

UNITED NATIONS GLOBAL COMPACT

COMMUNICATION ON PROGRESS OF
THE FREUDENBERG GROUP 2015 | 2016



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The cover picture shows Nedal Idies and Hiroyuki Sato, employees of Freudenberg Sealing Technologies in Berlin. They are checking steering bellows – protective seals for socket joints, ball joints and articulated shafts – which are used for example for cylinders, in machine-building, in agricultural machines and construction equipment.



I. STATEMENT OF CONTINUED SUPPORT FROM THE CEO

DEAR SIR OR MADAM,

As a global, values-based technology group, Freudenberg is committed to its responsibility to society. This principle characterizes our business model and is firmly anchored in our Values and Principles. Together with our customers, our partners and the world of science, we develop leading-edge products, solutions and services and contribute to improving the living conditions of people worldwide. We live responsibly in everything we do. To this end, we are constantly investing in research and development and are able to steadily increase our sales with new and sustainable products.

For Freudenberg, responsibility begins with our own processes and systems. We make all our actions as environmentally friendly as possible. This also means that we use the natural resources needed in our production processes, products and services as sparingly and carefully as possible. In addition, during 2015, we continued to develop the organizational framework for monitoring our compliance with laws, rules, voluntary and other obligations. The Freudenberg Compliance Management Council (FCMC) is working to convert the existing compliance initiatives of the Business Groups in a Group-wide structure. We have published a mandatory internal Code of Conduct and have made it available to all employees worldwide.

Through our long-term social commitment in numerous small and larger initiatives, we actively contribute to the wellbeing of society and are a good neighbor in the communities around our sites worldwide. In 2015, we launched the international “e2” initiative. All employees worldwide are encouraged to get involved in non-profit educational and environmental projects. Over the next five years, the company will be supporting these projects with ten million Euros. In addition, Freudenberg has become increasingly involved in refugee aid since 2015. As part of a Group-wide initiative, employees, retired former employees,

shareholders and the company itself donated a total of 1.6 million Euros. With these and other means, Freudenberg will be supporting a wide variety of refugee integration projects focused on language teaching over the coming years.

In all areas, we still constantly strive to become even better – and expressly commit to implementing the ten principles of the UN Global Compact and to driving these efforts further forward.

Dr. Mohsen Sohi
CEO of Freudenberg Group



II. THE FREUDENBERG GROUP

i. GROUP PROFILE

Freudenberg is a global technology group that strengthens its customers and society long-term through forward-looking innovations.

Freudenberg offers its customers in the passenger car and commercial vehicle industry, mechanical and plant engineering, textile and apparel, construction, mining and heavy industry, energy, chemical, and the oil and gas sectors excellent innovative technological products and services. In the year under review the customer base also included companies in the medical technology, civil aviation, and rail vehicles sectors.

Together with its partners, customers and the world of science, the ten Business Groups (previous year: twelve Business Groups) of the Freudenberg Group develop leading-edge technologies, and excellent products, solutions and services for more than 30 market segments and for thousands of applications: seals, vibration control components, nonwovens, filters, specialty chemicals, medical products, IT services and the most modern cleaning products.

The innovative strength of Freudenberg has many facets. One key aspect has always been the culture of close cooperation that exists between our more than 40,000 employees, our customers, partners and the world of science. As a result, innovations run like a red thread through the history of the company – from the development of chrome tanning and the Simmerring to sophisticated and highly technical medical products. Striving together for solutions that contribute to the sustainable development of the environment and society worldwide is at once our motivation and the basis of the company's success. In this respect, Freudenberg lives the concept of "Innovating Together" through all Business Groups and across all global regions. It is this that enables the company to offer its customers solutions and answers today to the questions of tomorrow.

Freudenberg sees itself as an enterprise of entrepreneurs. Operational business is in the hands of independent companies whose management conducts business under

their own responsibility. These individual companies in turn belong to Business Groups.

Freudenberg has two management companies: Freudenberg & Co. KG is the strategic management company of the Group. Under its roof, Freudenberg SE assumes all the tasks of operational group leadership as the parent company of the various Business Groups.

Freudenberg is a family company and is currently owned by some 320 heirs to the founding father Carl Johann Freudenberg.



ii. WE ALL TAKE CARE

With the launch of "We all take care" in 2002, Freudenberg started an initiative based on the principles of the Group that calls on every employee to personally engage in improving environmental, health and safety performance. Key themes of the initiative also include an awareness of social responsibility and dealing with risks at Freudenberg sites.

Every employee is personally responsible for implementing the "responsibility" Guiding Principle in his or her work environment. Via the Freudenberg portal, all employees can access details about successful projects and thus accelerate the improvement processes. As part of the corporate Health, Safety, Security, Environment (HSE) meeting, the initiative will continue to be developed with the involvement of top management and the respective senior managers of the Business Groups.

Each year, Freudenberg honors employees who have shown particular commitment, success, progress and exceptional performance within the context of this initiative with the "We all take care" award.

Among the 2015 winners were the following projects:

Healthy in spite of shift work

Shift work carries an increased health risk compared to working regular hours. With the help of a new shift model, the energy technology department of Freudenberg Service (FSV) is targeting a reduction in employee sickness levels. The model is based on task-oriented capacity planning, from which specific staffing needs are derived. This in turn provides the basis for shift and staff scheduling. Employees now receive a schedulable model with fixed leisure blocks. FSV expects to see a decline in classic "shift illnesses", such as cardiovascular disease and long-term illness, as well as a reduction in overtime.

The mobile safety friend

The safety team at Freudenberg Home and Cleaning Solutions (FHCS) in Aurora, USA, introduced the mobile security friend. With this trolley, managers walk through the production halls several times a day. Among other things, the trolley is equipped with "Stop-Think-Act" cards, which are intended to help reduce the number of behavior-related accidents. The mobile safety friend enables managers to maintain direct contact with employees and, if necessary, to give immediate feedback. In fact, staff are providing more feedback and making more suggestions for ways in which to improve safety at the site. They are also increasingly getting involved in the "Stop-Think-Act" concept and internalizing it more, with the result that accident rates in comparison to the previous year have fallen by half.

