



Sustainability Report 2018 **All around clean cars**



Sustainability Report

Sustainable business practices secure the future of our Company. As a manufacturer of automated carwash equipment, our business model contributes to sustainability. Our long-lived capital assets create lasting value, and through their sparing use of resources, we contribute to preserving an intact living environment for future generations. We have a long track record of delivering on our responsibility to employees and society.

WashTec meets the highest standards, not only of product and service quality, but also in environmental protection. In our operations, we always aim for maximum efficiency in the use of materials and resources.

This is continuously reflected in our latest sustainability report, which we have presented for many years. We also supplement this with a separate combined non-financial report. In doing so, we meet the requirements of the CSR Directive Implementation Act, which has applied in reporting since fiscal year 2017.

1. Separate combined non-financial report

We based our preparation of the separate combined non-financial report on the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) and describe our policies in accordance with the requirements of GRI 103: Management Approach.

Besides financial aspects, additional disclosures must also be provided on certain non-financial aspects to the extent that they are material within the meaning of Section 289c (3) of the German Commercial Code (HGB). The non-financial aspects on which information must be provided comprise environmental, employee and social matters, respect of human rights, and anti-corruption and bribery. The Company describes whether each aspect is material to it and the general public.

Not all aspects provided for by law are material to WashTec's business activities. Policies are therefore presented only for the aspects that are material to WashTec and the general public («double materiality»).

For a detailed report on our risk management and a description of prevailing risks with the potential to have a material impact on the onward development of the WashTec Group, please see the combined management report of our annual report 2018 in section 4, »Outlook, opportunities and risk report«, starting on page 70. No material risks from our business activities, business relationships, products and services have been identified for which it is highly probable that they have, or will have, severe adverse impacts on the above-mentioned aspects.

The content of the separate combined non-financial report is reviewed by the Supervisory Board. In the sustainability report, this review solely relates to heading 1, »Separate combined non-financial report«, and not to the information under heading 2, »Implementation of sustainability at WashTec«.

1.1 Description of the business model and diversity policy

For a description of the business model, please see the combined management report under Fundamental Information about the Group of our annual report 2018, section 1.1, Business Model, beginning on page 49.

For a description of the diversity policy, please see the combined management report of our annual report 2018 under Corporate Governance Declaration, section 8.1, on page 88.

1.2 Environmental matters

In the manufacture of automated car wash equipment, WashTec contributes to protecting the environment. We take environmental matters very seriously. This is demonstrated by certifications that



WashTec has successfully gained for many years and consistently renews. The manufacture and operation of automated car wash systems are more environment-friendly than manual washing (see page 6). We aim to reduce the water consumption of wash systems to a minimum. In addition, we offer water treatment and reclaim systems for equipment operators.

A further example is our commitment to reduce energy consumption and make use of renewable energy. At WashTec, the vehicle fleet accounts for the largest percentage of overall energy needs (59%). All vehicles newly acquired by WashTec are equipped with economical diesel engines with particle filters. The Company has taken its first hybrid vehicle into service for local transportation at the Augsburg plant. Electric mobility is an area that the company has been developing in-house for some years. Examples include replacing diesel forklifts with electric models, with the aim of removing diesel forklifts from our main production location in Augsburg entirely. With regard to using electric road vehicles at WashTec, we continue to watch developments as enabling conditions in areas such as service are unable to be satisfied at the present time. Optimized route planning reduces fuel consumption. The company car policy incorporates limits for CO₂ emissions.

WashTec considers environmental matters to be material, although they were not found to have any material impact on our business activities in the 2018 reporting year. For example, the majority of wash equipment is so far sold without water reclaim or treatment systems. For the 2019 reporting year, WashTec intends to place a greater focus on environmental issues such as water recovery or the reduction of energy requirements and for this purpose will review their impact once again on its materiality.

For further information and detailed examples with regard to environmental issues, please see the sustainability report under heading 2 »Implementation of sustainability at WashTec«.

1.3 Employee matters

Objective/policy

The safety and health of our employees in the workplace is very important to us. Despite all precautions, occupational accidents can never be completely ruled out. We aim to reduce the number of work-related accidents to zero. The safety and health of employees is a material aspect for WashTec because, as well as the impact on those personally affected, accidents also have significant consequences for the Company. Our impact in this area is also material to the general public as WashTec, through its conduct, contributes to the general good. We measure continuous improvement toward our zero-accidents target on the basis of the accident rate [work accidents/million hours worked].

