

hansgrohe



Focus on Sustainability
Hansgrohe sets Standards

Contents

Foreword by the CEO _____	Page 03
Hansgrohe Group and Sustainability _____	Page 04
Brands and Sustainability _____	Page 14
Production and Supply Chain Management _____	Page 26
Staff and Social Commitment _____	Page 32
Figures & Facts _____	Page 40
Imprint _____	Page 44



Foreword

More than 30 years ago the Hansgrohe Group was one of the first companies in the sanitation industry to start developing products which use water and therefore energy more efficiently. With the appointment of an environmental officer at the end of the 1980s and the introduction of our environmental management system we were once again one of the pioneers in the sector and among German SMEs. As many as 20 years ago we were already focused on renewable energies. We have made our commitment transparent in our environmental reports and, since 2004, in the Hansgrohe Sustainability Report, the first such report to be produced by a German mixer and shower manufacturer.

To further integrate the principles of sustainable practices into our business processes, our next step was to formulate the Hansgrohe guiding principles for a "Sustainable Company" from which we derived strategic, measurable sustainability targets. We believe that a clear focus on sustainability is a basic requirement for remaining on course for long-term success and continuing to achieve profitable growth. In our business plan, we therefore set the target of Hansgrohe's continual development into a consistently sustainable company.

The Hansgrohe Group can look back on a long "green" company history: protection of the environment and resources, along with the commitment to maintaining employability, are integral parts of our corporate activities and our responsibility to society. The fact that we have already achieved a great deal in this area encourages us to become a bit better every day. For instance, with a new aerator for wash basin mixers, which has further reduced the water flow by around 30% since 2010 without any loss of comfort and limited it to five litres per minute.

This is just one example of our many sustainability activities. We cordially invite you to read this report and form your own views. In the process, we hope you will enjoy the many exciting insights into the world of Hansgrohe.



Siegfried Gänßlen
Chairman of the Management Board Hansgrohe AG

Hansgrohe Group and Sustainability

- The Hansgrohe Group
- Innovative strength as a basis for success
- The Hansgrohe Group's environmental commitment
- Sustainability in the management structure
- On the road to becoming a sustainable company
- Goals for sustainable business



The Hansgrohe Group

The Hansgrohe name stands for high-quality and design-oriented bathroom products and innovative sanitation technology. Based in Schiltach in the Black Forest, the internationally-oriented group operates in the following business areas with its Hansgrohe, Axor, Pharo and Pontos brands: mixers, showers, shower systems and plumbing technology, exclusive designer collections for individual bathroom solutions, along with intelligent water recycling and heat recovery.

With a staff of around 3,200 (2009: 3,100), the Hansgrohe Group achieved a turnover of 693 million euros in 2010 (2009: 610 million euros). The company has six German production plants plus further sites in France, the Netherlands, the USA and China. With production sites on three continents and subsidiaries in 37 countries, the Hansgrohe Group is one of the few global players in the sanitation sector.

Majority shareholders

Hansgrohe was founded in 1901 by the skilled clothier Hans Grohe (1871–1955) in Schiltach in the Black Forest. Since 1999 it has been an “Aktiengesellschaft” (public limited company) which is not listed on the stock exchange. The two majority shareholders are the Klaus Grohe family (32%) and the US Masco Corporation (68%) based in Taylor, Michigan.

Strategy

The Hansgrohe Group’s strategy pursues five key lines of development: in addition to the continuous development of its leading position in the fields of innovation and design, the company also focuses on the targeted expansion of its international market presence. In this respect, continuing development of the emerging-markets business model plays a central role. The corporate strategy also focuses on further improving product and service quality and developing a “Global Production Balance”, all with the aim of reliably supplying markets in more than 130 countries via the plants on three continents. Finally, we attach great importance to streamlining business processes so as to improve customer service. Ongoing development of the company organisation through systematic, international personnel development is equally as important for the Hansgrohe Group.

Continuous growth

The Hansgrohe Group is enjoying sustainable growth, with its 2010 balance sheet indicating that it had another good year – in spite of the aftermath of the global financial and economic crisis. Earnings before interest, taxes, depreciation and amortisation (EBITDA) were 154 million euros (2009: 140 million euros) and the EBITDA margin was 22.2% (2009: 22.9%). The company posted an annual net income of 94 million euros (2009: 82 million euros). Foreign business accounted for a 78% share of turnover (2009: 77%), with new products accounting for a 27% share.

Further information can be found in the Hansgrohe Group’s annual report “Facts & Figures 2010” at www.hansgrohe.com/annualreport.



Innovative strength as a basis for success

Since the company was founded in 1901, the Hansgrohe Group has continuously set standards with countless technical and design innovations. The mixer and shower specialist has also established itself as one of the pioneers and innovative leaders of the international sanitation sector through basic innovations in processes and manufacturing technologies. An openness to new concepts and a willingness to question existing ones are integral parts of the corporate culture.

The Hansgrohe Group has therefore never considered environmental protection and the assumption of social responsibility to be a burdensome obligation, but rather a driving force for innovations in product development and all corporate divisions as well as a factor for the improvement of efficiency and cost structures.

How will we live?

In many respects, sustainable business has always been familiar territory for the mixer and shower specialist. In keeping with the tradition of the company founder Hans Grohe, it is also part of the company's self-image to assume social responsibilities beyond the factory gates. This attitude is a common thread that runs throughout the company history, for instance with the early dedication to environmental protection or the wide-ranging commitment to society and staff.

At the same time, a consistent focus on sustainability targets gives rise to many questions when looking to the

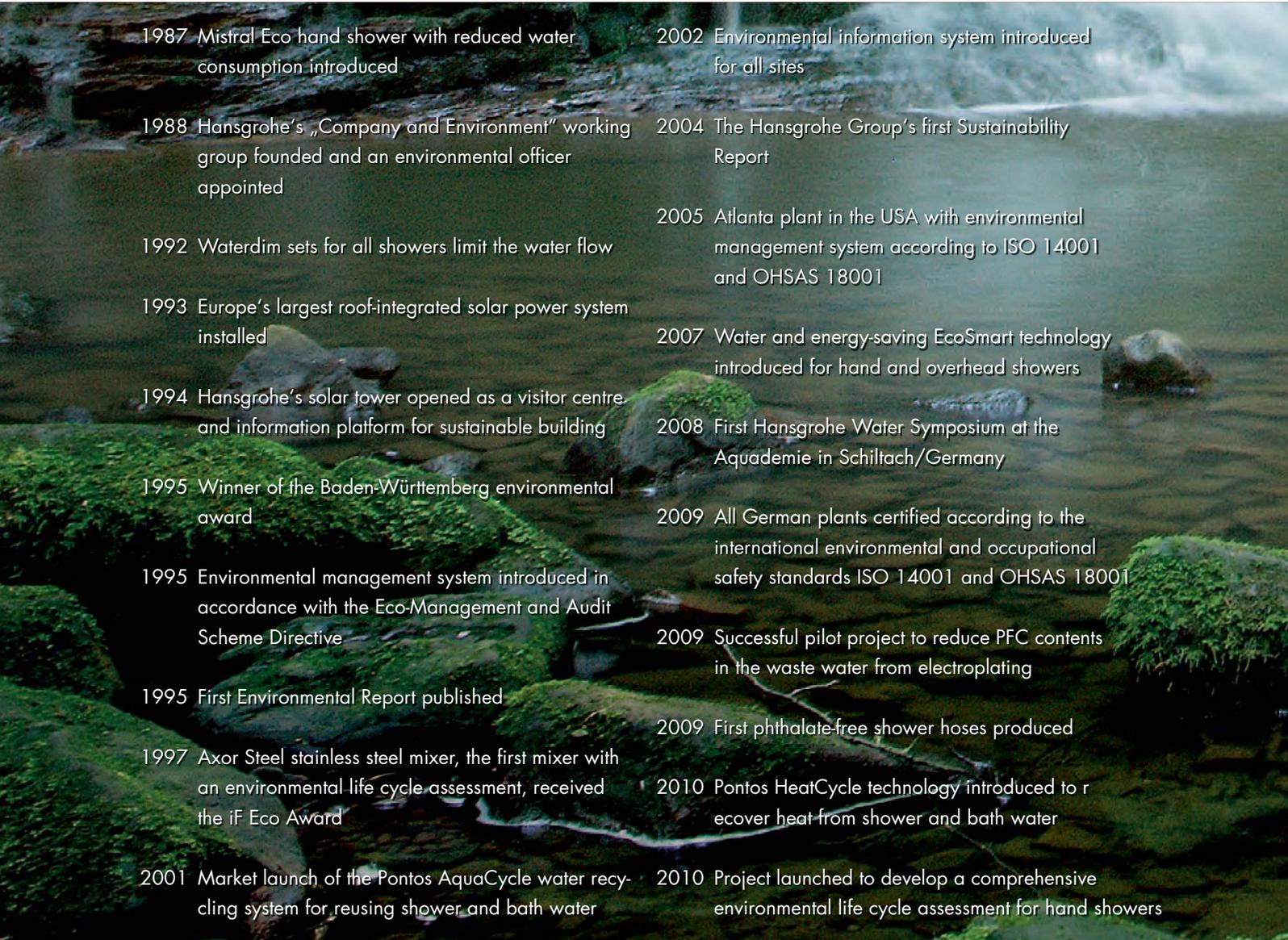
future and the Hansgrohe Group is working extremely hard to deal with these: how can we enable better and therefore more efficient use of water and energy in the bathroom so as to further reduce the CO₂ footprint without compromising comfort? How can we develop and manufacture products today in such a way that they do not represent a burden for the next generation? Which lifestyles are shaping our future and how can good design – rather than the aesthetics of deprivation – help us to live sustainable lives? How can we further optimise the environmental life cycle assessment of manufacturing and logistics processes? How can we maintain the employability of all our staff in spite of longer working times and further increase occupational safety?