We all take care!

iii. INNOVATION



In 2015, the Freudenberg Group conducted research and development activities in the amount of €315.3 million (previous year: €270.3 million) based on the pro-rata consolidation of the joint ventures. During the year under review, an average of 2,772 employees (previous year: 2,582 employees) were employed in research and development throughout the Freudenberg Group based on the pro-rata consolidation of the joint ventures, with the regional focus in Germany, where 1,573 employees (previous year: 1,542 employees) were employed.

The significance of innovation for Freudenberg is also reflected in the Group's new brand positioning as set out in the benefit statement: "Freudenberg is a values-based technology group that best serves its customers and society" and in the company slogan "Innovating Together".

Technological innovations have been and still are the driving force behind Freudenberg's success. The Business Groups have always invested in developments and technologies that have broken new ground for each particular Business Group. In addition to that, the Freudenberg Group has established technology platforms for the Group as a whole – these overarching platforms reflect the spirit of the new company slogan "Innovating Together". The aim is to further develop Freudenberg's materials and system competence beyond the boundaries of individual Business Groups. In the 2015 financial year, Freudenberg closely addressed five technology platforms: nonwovens, sealing technology, molding, friction/wear & lubrication, and surface technologies. These are knowledge transfer platforms and enable the creation of synergies.

Corporate Innovation was realigned during the year under review, and the corporate function is now tasked with fostering innovation and technology at Group level in line with the new positioning. To that end, Corporate Innovation identifies and implements tools, structures and processes for improving innovation-related competences and optimizing cooperation between the Business Groups. Corporate Innovation comprises Corporate R&D, Corporate Scouting and Corporate New Business.

The research specialists at Corporate R&D provide materials and technology expertise for projects undertaken jointly with the Business Groups as well as offering analytical services. Young scientific talent can become integrated in Freudenberg's scientific community through these projects (junior program for scientists).

Corporate Scouting involves translating new themes and ideas into projects and, ultimately, solutions that Freudenberg can use to generate lasting business in the future. One instrument for finding such themes – in addition to systematic analyses – is the ideaTrophy idea competition. This competition encourages internal and external experts to submit business ideas for the following defined search fields: renewable energies, water, health, surface technologies, oil & gas.

Corporate New Business contributes to reinforcing the innovative strength of the entire Freudenberg Group. The objective is to identify and develop new areas of business that are not directly focused on the Business Group's current main fields of activity. This is to be achieved by harnessing the Business Groups' core technologies and existing know-how.

The Freudenberg Innovation Council is a platform for exchange among the Business Group CTOs – with the aim of strengthening the Group's innovation and technology performance as well as driving forward the Freudenberg Group's innovation strategy and strategic initiatives (for example: "Globalization of Research & Development" and "Innovations for Sustainability"). In addition, the Council fosters exchange among young technical talent. Each Business Group compiles an annual Innovation Review in cooperation with Corporate Innovation, addressing its progress with regard to innovation and technology and defining its challenges.

iv. RISK MANAGEMENT

Freudenberg is exposed to numerous risks and opportunities inseparably associated with entrepreneurial action. A risk management system is in place throughout the Freudenberg Group to help the company deal with risks. The Freudenberg Group's risk management system is a decentralized system oriented to the Group's organizational structure, which was further developed in 2014. The system covers all companies fully consolidated in the Freudenberg Group Annual Report, and includes all Group measures addressing the main risks.

One such measure is the Freudenberg risk management process. This process in particular ensures the structured identification, assessment, control and monitoring of main risks that might jeopardize the continued existence of the company. The process also includes appropriate risk communication and the continuous improvement of the risk management system.

Various measures to safeguard liquidity are in place which allow Freudenberg to react swiftly to unexpected liquidity-related risks. Such risks are hedged by solid banking and Partners' financing and high liquid reserves. Freudenberg has an above-average equity ratio, a stable level of Partners' reserves through Freudenberg & Co. KG Partners and comprehensive credit lines.

Binding internal guidelines for companies in the Freudenberg Group clearly specify that derivative financial instruments may not be used for speculative purposes, but only for hedging risks in connection with underlying transactions and associated financing operations.

As a globally active manufacturer of functionally-relevant technical components, specialty chemicals and final user products as well as a service provider for industry, Freudenberg is exposed to various legal risks, including risks relating to competition and antitrust law, anti-corruption regulations, and environmental protection.

III. HUMAN RIGHTS AND LABOR

BUSINESS PRINCIPLES AND ETHICS OFFICE



Business Principles

The principles of the Freudenberg Group are value for customers, leadership, responsibility, innovation, people and long-term orientation. These are the foundation and benchmark of all actions within the Group. The implementation of this benchmark in daily work is regularly reviewed.

In the areas of “human rights” and “labor standards”, the principles people and responsibility are especially emphasized. These express the fundamental understanding of the Freudenberg Group regarding these topics.

The Guiding Principles are part of the Business Principles of the Group (see also under V. Anti-corruption).

People

As a family company, we are devoted to our employees’ well-being and their personal development. We reject all forms of discrimination and harassment and show understanding and respect in our dealings with each other.

We provide a multi-cultural environment where employees work together in worldwide teams to enrich our culture and capability. We believe in the value of enduring relationships with customers, suppliers and industrial partners.

Responsibility

Our company and its family shareholders together are committed to protecting the environment and being responsible corporate citizens in all countries and communities in which we do business. We take all possible care to ensure the safety of the workplace and our products.

As a family company, we strive for the highest standards of personal behavior. Fairness and integrity guide our conduct amongst ourselves, towards our business partners and the general public.

Leadership principles

The Freudenberg Group upholds a social commitment to all its employees in Germany as well as in other countries. In this regard, it is impossible to define a uniform standard. The way this commitment is applied depends rather on the laws, practices, needs and opportunities in each respective country. Discrimination and exploitation of vulnerable people is explicitly prohibited anywhere in the Group.

The business policy of the Group requires compliance with standards of conduct, with which both shareholders and employees can identify:

PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

PRINCIPLE 2: businesses should make sure that they are not complicit in human rights abuses.

PRINCIPLE 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

PRINCIPLE 4: the elimination of all forms of forced and compulsory labor;

PRINCIPLE 5: the effective abolition of child labor; and

PRINCIPLE 6: the elimination of discrimination in respect of employment and occupation.