Measures

We apply various measures on a regular basis to enhance workforce occupational safety and thus further reduce or prevent accident risks.

As a preventive measure, for example, the various operating functions conduct risk analyses. They are supported in this by WashTec's in-house Health, Safety, Security and Environment (HSSE) department. On the basis of the identified potential hazards, measures are derived, planned and implemented. Among other things, these relate to continuous improvements in production and office ergonomics.

To help identify potential accident hazards on a preventive basis and remove them before any accidents occur, a new app rolled out in 2018 makes it easier than ever for WashTec employees worldwide to record and report near misses. The app is intended to boost reporting rates so that dangerous situations are promptly detected, addressed with suitable remedial action and analyzed Group-wide. Another app is to follow for supervisors' QHSE inspections (standardized hazard analysis), thus ensuring further efficiency gains in the hazard analysis process.

A further means of reducing potential hazards is the WashTec Tower, a special mobile scaffold for safe working at heights, including on wash equipment. In collaboration with subsidiaries, a project is being carried out to make the WashTec Tower easier to transport in service vehicles. So far, the WashTec Tower has been made available across all European subsidiaries. Further subsidiaries are to be provided with the WashTec Tower by 2020. Reduction in the time taken to put up the WashTec Tower will enhance acceptance and help uphold high levels of safety.

For the third time, a colorectal cancer prevention campaign was organized for WashTec employees in Germany, as early detection can lead to very good chances of recovery and increase employee awareness of prevention.

WashTec deploys an e-learning tool, LeManSys, to train employees and external users in occupational safety matters relevant at WashTec. LeManSys is in use in ten languages across all subsidiaries. As described in the following, a test is completed to demonstrate that the information provided has been understood and can be implemented.

Processes/due diligence

The HSSE department carries out preventive activities such as audits and risk assessments on a continuous basis to enhance health and safety and prevent accidents. Prevention will be further improved with the new WashTec Message app. The HSSE department also provides training for all employees via the LeManSys tool. This makes it possible to track which participants have completed the training by the prescribed date and passed a final test. Taking and passing a test are obligatory. Any failure to do so is escalated, ultimately to the Management Board. This ensures that all employees and external partners know the training content.

Outcomes

The accident rate, which is the relevant indicator for employee matters, is determined for the entire Group. Over the years, the number of occupational accidents has been reduced significantly below the industry average reported by employers' liability insurance association. There were no work accidents with serious or fatal injuries. Accident severity has likewise been reduced.

In the 2018 reporting year, the number of occupational accidents per million hours worked, at 0.9 as of the year-end, remained significantly below the industry average of 22.17 reported by the employers' liability insurance association.

Awards for successful safety activities conferred by major customers in the petroleum industry in past years verify the high standard of our safety culture at WashTec.

Number of occupational accidents per million hours worked significantly below industry average

1.4 Social matters

We take our social responsibility seriously and make a contribution for the chronically ill and disadvantaged by supporting the organization Bunter Kreis e.V. and the Kartei der Not foundation. In addition to monetary donations, we also held a social project week at Bunter Kreis in the year under review and aim to further step up our involvement in this regard. For further information, please see the sustainability report under section 2.6, »Social commitment«. Social involvement is not a material business objective for our business model.

The support provided by WashTec has no significant impact on the organizations named or the general public. The organizations are pleased to accept the support but are reliant on additional sponsors. There is consequently no significant non-financial aspect to be reported on in the area of social matters.

1.5 Respect for human rights

We work with suppliers and service providers worldwide. We expect all employees as well as our business partners to operate in compliance with the law. WashTec likewise expects business partners to comply with applicable laws and regulations, as well as to meet and continue developing high ethical standards in business operations. Consequently, WashTec has developed a policy to ensure compliance.

The rules and principles are described in the WashTec Code of Ethics. In the context of our international business relationships, WashTec also compiled a suppliers' declaration in 2017, which all material business partners had signed with legally binding force by the end of 2018 in order to guarantee compliance with WashTec's principles.

Wash equipment is mainly produced in Europe and the USA. Most suppliers are likewise located in Europe and America. WashTec thus largely operates in countries that inherently have high standards of respect for human rights. Respect for human rights consequently has no material impact on WashTec's business activities.

As part of the machinery and plant engineering sector, WashTec operates in an industry that already meets high standards. The wash equipment segment is not very susceptible to human rights violations. Respect for human rights is therefore assured in WashTec's business activities and does not have to be specifically attained. There is no material non-financial aspect in relation to respect for human rights.

