



# elobau Sustainability Report for 2016 and 2017

**ensian Group GmbH**

In accordance with Standard 5.0 of the Economy for the Common Good (ECG)  
Published: July 2018



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## About elobau

### General information about the company

<b>Company name</b>	ensian group
<b>Legal form</b>	GmbH
<b>Ownership type</b>	Foundation company
<b>Website</b>	www.elobau.com
<b>Industry</b>	Electronics industry (NACE code: 26.11.9 Manufacture of electronic switches and other electronic components   Trade associations: VDMA and ZVEI)
<b>Head office</b>	Zeppelinstrasse 44 88299 Leutkirch im Allgäu Germany
<b>Total number of employees</b>	817
<b>Full-time employees</b>	790
<b>Temporary employees</b>	21
<b>Sales</b>	EUR 98 million
<b>Reporting period</b>	2016 – 2017

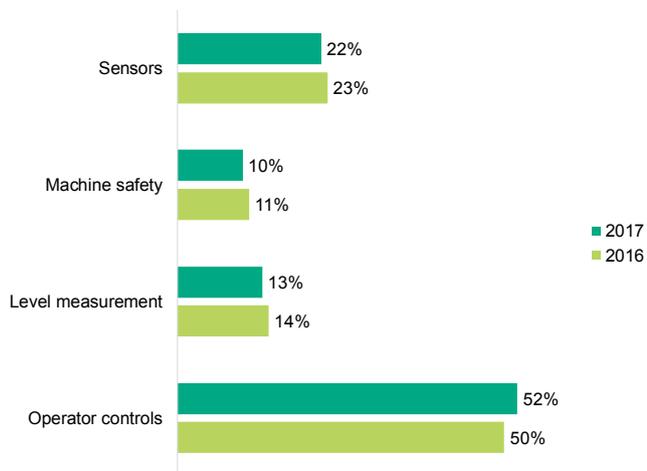
Subsidiaries	Business area	Head office	Ownership share
elobau management GmbH	Management	Germany	100%
elobau GmbH & Co. KG	Production	Germany	100%
anelo GmbH & Co. KG	Systems	Germany	100%
elobau Energie GmbH & Co. KG	Energy park	Germany	100%
sensales GmbH & Co. KG	Sales	Germany	100%
elobau Austria GmbH	Sales	Austria	100%
elobau Benelux B.V.	Sales	The Netherlands	100%
elobau Tecnologia em Sensores Ltda.	Sales	Brazil	100%
elobau France S.a.r.l.	Sales	France	100%
elobau Japan K.K.	Sales	Japan	100%
elobau Nordic AB	Sales	Sweden	100%
elobau Schweiz	Sales	Switzerland	100%
elobau sensor technology Inc.	Sales	USA	100%
elobau UK Limited	Sales	England	100%
grimelo GmbH & Co. KG	Properties	Germany	100%
elo.Deli GmbH & Co. KG	Organic canteen	Germany	100%

## Brief presentation of elobau and its products

The ensian group consists of the subsidiaries listed on the left and defines the legal framework. The subsidiaries thus also demarcate the extent of this report. The company's identity, however, is defined by the elobau brand, which is why we also use the company name elobau synonymously with the name ensian group.

As a family-run foundation company with approximately 800 employees worldwide, we develop and manufacture sensors for mechanical engineering and vehicle systems for the commercial vehicle sector. Our high-quality products are characterized by a very high level of vertical integration and are manufactured in a carbon-neutral manner in the Allgaeu region. Our product portfolio can be categorized into four business segments (see chart). Our main customers are from the commercial vehicle sector and mechanical engineering. We produce exclusively in Germany and manufacture more than 10,000 different products and variants. We are positioned on the market as a "problem solver" for small and medium quantities.

### Sales share of product lines



## elobau and the common good

As a foundation company, we take responsibility for the social and ecological impact of our business activities in order to approximate the goal we have set for ourselves, which is to be sustainable in every way. We follow two principles for this purpose:

- Focus on people
- Take responsibility for direct and indirect environmental pollution

In this regard, elobau shares its vision with the Economy for the Common Good in terms of creating an economy for people and the environment.

At elobau, we already laid the first cornerstone for the ECG in 2015 with an internal introduction report. This was prepared on a small scale with the management. After that, various developments were still needed until the first complete balance sheet was published in 2016. The issue of ECG was given increasing attention over the years to follow. Christian Felber, initiator of the ECG, held a lecture in 2017 as part of our management day, and we strive to be a bridge builder between the industry and the demands of the ECG by actively participating in the ECG.

Our point of contact for issues relating to the Economy for the Common Good is Armin Hipper, sustainability officer, environmental management officer and energy management officer at elobau. He is available for relevant questions and can be contacted by e-mail under: [a.hipper@elobau.de](mailto:a.hipper@elobau.de)

<sup>1</sup>In terms of territory, Germany constitutes a further boundary for the present report, which means that our international sales subsidiaries are not considered. Moreover, it should be noted that elo.Deli GmbH & Co. KG was founded at the beginning of 2018 and is therefore not included in the reporting period from January 1, 2016 to December 31, 2017.

<sup>2</sup>Operative revenues are used, which is why the percentages do not add up to 100%. Other revenues (such as development, tools, tests or prototypes) are not included here.

## A – Suppliers

Authors: Horst Huber, Karin Weinbuch

### A1 Human dignity in the supply chain

#### A1.1 Working conditions and social consequences in the supply chain

In an initial survey of all suppliers who provide production materials as well as for service providers and investment goods suppliers who have reached a certain annual revenue level, we collect important information on the topics of economy, ecology and social issues (in the form of data and/or certificates). As part of this, we request their confirmation of compliance with the minimum wage law. The information obtained is assessed using a point system and is stored in our supplier master data. The above criteria as well as further empirical values, such as quality, adherence to deadlines, supplier proximity, soft skills, etc. are the basis upon which we select suppliers.

Suppliers who do not meet our minimum standards are generally excluded from the contract awarding process. This means that if a supplier does not accumulate sufficient points during the initial survey in regards to sustainability, for example, the cooperation is terminated unless the supplier takes measures to remedy the issue. The validity of environmental and energy certificates is monitored in regards to their expiration date, the suppliers are reminded if necessary, and possible improvements are regularly updated in our system.

#### **Geographical risk-approach:**

There are many reasons for us to principally stick to a **geographical approach** in our supplier management: with approx. 9,000 purchased articles and approx. 1,400 suppliers, we are dealing with a high degree of product and supplier complexity. Furthermore, we have to contend with non-existing product labels in long value creation chains in our industry. Our market position often requires low purchase volumes (low market power) and our company size also sets inherent (resource-related) limits in regards to carrying out complex on-site audits. These are the reasons why we favour regional and European suppliers. This is supported by demanding environmental and social legislation within the EU (see for example REACH, RoHS, Directive 2014/95/EU) compared to the rest of the world, and also established rankings<sup>3</sup> and international assessments of sustainability standards. In areas of high risk, such as the procurement of PCBs, we pay particular attention to environmental certifications, which we request as part of our supplier evaluation process (see A3 Environmental impacts in the supply chain).