To prepare itself for the future, the company started a systematic process in 2008 which entailed the review of all business models, along with products, technologies and processes. The declared aim is to firmly establish sustainable practices in all the Hansgrohe Group's business areas and thus strategically open up new opportunities.

The Hansgrohe Group decided on a step-by-step approach to becoming a sustainable company. This initially involves exceeding legally specified standards and designing the entire value chain in a sustainable way. Ultimately, the company also wants to create new business models and new markets by aligning the product range and investments with sustainability considerations.

The current sustainability report describes the relevant topics and challenges for the Hansgrohe Group on its way to becoming a sustainable company, using examples which are representative of the work it does. The reporting period is the 2009/2010 financial years.

The Hansgrohe Group's environmental commitment

- 
- 1987 Mistral Eco hand shower with reduced water consumption introduced
- 1988 Hansgrohe's „Company and Environment“ working group founded and an environmental officer appointed
- 1992 Waterdim sets for all showers limit the water flow
- 1993 Europe's largest roof-integrated solar power system installed
- 1994 Hansgrohe's solar tower opened as a visitor centre and information platform for sustainable building
- 1995 Winner of the Baden-Württemberg environmental award
- 1995 Environmental management system introduced in accordance with the Eco-Management and Audit Scheme Directive
- 1995 First Environmental Report published
- 1997 Axor Steel stainless steel mixer, the first mixer with an environmental life cycle assessment, received the iF Eco Award
- 2001 Market launch of the Pontos AquaCycle water recycling system for reusing shower and bath water
- 2002 Environmental information system introduced for all sites
- 2004 The Hansgrohe Group's first Sustainability Report
- 2005 Atlanta plant in the USA with environmental management system according to ISO 14001 and OHSAS 18001
- 2007 Water and energy-saving EcoSmart technology introduced for hand and overhead showers
- 2008 First Hansgrohe Water Symposium at the Aquädemie in Schiltach/Germany
- 2009 All German plants certified according to the international environmental and occupational safety standards ISO 14001 and OHSAS 18001
- 2009 Successful pilot project to reduce PFC contents in the waste water from electroplating
- 2009 First phthalate-free shower hoses produced
- 2010 Pontos HeatCycle technology introduced to recover heat from shower and bath water
- 2010 Project launched to develop a comprehensive environmental life cycle assessment for hand showers

In 2009, the Financial Times portrayed you as one of the green pioneers amongst companies in Germany. How did you make Hansgrohe a green company?

We have been intensively dealing with the element of water on a daily basis for decades. This has given us a real passion for this elixir which gurgles and bubbles in every nook and cranny around us here in the Black Forest. We regard water as more than just a consumer item; it is an element that retains its great air of mystery and that continually sets us challenges, for instance in terms of Hansgrohe's spray research. This fascination that we at Hansgrohe have for water has also led to us feeling and assuming a special responsibility for managing this resource and nature in general, and for really going about it in a practical way.

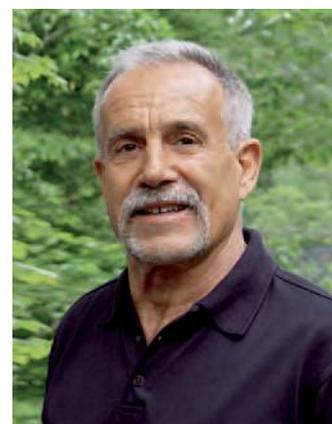
For Hansgrohe, does environmental protection mainly mean saving water?

The responsible use of the key elements of our lives, which include water, is a very important aspect of ecology. However, we are not aiming at any idea of romantic deprivation; we want to allow people to lead a sustainable lifestyle that is oriented towards all of life's joyful and positive elements. Only products with features like these will be successful in the future.

What is your longer-term perspective?

Technologies that improve water and energy efficiency are of key importance for the Hansgrohe Group, but our understanding of sustainable practices goes beyond this. Society is changing; just think of the major topics of climate protection and finite resources. All over the world the requirements for industrial companies are being redefined. This opens up opportunities for us as we are already well on the way to becoming a sustainable company.

Today, we already exceed many standards in terms of corporate environmental protection, occupational health safety and, of course, our products. We want to build on this – not only internally, but also all along the entire value chain. Developing sustainable products and processes has long been a concern of ours and ultimately consistently leads us to look at new business models. Intensive discussions about sustainable practices open up refreshing new prospects for Hansgrohe. You'll be surprised!



Klaus Grohe, Chairman of the Supervisory Board

Sustainability in the management structure

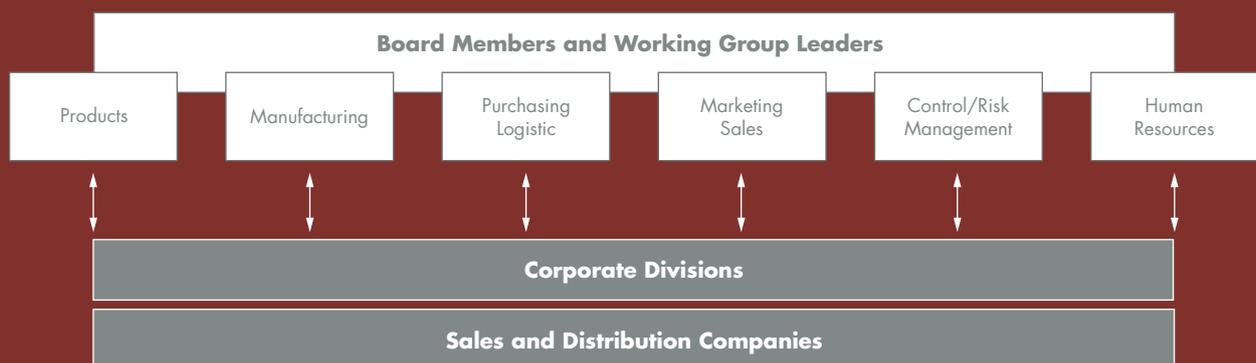
The Hansgrohe Group's globally applicable guiding principles are based on an organisational structure with clearly defined responsibilities and an integrated management system. The CEO bears overall responsibility for the Hansgrohe Group's sustainability policy. A „Sustainable Company“ steering committee which he leads controls the Group's sustainability activities on a national scale. The integration of international activities is planned as the next step.

The steering committee is composed of all the board members plus spokespeople from six topic-based working groups which prepare all the technical issues and come to a decision about them.

The six working groups provide advisory support for the steering committee, research sustainability topics, develop project proposals, carry out feasibility studies and form an important platform for communication with the corporate divisions and subsidiaries of the Hansgrohe Group.

The working groups use and pool the broad expertise from all the company's departments and take advantage of its networking in pursuit of common targets. This is of key importance for the achievement of environmental and climate protection targets over the life cycle of a product and beyond for finding substitute materials for production processes or for the targeted involvement of staff in sustainability projects.

„Sustainable Company“ Steering Committee



A clear organisational structure ensures that sustainability topics are integrated into all of the company's business processes.

On the road to becoming a sustainable company

In 2008 and 2009, the Hansgrohe Group fundamentally redefined its understanding of the topic of sustainability. This included gaining a clearer understanding of customers' and society's requirements regarding sustainability in the international markets and giving a decisive impetus to future product developments.

One result of this development was the foundation of the "Sustainable Company" steering committee which, solely on the basis of its involvement of all board members, makes the company's high level of commitment to the topic extremely evident. This steering committee provided the organisational framework for embedding sustainable practices in the Hansgrohe Group's business processes.

Staff from all divisions of the company developed the key sustainability topics at Hansgrohe, carried out strengths/weaknesses analyses and identified opportunities and risks for future development. The networking of the various competences in the context of a common issue enabled guiding principles and guidelines for sustainable corporate activities to be jointly established, along with clear, strategic and measurable goals.

Since 2009, these goals have been incorporated into both strategy development and the business plan, but they also form the basis for building sustainability control gates into business processes, for example for the development of new products. The key indicators, predominantly developed for the individual manufacturing divisions in

cooperation with Controlling since 2010, mark the first step in providing the necessary transparency and supply of information. These are required for both updating and successfully implementing the sustainability policy. On this basis, sustainable business is not only becoming more understandable and measurable at the Hansgrohe Group, but the company can also assess opportunities and risks faster and more efficiently.

Integrated management system

This sustainability management is part of the Hansgrohe Group's integrated management system. It combines the tasks of environmental and quality management, along with occupational safety under one roof. The integrated management system is directly linked to the "Sustainable Company" steering committee via the working groups.