1.6 Anti-corruption and bribery

The WashTec Code of Ethics also describes rules to combat corruption and bribery. WashTec expects all employees and worldwide business partners to comply with all legal requirements in this respect as well. The additional supplier declaration introduced in 2017 obliges business partners to conduct themselves in an ethically correct manner.

Production and suppliers in the value chain mainly operate in countries that are not susceptible to corruption and bribery. To prevent corruption and bribery nonetheless, WashTec has set down the corresponding principles in its Code of Ethics and additionally brings attention to the prohibition of corruption and bribery in the suppliers' declaration. Within the Group, corruption and bribery are combated through compliance training that has been rolled out worldwide.

WashTec additionally set up a whistleblower system in 2016 that allows employees and external parties to report violations anonymously.

Anti-corruption and bribery do not play a material role at WashTec due to the structure of the business. WashTec has nonetheless taken precautionary measures. However, anti-corruption and bribery do not have any material impact on the business activities. WashTec's impact on the general public is consequently likewise non-material. There is no material non-financial aspect in this regard.

2. Implementation of sustainability at WashTec

2.1 Product responsibility

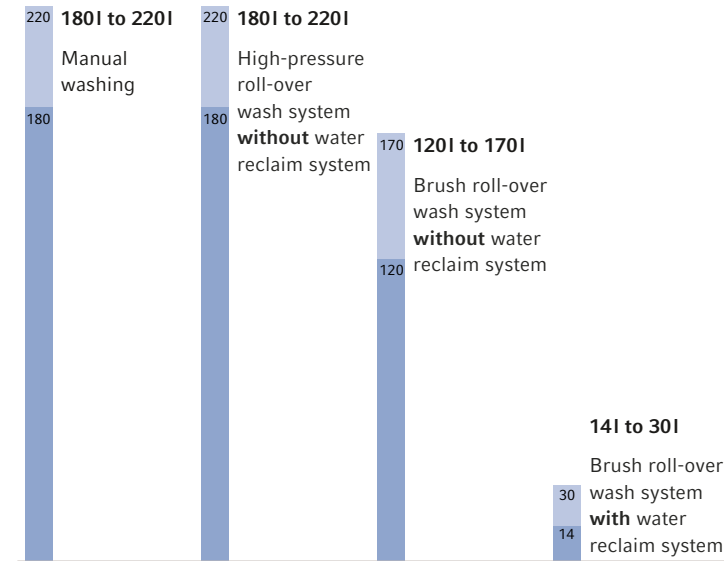
WashTec products

- WashTec products enable customers to use their systems efficiently and economically. This is achieved with low energy and water consumption, the option of using water reclaim systems, and optimized chemical metering – all for improved environmental performance.
- WashTec offers local analysis to help customers arrive at the optimum product specification for their site and prevent both over-dimensioning and under-dimensioning of wash capacity.

All WashTec equipment meets all prevailing environmental regulations and offers a water-saving alternative to manual car washing, which is prohibited in Germany and various other countries. WashTec also expects to see increasing regulation in markets with lower environmental standards or where water is scarce. This means greater potential for environment-friendly automated car washes with water reclaim systems. Scandinavian countries especially have increasingly strict environmental requirements, and other countries are also considering a ban on manual car washing. In Scandinavia, WashTec has long used the Nordic Swan label for particularly environment-friendly water reclaim equipment and/or car wash facilities.

In automated car washing, water and other substances such as shampoo and oil remain in a closed cycle and so cannot seep into the ground or groundwater. Since clean water is indispensable for car washing, WashTec offers water recovery systems that, by treating the process water, reduce fresh water consumption during car washing by up to 90%. Thus, for example, a roll-over system with water reclaim equipment uses only between 14 and a maximum of 30 liters of fresh water during a standard wash (compared to 44 liters of fresh water consumed during a standard wash with a modern washing machine).

Minimized fresh water consumption (liters per wash)



Source: WashTec Analysis

WashTec and AUWA chemical products

WashTec and AUWA stand for vehicle cleaning and care that is at once both thorough and environmentally sound.

The product range encompasses a line-up of cleaning and care products for car wash facilities and spans everything from special solutions for water recovery systems to a comprehensive assortment for the cleaning and care of wash equipment and wash bays. Environmental compatibility is a priority for all products. Strict and seamless quality controls ensure that all AUWA products always satisfy all prevailing statutory requirements and meet stipulations such as wastewater thresholds. Compliance with the highest environmental and health standards is likewise a matter of course. For example, all active washing substances used are bio-



degradable, environment-friendly and non-abrasive – despite their high performance.