Preferred suppliers are important strategic suppliers with whom we work in a long-term and close partnership and with whom we constantly and jointly optimize the value chains as part of the supplier management. These suppliers are audited by us on site, evaluated and accordingly developed further by mutual agreement. As part of the audit, important economical, ecological and social aspects are examined, evaluated by means of a point system, and recorded. Improvement potentials and improvement results are exchanged. If a supplier needs support, we provide our experience accordingly.

Outsourcing ("extended workbenches") is not included in the indicators. However, all suppliers are located in Germany and Europe. We also carry out initial surveys and audits in these cases. The selection criteria of the "extended workbench" correspond to those of the supplier selection.

#### **Report:**

The overall purchasing volume is divided into different groups of materials and services. The cost of materials

<sup>3</sup>An example of a relevant ranking can be found under the following link: [http://www.robecosam.com/images/Country\\_Ranking\\_Update\\_May\\_2017.pdf](http://www.robecosam.com/images/Country_Ranking_Update_May_2017.pdf)

accounts by far for the largest share (almost 70%). In our opinion, this is also where the greatest risk lies. This is why we will primarily examine this aspect hereafter.

We procure production materials in about 40 product groups, machinery and equipment, services as required (e.g. training, development services, building services, personnel services, etc.). The product groups mentioned are listed in more detail below:

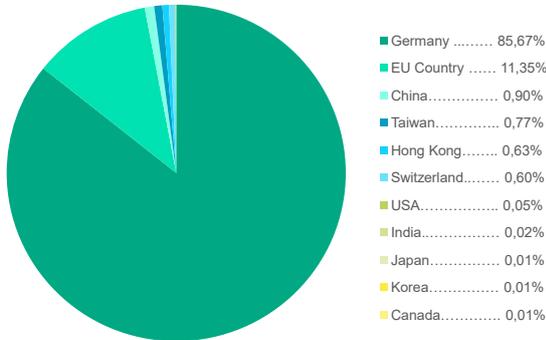
Purchasing groups	2016	2017
Cost of materials	69.21%	68.19%
Investments	8.24%	12.25%
Rent/lease	3.38%	2.91%
Sales	2.58%	2.44%
Marketing	2.29%	1.93%
Software maintenance	2.03%	1.73%
Cost of goods delivery	1.87%	1.68%
Maintenance of machines / operating and office equipment	1.91%	1.48%
Insu./contributions/taxes/donations	1.51%	1.46%
Room/building	1.73%	1.43%
Consulting	1.63%	1.32%
Energy/disposal	1.45%	1.01%
Other costs	0.46%	0.70%
Office	0.82%	0.63%
Vehicle fleet	0.68%	0.59%
Certification	0.21%	0.25%

Product group	Designation
A	Permanent magnets
B	Electronic components
C	Electro-mechanical components, other
CA	Reed switches
CB	Relay
D	Cable, lines
DO	Cable accessories
DB	Cable sets
E	Plug connections / connectors
F	Turn-milled metal parts
FA	Turned-milled plastic parts
G	Plastic granules / batch
H	Printed circuit boards without components
HO	Printed circuit boards assembled
I	Metal castings
J	Injection moulded parts
K	Sheet metal working parts
L	Signs, stickers, labels
M	Chemical products
N	Auxiliary materials (non-chemical)
NT	Standard parts, screws, nuts
O	Springs / wire bending parts
PA	Bellows
PB	Seals, protective caps, O-rings
PZ	Other rubber parts
RA	Foam parts PUR
RZ	Other plastic parts
SA	Metal tubes (by the meter)
SB	Tube bent parts
SZ	Other metal parts
T	Float
V	Fastening elements, except NT
W	Bearings (plain, ball ...)
X	Packaging materials

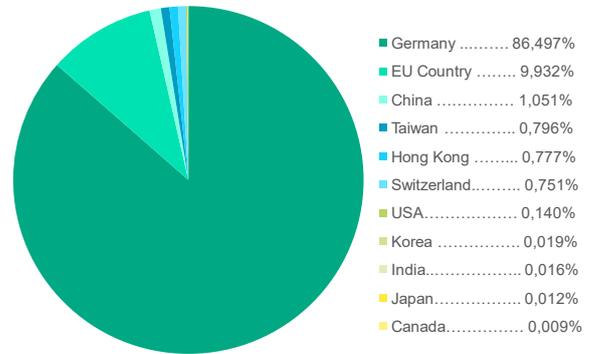
We evaluate social risks through the initial survey with classification, the country of origin of the supplier, the country of origin of the article and through audits. We source more than 86% of our purchased products/services from companies in Germany and about 10% of products/services from the European Union.

**Purchasing turnover by supplier location**

2016



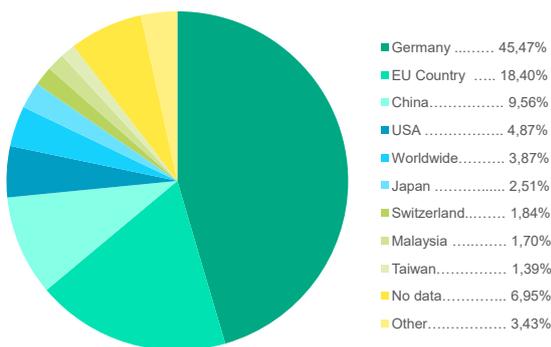
2017



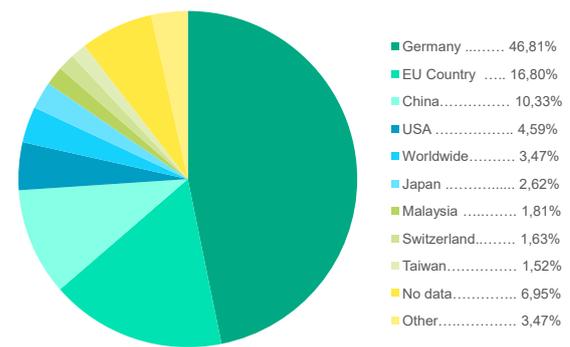
Since certain product groups have to be purchased from distributors for quantity reasons, such as electronic components or connector housings, while still striving to better determine the actual origin of the products, we also evaluate the country of origin for master articles. The manufacturers behind the scenes are often major global players who have situated their production sites internationally. Based on the above-mentioned public country rankings in regards to regional sustainability standards, we assume that fair working conditions generally prevail in EU countries. In cases of non-EU countries, a higher risk must be assumed depending on the country and manufacturer. The countries of origin have not yet been fully recorded, but this is due to be completed by 2018.