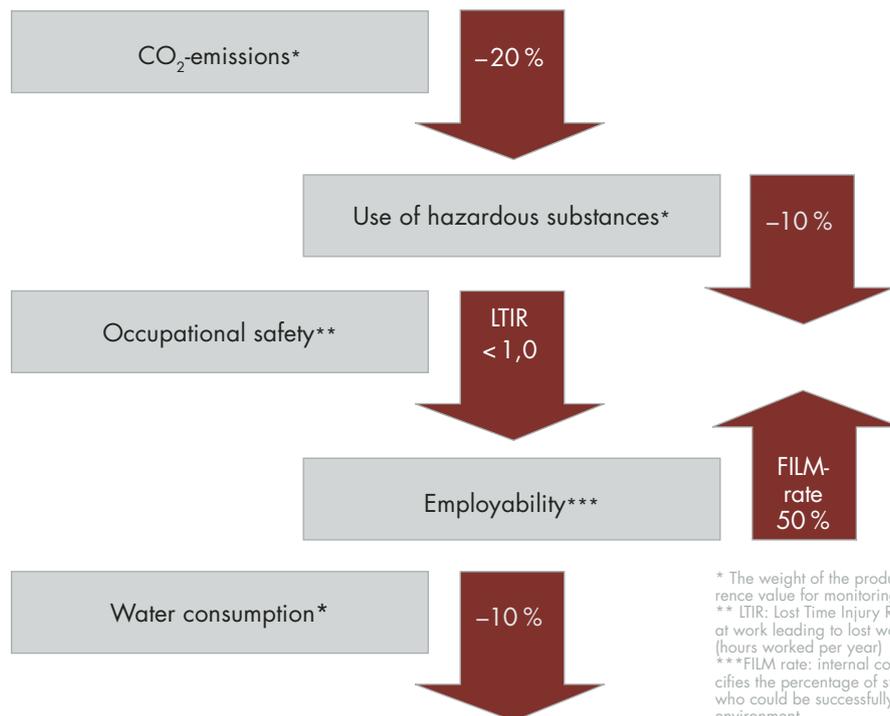


A steering committee controls the Hansgrohe Group's sustainability activities.

Goals for sustainable business

The principles for the company to move further along the road to sustainability were developed in 2009 in the context of the „Sustainable Company“ steering committee and laid down in writing in the 2010–2014 business plan. Among the goals the Hansgrohe Group wants to achieve by 2014 are a 20% reduction of the company’s direct CO₂ emissions, a 10% reduction in the use of hazardous substances, and a reduction in the number of accidents at work leading to lost work time, until the lost time injury rate is 1.0 or lower. Furthermore, within five years water consumption

– by products and in manufacturing – should be reduced by 10%. Improving the employability of the workforce also remains a constant target. With these targets, which play an important role in achieving the Masco Corporation’s sustainability targets, Hansgrohe takes on board current social discussions and implements them inside the factory gates in a concrete way – with many positive effects. For instance, lower quantities of hazardous substances reduce the amount of special waste, thus improving occupational safety.



The Hansgrohe Group's sustainability targets

Products

- To develop environmental life cycle assessments for products
- To reduce CO₂ emissions which arise during the product's use by lowering water consumption
- To further develop easy-to-clean surfaces
- To reduce the use of hazardous substances
- To encourage the use of environmentally friendly packaging

Production

- To lower energy needs
- To reduce waste generation
- To reduce the use of hazardous substances
- To further lower the number of accidents at work

Supply chain management

- To evaluate and select suppliers in terms of sustainability issues
- To reduce the environmental impact of logistics

Sales and marketing

- To develop a radar system to monitor the market for sustainability topics
- To deepen and communicate the life cycle analysis of products
- To provide customer training programmes on sustainability topics

Human resources

- To improve employability and training capabilities
- To further develop strategies and measures to cushion the consequences of demographic change
- To reintegrate more staff with impaired abilities into the work environment



Brands and Sustainability

- Monitoring markets and setting trends
- Focus: green building as a megatrend
- Saving water and energy without loss of comfort
- Focus: milestone for town planning all over the world
- Assuming product responsibility



Monitoring markets and setting trends

In the reporting period, the Hansgrohe Group carried out a much more detailed analysis than before of the demands made of sanitation products on the international market from a sustainability perspective. In the light of the huge variety of country and customer specific specifications and needs, the creation of an “early warning system” for sustainability topics assumed major importance in the Group’s markets. This ensures that the mixer and shower specialist is continuously and promptly informed about the requirements of lawmakers, customer groups and non-governmental organisations. This means that product-related trends can be recognised in time and incorporated into strategy development in a forward-thinking process.

Climate protection

Climate protection is one of the social requirements which is growing in importance on most markets. The Hansgrohe Group provides a wide range of products with water saving functions to meet increasing customer needs in this area. These can reduce energy consumption and CO₂ emissions in two ways: first, reduced hot water consumption means that less energy is needed for showering and washing; second, energy needs for supplying, transporting and distributing drinking water are reduced. Every brand has an opportunity to exercise its influence: Hansgrohe, Axor and Pharo offer water saving mixers and showers, while Pontos

provides water recycling systems. As every product has a very long service life, CO₂ savings clearly mount up.

Developing leadership in this field

In 2009 and 2010, the company again expanded the range of EcoSmart products which use water efficiently. In addition, the substantive connection between saving water and climate protection should be communicated to customers more powerfully in the future. This also applies to other aspects of sustainable business. Here, the Hansgrohe Group wants to expand the leadership in this field in the important international markets and continue to set trends. A further goal in this context is to offer a better and quicker response to international customer requests relating to sustainability topics. In 2010, the management of internal and external requests was optimised through the creation of an information database.

When improving products from an environmental perspective, it is of key importance to take their whole life cycle into account. To analyse this in greater depth, Hansgrohe AG was the first company in the sanitation sector to start developing a comprehensive environmental life cycle assessment for hand showers in 2010. This is used to optimise products and provides the markets with detailed information about the ecological footprint of showers.

Water efficiency is energy efficiency

The Hansgrohe Group’s brands

Hansgrohe _____ Innovative premium mixers and showers

Axor _____ Exclusive designer collections for individual bathroom design solutions

Pharo _____ Well-being and shower systems

Pontos _____ Grey water recycling and heat recovery systems



Richard Grohe, Deputy Chairman

What were the Hansgrohe Group's priorities in the reporting period in terms of sustainable development?

Our activities focused on implementing the topic of sustainability in the operational business. This involved expanding our organisational structure to include the "Sustainable Company" steering committee and developing an

integrated management system for the environment, occupational safety and quality management throughout the Group.

What exactly have you set yourselves as a target?

At the top of our agenda is climate protection. In this regard, we have set ourselves the ambitious target of a 20% reduction of our CO₂ emissions by 2014. We have also brought out new, innovative products, which set standards in terms of resource conservation and environmental protection. Sustainability is an important source of inspiration for us, especially with a view to sustainable future developments.

How exactly are you going about this?

For instance, we are replacing phthalate-containing plasticizers in shower hoses with environmentally-friendly substances. This is no easy task for product development and production, but it is rewarding because we hope that it will also give us a market advantage. Another example is

that we have been specifically preparing for demographic change for several years and using a targeted approach to tackle issues such as employability.

What appeals to you most about this development?

What truly excites me about our process towards becoming a "Green Company" are the many ideas we get from employees. We get proposals for optimising both energy-saving aspects in the workplace and new products.

What are the plans for the future?

We want to further develop our leadership on the topic of the sustainable use of water through a wide range of initiatives. The fact that the Hansgrohe Group is involved in the "Masdar City" project, which is a flagship project in terms of resource conservation and climate protection, shows that we are right at the forefront when it comes to water and energy

efficiency. However, for us this also represents an obligation to prepare further innovations.

The areas of occupational safety and employability will also be important

focal points of our commitment. Moreover, we would like to inform our customers more effectively about the added value that comes from combining quality and responsibility. Our attention will also be focused on further improving transparency throughout our entire supply and value chains.

"Sustainability is an important source of inspiration for us in product development"

The Hansgrohe Group's mission statement

"All over the world, we set standards for environmental and health protection as well as through the safety and quality of our products and services and the use of water and other valuable resources. This enables us to sustainably ensure our company's success and assume our social responsibility."



Green building as a megatrend

Worldwide, buildings are responsible for more than a third of the consumption of resources and generation of waste. The same order of magnitude also applies to energy needs and CO₂ emissions. In the long term a huge savings potential is evident here in terms of resource conservation and climate protection, which the construction and real estate industry can only tap into in cooperation with all those involved.

Groundwork

This is why Hansgrohe AG is a founder member of the German Sustainable Building Council (DGNB), amongst other things. This intensive network of architects, specialist engineers, investors, project developers and many others in the construction value chain leads to a fruitful exchange on the future of construction. This involves an evaluation of social and technical developments on international markets, new ways of looking at old issues and, above all, targeted innovations, all under the auspices of sustainability.

Comprehensive quality concept

A key focus of the DGNB's work is the development of a certification system for sustainable buildings. The DGNB certificate now acts as an internationally recognised guide for the construction and real estate industry – with regard to both evaluating and planning sustainable buildings. The Hansgrohe Group considers providing its expertise in this area and contributing to the ongoing development of sustainable construction to be an important task.

This is because there is a comprehensive quality concept at the heart of sustainable architecture: sustainable buildings stand for economic efficiency and long-term value retention, they are environmentally friendly, save resources, are comfortable and healthy for their users and can be optimally integrated into their socio-cultural environment.

Good design

Against this background, the products used have to make a specific contribution to the overall quality of the building. The Hansgrohe Group believes that design is a key feature of quality – along with the technical performance, functional comfort, high energy efficiency and small environmental footprint of their products. Good design has a timeless quality. It contributes to the durability of products – an important aspect of sustainability.

