion, embezzlement or theft, can be reported.


Further implementation and increased monitoring

Through the measures described here, we have successfully increased awareness in relation to compliance – and thus also corruption and antitrust law – across the entire MANN+HUMMEL Group and incorporated it into the new business units in the MANN+HUMMEL Group. MANN+HUMMEL is planning organizational restructuring for 2019. This will involve the merging and consolidation of Compliance, Data Protection and Information Security. Personal training and e-learning courses will be provided to inform employees and to deepen their knowledge of the relevant regulations.

FAIR WORKING CONDITIONS AND ANTI-DISCRIMINATION

The increasing globalization of product and capital markets has enabled MANN+HUMMEL to establish global production and sales networks. These worldwide networks bring with them a social responsibility to act in accordance with the basic principles that govern how people live and work together. Forced and child labor are not ethically justifiable. Furthermore, equal treatment of all people means that discrimination against specific employee groups, minorities or individual employees is not acceptable. MANN+HUMMEL is fully aware of its general responsibility as a globally acting company. In its  **Social Charter**, MANN+HUMMEL clearly positions itself in favor of freedom of choice for employees and against child labor and discrimination. On this basis, the company seeks to exploit opportunities for business success and job creation, while keeping potential risks to a minimum. Ultimately, this is important for international competitiveness. We take information about potential discrimination in the company very seriously and seek detailed clarification of the circumstances. In some circumstances this may involve disciplinary action in order to ensure compliance with **anti-discrimination regulations**.

Joint declaration

The Group management team and the national and international employee representatives have agreed on the principles of social and societal responsibility as well as common goals for the entire MANN+HUMMEL Group in a Social Charter. In the same way as the guidelines laid down in the Code of Conduct, they are part of the corporate culture and are an expression of the self-image of the MANN+HUMMEL Group. They form the basis for the internal and external activities of the company and its employees. They include **freedom of choice for employees**. We are completely opposed to forced and compulsory labor, including debt bondage and involuntary prison labor, in accordance with the definitions in  **ILO conventions** 29 and 105. Furthermore, child labor will not be accepted under any circumstances by MANN+HUMMEL. Under the terms of **ILO conventions** 138 and 182, children's development must not be inhibited. Their dignity must be respected, their safety must not be put at risk, and their health must not be harmed. The MANN+HUMMEL Group complies with the general regulations concerning the minimum age of employment. MANN+HUMMEL prohibits discrimination. Instead, we guarantee **equal opportunities and equal treatment**, regardless of ethnicity, skin color, gender, religion or nationality. The same applies to sexual orientation, social



The International Labor Organization (ILO) is a special agency of the United Nations, and is headquartered in Geneva, Switzerland. It is responsible for the drafting and implementation of international labor and social standards.

background, or political views, provided that these are based on democratic principles and tolerance of people with different opinions. Employees are not given preference or put at a disadvantage owing to their membership of a company employee organization. Anti-discrimination also applies to remuneration. MANN+HUMMEL Group observes the legally guaranteed minimum wage, the minimum standards of the relevant national sectors of industry and the current situation on the labor market, regardless of gender or other aforementioned characteristics. The importance of the regulations in the Social Charter and the Corporate Values is also emphasized in the MANN+HUMMEL management system: "We are committed to our responsibility toward our employees and provide them with a first-class working environment. This is therefore expressed in our FILTER values and our Social Charter."

Communication

The content of the Social Charter is communicated within the MANN+HUMMEL Group in the relevant national language – in some cases in the form of online training. The local employee organizations are consulted to determine the type of information on the basis of the overall communication strategy of the MANN+HUMMEL Group. We encourage **business partners and suppliers** of the MANN+HUMMEL Group to introduce and implement similar principles in their companies and to incorporate them into their corporate policy. We view this as a prerequisite for long-term business relationships.

Organization and monitoring

The Human Resources corporate department is responsible for defining employment relationships within the MANN+HUMMEL Group. Furthermore, the Corporate Compliance Officer is responsible for investigating possible violations of the legal conditions and discrimination cases. If you have questions about the Social Charter or information about a possible breach of the regulations in this joint declaration, you can speak directly to your manager, your local employee organization, or the external ombudspersons appointed by MANN+HUMMEL. In 2018, allegations of discrimination reported via the various channels led to a warning in one case. In two other cases, internal processes were adapted to eliminate the causes of discrimination. Employees who report a possible breach of the law or of the Social Charter do not therefore need to be concerned about negative consequences. Once a year, a consultation process takes place with the **European Works Council** regarding compliance with the objectives and implementation principles of the Social Charter.

GRI CONTENT INDEX



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102-3	Location of headquarters	Ludwigsburg, Germany
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102-7	Scale of the organization	II
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102-11	Precautionary principle or approach	3
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Stakeholder Engagement		
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For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

The GRI Materiality Disclosures Service was performed on the German version of the report.

COMPANY AND REPORT PROFILE

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102-48	Restatements of information	No restatements
102-49	Changes in reporting	No changes
102-50	Reporting period	January 1 - December 31, 2018
102-51	Date of most recent report	September 2018
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102-56	External assurance	No external assurance



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