**Purchasing turnover by country of origin**

2016



2017

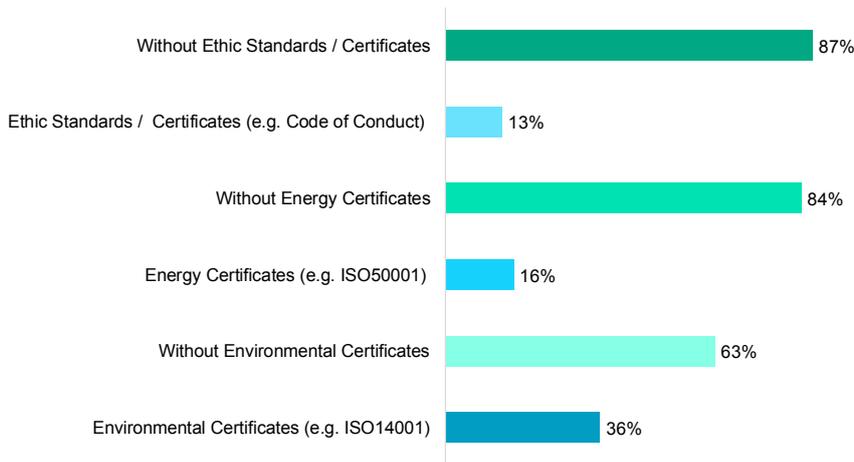


As far as possible, we check violations of human dignity on site during supplier audits. When selecting vendors or products as well as during supplier audits and supplier visits, we attempt to appeal to the issue of sustainability with our suppliers and their contacts in the form of discussions, inspections, and, if necessary, through exclusion.

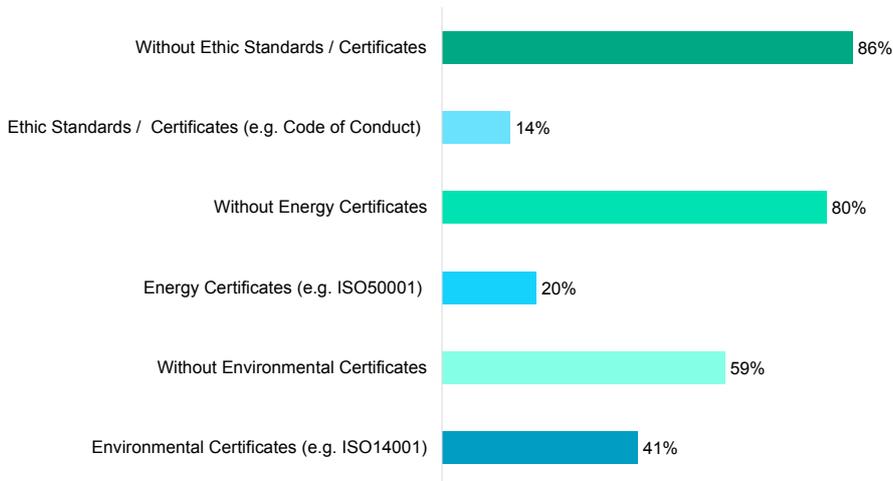
According to our knowledge, there are no product certificates for the products/services required by us, with the exception of coffee (fair trade). Instead, we assess ethical standards, such as codes of conduct or management systems, for example.

**Purchasing turnover by certificates / ethics standards**

**2016**



**2017**



**Objectives:**

Important and relevant suppliers should be additionally contacted once a year in order to enquire whether sustainability improvements have been made.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				5	
Auditor assessment				5	

### Negative aspect A1.2 Violation of human dignity in the supply chain

Non-EU countries, especially China and India, have a higher risk in this regard. When selecting suppliers/articles, the effects are evaluated during the selection process and in audits. We do our utmost to counteract this (see A1.1 and indicator "Purchasing turnover by country of origin").

#### Improvement potentials:

At present, not all articles are assigned to their country of origin due to the large number of articles. However, the missing data will be processed in the coming months.

	0 to 200 minus points
Self-assessment	-5
Auditor assessment	-5

## A2 Solidarity and fairness in the supply chain

### A2.1 Fair business relations with direct suppliers

To estimate the ratio of value added between ourselves and our suppliers, in this report we use only the gross value added. This is the value commonly used and calculated by us. Vertical integration is not clearly defined and therefore not comparable to other companies. However, it can be assumed that our vertical integration is relatively high. Because of our technological equipment (for example with integrated tool manufacturing and our own injection moulding department) we are able to manufacture a very large share of our products ourselves. For capacity reasons, however, we are currently forced to outsource selected processes to suppliers that we could otherwise carry out ourselves. However, this only takes place in conjunction with a detailed audit and only within the EU (see A1.1 "Extended workbench").

Our pricing is based on the relevant markets. In terms of delivery conditions, we aim for "free domicile", and payments are generally made within ten, maximum 30 days, which is significantly below the industry average. Since we have been working with our suppliers for many years, they are familiar with the conditions and have usually adjusted their price calculations accordingly. Using framework supply agreements, we agree corresponding delivery quantities with suppliers at fixed prices and acceptance conditions. We are on equal footing with our suppliers in regards to price negotiations. This is not possible if our suppliers are significantly larger than us and leverage their market power against elobau.

	2015	2016	2017
Share of value added in EUR gross value added <sup>4</sup> / EUR turnover	66.34%	66.77%	66.52%

<sup>4</sup> Definition of gross value added:  
 Total turnover (operative + revenues development)  
 - Raw materials / auxiliaries / operating materials  
 - Commodities / tool injection moulding / samples / prototypes  
 - Purchased services (outsourcing production, outsourcing development)  
 - Incidental purchasing costs (incoming freight, customs duties)

We are also intensifying our business relationship with preferred suppliers (see A1.1). We are not aware of any specific complaints from suppliers regarding price, payment and delivery conditions during the reporting period.

The average duration of a business relationship with our suppliers is approximately 18 years. This figure is calculated on the first 80% of our purchasing turnover.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				6	
Auditor assessment				6	

## A2.2 Positive influence on solidarity and fairness throughout the supply chain

As already described in A1.1, we essentially use a risk approach that is based on geography. We evaluate according to the country of origin of the supplier and the country of origin of the article, and also carry out on-site audits. The topic of "fair and solidary dealings in the supply chain" is part of this and is addressed in particular by enquiring about ethical standards during the initial survey. All suppliers of production materials and all major service providers are affected by the issue of fair and solidary treatment of stakeholder groups (see A1.1).

According to our knowledge, there are no product labels for the products/services required by us. Instead, we evaluate ethical standards such as a Code of Conduct (see A1.1 indicator "Purchasing turnover by certificates / ethics standards").

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				4	
Auditor assessment				5	

## Negative aspect A2.3 Leveraging of market power against suppliers

Our market power vis-à-vis suppliers is rather limited due to the small and medium purchase volumes. As already described in the previous points, we maintain a fair and open relationship with our suppliers. We are not aware of any complaints from suppliers regarding payment and delivery terms during the reporting period.