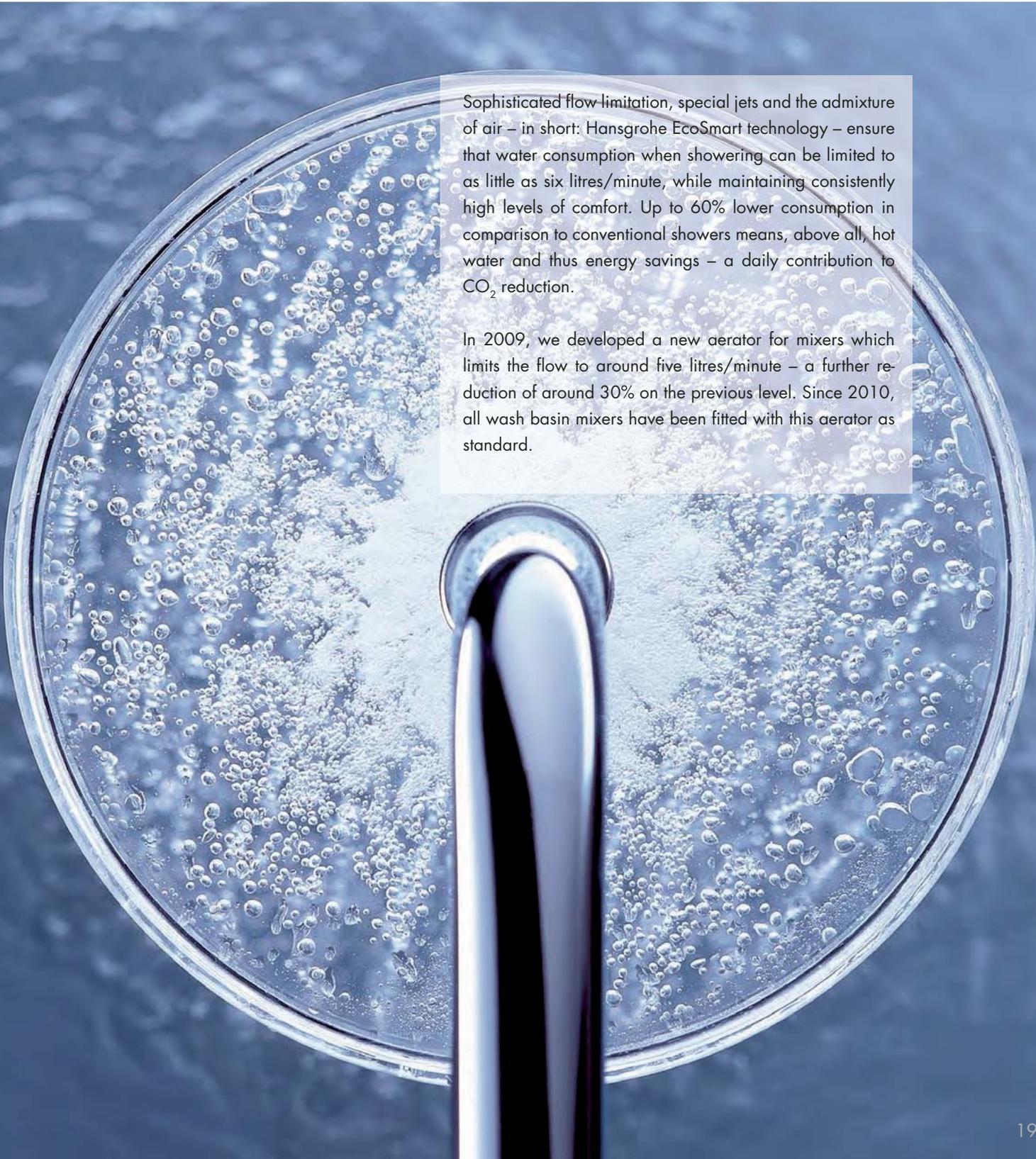


DGNB[®]

Deutsche Gesellschaft für Nachhaltiges Bauen e.V.
German Sustainable Building Council

The Hansgrohe Group is closely associated with the element of water. It sees it as its duty to raise public awareness of the sustainable use of this precious resource.

It is all in the detail



Sophisticated flow limitation, special jets and the admixture of air – in short: Hansgrohe EcoSmart technology – ensure that water consumption when showering can be limited to as little as six litres/minute, while maintaining consistently high levels of comfort. Up to 60% lower consumption in comparison to conventional showers means, above all, hot water and thus energy savings – a daily contribution to CO₂ reduction.

In 2009, we developed a new aerator for mixers which limits the flow to around five litres/minute – a further reduction of around 30% on the previous level. Since 2010, all wash basin mixers have been fitted with this aerator as standard.

Saving water and energy without loss of comfort

There are a wide variety of reasons for the increasing demand for technologies which save water and therefore energy. They range from value decisions in the context of sustainability policies within companies to the purely economic motives of keeping the costs of a building as low as possible over many years. In all events, both the environment and society gain significant benefits from technologies which provide better water efficiency.

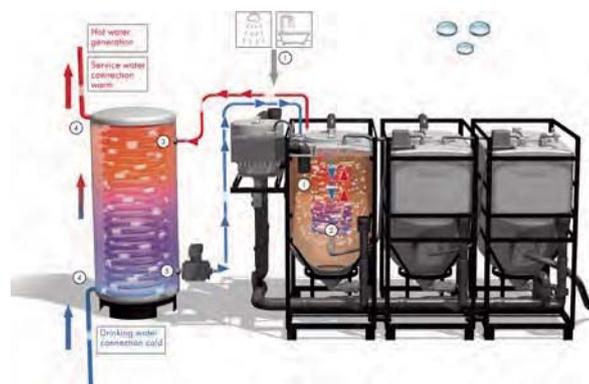
The Scarlet Hotel in Cornwall, Great Britain is a striking example. The newly built five star hotel with luxuriously finished rooms and spa areas is particularly clear proof that saving water and energy does not have to be at the expense of comfort and well-being. The guest bedrooms and spa are fitted with water-saving products from the Axor designer brand. In addition, the hotel relies on Pontos AquaCycle water recycling technology.

The system installed in the luxury eco-hotel captures the shower and bath water from the guest bedrooms and converts it into hygienically clean process water via a biomechanical process.

This means that it can be reused, for example for flushing toilets and cleaning buildings. Shower water builds up on an ongoing basis in hotels, therefore the consistent supply of process water irrespective of the weather conditions is guaranteed. The quality of the water provided complies with the EU Bathing Water Directive.

The company further developed this water recycling technology, which has won a number of awards, in a pilot project sponsored by the Badenova Foundation. The next step in terms of innovation was the combination

of water recycling and heat recovery. A pilot system in a Freiburg student residence for instance saves around 660,000 litres of drinking water every year. In addition, the system extracts so much heat energy from the waste water that freshwater at 9°C is heated up to 20 to 25°C, giving rise to an annual energy saving of around 11,000 kilowatt hours. The new system technology has been available on the market since 2010 – a further example of how sustainability promotes innovations in the Hansgrohe Group.



Conserve resources with Pontos HeatCycle

The five star Scarlet Hotel in Cornwall: well-being, the highest levels of comfort and water efficiency in perfect harmony.



Milestone for town planning all over the world

A groundbreaking eco-city is currently being built in Abu Dhabi: Masdar City. Upon completion, it will offer all the conveniences of a city but without emitting any carbon dioxide or generating any waste. The 22 billion US dollar project is being planned by the British firm of architects, Foster and Partners. The Hansgrohe Group is also involved in this trendsetting project through water and energy-saving products.

The United Arab Emirates is located in one of the driest parts of the world – the average rainfall is only 30 mm per year – and the region is dependent on energy-intensive seawater desalination. The reduction of water consumption by means of water recycling, water saving installations and rainwater management technologies are therefore all important aspects of the sustainability strategy in Masdar City.

Masdar City plans to recycle the majority of its waste water and to supply the city with clean, processed water for

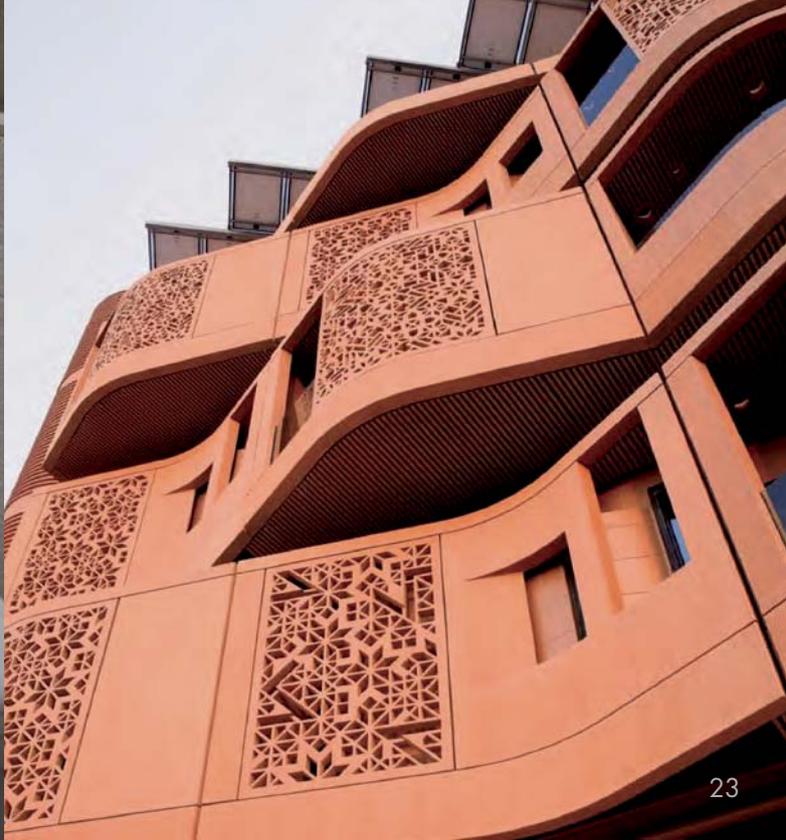
toilet flushing, district cooling and irrigation. The city has highly efficient water supply installations and a sophisticated network of water meters, which enable careful water management both in households and with suppliers. In addition, Masdar City is currently exploring technologies to use water even more efficiently, for instance with seawater desalination, district cooling and the irrigation of dry areas. These approaches will lead to significant water and energy savings in the city. The goal is to reduce water consumption in Abu Dhabi from today's level of 325 litres/person/day to 105 litres/person/day.