A number of products satisfy the requirements of the Nordic Swan ecolabel as well as those of the German Association of the Automotive Industry (VDA). Moreover, special wash chemical products are tested to DHI criteria (which rate products among other things by environmental performance) and to ÖNORM B5106, which focuses on wastewater performance.

The AUWA product range works with all WashTec water reclaim equipment and in this manner helps retain a high level of water quality. The concentrated and highly efficient products assist in reducing portioning and dispensing quantities – and hence consumption – and in improving the quality of process water and thus lowering the quantity of freshwater needed. Specific recommendations on the product packaging help prevent the use of excessive quantities.

2.2 Production

Equipment

The majority of equipment production takes place at the Augsburg headquarters and has been continuously updated and reorganized in recent years. In addition, our subsidiary in Denver, Colorado (USA) produces car wash equipment primarily for the North American market, while our company in Shanghai, China, assembles equipment for the Asian market. Our subsidiary in Nyrany, Czech Republic, manufactures equipment and components for final assembly in Augsburg. Control units are manufactured in Recklinghausen for the entire Group.

Since exhaust fumes and exhaust air generated during production are filtered, discharges or emissions of harmful substances are kept to the lowest levels technically feasible at the present time. Products are installed and maintained at our customers' places of business by some 600 in-house service technicians, subcontractors,

and sales partners' technical personnel. Service technicians are on the road with modern, specially-equipped service vehicles, which themselves carry along suitable equipment and fittings ranging from tools and spare parts to safety equipment.

The average service life for car wash equipment is between seven and ten years. At the end of its service life, equipment is then professionally disassembled and either refurbished or recycled. All functional specification documents for the development of equipment at WashTec require maximum possible reuse or recycling.

Virtually all existing peripheral components can be used again in the event of equipment replacement; this now also extends to system control units. The sustainability of our products was examined as part of a project conducted by Öko-Institut Freiburg. The findings had an influence on ongoing product development in terms of ecological aspects such as lifetime water and energy consumption. This is where customer utility and sustainability come together.

Wash chemicals

The wash chemical products sold by AUWA are developed in our laboratories in Augsburg and Grebenau (Germany) and Bollebygd (Sweden) and produced in Grebenau and Bollebygd in close cooperation with the WashTec R&D Department.

In the production of AUWA products, conservation of scarce resources is always a priority. Raw materials that are not required for a product to work are avoided as far as possible. All wash chemical products are high-concentration products that are automatically diluted and apportioned in the wash equipment. In addition to saving weight, this process also saves on packaging, thus minimizing transport costs. The use of high-quality ingredients in a highly concentrated and optimized mixture reduces chemical consumption per wash.

2.3 WashTec environmental scorecard 2018

The WashTec environmental scorecard is divided into the two main areas of waste and energy.

Waste

In 2018, WashTec generated 2,444 tons of waste material in Germany by taking back old equipment and due to production waste. This waste is systematically separated into single-material fractions. Through consistent separation of disposable waste (such as sheet and other metal waste), the sale of these waste materials in 2018 generated proceeds of €328k (prior year: €310k). Disassembled old systems are either refurbished or professionally recycled by authorized service providers.

Energy

Energy-efficient systems are used for heating buildings. Measures such as energy reclamation, air recirculation, control technology, insulation of buildings beyond the industry standard and the use of available district heating systems for space heating all contribute to sustainability. Renewable energy, such as solar power, is integrated into new buildings.

The electricity that WashTec procures for corporate headquarters and the main production site in Augsburg is 57.2% renewables-generated (prior year: 47.2%). This figure is significantly higher than the national average of 36.6% (prior year: 32.0%). WashTec thus actively contributes to lowering CO2 emissions.

For further information and data on energy, please see the sustainability report under heading 1, »Separate combined non-financial report«.

Certifications

Since 2000, WashTec has been certified under the ISO 9001 and ISO 14001 standards, which lay down globally recognized requirements for responsible quality management and environmental management systems. With its ISO 14001-based environmental management system, WashTec takes part in the Bavarian Environmental Pact for Sustainable Growth with Environmental and Climate Protection. This is a voluntary agreement between the Bavarian state government and Bavarian industry which, among other things, creates an obligation to provide additional environmental protection going far beyond the standards required by law. In addition, WashTec has held SCC (Safety Certificate Contractors) certification since 1999. Compliance with this standard by engaging in preventive measures serves to protect the safety and health of our employees and also extends to additional environmental protection requirements.