	0 to 200 minus points
Self-assessment	0
Auditor assessment	0

## A3 Ecological sustainability in the supply chain

### A3.1 Environmental impacts in the supply chain

We evaluate ecological risks using the following criteria:

- By means of the initial survey with classification
- By means of the supplier's country of origin
- By means of the article's country of origin
- By means of the materials or substances
- Via audits (see A1.1)

Our purchased parts can have harmful environmental effects due to the extraction of raw materials, energy consumption, use of materials and chemicals as well as packaging and the transport of the products. Due to the fact that we have approx. 1,400 suppliers, a more in-depth environmental assessment within the supply chain cannot realistically be carried out at this time. An overview of the raw materials and purchased parts used can be found in the table "Product groups" under A1.1.

The selection of suppliers is based on a points system from our initial supplier survey – as already explained under A1.1. The purchased production materials are selected by our development department. In the Gate 2 product development process (PEP), we also examine possible environmental aspects under the point "Sustainability potential".

Machines and plants are selected by our production department. The IMS<sup>5</sup> process "Sustainability aspects in procurement processes" must be observed:

- Energy efficiency
- Environmental and social risks
- Product quality
- Service life
- Recycling
- Noise and noise values
- Additional use for manufacturer

In fleet procurement, clear CO<sub>2</sub> limits and an SUV ban apply; in energy procurement, we pay attention to minimum standards for green electricity. See sections C (commuting) and E3 (energy) for details.

As part of our annual carbon footprint assessment, we record all greenhouse gas emissions from purchased parts. These constitute the lion's share of our carbon footprint (see E3). Important suppliers are identified, but not yet asked to make improvement suggestions.

Through further measures such as supplier audits, supplier visits and quality assurance agreements, we try to influence our suppliers accordingly, and also their contact groups.

To our knowledge, no ecology-related product certificates exist in our industry. That is why we consider suppliers with environmental certificates to be an "ecologically superior alternative" within the spirit of the Economy for the Common Good (see A1.1).

<sup>5</sup> Integrated management system

As part of our procurement and quality processes, we take into account the current REACH and RoHs requirements as stipulated by law. We keep this information in a REACH/RoHs register.

In regards to our container management, we are gradually switching to environmentally friendly reusable packaging in the relevant areas.

Unlike our competitors, we conduct a detailed initial supplier survey in this area, which includes the topic of sustainability and its three aspects. The information gained in this way flows into the master data and is used in the selection of suppliers. To our knowledge, an exact survey of the CO<sub>2</sub> emissions from purchased parts is also not a common business practice among our competitors.

**Objectives:**

As explained in A1.1, relevant suppliers should be contacted once a year to see whether they have been able to achieve improvements in the area of sustainability.

Within the framework of "Preferred Supplier" audits in 2018, we will take an even closer look at printed circuit boards from China.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				5	
Auditor assessment				6	

**Negative aspect A3.2 Disproportionately high environmental impacts in the supply chain**

We are not aware of disproportionately high environmental impacts of purchased products/services. Increased harmful environmental impacts are possible for printed circuit boards from non-EU countries, especially China. The first step in the selection of suppliers is to focus on environmental certification of the main suppliers and manufacturers (see table below).

Supplier of Chinese PCBs	Dealer/Manufacturer	Percentage of total turnover	Country of origin	Certificate	Cumulated sales
Supplier 1	Dealer	31.85%	CN	ISO 14001	31.85%
Supplier 2	Dealer	19.60%	D	ISO 14001	51.45%
Supplier 3	Manufacturer/dealer	18.82%	D	ISO 14001	70.27%
Supplier 4	Dealer	6.60%	D	None	76.86%
Supplier 5	Dealer	6.22%	D	ISO 14001	83.08%
Supplier 6	Manufacturer/dealer	5.19%	D	None	88.27%

Furthermore, we try to influence our suppliers and their contact groups in supplier audits, during supplier visits and with quality assurance agreements on the subject of environment.

For non-EU suppliers, we carry out a semi-annual survey of the REACH status, with the corresponding implementation of measures if necessary.

**Improvement potentials:**

At present, not all articles have been checked for their country of origin due to the large number of articles. However, the missing data will be processed in the coming months.

	0 to 200 minus points
Self-assessment	0
Auditor assessment	-2

## A4 Transparency and co-decision in the supply chain

### A4.1 Transparency and co-decision rights for suppliers

We mainly purchase technical products, which require more transparency and communication to begin with. At the start of each year, our suppliers receive a supplier evaluation from us based on the previous year. Our suppliers can check the quality, adherence to delivery dates, quantity reliability and overall evaluation, among other things. This feedback motivates suppliers to make further optimizations. Questions that we receive from our suppliers regarding supplier evaluation are of course checked and answered accordingly. Furthermore, if agreed, we send monthly forecasts to indicate planned purchase quantities for the next nine months. Questions are answered accordingly and problems are usually clarified in advance by mutual agreement.

When drafting contracts, our suppliers can also submit their change requests. Here, we try to come to reasonable solutions by mutual agreement and conclude appropriate contracts. In the reporting period, for example, we incorporated the interests of a supplier of turned parts into our quality assurance agreement.

In product development, we gladly consider the ideas of our suppliers if necessary. For example, we have optimized a product in close cooperation with the supplier of turned parts mentioned above.

We are also intensifying our business relationship with preferred suppliers in regards to information policy and co-decision rights (see A1.1). We are not aware of any complaints from our suppliers regarding information policy and co-decision rights in the reporting period.

**Objectives:**

We aim to press ahead with turning our suppliers into preferred suppliers. We also want to increase transparency and co-decision in a partnership relationship through appropriate audits.

We want to investigate whether supplier integration via a "Supplier Relationship Management System" (in short: SRM) could entail further optimizations.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				4	
Auditor assessment				4	

**A4.2 Positive influence on transparency and co-decision throughout the supply chain**

According to our knowledge, there are no product labels for the products/services required by us. We operate with ethical standards that ultimately allow us to state how we deal with indirect suppliers. However, we do not take any measures in this regard that go further than our direct suppliers.

**Objectives:**

We want to investigate whether we can realize further optimizations in terms of information flow through supplier integration via a supplier relationship management system.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				5	
Auditor assessment				5	

## B – Owner & financial partner

Author: Dieter Ohmeier

### B1 Ethical stance in handling funds

#### B1.1 Financial independence through self-financing

The Group is financed primarily through equity, with our equity ratio amounting to approximately 67% in 2016. This is well above the industry average of 39.6% (VDMA median). The equity base was further strengthened through transfers to the capital reserves. This creates financial stability and enables us to react quickly and flexibly to a wide variety of requirements. Investments can mainly be financed from operating activities. Most of the profit generated is invested in the company or remains there as a reserve.

#### Objectives:

The high equity ratio is to be maintained.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment					9
Auditor assessment					9

#### B1.2 Public interest debt financing

The only leveraged loan was realized with our ethics bank. Alternative forms are not common at the moment. Our foundation model (see B4.1) ensures that the majority of profits generated can again be used for necessary investments. In 2016, elobau's debt ratio was 32.8%. Financing is currently only available for renewable energies (2016: EUR 1,377,000 project financing with an ethics bank).