Masdar City is a large-scale experiment in how to build ecological cities with integrated technologies in a way that makes good economic sense. The Hansgrohe Group's many years of experience with technologies for the sustainable use of water make it a very highly valued partner in this project.

Improving water efficiency is an important aspect of Masdar City's sustainability strategy.

In the reporting period, the Hansgrohe Group supplied products from its Hansgrohe brand for the new flagship project Masdar City. The company's involvement in this trendsetting project underlines its pioneering ecological role.

Pictures on page 23: left and bottom right: Masdar Institute of Science and Technology, top right: proposed master plan of Masdar City.



Assuming product responsibility

A key element of developing sustainable products is detailed knowledge of materials and production processes against the background of their environmental impacts. The Hansgrohe Group therefore invests heavily in research into new materials and manufacturing procedures and determines the ecological footprint of its products through environmental life cycle assessment. The aim is to harmonise the diverse requirements of customers, issues of technical feasibility and responsibility for mankind and the environment.

World's first environmental life cycle assessment for hand showers

In 2010, the Hansgrohe Group was the world's first manufacturer to develop an environmental life cycle assessment for hand showers as the basis of an "Environmental Product Declaration" (EPD). This provides information on all relevant environmental topics for hand showers in the Croma 100 and Crometta 85 product ranges. Every part of the life cycle was covered: raw material extraction and energy generation, the hand shower production, use and final disposal, including all the required transportation. A precise picture gradually emerged as to the extent to which the products influence the greenhouse effect or primary energy needs from renewable and non-renewable resources, for example. The Hansgrohe Group uses this detailed data to improve its products and manufacturing processes and develop proposals for new product concepts.

From 2011, it has also been making the information available to people such as planners and building owners who want to optimise their projects in terms of sustainable construction.

Responding to market requirements

Product requirements on international markets differ in many aspects, including with regard to environmental protection. For example, individual US states such as California stipulate that brass mixers on the market must contain hardly any lead additives. An addition of a small amount of lead is a traditional practice in mixer manufacturing as this allows the brittle brass material to be suitably worked. In the 2009 financial year, the Hansgrohe Group introduced a substitute material for all mixers on the North American continent; approval has also been applied for in Europe. Although the importance of brass containing lead for manufacturing mixers is evaluated differently in Germany, the Hansgrohe Group has already been pursuing the question of possible lead leaching in drinking water for some time and has therefore optimised the chrome plating process for mixers within the company. In the course of the manufacturing process the cast brass moulding blanks pass through a large number of different baths over a long period of time. During this process, the lead is thoroughly washed out and precipitated from the parts of the brass mixer through which water passes, so that the waste water remains unpolluted.

WELL Upgrade Volume
Water Efficiency Label

Manufacturer: **Hansgrohe AG**
Product category: **Accessories shower valve**
Type: **Shower head**
Model: **Hansgrohe Crometta 85**
Registration number: **ZD10080-20110303**

A

B

A**

Water Efficiency Criteria

Flow rate > 9,0 l/min ≤ 12,0 l/min *

Controlled flow rate ≥ 4,5 l/min ≤ 9,0 l/min **

*

**

Information about use and installation: www.well-online.eu.
A Label of EUnited Valves
European Valve Manufacturers Association

Award for outstanding water and energy efficiency: the first four Hansgrohe Group products already bear the WELL label of the European Valve Manufacturers Association, EUnited Valves.

Production and Supply Chain Management

- Key to quality and environmental protection
- Involving suppliers
- Focus: innovations in surface technologies



Key to quality and environmental protection

Manufacturing processes which are not only efficient but also ensure high product quality are a decisive factor in the growth of the Hansgrohe Group. Experience shows that quality, economic and ecological requirements often go hand in hand in production. The company therefore systematically analyses its processes from a sustainability perspective to drive innovation. Lowering energy and resource needs and reducing waste generation and the use of hazardous substances are therefore key corporate targets.

Optimising processes

Surface technologies which typically require a high use of energy and chemicals provide a good insight into this area. In 2010, the Hansgrohe Group was again able to significantly reduce the use of hazardous substances in the production process thanks to the ongoing development of its expertise and systems engineering. For instance, a procedure for the direct metallisation of plastic parts reduced the use of nitric acid and nickel in production by around 30%. A positive side-effect of the new process: the quantity of hazardous production waste, which is complicated to dispose of, is also falling by 235 tonnes per year.

Reducing the use of chemicals

With a view to a 10% reduction in the use of hazardous substances by 2014, the Hansgrohe Group thoroughly

revised its chemicals management in 2010. All chemicals used were reclassified and reassessed with respect to their possible health and environmental risks. This mainly involved greases, cleaning agents, paints and varnishes, along with chemicals for the chrome plating systems and laboratory activities. On this basis, product developers, production specialists and purchasers are continually researching materials and manufacturing processes which are more compatible with people and the environment.

Promoting climate protection

The strategic sustainability goals of the Hansgrohe Group target a 20% reduction in the company's CO₂ emissions by 2014 in comparison to the reference year of 2010. As a large proportion of energy consumption – and thus CO₂ emissions – is down to building engineering on almost all sites, this also underwent continual optimisation during the reporting period. The development of a new energy concept for the mixer plant in Schiltach and the optimisation of internal technical systems at several sites are among the measures implemented. The use of reflectors for lighting and the replacement of the cooling system in the shower plant are also part of this, as are the reduced timing of boilers and an extension of central building control systems. In the Schiltach plant alone, the optimised energy concept will ensure a saving of around 1,000 tonnes of CO₂ per year.

In 2010, the use of new electroplating technologies at the Offenburg site gave rise to an annual saving of more than half a million litres of water and 235 tonnes of hazardous production waste, which is complicated to dispose of.

The Hansgrohe Group has set itself wide-ranging targets in terms of sustainable practices. What is involved in achieving these targets?

Marc Griggel: The most important things are the consistent ongoing development of our organisational structure and the creative freedom which is typical of Hansgrohe. By combining these two driving forces we can achieve our ambitious targets.

Can you illustrate this with an example?

Marc Griggel: Let's take our target of a 10% reduction in the use of hazardous substances by 2014. We currently use over 1,000 chemicals across the entire Group. On the organisational side, this means putting ordering procedures on a new footing in many areas of the business and in principle embedding a further aspect of quality assurance. At first that sounds quite simple and rather like an administrative decision..

... but?

Marc Griggel: If, for example, one material is to be replaced by another, it must be ensured that the new one is harmless to people and the environment. Otherwise there is no point in the replacement. At the same time, the question arises as to whether the manufacturing process can operate with the same level of quality when using the new material and deliver the same product quality without causing any price increases. Otherwise the product will be rejected by the market. Just as with an orchestra, every material in the manufacturing process has a specific role. It is often absolutely impossible to change a material without re-jigging the entire manufacturing process.

Frank Semling: If it has not already done so, this is where creativity comes into play. Questions of sustainability mean we look at our products in new ways and get lots of proposals, for instance about what future products might look like. This requires radical rethinking time and again. Being open to this ties in with our corporate culture and has always been one of the strengths of the Hansgrohe Group.

How do you come full circle to achieve organisational development?

Frank Semling: Individual ideas on how products and production processes can be designed in a more sustainable way are great, but they only become really effective in the context of a well set-up organisation. It is not just visions and guiding principles which are key to this, but also a clear business plan for the company with concrete implementation guidelines. The relevant areas of sustainability must be embedded throughout the company, down to the last detail, for instance in the form of guidelines for environmentally-friendly procurement or with plant-specific work instructions for the use of chemicals, so as to stay with the aforementioned example. Everything has to mesh together, then things can really get moving.



Marc Griggel and Frank Semling,
deputy members of the Hansgrohe AG
Management Board

Involving suppliers

We can only succeed in making real progress – for example with the company’s climate protection targets – if supply chain management is an integrated part of the sustainability strategy. This means that involving suppliers is a priority activity. In cooperation with its largest shareholder, the Masco Corporation, the Hansgrohe Group has been auditing and evaluating all Asian suppliers since 2009 both from environmental perspectives and with a view to occupational safety and business ethics. Following on from this in 2010, the most important suppliers on other continents were also evaluated by means of questionnaires and guiding principles for sustainability were developed for suppliers.

The next step is for the Hansgrohe Group to work with its business partners to develop an action programme for the progressive improvement of their environmental performance. The aim of this process is to audit all main suppliers according to sustainability criteria by 2012.

Optimising logistics

A further building block towards achieving the Hansgrohe Group’s ambitious climate protection targets is the optimisation of CO₂ emissions for freight transport in relation to the products. In retrospect, it is clear that CO₂ emissions from freight transport have increased by a good 27% over the last ten years. This increase must be seen against the

background of the company’s intensive growth and the increasing globalisation of the business. In order to reduce this pressure in spite of the Hansgrohe Group’s continuously increasing levels of output, the company analysed the CO₂ emissions of its incoming and outgoing freight transport in the reference year of 2010.

Detailed information was recorded on the weight of all transported products as well as on the weight of all packaging, pallets and other transport resources.

From an estimate of the distances travelled, the types of vehicles used, the degree of utilisation of the vehicles and a breakdown of sea, air and land transport, an accurate picture emerged of both the current situation and the options for influencing the reduction of CO₂ emissions. On this basis, the company has developed a strategy for reducing emissions and has already implemented the first measures successfully.