We also need to survive in fierce competition. Our success must be based on performance. We do not have any dealings with businesses in which illegal or unethical means are employed.

We will not manufacture products that have the purpose of harming people (for example, weapons).

Acting responsibly towards the environment and the safety of our employees are important corporate objectives and should not be limited to bare compliance with the relevant laws.

Compliance with applicable laws and regulations, as well as with the applicable Business and Guiding Principles of the Freudenberg Group and the observance of non-contradictory, supplementary in-house (e.g. codes of conduct, employee handbooks) and external local practices (together “Corporate Principles”) is an indispensable condition for good cooperation between all employees of the Group and forms the binding basis for relationships with third parties, in particular with suppliers, customers and authorities. They thus form the basis for the economic success of the Group. The Business Principles are mandatory for all employees and must be actively exemplified and

implemented at all levels, starting from the Members of the Management Board of Freudenberg & Co. KG and the Board Members of Freudenberg SE, the executive officers of the respective Business Groups and all other superiors.

Infringements are not acceptable and may result in disciplinary action from Board level down through the management of the Business Groups to the respective superiors. This is especially true in cases of active and passive corruption, breaches of antitrust rules, violation of relevant legal environmental and technical safety and labor law rules (for example, breach of the principle of equality) and violations of the privacy rights of the employees (for example, personal degradation or sexual harassment).

Ethics Office

Services that arise in disregard of Corporate Principles, or behaviors that run counter to these, are undesirable. To ensure that such situations are avoided, the Freudenberg Group has set up Ethics Offices to act as an enquiry and contact point for all employees for reporting and checking such infringements.

The ombudsman role that formerly existed at Freudenberg has been further developed and internationalized through the contribution of experience gained so far. In the Freudenberg Group, there are now one central and four regional Ethics Offices (Corporate Ethics Office and Regional Ethics Offices).

The Corporate Ethics Office is staffed by four people, at least one of which must be a woman. It is located in Weinheim, Germany. The Corporate Ethics Office is supplemented by Regional Ethics Offices, which are located in the Freudenberg Regional Corporate Centers. Regional Ethics Offices have been established in North America, South America, India and Asia (China).

The relevant Ethics Office receives the notifications sent to it and checks their substance and that of the associated infringements of Corporate Principles. In the process, the office works together with a wide variety of areas within the Group to correct the suspected or actual infringement as far as possible, and to prevent similar infringements through appropriate measures. Disciplinary measures may be taken in the event of an infringement.

An activity report for the previous calendar year is created once a year. In addition to the processing of any reported violations of applicable labor laws, cases of discrimination have thus far been a particular focus of the office's activities.

WORKER REPRESENTATION

Freudenberg signed a global agreement for social dialog with the International Federation of Chemical, Energy, Mining and General Workers' Unions (ICEM) and the Mining, Chemical and Energy trade union (IG BCE), which recognizes the international standards and conventions of the International Labor Organization (ILO). Since the merger of the ICEM and other unions into the IndustriALL union, which was founded in 2012, an annual exchange on issues of social dialog now takes place with this body.

The existing international agreements of the ILO act as guidelines for the Freudenberg Group. These include in particular the following conventions with respect to:

- Equality of opportunity and equal treatment in employment, in accordance with ILO Conventions 100 and 111
- The principle of safeguarding freedom of association and the respect for basic trade union rights in accordance with ILO Conventions 87 and 98
- Prohibition of forced labor as defined in ILO Conventions 29 and 105
- Prohibition of child labor as defined in ILO Conventions 138 and 182

The right of Freudenberg employees is recognized to freely join trade unions of their choosing, to elect workers' representatives and to engage in collective bargaining concerning common interests. The basis of this recognition is ILO Convention 135: Prohibition of discrimination against shop or union employee representatives.

Freudenberg European Works Council (FEBR)

Informal exchanges regularly take place with the various works councils at Freudenberg sites. As far back as 1996, a first European employee representative body was set up based on a European directive and a voluntary agreement. Known as the Freudenberg Euro Forum, this body provided a platform for delegates drawn from workers' representatives across Europe to discuss transnational issues with the Group management.

With the establishment of Freudenberg SE in 2012, the Freudenberg European Works Council (FEBR) replaced the previous Euro-Forum, according to the terms of its constitution. Because different national and also European legal bases need to be observed, the FEBR has more extensive rights to information and consultation than its predecessor body. The continuation of the standards achieved also includes in particular common responsibility, promoting and monitoring of compliance with the above-mentioned global agreement on social dialog, and the joint promotion and monitoring of the principles regarding health and safety.

EMPLOYEE DEVELOPMENT

Top employer



In 2016, Freudenberg & Co. was certified as a top employer in Germany for the fourth year in succession. To be certified as a top employer, companies need to meet stringent requirements in the context of a multi-stage certification process. Above-average employee orientation is the basis for entry. Via an extensive questionnaire, the areas of HR strategy, implementation of HR policies and practices, monitoring and communication of working conditions and employee development are all judged by the Top Employers Institute. The requirements for obtaining the certificate are increased each year with the goal of firmly anchoring the concept of continuous improvement in the process and to encourage companies to constantly strive to get better. The entire evaluation process and all participant details are audited by an independent, external auditing company according to international standards.

Companies that meet the requirements for certification receive individual feedback including an HR Benchmark Report. Certified top employers are permitted to use the certification seal and enjoy other special benefits for the period of one year. These include publication of the company profile on the Top Employer website and a report in a special publication of the Financial Times.



Balancing work and family life

In Germany, Freudenberg opened a daycare center near the company's Weinheim headquarter in November 2014. This has enabled the Group to make an important contribution to the work-life balance of parents.

The online service portal benefit@work provides links to quality-assured services in all areas of family and household, in particular childcare, elderly care and assistance with house and garden. All Freudenberg colleagues in the Weinheim area are able to access the benefit@work offerings. The service providers involved are currently seeking to extend the offer to other locations.

The objective is to improve the family-friendliness of Freudenberg. The service portal supports colleagues in better balancing their work and family lives.