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment					9
Auditor assessment					9

#### B1.3 Ethical stance of external financial partners

Both national and international payment transactions are handled by GLS Gemeinschaftsbank without exception. Through a mailing campaign, we tried to influence our customers in such a way that incoming payments are also made to GLS Bank. This was successful in most cases. Only a very small proportion of our long-standing clients continue to make transactions to our old bank account with Deutsche Bank (around 8% of receipts).

Since 2017, we offer our employees the opportunity to use a sustainable insurance product for pensions. The "Pangaea Life" offer is an offshoot from the parent company "Bayerische Beamten Lebensversicherung a.G." and is subject to very strict investment criteria.<sup>6</sup> Here, for example, investments in nuclear energy, war materials and in applications that are harmful to the environment and health are avoided.

<sup>6</sup> Investment criteria of the Pangaea Life fund: <https://www.pangaea-life.de/fonds/investitionskriterien>

**Objectives:**

Transactions to our old bank account at Deutsche Bank are to be further reduced. As of today, they only account for a very small proportion of incoming payments. Our sales companies (not included in this report) are also to gradually switch to sustainable financial institutions. This is sometimes difficult, as in some countries none or few are present.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment					8
Auditor assessment					9

## B2 Social stance in handling funds

### B2.1 Use of funds in the spirit of solidarity and for the common good

Since the main owner is the charitable foundation with 99% of the shares, which receives 10% of the profit, 90% of the profit remains in the company. This profit is used every year for investments and risk hedging. The foundation has no other expectation of the company, which means that the company can also decide to invest all its profits or build up larger reserves for recessions. In order to finance the running costs and certain projects of the foundation, however, the foundation receives a minimum distribution of EUR 150,000 and a maximum of EUR 750,000.

Indicator	2016	2017
Net surplus from operating activities (million euros)	4.5	-
Planned investments (following year – million euros)	4.3	5.3
Actual investments made (million euros) (strategic expenses and asset additions)	6.9	3.7
Transfer to reserve (million euros)	6.5	-

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment					10
Auditor assessment					10

### Negative aspect B2.2 Unfair distribution of funds

We do not distribute funds "unfairly" within the company. No sites were closed or jobs eliminated. Due to our foundation model (see B4.1), no returns are distributed to external shareholders.

	0 to 200 minus points
Self-assessment	0
Auditor assessment	0

## B3 Social-ecological investments and use of funds

### B3.1 Ecological quality of investments

Ecological aspects play a role in all investments. If reasonable, ecological factors take precedent over economic factors. We have no ecological renovation needs, but take ecological aspects into account as part of all major investments during the reporting period (e.g. conversion to LED lighting, soldering wave, injection moulding machines, compressed air compressors, new construction at the Probstzella site). These are evaluated and are important for decision-making. The evaluation of sustainability criteria is an integral part of the process for the procurement of machines and plants. Energy efficiency in particular is tested for all new systems. Relevant examples are the systems mentioned above. In winter, for example, our buildings are also inspected for areas in need of renovation using a thermal imaging camera.

#### Improvement potentials:

Ecological factors are an important aspect of the investment process. However, these can still be expanded upon. It could also be considered whether any ecological renovations are necessary.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				5	
Auditor assessment					7

### B3.2 Public interest investment

Investments are made to a GLS Bank fund. The investment scope is selected on the basis of social-ecological criteria. This is to ensure that the fund invests only in securities that meet the requirements of fund management with regard to sustainability.

#### Objectives:

As elobau, we are in a position to develop a guideline for sustainable investments with clear exclusion and inclusion criteria, for example.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				5	
Auditor assessment					9

### Negative aspect B3.3 Dependence on ecologically questionable resources

We can already replace most ecologically questionable resources, such as fossil resources. Energy self-sufficiency based on renewable energies is a firm objective of our mission statement. Since 2010, we have been carbon-neutral and prepare an annual carbon footprint, including Scope 3 emissions, on the basis of which measures are taken (see detailed E3). Part of our business model is the processing of fossil-based plastics in the majority of our products. We initiated the development of bio-based, i.e. petroleum-free plastics as early as 2015 and have since become an industry pioneer in this field (see D).

	0 to 200 minus points
Self-assessment	0
Auditor assessment	0

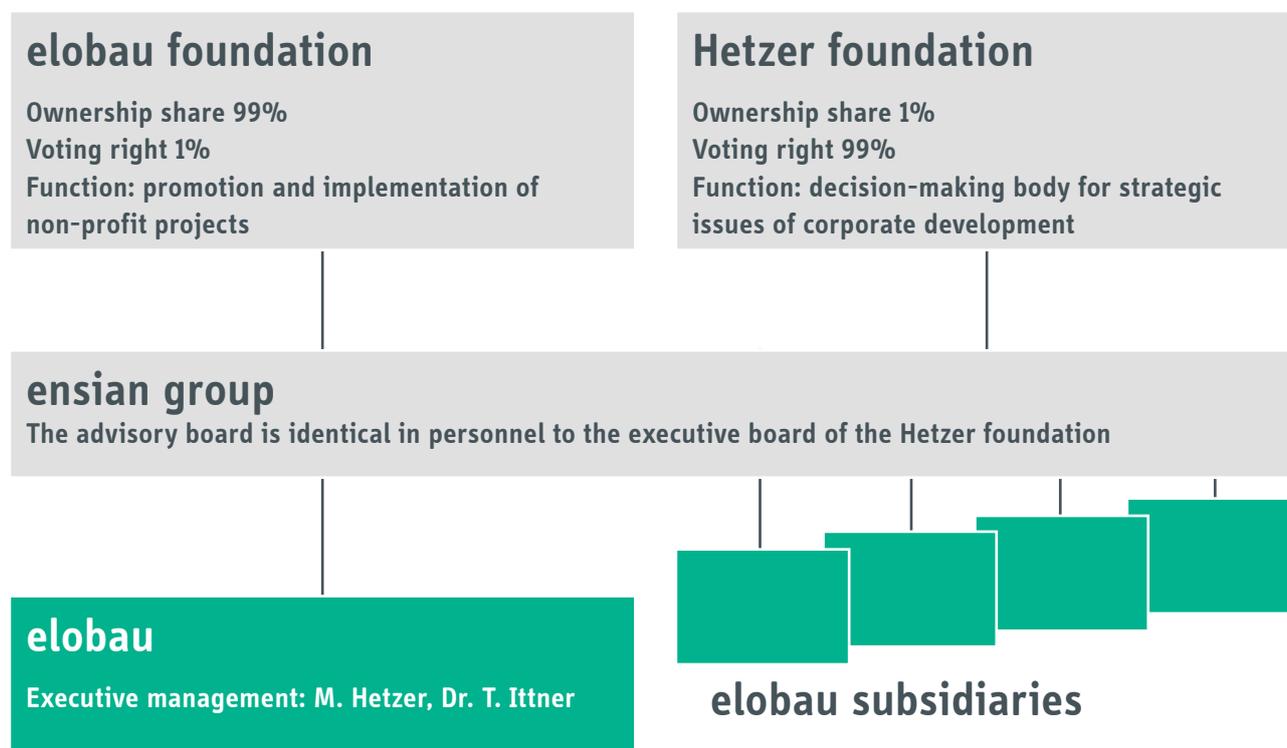
## B4 Ownership and co-decision

### B4.1 Public interest ownership structure

A dual foundation model was established in 2016. It consists of a non-profit foundation, which holds 99% of the shares in the elobau Group, and a family foundation, which holds 1% of the shares. The voting rights are exactly the opposite. The charitable foundation holds 1% of the voting rights, the family foundation 99%. The idea behind establishing the foundations was to permanently preserve the company, secure corporate succession, and not least to limit dividend payments, which are used for charitable purposes specified by the founder.