Initial measures: by introducing “milk runs”, which involve grouping together deliveries according to needs and collectively transporting them to the Hansgrohe customer, and optimising the goods traffic between the German plants, the annual CO₂ emissions should fall by around 58 tonnes.

Innovations in surface technologies

FOCUS



On visiting the company in May 2009, Tanja Gönner, then Baden-Württemberg's Minister for the Environment, found that the Hansgrohe Group was setting an example in terms of environmental protection. The Minister was particularly interested in a new procedure for reducing perfluorooctyl-sulfonate (PFOS) levels in waste water from electroplating systems, which the Hansgrohe Group developed within the scope of a pilot project sponsored by the State Ministry for the Environment. The company succeeded in reducing the PFOS content of the waste water by more than 90% through the use of a two-phase activated carbon filter system.

Pilot project for environmental protection sponsored by Baden-Württemberg

According to the Ministry, this solution, which won the "UMSICHT" science award for 2011, can be seen as a role model for other operators of electroplating systems. They can make direct use of the knowledge acquired with the Hansgrohe Group, and thus contribute to environmental protection and water pollution control (www.um.baden-wuerttemberg.de), especially as the company also developed a process for the rapid analysis of the PFOS content of waste water in 2009.

Successful cooperation led to a second round of sponsorship by the State Ministry for the Environment in 2010. On the basis of the knowledge obtained in the pilot project, the company developed a new electrochemical process which further reduces PFOS content. As it can be automated and is therefore more cost effective, it has the potential to provide a solution for the whole electroplating operations sector. The company has made all the results of this sponsored project available to the public.



High-tech "Made in Germany": Hansgrohe Chairman Siegfried Gänßlen (right) and Executive Board Member Otto Schinle explained the company's activities in the field of environmental and resource protection to Tanja Gönner, the Baden-Württemberg Minister for the Environment who was in office in 2009.

Staff and Social Commitment

- Basis for sustainable development
- Focus: employability
- Occupational safety
- Social commitment



Basis for sustainable development

The qualifications and performance of its staff are of key significance for the success of the Hansgrohe Group. The company nurtures and develops its staff through comprehensive programmes and thus creates the foundation for sustainable development.

Staff health and safety are the top priority in terms of the company's values. A wide range of measures, which continuously improve occupational health and safety and maintain staff employability over the long term, take this requirement into account in practice. In the 2010 financial year, more than 3,200 staff were employed all over the world at ten production sites and in branches in 37 countries – with around two thirds of them based in Germany. Against the background of demographic development in Europe and increasing competition all over the world for qualified staff, approaching and developing young talent in a targeted way is of the utmost importance.

Training

The Hansgrohe Group closely cooperates with schools and further education institutions and regularly holds events such as educational fairs and vocational information days. Twenty-three different trades and courses of study are offered within the company. Not least due to its broad range

of supplementary development opportunities for young talents – including project work, language training programmes, assignments abroad and courses in the company's own health management – the Hansgrohe Group is considered to be a top destination for trainees and students.

At the start of the academic year on 1 September 2010, there were 130 trainees in all. The training quota was 6.6%, placing it above the national average in Germany for the metalworking industry. As a company which is strong in the field of innovation and has a large vertical range of manufacture, the Hansgrohe Group sees the practical training of its skilled employees as an investment in its future.

Personnel development

The targeted and continuous vocational training of its staff plays a major role in the Hansgrohe Group's personnel development strategy. In 2007, the company initiated an International Talent Programme. In 2008, a corresponding junior talent development programme was started in Germany and in 2010 a further qualification programme was launched for the managing directors of Hansgrohe's international subsidiaries. A total of 2,900 working days were spent on training at our German sites.

Employability



FOCUS

The demands on employees are becoming ever more diverse. They range from the need to become familiar with new technologies at ever shorter intervals to increasing requirements in terms of flexibility and mobility. Added to this is the fact that certain activities can become more strenuous for staff as they get older.

Together with the college of education in Freiburg, the Hansgrohe Group developed the "MUMM" (Joining in and getting motivated) project with the aim of ensuring the employability of all staff over the long term. A key part of this is comprehensive health management within the company with training in ergonomics, nutrition seminars, a back school and jogging and Nordic walking courses. This programme is aimed at both younger and older members of staff, as preventive measures protect all age groups from work-related illnesses and ensure the employability of the whole workforce.

Older staff benefit from a further education programme which is specially tailored to their target group. The mutual exchange of knowledge between young and older employees is a key element in this. Ergonomically-designed workstations that take age into account and flexible working hours are also important building blocks.

The project is gaining in importance, not least because the average age of the workforce will rise significantly in the near future given the demographic change in Germany and the European Union.



In 2010, the Hansgrohe Group once again received a prestigious award for its concept of improving employability: the "International Innovative Employer Award". The award is given every year by the world's largest senior citizens' association, AARP, which boasts 40 million members, to promote innovative concepts for integrating older employees into the workforce. At the heart of the reasons for Hansgrohe receiving the award was its trendsetting "MUMM" (Joining in and getting motivated) project.

2010 AARP
**INTERNATIONAL
Innovative Employer
Award**

Occupational safety



Continuously improving occupational safety and reducing accident rates to zero – as at two German sites and in the USA and Holland – are key elements of the Hansgrohe Group's sustainability targets. We are striving to achieve an LTIR* of 1.0 or below by 2014. In 2010, the worldwide rate was 1.21 (2009: 2.59; 2008: 2.37). The increase in 2009 is due to accidents involving temporary staff and leading to lost work time being taken into account on a standardised basis. The continuous improvement of safety in the workplace is one of the key tasks of the integrated management system.

Continually falling accident rates

In the reporting period, the company was able to further reduce the accident rate at many sites, not least due to intensive training measures in every production plant. External and internal audits play a key role in recognising hazards at an early stage, thus preventing accidents. In 2009 the Hansgrohe Group had ten members of staff additionally trained as audit experts in the area of environmental protection and occupational safety. This supplemented their previous qualification as quality auditors. Furthermore, all managers underwent training in occupational safety and the assumption of corporate obligations.

Supporting measures are a further building block. For example, integrating the maintenance of equipment subject to mandatory testing into the corporate SAP software since

2009 has ensured that managers receive an automated instruction to take action

In spite of a generally positive development in the area of occupational safety over a number of years, a tragic fatal accident unfortunately occurred in 2009, the third such accident in the company's more than 100-year history. In the Shanghai production plant in China a member of staff had an accident while carrying out maintenance on manufacturing equipment. Following an in-depth analysis of the causes, technical and organisational measures were introduced at all sites to prevent anything similar recurring in the future.

Clear reduction in hazardous substances

When using hazardous substances, occupational safety and environmental protection go hand in hand. The Hansgrohe Group has therefore set itself the target of achieving a 10% reduction in the use of these materials by 2014 in comparison to the reference year of 2010. This is primarily being achieved by optimising and converting production processes and systems engineering – a substantial step towards sustainable business. Major reductions in the use of chemicals were achieved in the reporting period, above all in electroplating.

*LTIR: Lost Time Injury Rate: (Number of accidents at work leading to lost working days) x 200,000 / (hours worked per year)

Social commitment

Assuming responsibility for social issues beyond the factory gates has always been part of the corporate culture of the Hansgrohe Group. Encouraging staff to make a voluntary commitment and supporting them in doing so through donations of cash and in kind, paid leave and organisational measures is also a key part of this. The Hansgrohe Group's social commitment itself – in addition to supporting various local initiatives and associations at the company's sites all over the world, such as the "Reach for a Dream" organisation in South Africa, the "Juvenile Diabetes Research Foundation" in the USA or the voluntary fire brigades in and around Schiltach – concentrates on two topic areas: firstly, the mixer and shower specialist helps schools and other educational institutions improve the educational capabilities of all their graduates; secondly, the Hansgrohe Group has for a long time championed the cause of promoting projects which, like the company, have made a commitment to the vital element of water.

Water is precious

During the reporting period, the Hansgrohe Group therefore supported the "Salmon for the River Kinzig" environmental initiative in cooperation with the Baden-Württemberg State Fisheries Association, by taking action itself and through public relations work. Its goal is to make migratory fish, such as salmon, native to the River Kinzig again, with Hansgrohe also having its Schiltach headquarters and several of its manufacturing sites along this river. Because of their high requirements in terms of living environment, migratory fish are considered to be an indicator of good water quality. The Hansgrohe Group is therefore also using this project to raise public awareness of the precious nature of water as a vital resource and the need to use it carefully. In addition to the fully booked Hansgrohe Water Symposium, which

was held for the third time in 2010, educational materials developed in cooperation with the Hansgrohe Group and distributed to 14,000 schools in Germany also helped towards achieving this goal. In this context, the Hansgrohe award offered by the company in 2009 to pupils and schools which dealt with the element of water in an exemplary way achieved a great response.

Water is also involved in the "South African Lifesaving" project, which Hansgrohe South Africa, together with the eponymous association, has been sponsoring for years, to enable lifeguards to be deployed on the country's popular beaches.

It is not just that encouraging a social attitude to life, team-oriented behaviour and trust in your own capabilities is an important part of Hansgrohe's training concept, the company also looks to support school-based and extra-curricular educational activities. For example, the "Thor Heyerdahl" training ship where outstanding young people learn to assume responsibility, follow rules and share work within a team away from their normal environment. In 2010, the company put the support for school-based technical education at Hansgrohe's German sites, already proven over many years, on a new footing. The targets of the cooperation and its planned activities were laid down in writing in "educational partnerships". Among other things, this involved assistance with technical and project-based teaching and job application training programmes.