Fair Company

In 2015, the Freudenberg Group was once again awarded the Fair Company quality seal, which it has held continuously since 2009. The Fair Company seal is an initiative of karriere.de, a portal run by the business publications Handelsblatt and Wirtschaftswoche. Fair Company represents a voluntary commitment on the part of participating companies. The aim is to comply with certain rules that help to ensure fair working conditions on entry into the working world. These rules include:

- Fair companies do not replace full-time positions with interns, volunteers, guests or permanent-temporary staff.
- Fair companies offer internships primarily for professional orientation, mainly during the training phase.
- Fair companies pay interns an adequate allowance.
- Fair companies are transparent and communicate their participation in the initiative.

In addition, the Freudenberg Group received an award for the "Engagier dich" ("Get involved") initiative from Campushunter. This scheme honors extracurricular student activities. The additional soft skills acquired in the process are especially recognized.



Vocational training at Freudenberg

In 2015, 126 young people (previous year: 142) began their vocational training at Freudenberg's German companies. In total, 464 people were training at Freudenberg in Germany as at December 31, 2015. The spectrum ranges from a two-year commercial or technical apprenticeship to dual studies at a university of cooperative education. Freudenberg has acquired a reputation for the high standard of its vocational training, as is confirmed by the fact that companies located in the vicinity of Freudenberg operations send their young people to Freudenberg for training.

In July 2015, the Board of Management approved the concept for the new vocational training center. The objective is to teach in-depth technical competence combined with a state-of-the-art curriculum including content such as Industry 4.0 technologies in combination with a forward-looking learning environment featuring advanced equipment.

Talent management

Competition to recruit the best minds is one of the biggest challenges facing any company. Freudenberg's response to this challenge is excellent talent management.

Group-wide development programs for top executives

Launched in collaboration with the renowned business school INSEAD in 2014 with great success, the Group-wide management development programs for the two top management levels of the Freudenberg Group were run once again in 2015. 22 people took part in the Strategic Leadership Program (SLP), aimed at managers who report directly to the Board, while 36 people participated in the Business Leadership Program (BLP) for second-level executives. Candidates for participation in the two programs are identified through the global talent management process and are presented at the Global Talent Management Conference. To meet demand, the BLP will be run for two groups in 2016. The next SLP is planned for 2017.



Business Groups. Two key elements of this concept are a Group-wide learning management system, which was introduced in 2015, and the Freudenberg Training & Development Forum, which was first run in 2014.

To bring the different leadership development programs offered in the Business Groups and regions together in a consistent and coherent framework, Freudenberg's Training and Development Community has developed a leadership framework to facilitate cooperation in management development within the Freudenberg Group.

Freudenberg Leadership Development Program

The Freudenberg Group offers training programs for young executives in all regions of the world. For the first time in the reporting year, Group-wide development programs for young executives were run with standardized contents under the name Freudenberg Leadership Development Program (FLDP). The target group includes young professionals who have assumed their first leadership position or will shortly do so.

To sustainably nurture the network, the aim is to establish FLDP alumni organizations in all regions. This has already been done in China and Europe. During the course of the reporting year, several highly successful network meetings or FLDP alumni days were held in these regions.

In addition, management trainees have also been supported Group-wide via Regional Talent Dialogs in all global regions since 2013. These events are used to discuss Group-wide development prospects for identified talents in the regions. Freudenberg has also further expanded the Functional Talent Dialogs, which will extend talent development into technical careers.

The concept of a corporate university for the Freudenberg Group was developed in 2014 under the Freudenberg Academy name. The aim is to promote and expand cooperation between the academies of the individual

DIVERSITY MANAGEMENT



At Freudenberg, diversity has been on the agenda for a long time and the Group's Guiding Principles state that we actively promote a multi-cultural environment. And, with the increasing globalization of our business we believe it is critical to actively build the capability of associates to effectively navigate this reality.

Freudenberg launched the first top management leadership development programs (Strategic Leadership Program and Business Leadership Program, see page 13-14) which bring together executives from all business areas, regions and functions. The programs have a full session dedicated to educating the Group about the benefits of diversity and how to decode cultural differences. Understanding the benefits of diversity is the baseline necessary to actively promoting the hiring of diverse talents. Also, the decoding skill is critical to opening a healthy dialog regarding diversity and in enhancing our ability to work effectively with customers, suppliers and colleagues around the world.

In addition, one key element of the talent management process is a diversity statement issued by each Business Group presenting the composition of management with regard to gender diversity, cultural diversity and generation diversity. A second key element of talent management is identifying concepts which will increase the composition of women in management.

OCCUPATIONAL HEALTH AND SAFETY



Freudenberg is committed to the welfare and personal development of its employees. Health and safety are promoted and lived at Freudenberg in accordance with internal regulations at all levels. Health, occupational safety and process safety are a routine part of daily operations.

This approach has enabled the number of accidents in the Freudenberg Group to be reduced to a low level in comparison with industry averages. Existing measures are being stepped up and complemented by new, targeted approaches to continuously improve safety.

The success of HSE serves as an example for other areas

in which Freudenberg seeks continuous improvement. Alongside environmental protection, this means health in particular. The company is pursuing projects for preventive health management with increased vigor.

The HSE Guideline contains the HSE principles and defines the stipulations laid down in the Freudenberg Group's Values & Principles in relation to HSE issues in more concrete terms. The primary objectives are the prevention of all accidents, preventive health care, and the continuous reduction in the negative impact of business activities on the environment. At the same time, positive environmental effects are to be intensified, for example by ensuring that the Group's products have less negative impact on the environment than their predecessors or competing products or make a positive contribution.

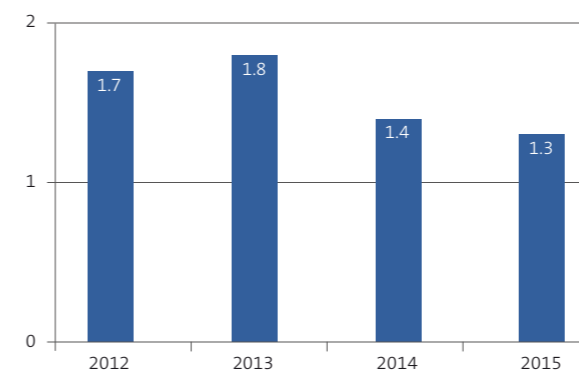
HSE Week is held once a year and calls on all Freudenberg Group sites to implement HSE actions. During the reporting year, employees were trained among other things in occupational safety measures and ergonomics in the workplace, and were encouraged to make these things part of their daily working lives.