The non-profit foundation has no significant say in the ensian group. The advisory board of the ensian group is staffed by the same personnel as the executive board of the family foundation, which essentially decides on the ensian group. For many years, we have been living a corporate culture that gives all employees a great deal of decision-making leeway in their areas, and we are continuing to expand this. This means that, in principle, every employee is involved in the decision-making process in his area or in decisions that impact his area.

The advisory board is involved in strategic deliberations, appoints the executive directors and acts as a supervisory body.



The foundation model as such is intended for the public good because it primarily transfers profits to a special-purpose charitable foundation, prevents being taken over by a large corporation and makes broad-based decisions. Formally, the management is only employed. The current owner has permanently donated his property to a special-purpose charitable foundation, established the transfer of profits in its favour, put in place a supervisory body and distributed the decision-making process to a broad number of people.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				5	
Auditor assessment				6	

### Negative aspect B4.2 Hostile takeover

The dual foundation model ensures that elobau cannot be sold as a foundation company.

	0 to 200 minus points
Self-assessment	0
Auditor assessment	0

## C –EMPLOYEES

Authors: Norbert Christlbauer, Volker Hartmann

### C1 Human dignity at the workplace

#### C1.1 Employee-oriented corporate culture

As family-run foundation company, it is important for us to live a people-oriented corporate culture with our employees on a daily basis, as well as to develop it and implement it. As the core of our corporate culture, we have defined **"Focus on people"** and **"With one another & for one another"** as our guiding principles. We believe that equal opportunity is strategically and systematically anchored with these principles of action. In addition, we have our guiding principles for good communication, which are designed to facilitate our day-to-day interactions.

In 2016 and 2017, the elobau managers developed management principles that demonstrate understanding of leadership. In order to increase visibility in the company, we have visually implemented the guiding principles in cooperation with the Leutkirch art school. The results have now become part of our day-to-day work. The management principles are also accompanied by our management training courses, which we have been conducting with all managers since 2015.

As part of their induction, we offer all new colleagues an intensive training programme. Important aspects of this programme are our management talk as well as our sustainability training, which we have adopted in our general training catalogue in 2017. As part of the management talk, our CEO Michael Hetzer personally answers any questions new employees may have and provides an overview of the development of the company and the two foundations. Our sustainability training gives all employees an idea of what social, economic and ecological sustainability mean at elobau.

There is no works council at elobau. We believe that all employees, together with their managers and managing directors, can address and change issues through dialogue. In order to allow our employees to provide regular feedback on our workplace culture, we participate in the "Great Place to Work®" study every two years and survey our employees anonymously. To continue to keep the results at a high level, we set up a working group with volunteers after the last survey, which initiates changes through self-organization. One example of this is newly launched elotalk-Live!, where executives frequently provide employees with information on questions raised by the workforce, as part of a kind of "info fair". In addition, we have introduced the collaboration tool Beekeeper – an internal employee app – in 2016, which facilitates ad hoc coordinating, among other things. Having a correspondingly low labour turnover rate is also a sign of employee satisfaction. Our goal is to not exceed a fluctuation rate of 2%. Every departure is hurtful, which is why we hold exit interviews whenever possible.



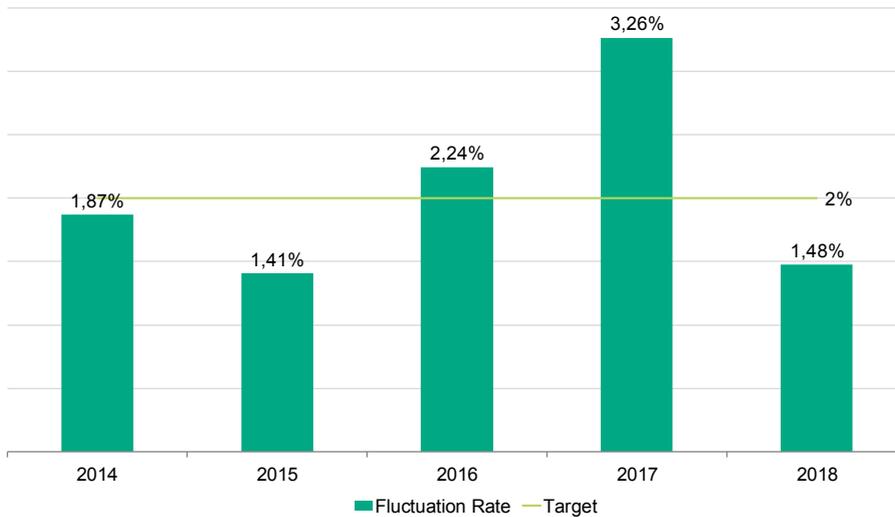


### Leitsätze für gute Kommunikation

-  Ich respektiere meine Kollegen und wertschätze ihre Arbeit
-  Ich informiere und antworte zeitnah
-  Ich vermeide Spekulationen ohne konkretes Wissen
-  Ich traue mich zu fragen
-  Ich bin optimistisch und biete Lösungen an
-  Ich halte Vereinbarungen ein
-  Ich formuliere meine Erwartungen klar
-  Ich übe faire Kritik zeitnah und direkt

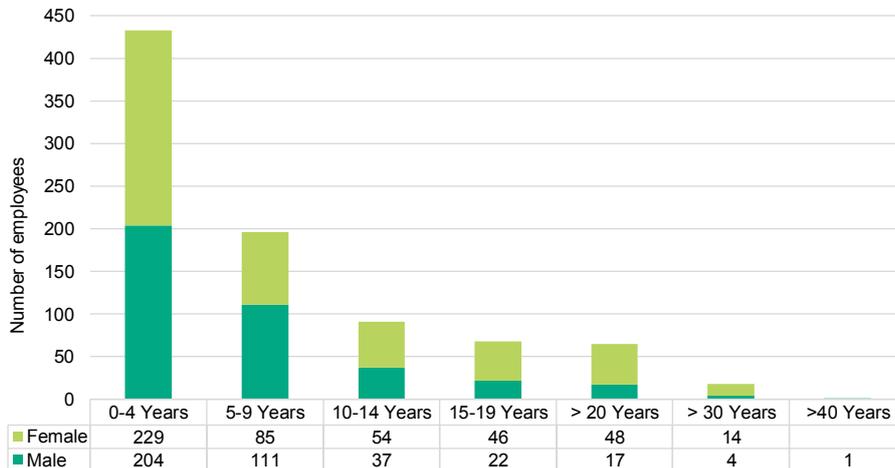
  


### Fluctuation rate elobau Germany



Employees staying with the company for long periods of time is also an indication of their satisfaction. The average length of service is 7.1 years. Due to the strong growth in recent years this value has sharply declined. One-third of the workforce has been with the company for more than ten years.