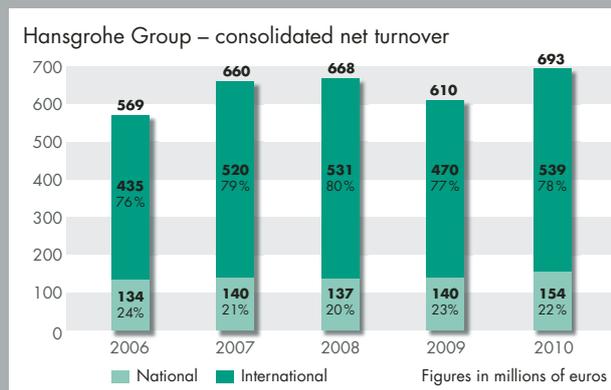
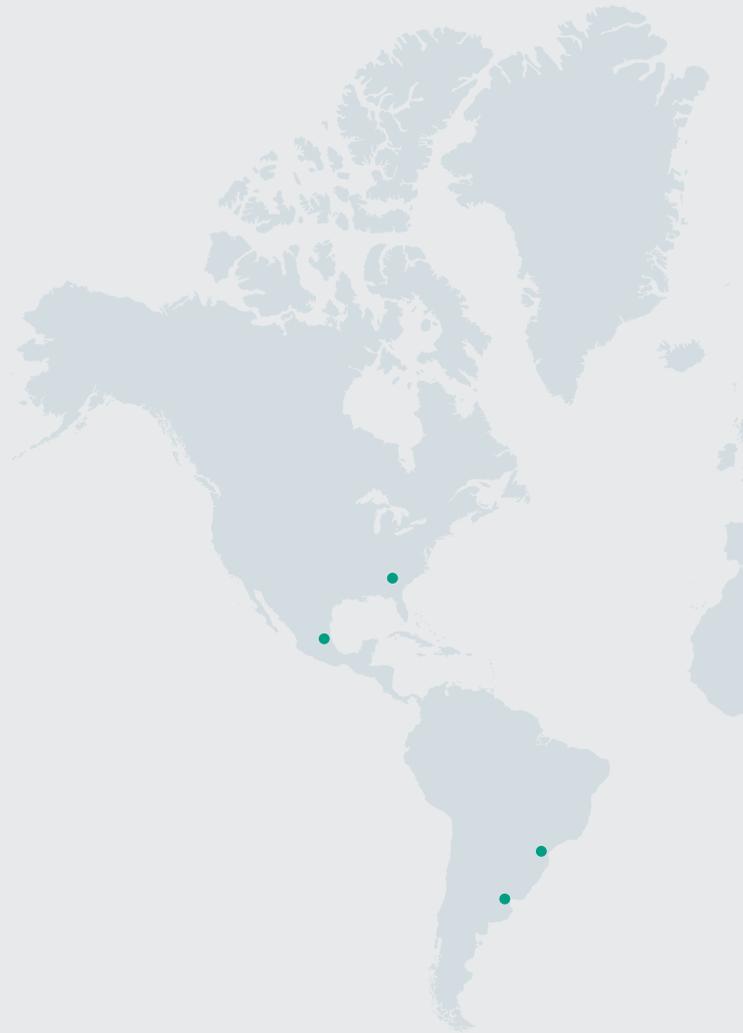
Water, training capabilities and support for local initiatives at company sites are the priorities of the Corporate Responsibility Strategy.



Figures & Facts

The sustainability report gives an overview of the most important indicators relating to economics, staff and the environmental impacts of the company. We intend to expand the reporting over the coming years.

Hansgrohe Group: 37 subsidiaries worldwide



The company manufactures at ten production sites on three continents

Europe

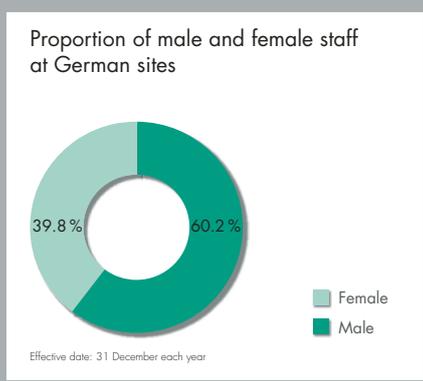
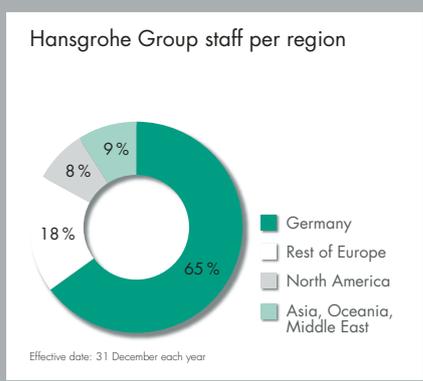
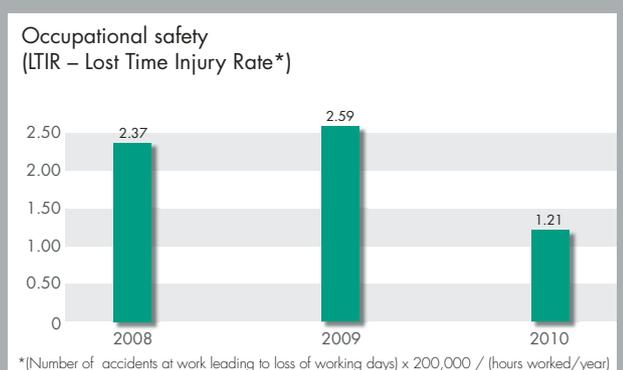
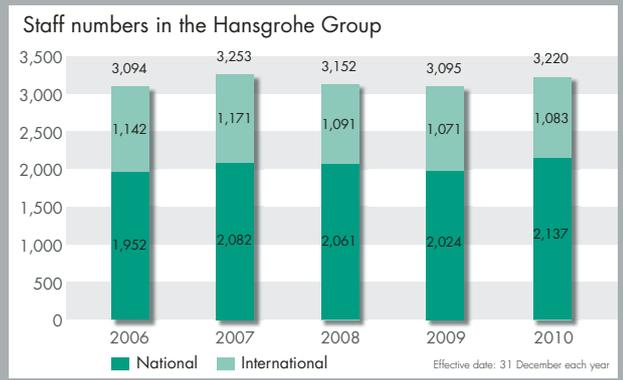
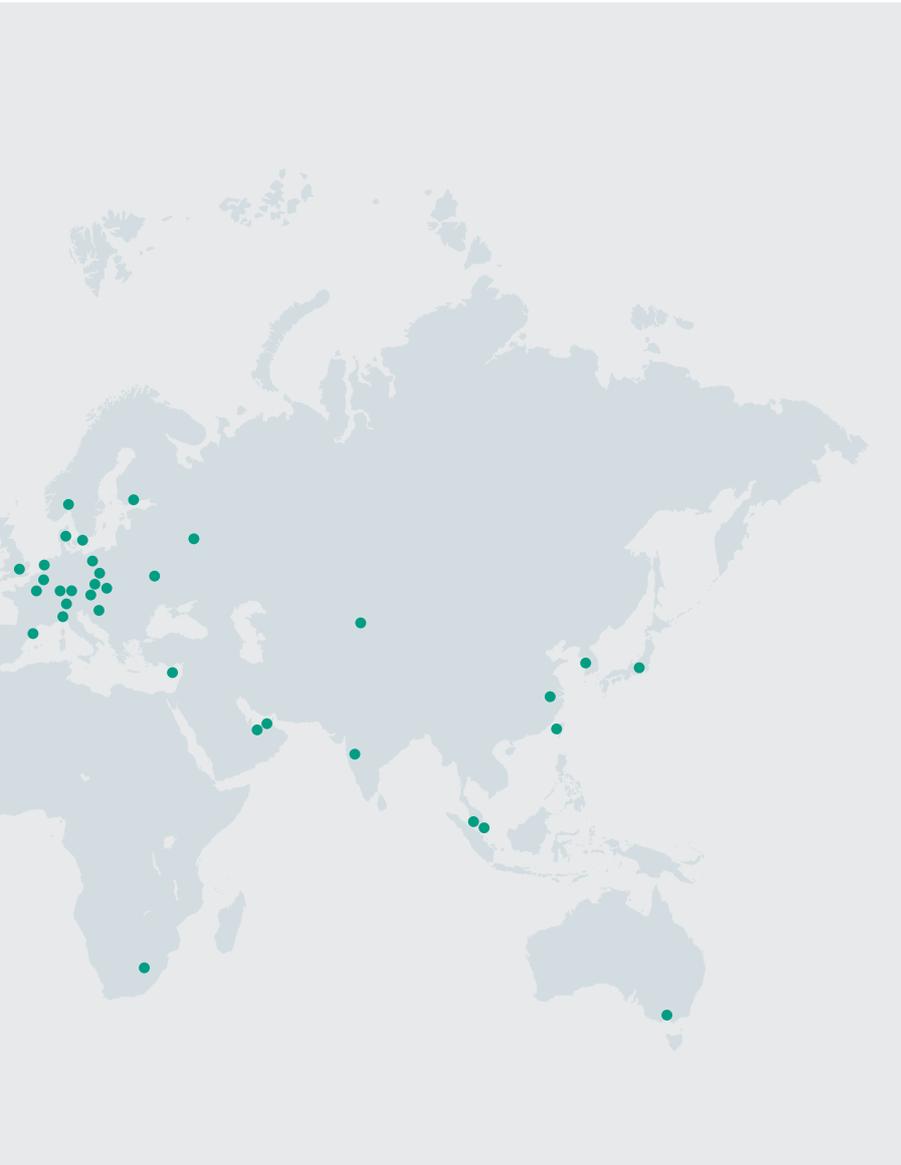
- Offenburg / D (3)
- Schiltach / D (2)
- Alpirsbach / D
- Wasselonne / F
- Westknollendam / NL

North America

- Alpharetta / USA

Asia

- Shanghai / CN



Green Controlling

In 2010, the Hansgrohe Group began to develop a Green Controlling system so as to be able to record and evaluate environmental data more accurately and to provide this as a basis for decision making in the "Sustainable Company" steering committee. In the process it became clear that there was a lack of basic data in certain areas. For instance, it was only from 2008 onwards with the development of the integrated management system that all foreign plants were systematically integrated into the compilation of data. So in order to ensure comparability, the time lines therefore only start in this year.