Preventive health care

The Group further expanded preventive health care management in 2015, and the health care principles were implemented under various programs and initiatives. Health care performance indicators, such as the sickness rate, have been recorded since 2011 to identify improvement potential and derive suitable measures. The transparency brought by this process has already led to a series of improvement projects. Two examples are presented below.

At Freudenberg Home and Cleaning Solutions in the UK, office staff were encouraged to make small changes in their daily lives that were easy to adopt and to maintain over the long term. The project focused on two aspects: healthy eating, and sporting activities and physical wellbeing. The goal was to encourage a more active and balanced lifestyle – in the office and outside. The results were extremely positive: the number of sick days, for example, has been halved compared with the previous year.

ACCIDENT RATE (LDIFR)
[per 1 M hours worked]
Freudenberg Group



Freudenberg Chemical Specialities in Zurich conducted workshops in partnership with an external consultant where employees learnt among other things how to recognize stress in the workplace as well as learning how to cope with stress in their own individual work and family environments.

Occupational safety

Occupational safety measures focus on safety awareness among employees. One example of these efforts is the numerous projects implemented under the "We all take care" initiative. At the Freudenberg Performance Materials site in Parets del Vallés, Spain, for example, the safety culture was strengthened by ensuring that all employees take personal responsibility for identifying safety deficiencies for the good of everyone. A mixed team of two or three people (supervisors, department heads, employees) was given the task of observing colleagues at work in defined situations once a week – for example, the use of tools, protective equipment, posture – and then giving direct feedback.

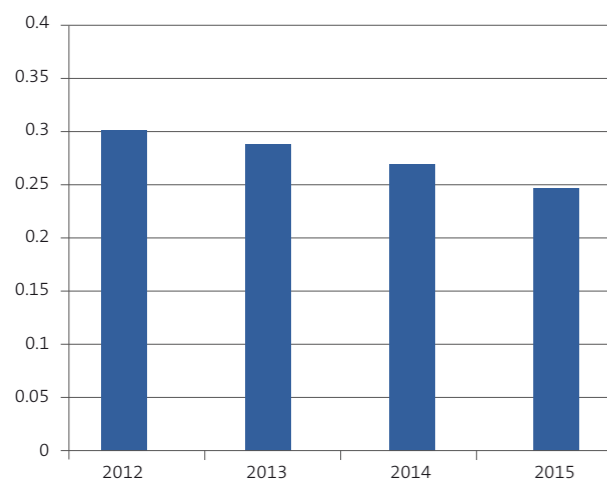
EagleBurgmann (EB) Brazil is working with DuPont's SafeStart training method. This advanced program will help to strengthen the safety culture at the Campinas site in Sao Paulo state. Through the program, employees learn to recognize when they are more prone to errors and how to avoid risks. At EB Brazil, intensive communication in the

context of SafeStart is playing a major role in changing habits within the factory. The HSE results achieved so far have significantly exceeded expectations.

The total number of accidents resulting in at least one day's absence from work during the year under review was 96 (previous year: 95). In 2015, Freudenberg began using the LDIFR (Lost Day Incident Frequency Rate) based on the pro-rata consolidation of the joint ventures in its internal reporting. On this basis, the LDIFR in 2015 was 1.3, representing a further improvement on the previous year (1.4). This indicator serves as a non-financial performance indicator for the Freudenberg Group. It measures all accidents at work involving at least one day's absence per million working hours. Starting with the 2015 financial year, the indicator also includes data for temporary employees and agency staff. Based on the equity consolidation method for joint ventures, the LDIFR was 1.4 (previous year: 1.5). There were seven serious accidents in 2015 (six in the previous year). In the year under review, direct investments in occupational health and safety amounted to €12.1 million (previous year: €12.0 million).

IV. ENVIRONMENTAL PROTECTION

ENERGY CONSUMPTION/SALES
[KWh/€]
Numbers for Freudenberg SE



Freudenberg is committed to protecting the environment and assumes responsibility for making its actions as environmentally friendly as possible.

This includes using natural resources for production processes, products and services as sparingly and prudently as possible. Environmental protection is firmly anchored in Freudenberg's business practices. The aim is to steadily reduce the consumption of raw materials through the optimization of processes. This principle also applies to the redesign and modernization of buildings, the manufacture of products and their use by customers.

Freudenberg uses various raw materials and processes in production that have differing effects on the environment and workplace safety. Freudenberg manages these risks in many ways. The objective is to continually reduce the physical risks for the site and their environmental impact.

With regard to hazardous substances or substances which have become the subject of debate as a result of legislative initiatives such as REACh (European Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals), Freudenberg proactively engages in

searching for alternatives or substitute substances before a statutory provision comes into effect while at the same time forestalling the effects on production of a possible ban on a given substance. In addition, many product developments are subject to a stage gate process which among other things ensures that new products have a better environmental performance than their predecessors.

Internal and external audit processes monitor the implementation of programs to improve occupational health and safety, environmental protection or fire protection by the Business Groups. One objective of these programs is to raise awareness for fire protection and to prevent personal injury, operational interruptions and the associated potential delivery disruptions. The findings of the audits are systematically evaluated and measures implemented throughout the relevant Business Groups.

PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges;

PRINCIPLE 8: businesses should undertake initiatives to promote greater environmental responsibility; and

PRINCIPLE 9: businesses should encourage the development and diffusion of environmentally friendly technologies.

EXAMPLES OF PRODUCT DEVELOPMENTS

Freudenberg Sealing Technologies supports the auto industry in its work on alternative powertrains. In addition, new materials for seals are required to meet the more stringent limits for emissions and the need for sustainable solutions. One typical example of this support is the sealing solutions in the cooling circuits for electric motors. Plug & Seals made of EPDM (ethylene propylene diene rubber) are used here. These mechanically mountable, externally rubberized plug connections for housings, tube ends and assemblies ensure the secure transport of the coolant. They compensate for axial tolerances, seal even at high pressures, and contribute to acoustic and mechanical isolation.