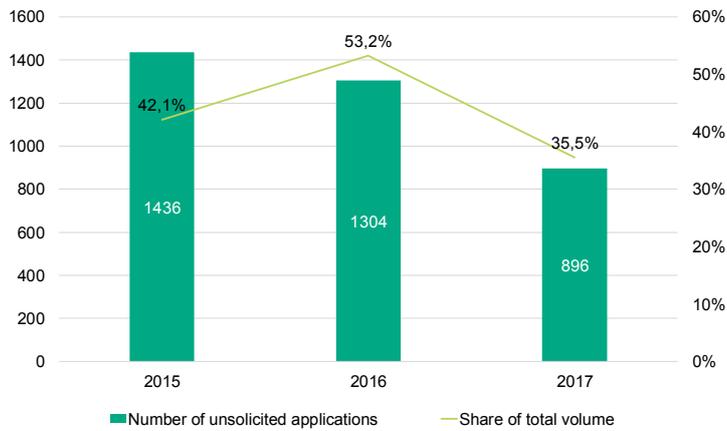
### Length of service (31.12.2017)



elobau is a popular employer in the Allgäu/Upper Swabia region. This is also underlined by the number of unsolicited applications.

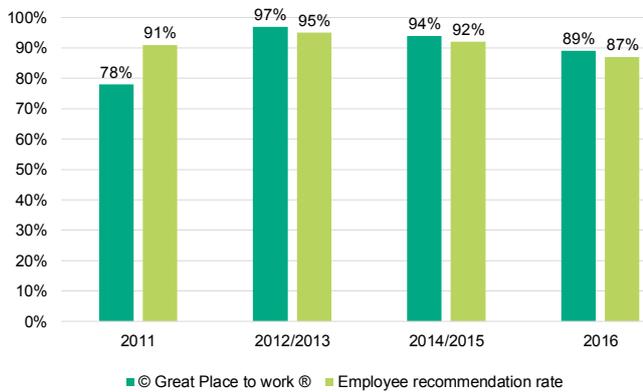
More than half of the applications received are unsolicited. A large portion of these stem from recommendations of our employees. The drop in the following diagram can be explained by a change in the process, since applications for training personnel in production (production assistants and precision workers) will no longer be counted as initiatives from 2017.

### Number of unsolicited applications

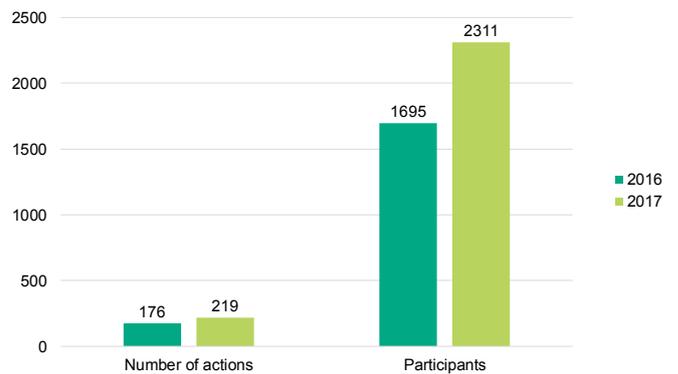


Our employee satisfaction is at a high level. The biennial survey demonstrates to us how our employees assess the quality of our workplace culture.

### Employee satisfaction



### Overview of personnel development



In 2016 and 2017, we increased our investment in human resources development. This is evident, among other things, from the increased number of participants and measures. One stand out feature for us is that, in 2017, we started the collegial advisory service for our managers. Among other things, this was possible because we strengthened the personnel development department.

Through our human resources management programme, we manage internal training and make offers in the following areas: 1. Introduction of new employees; 2. Methodology, conduct, communication; 3. Expertise, processes and procedures; 4. IT know-how; 5. Management development; 6. Health, safety and leisure; 7. Workshops for apprentices

In employee development meetings, individual concerns are discussed with each employee and improvement measures for implementation within the next 12 months are selected. The FWC discussion (For each other, With each other, Customer-oriented), which resulted from our compensation project, deals with issues on how individuals can conduct themselves within the spirit of our corporate philosophy.

At elobau, we invest a great deal in our own junior staff. We offer eight different training jobs for young people. In

2016 and 2017, an average of more than 40 trainees benefited from our training. We provide state-of-the-art training. Our trainees work out the contents of their training modules themselves for the most part and can thus complete over 100 different modules.

In addition, through cooperation agreements with local schools, we create early opportunities for young people to gain insights into the training jobs through student internships and other measures.

We also offer several study places each year for dual studies. For employees who desire in-service further training, we offer individual solutions developed together with the HR department.

In 2017, we began to define elobau's vision for the future together with all employees. To do so, we invited all employees to a World Café called elobau 2025. More than 80 colleagues answered the challenge and developed a vision for elobau. The ideas were noted by our managers and published in a special issue of our employee newspaper, eloZEIT.

**Implemented measures:**

- Introduction of diverse work groups for employee involvement and improving the workplace culture
- Introduction of a collaboration software called Beekeeper to get ad hoc feedback from employees
- Introduction of agile project methods and design thinking
- Dissolution of the original extended management board in favour of a committee with all executives
- Introduction of elo-Talk live – employees interview managers and not vice versa
- Implementation of the new compensation system, which was developed by the employees themselves

**Objectives:**

- Employee involvement and self-organization will continue to increase.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				5	
Auditor assessment				6	

**C1.2 Health promotion and occupational safety**

Our health rate has continued to develop positively in the past two years. In addition to the existing measures (Health Management Working Group, Ergonomics Team), we have taken further measures. This includes intensive training for our managers, improving cooperation with our external company physician and our occupational safety specialist. In addition, we established a structured process for operational integration management (BEM for short) in 2016. As part of a master thesis, we also developed a concept for sustainable company health management, which is to be implemented in the future.