The Hansgrohe Group aims to continually develop its Green Controlling system. The company is already putting the emphasis on a broad outlook: for instance, CO₂ emissions generated through product distribution are recorded in a project to determine the potential for optimisation. Among other things, medium-term plans include the integration of the most important suppliers into the data collation process so as to provide the widest possible range of information.

Eco-efficiency and economic crises

When you look at Hansgrohe's data, it is clear that economic crises like the one in 2009 reduce the absolute con-

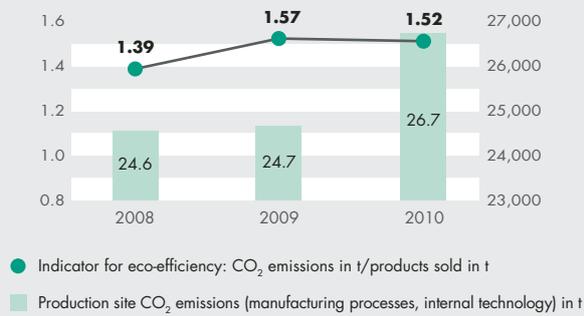
sumption of energy and water. This development runs in parallel to reduced production.

It is equally evident that the ecological efficiency of production in an economically difficult year is generally lower than in a boom year. In 2008, the ecological rucksack of a bathroom mixer was lighter than in 2009. The reason is obvious: many production and internal technical plants have to be run at a minimum level. For example, the casting plants for manufacturing brass mixers have to be heated irrespective of the number of mixers actually produced. The same applies to heating the large production halls.

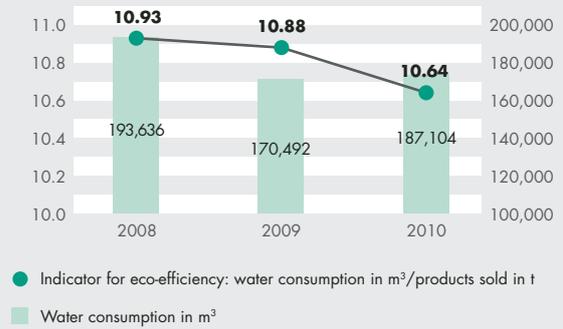
Weight as a reference value

In order to assess the company's ecological progress independently of economic fluctuations, the green accounting system is based on comparative figures: all absolute consumption and emissions data is provided in relation to the quantity of products sold. Their weights are used as reference values. It is only with these indicators that it becomes clear whether showers and mixers are being manufactured with greater ecological efficiency; they are used to continuously monitor the Hansgrohe Group's environmental measures.

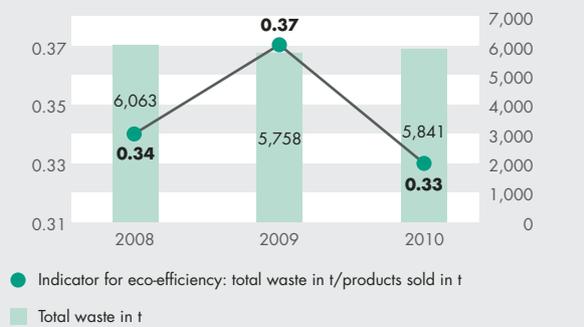
Hansgrohe Group – CO₂ emissions



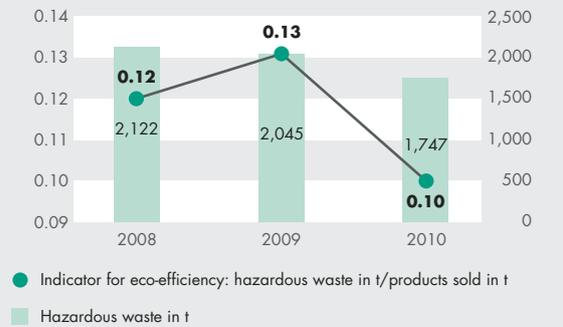
Hansgrohe Group – water consumption



Hansgrohe Group – total waste



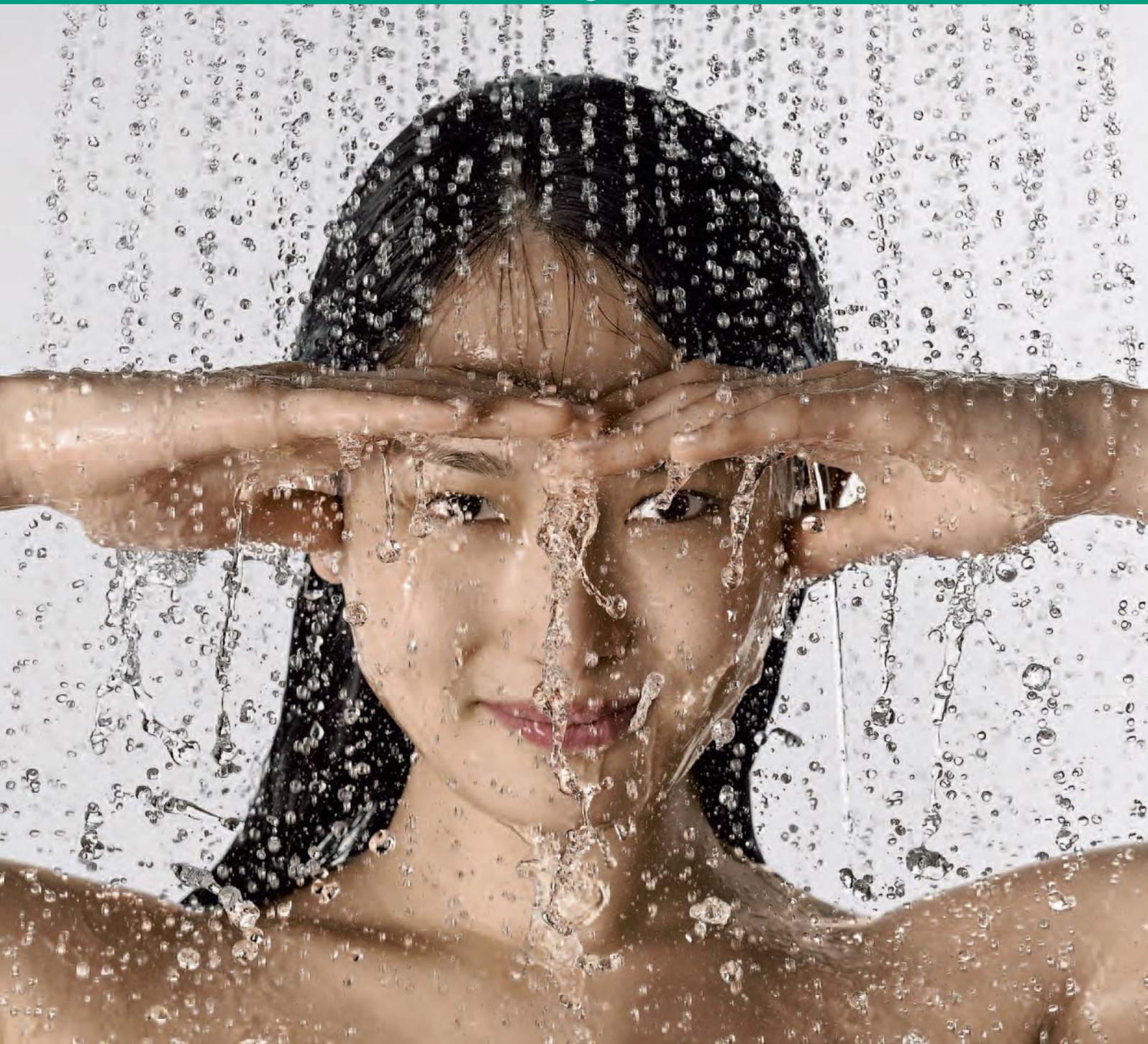
Hansgrohe Group – hazardous waste





Publisher Hansgrohe AG, "Sustainable Company" steering committee and Public Relations, P.O. Box 1145, 77757 Schiltach, Tel. +49 7836 51 1231, Fax +49 7836 51 1170, E-mail: public.relations@hansgrohe.com **Concept & editing** Dr. Carsten Tessmer, Hansgrohe AG, Proesler Kommunikation GmbH **Design & production** Proesler Kommunikation GmbH **Photos** braxart, Hansgrohe AG, Kapama Private Game Reserve (www.kapama.com), Masdar City, Scarlet Hotel, Ullrich Sorbe **The Hansgrohe Group sustainability report** is available both in German and English. It can be found online at www.hansgrohe.com.

hangrohe



www.facebook.com/hangrohe
www.facebook.com/axor.design



www.twitter.com/hangrohe_pr

Hansgrohe AG · Auestr. 5-9 · D-77761 Schiltach · Telephone +49 7836 51-0
Fax +49 7836 51-1300 · info@hangrohe.com · www.hangrohe.com