Freudenberg Sealing Technologies has therefore developed an EPDM rubber compound that is 45 percent bio-renewable and thus significantly reduces the manufacturing carbon footprint. What is special about the new EPDM rubber compound is that a sugarcane-based feedstock is used instead of fossil fuels. EPDM is normally manufactured using ethylene and propylene based on crude oil. Now, 45 percent of the ethylene is based on sugarcane. The new material is even suitable for use in modern injection molding processes. Possible applications for the new rubber include seals for coolants, as well as synthetic hydraulic and brake fluids for aerospace applications. The newly developed material is capable of withstanding temperatures up to 150°C, and has outstanding compressive stress force retention.

FPM presented the world's first nonwoven interlining made from 100 percent biodegradable polyester fiber. The Business Group was the first company ever to receive a certificate for the biodegradability of a PES nonwoven interlining from the renowned Hohenstein Institut test laboratory. The nonwoven interlining can be degraded twice as fast as a standard polyester interlining.

Through the use of a thermo-sensitive valve (BestFlow), EB offers its customers the opportunity to partially or even completely save seal water consumption, depending on operating conditions. At a paper and pulp mill in Belgium, for example, water consumption was reduced from more than 8 liters/min to 0.1 liter/min. Because saving water is increasingly coming into focus as a result of legal require-

ments, EB can offer its customers a reliable, cost-effective solution that doesn't require a complicated supply system.

The new generation of pump seals from EB - the eMG1 elastomer bellows seals - is fully-compatible with the MG1 which has already proven itself millions of times. Key features were optimized and new functions added. eMG is identical with eMG1, but its installation length is approx. 20 percent shorter. That gives manufacturers new openings in pump design, e.g. more compact architecture thanks to shorter shafts, which also saves material and improves efficiency.

During the year under review, various products and services from Freudenberg Chemical Specialities supported customers' efforts to meet their sustainability targets. The selective substitution of biodegradable products for mineral-oil based solvents, for example, increased environmental compatibility. Furthermore, customers saved energy through the use of adapted high-performance lubricants and the development of environmentally neutral substitution technologies to replace conventional environmentally-critical processes in chemical surface coating technologies.

Klüber Lubrication develops and manufactures new high-performance specialty lubricants for the baking, confectionery and snack industries. Specialty lubricants made to precisely match specific production conditions contribute decisively to production line process and energy efficiency.

The "Energy Efficiency" service concept, winner of the Freudenberg Innovation Award, measures the energy saving potential of industrial plant. It is based on methods to analyze energy consumption and on the use of high-tech lubricants from Klüber Lubrication which reduce friction between individual components compared with conventional oils, thus saving energy. Projects to date indicate that energy costs can be cut by some five percent.

Highly-efficient Viledon® air filters for the food industry not only reliably separate bacteria, spores and other harmful germs. These air filters also reduce electricity requirements by around 14.5 percent, thus lowering operating costs. Moreover, the filters have a longer service life than conventional filters.



EXAMPLES OF PROCESSES AND METHODS

The Freudenberg Performance Materials facility in Novedrate, Italy, processes several million PET bottles from all over Europe daily, turning them into plastic flakes. These flakes are the base material for various Freudenberg products, particularly household products and nonwovens. The integrated production cycle not only means that waste which would otherwise end up as landfill is recycled – it also brings a substantial 50 percent reduction in atmospheric carbon dioxide emissions. Using recycled polyester and polypropylene instead of virgin material also conserves natural resources and thus reduces the environmental impact.

If consumption peaks arise, for example during the simultaneous startup of several plants, utility companies need to use reserve supplies to compensate. Newly introduced by FST, an energy saving “traffic light” is preventing load peaks on six reheating furnaces. Yellow indicates that staff should wait before starting another furnace. The red light indicates that the last-started furnace should even be temporarily taken off-line. Only when green is showing is everything okay. A new feature of Simmerring manufacturing is the energy instructions attached to individual machines. Like the well-known operating, hazard and health instructions, they provide employees with specific rules of conduct and increase their awareness of energy consumption.

The use of recycled polyester and polypropylene instead of “virgin material” conserves natural resources and reduces environmental impact. Around 1,900 tons of recycled fibers and 2,200 tons of recycled plastics form the raw material for various products at FHCS each year. For example, the bristles for Vileda brooms have been produced worldwide using recycled polyester (PET) since 2004. In addition to the environmental benefits, they are more heat resistant than conventional PVC bristles.

Energy management

In terms of reducing the environmental impact of operations and increasing HSE policy orientation, the sustainable use of energy is the subject of many site projects and initiatives of the Business Groups. In many Business Groups, energy managers have initiated numerous improvements to existing systems, such as heaters, compressors, ventilation and steam utilities.

A growing number of Freudenberg sites are introducing energy management systems certified to DIN EN ISO 50001 to improve energy consumption. The Freudenberg Sealing Technologies and Freudenberg Performance Materials Business Groups established such management systems at their German production sites. In addition, energy audits pursuant to DIN EN 16247-1 were conducted at all relevant European sites to identify energy saving potential.

The Freudenberg Group uses energy from renewable resources, including solar energy. In Judenburg, Austria, EB operates a solar system for water treatment. At EB in Lakeside (California, USA), a roof-mounted solar system provides the plant’s entire electric energy needs. In EB India’s research and development center in Pune, 50 modern industrial LED light emitters have been installed, two wind turbines erected to generate electricity and a new service water system built.