An energy management system in accordance with ISO 50001 was additionally introduced and certified during 2016 in fulfillment of our responsibility for sustainability. Introducing an energy management system enables WashTec to better document and monitor energy flows for more efficient energy use. Certifications routinely performed by DEKRA also verify compliance with statutory provisions and standards, thus providing legal certainty.

Ecological aspects form a permanent part of WashTec's strategic planning, from product development to resource management in production. WashTec regularly lays down Group-wide environmental targets together with attainment measures, with projects for implementation and attainment measurement. Target attainment and environmental management systems are regularly monitored and presented in an annual management review. A continuous improvement process aids in the attainment of the Company's adopted targets.

2.4 Stakeholder dialogue

WashTec shares as a sustainable investment

In view of its sustainable business model, WashTec's shares are a target for investment funds specializing in sustainable investment. WashTec has held SRI (Sustainable & Responsible Investment) pass status as a sustainable investment since 2007. In 2018, WashTec was rated sustainability class C and included in the Sustainable Hidden Champions Equity Fund.

Customer satisfaction

»Would you recommend WashTec?« We ask customers this question three months after installing a new roll-over wash system. From July 2017 – following a three-month pilot in 2016 – customers have automatically been sent an invitation to take part in an online survey. The responses are collated in-house. In 2018, 86.6% of participants in the online survey would recommend WashTec.

Any customers who say they would not recommend WashTec are called to ask the reason for their negative response. In this way, we learn from our customers themselves how we can better help them and continue to provide expert after-sales support. The survey has so far met with a positive response as customers see that their opinion is valued. We have successfully completed the planned rollout of customer satisfaction surveys to all subsidiaries (with the exception of Belgium and China).

2.5 Personnel and Compliance

WashTec Code of Ethics, suppliers' declaration and whistleblowers

A standard Code of Ethics has applied to all WashTec Group companies since as long ago as 2005. Its main tenet is required compliance by all employees with all rules, regulations and corporate directives. The Code includes key directives on how employees are expected to interact both with each other and with customers, suppliers, consultants and public authorities. All WashTec Group managers and employees in sensitive areas such as Sales, Procurement, Human Resources and Finance receive regular training which is concluded with a test and certification. The WashTec Code of Ethics can be downloaded from www.washtec.de. WashTec additionally introduced a suppliers' declaration in 2017 that specifies WashTec's principles in dealings with suppliers and has been signed by all key suppliers.

In further support of the compliance system, a whistleblower system introduced in 2016 enables employees and others to raise concerns – anonymously if they prefer – and to flag up circumstances that may indicate a breach of the law or corporate directives. Any such indications are investigated and action taken as appropriate if grounds for suspicion or violations are identified.

Corporate philosophy

Our corporate philosophy introduced in fiscal year 2015 provides all employees with guidance on our number one corporate objective of customer benefit and on how to interact among themselves and with customers. It describes what we expect of ourselves regarding innovation, specialization and the role of management. Each and every employee at WashTec shares responsibility for actively shaping the business. Our corporate philosophy is also the basis for the WashTec leadership policies.

Implementation of our corporate philosophy with a view to in-company entrepreneurialism at WashTec has been reviewed in entrepreneurship workshops since 2017. Each team is asked in an open dialog about how employees regard themselves as in-company entrepreneurs at WashTec and what the teams can do to come closer to the ideal concept of the in-company entrepreneur. To this end, each team adopts specific action items whose implementation is then tracked. In parallel, WashTec managers are made familiar with leadership principles and their implementation in specially developed leadership training units.

Employee handbooks

In foreign subsidiaries of the WashTec Group such as WashTec in the USA, the most important provisions in connection with employment relationships are laid down in employee handbooks. These contain, for example, rules on non-discrimination, handling employee complaints and employee interaction, as well as general provisions on how employment relationships are structured.

Corporate audits

Processes and transactions at all WashTec Group companies are examined for compliance with external and internal rules and regulations on the basis of risk analysis, both routinely and in ad-hoc audits in response to alerts. This enables any noncompliance to be identified and remedied as early as possible.