Key environmental protection indicators

In 2015, Freudenberg consumed 1.6 million megawatt hours of energy (previous year: 1.6 million megawatt hours). The break-down by sources of energy is as follows:

- Outsourced energy supplies (power, steam and district heat generated outside Freudenberg; 1.05 million megawatt hours)
- Natural gas (0.52 million megawatt hours)
- Fuel oil (0.03 million megawatt hours)

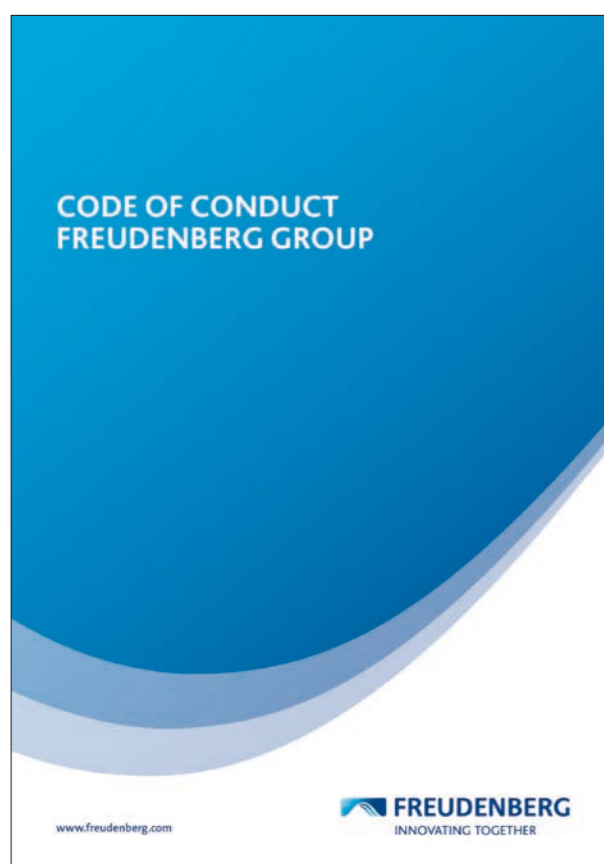
This energy consumption of 1.6 million megawatt hours translates into costs totaling approximately €110 million. Energy costs accounted for 1.7 percent of total sales (previous year: 2.1 percent).

The introduction of management systems relating to occupational health and safety (OHSAS 18001) and environmental protection (ISO 14001 or EMAS) continued in the 2015 financial year. Some 90 percent of the Freudenberg Group’s production facilities now operate an occupational health and safety management system pursuant to OHSAS 18001 and some 90 percent of production sites operate an environmental management system pursuant to ISO 14001 or EMAS.

Direct investments in environmental protection amounted to €2.7 million (previous year: €1.8 million). The share of direct investments in environmental protection, occupational health and safety in total investments in tangible assets, intangible assets and investment properties amounted to 4.9 percent (previous year: 5.1 percent).

V. ANTI-CORRUPTION

Principles and Guidelines



On the occasion of the entry of his sons into the family business, company founder Carl Johann Freudenberg first formulated the company's business principles in 1887. On this basis, the Freudenberg Group has developed ten business principles with which the shareholders and employees identify. One of these principles is that success must be based on performance. Freudenberg will have no dealings with businesses in which illegal or unethical means are employed.

From the Business Principles of the Freudenberg Group, Guiding Principles were additionally derived. These define the value basis for behavior towards employees, business partners, stakeholders and third parties. The Guiding

Principles clarify that, as a family business, Freudenberg sets high standards of personal behavior, fairness and integrity that together determine relationships both within the company and with business partners and the public. The Business Principles and Guiding Principles are brought to the attention of all new employees in Germany and abroad, and are also published on the Freudenberg website (in addition to the Guiding Principles, see also III. Human rights and labor standards).

Code of Conduct

Alongside the Business Principles and Guiding Principles is the Freudenberg Group's Code of Conduct. This is made available to employees worldwide in 26 languages. In the chapter "Anti-corruption, Gifts and Entertainment", the Code of Conduct makes clear that fraud, acceptance of advantages, bribery or any other form of corrupt business behavior is strictly prohibited at Freudenberg. Clear rules governing dealings with government officials have been laid down and secure guardrails set in place concerning the granting and acceptance of gifts and invitations.

Freudenberg Compliance Management Council

Compliance with laws, internal guidelines and Freudenberg-specific values (Guiding Principles, Business Principles, Code of Conduct) is given high priority at Freudenberg and is the subject of regular training. For this reason, the Freudenberg Compliance Management Council was set up in early 2015. Since then, this body has drawn up Group-wide guidelines and developed the Code of Conduct. The Compliance Management Council consists of nine members: three senior managers, three regional representatives and three Corporate Function heads. In addition, the head of the Group Function Process Audit regularly attends the meetings of the Compliance Management Council.

Furthermore, the Business Groups take the initiative in sensitizing their employees' perception of the relevant legal risks.

In addition, the Corporate Functions and the Freudenberg Regional Corporate Centers ensure that laws and regulations as well as internal rules are observed and complied with.

PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and bribery.

To that end, training events are held at regular intervals. Modern communication tools such as web-based training and e-learning tools are used to reach as many employees as possible.

Training and anti-corruption measures

Also in 2015, classroom training courses were held in Germany and abroad, in which employees received face-to-face training, including the use of case studies. In collaboration with the newly established Freudenberg Regional Corporate Center in India, employees of Indian companies were trained in workshops. In the course of this training activity, the Freudenberg Values and Principles were presented alongside national and international laws and requirements, in particular on the subject of invitations and gifts.

The eLearning tool on the subject of anti-corruption developed by Freudenberg was integrated into the Learning Management System (LMS) in 2015 and can now be allocated for targeted use with individual employees or groups of employees. Through the Group works council, a Group-wide agreement was reached on the use of eLearning initiatives. This makes it possible to check whether an individual employee has passed the final test.

Risk management und process audit

Anti-corruption measures and the review of their effectiveness continued to form part of the risk management strategy and the work of the Corporate Function Freudenberg Process Audit. The objective is to uncover corrupt practices in Germany and abroad, to review the effectiveness of the measures taken and, where necessary, to improve them.

VI. SOCIAL RESPONSIBILITY

Social responsibility is part of Freudenberg's DNA. Under the heading "Responsibility", the Group's values and principles state: "Our company and its family shareholders together are committed to protecting the environment and being responsible corporate citizens in all countries and communities in which we do business and to be seen as a good neighbor." This aspiration goes back to company founder Carl Johann Freudenberg and is now lived worldwide by the company's employees.



For Freudenberg social responsibility is more than the commitment that goes with direct entrepreneurial action: during the year under review the Group launched e², the new international program to strengthen social engagement. The objective is to give people access to education and work and to encourage environmental protection. The initiative supports a broad range of projects from small actions to major education programs in the direct neighborhood of Freudenberg sites. e² complements existing individual initiatives based on a catalog of specific criteria. Over the next five years, Freudenberg is making available funds totaling ten million euros. Here are two examples:

"The Greening of Detroit" aims to make the city a green and healthy center. Among other things, the initiative has turned unused land into vegetable beds. It has also organized excursions to farms for school children, during which they can see firsthand how food is grown and learn more about the importance of fresh produce.

FPM and Freudenberg IT (FIT) jointly launched the Communities in Schools (CiS) initiative, an e² project in Durham, North Carolina, USA. Each of the two companies operates a respective location. In Durham, more than 400 students drop out of school each year. 40 percent of them subsequently depend on social assistance while 30 percent of male dropouts end up in prison. FPM and FIT support vulnerable students, look after them and run various events. These include the "Freudenberg Opportunity Days", in which

students gain an insight into careers in IT, production and sales as well as getting to know FPM and FIT. In the schools themselves, FPM and FIT run "Technology Days" with the assistance of mobile tech labs, which give students hands-on learning experiences.

During the year under review, numerous projects to help refugees in Germany and Europe again demonstrated that Freudenberg offers support where aid is needed. Employees, retired former employees and Partners donated around €540,000. Freudenberg tripled that figure. In addition, the company is making one million euros available for integrating refugees over the coming four years and donating a further half a million euros to the Freudenberg Foundation for its refugee initiatives. The projects aim at integration through education, and focus in particular on children and teenagers, families with children, and older people. Furthermore, Freudenberg employees engage direct and indirect in helping the refugees, for example by organizing fundraising at their sites or by teaching German.

The Freudenberg Group has also joined the German Business "Wir Zusammen" ("We Together") integration initiative. This involves more than 30 companies in Germany making a public statement of solidarity with refugees. The aim is to make a long-term contribution to integrating refugees into society.

Aside from this commitment, many of the Group's companies, sites and employees again engaged in local projects in 2015 – from small initiatives to complex projects. All activities are tailored to meet local needs and usually involve the engagement of local Freudenberg employees. Furthermore, numerous internal assistance and support programs are available to employees.



The following two examples illustrate the long-term nature of the local projects: Freudenberg gives young people the opportunity to complete dual study courses to qualify as welders, plumbers, engine mechanics and machine fitters at a nonprofit training center in Nagapattinam in the Indian state of Tamil Nadu south of Chennai opened in 2009. So far, more than 400 young people have successfully set out on a career since the center was founded. The Nagapattinam region, with a population chiefly comprising low-income agricultural workers and fishermen, was very hard hit by the tsunami in 2004.

An elementary school was rebuilt with Freudenberg's help and opened in 2009 in Haijin, a village in Sichuan province, China, almost completely destroyed by an earthquake in May 2008. "Freudenberg Help", the association established specially for the elementary school project, is therefore continuing its assistance and supporting students in Haijin – both financially and personally – as their education progresses.



TANNER, Freudenberg's youth exchange program, offers employees' children worldwide the opportunity to encounter different cultures, to broaden their horizons and to learn for life. Over the past 16 years, more than 1,000 young people have traveled the globe with TANNER. In the process, the young participants, their parents and their host families have gained a stronger sense of belonging to the global Freudenberg community.

Since 1984, Freudenberg Foundation has been promoting long-term structural change and contributing to more inclusion, education and democracy with its programs. As a nonprofit limited company, the foundation is a shareholder of Freudenberg & Co. KG. All projects focus primarily on children and young people and their social, language, educational and vocational integration.

Through the "Wir tun was" ("We do something") initiative, Freudenberg supports targeted projects that deal with the issues of tolerance, charity and community spirit. The donation has been ring-fenced and projects will be funded with a maximum of 5,000 Euros each. Projects funded in 2015 include financial support for the social-pedagogic family aid work of the "Arbeiterwohlfahrt (AWO) Rhein-Neckar". In Weinheim and the surrounding area, this

organization provides social-psychiatric support for around 500 mentally ill people and their relatives.

EB in South Africa embraces its social responsibility and tries through very different projects to help the disadvantaged people of South Africa, a country with high unemployment, major economic and social differences and social development problems. The aim is to support less fortunate people of all ages through education and training wherever possible. All projects have the goal of helping the local authorities to create jobs and to offer better opportunities to people and businesses. The five largest projects are scholarships for young people from disadvantaged families, the training of artisans selected through a national training center, the promotion and support of two small companies, the financial support of a home for abused, abandoned children, and the increased procurement of goods from domestic enterprises.

To discuss new impulses in volunteering and other issues, meet like-minded people and develop ideas for new projects, around 90 participants from 30 volunteer initiatives and associations from across the region met at the Freudenberg Group in Weinheim, Germany, for the fourth network meeting. The Freudenberg Group set up



the meeting four years ago to expand the network of the region's many volunteers. The volunteers meet once a year during the week of civil commitment.

To mitigate the rapid progress of global warming, which is attributed to the increase in greenhouse gas emissions, it is necessary to capture the CO₂ produced. This can be done for example through the planting of trees. During the reporting year, EB continued the "6,000 colleagues = 6,000 trees" initiative from 2013. Colleagues from Freudenberg New Technologies in Weinheim, Germany, and Chem-Trend in Singapore and Bangkok, Thailand, planted some sensitive tree species and were informed about the impact of environmental changes on the planted trees. In this way, the Freudenberg Group is making an active contribution to climate protection.



Enactus, the world's largest student organization, focuses on social and ecological projects. The Freudenberg Group has been a committed Enactus partner for over ten years. In 2015, the team from the University of Mannheim again became the Enactus National Champion in Germany and reached the semi-final of the Enactus World Cup in Johannesburg. The winning team from the "city of squares" is mentored by Cornelius Bossers from Freudenberg Home and Cleaning Solutions. Freudenberg's engagement in Enactus is also being steadily intensified in China, for example through workshops with students at several Chinese universities.

Examples in 2015 included the second Service Day organized by Freudenberg in North America. Employees in more than 50 locations in Canada, the USA and Mexico spent time helping in educational institutions, local communities and agricultural businesses – bringing social responsibility to life in their neighborhoods in many ways.

Legal notice

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Höhnerweg 2–4
69469 Weinheim, Germany
Published by Corporate
Communications
A service for Corporate Health,
Safety, Security, Environment

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June 2016