Training and human resource development

Human resource development plays an important role at WashTec. WashTec offers all employees the opportunity to participate in internal and external continuing education and training programs. Employees can use, inter alia, an e-learning platform to obtain training in Office products. Training also includes the WashTec-specific management training courses and entrepreneurship workshops. A separate budget is allocated for employee training each year.

At the Company's headquarters in Augsburg, formal training is provided for qualification as a mechatronics fitter, industrial mechanic or industrial clerk. The large number of training places made available in 2018 is to be maintained in 2019. WashTec once again offered places for an integrated degree program since 2017.

Employee satisfaction

WashTec's employees are key to our business success. We constantly work to further improve employee satisfaction.

WashTec has been the proud holder of TOP COMPANY and OPEN COMPANY badges from kununu.com since March 2016. The leading employer rating platform awards these badges to employers who demonstrate high levels of employee satisfaction and openness to dialog. WashTec also once again received the top national employer of the year award from FOCUS magazine.

Social activities during non-business hours, such the monthly WashTec happy hour in Augsburg and at our subsidiaries, outings, and participation in the company run foster cross-departmental communication and constructive teamwork.

Health and safety

WashTec contributes to workforce health with regular work safety training, ergonomic workplace design and medical checkups (such as colon cancer prevention and the WashTec Health Days held regularly in Germany). E-learning software has helped managers train our employees since 2007.

WashTec has a well-developed, SCC-certified occupational safety and health management system. WashTec service technicians are under special obligation to learn and understand safety issues. Regular training and certification programs center on training sessions for working in and around filling stations when preparing and undertaking the commissioning, maintenance and servicing of our equipment and systems. WashTec service technicians in Germany take part in regular driver safety training with their fleet vehicles. Compliance with safety provisions is routinely monitored in internal and external audits. Similarly, the findings of audits on customer premises are used to motivate employees and continually improve working conditions. WashTec launched a new global app in 2018 to further improve prevention. Using »WashTec Message«-app, every employee can report hazardous situations or incidents online from a mobile phone or personal computer. The app thus provides upfront warning of any hazards. Intuitive app navigation and ready-loaded data enable users to quickly and easily activate a standardized reporting process. The relevant managers are directly linked into the process and have responsibility for the hazard response. Further measures are additionally taken following systematic, Group-wide analysis.

In the course of reorganizing production processes and investing in production locations, special emphasis is placed on ergonomic workstations and tooling. Over the years, WashTec has also been able to reduce the number of occupational accidents significantly below the industry average reported by employers' liability insurance association. Awards for successful safety activities conferred by major customers in the petroleum industry verify the high standard of our safety culture at WashTec.

Balancing family and career

Balancing family and career is close to every parent's heart. WashTec actively seeks to meet this need by offering a wide range of individual working arrangements. Evidence of its success is the excellent way in which staff members who return from parental leave reintegrate into their challenging roles and responsibilities and the rising number of mothers and fathers signing up for part-time working.

2.6 Social commitment: Bunter Kreis e. V. and Stiftung Kartei der Not

The birth of a handicapped child, a heart problem or cancer diagnosis, an accident or hereditary disease invariably affects the whole family and abruptly changes people's lives. With approximately 70 professionals, Bunter Kreis e.V., an Augsburg-based registered association founded in 1991, provides handicapped and severely sick children together with their families with comprehensive psychological, social, medical and financial support. Bunter Kreis helps most of all during the period following discharge from hospital, when it assists families in dealing with new challenges and burdens. The reliable follow-up care often also allows children to leave hospital early. Since the frequently time-consuming work of caring for sick children and their families is only partially covered by statutory health insurance, WashTec has continually supported Bunter Kreis with donations in cash and in kind as one of the association's main sponsors since 1996. WashTec once again further stepped up its involvement in 2018. All trainees voluntarily took part in a project week at the Ziegelhof animal-assisted therapy center for sick children. The trainees carried out various work there to make Ziegelhof winter-ready.

We take our social responsibility seriously and want others to share in our success. Accordingly, WashTec has supplemented its existing social engagement activities since 2016 by supporting the Kartei der Not foundation. Kartei der Not supports people who are in need through no fault of their own. This includes any predicament that is not the fault of the person seeking help, as a result of invalidity, illness, accident or other causes. Kartei der Not supports poor children and their families, people with disabilities, the chronically ill, senior citizens with small pensions, social orphans and people who have suffered severe strokes of fate. Since its foundation in 1965, Kartei der Not has provided some €40m to help people in need across the region.





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