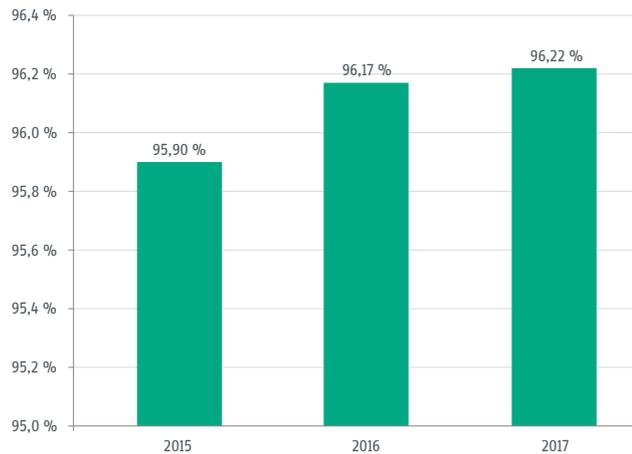
Through a number of improvements (such as protective equipment), we have succeeded in significantly reducing the number of notifiable work accidents in 2017. Our proven programmes such as Health Day, regular company fitness at the workplace and during working hours will be continued.

A physical risk assessment using the KFZA questionnaire (short questionnaire for job analysis) was carried out as part of the last employee survey. The results were discussed with each individual team. As a consequence, all new office tables will be height-adjustable from now on. Since 2017, we have also been offering support for computer workstation glasses, if needed.

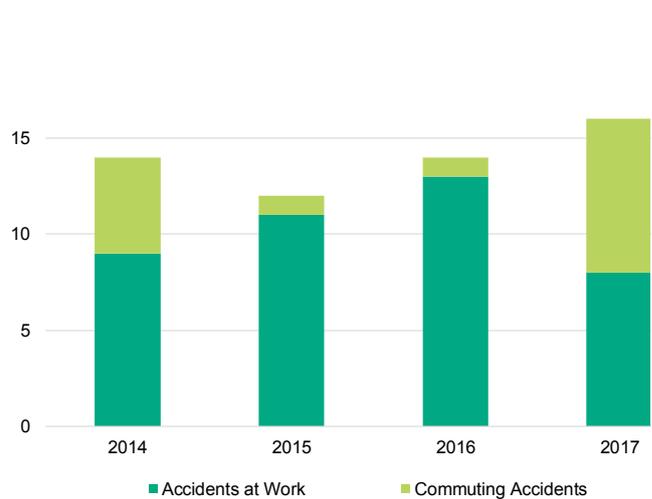
In order to achieve a better work-life balance, we launched a concept for mobile work in 2017, which was implemented at the beginning of 2018.

All employees can contact our company doctor at any time. If employees require support, this is provided as far as possible.

**Health rate**



**Notifiable work and commuting accidents**



**Implemented measures:**

- Expansion of training courses for managers and employees in regards to ergonomics and occupational safety
- Development of a concept for integrated, sustainable OHM at elobau
- Introduction of a company integration management system

**Objectives:**

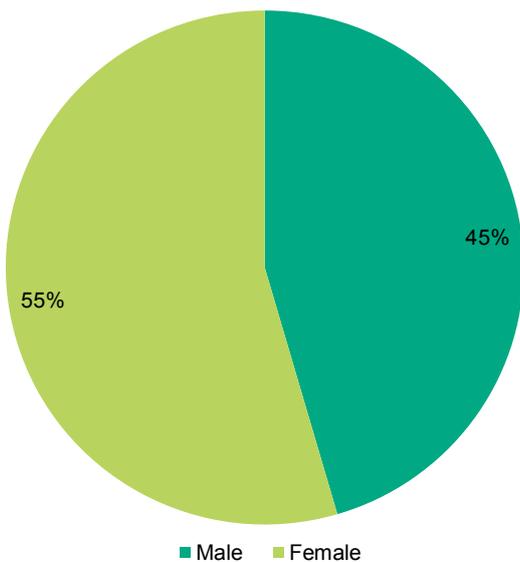
- Stronger measurement of results and derivation of measures
- Introduction of clear responsibilities in the area of OHM
- Training of managers "Leadership and OHM"

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				5	
Auditor assessment				5	

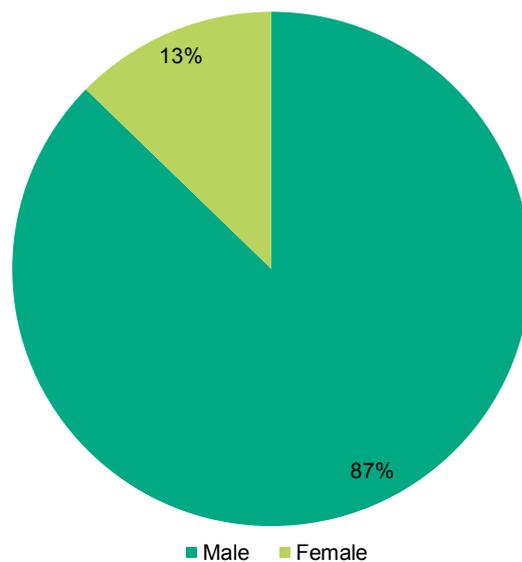
### C1.3 Diversity and equal opportunities

"Every person is unique. We are aware of this, which is why we want to purposefully offer our employees a work environment tailored to their needs." (Michael Hetzer in the brochure "For one another - With one another"). As a company in a technical field, we have a traditional structure, so to speak. Most technicians and engineers are male. More than 75% of the production staff is female.

**Employees by gender**



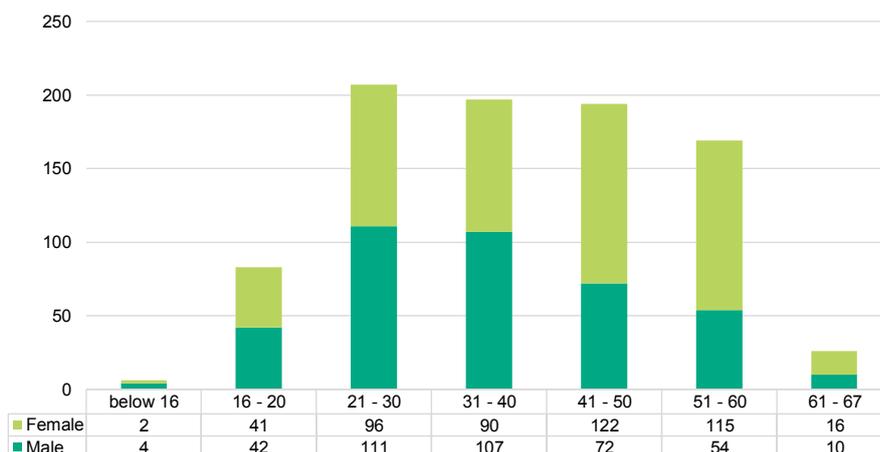
**Executives by gender**



In recent years, we have attempted to increase the number of women in managerial positions. The current share is 13%. Currently, there is no woman in a top managerial position.

At elobau, it is important that both young and older people have a good opportunity to make a living. The average age at elobau as of December 31, 2017 is 38.9 years (women: 41.0 years; men: 36.3 years). In recent years, we have succeeded in establishing a well-balanced workforce structure.

### Age structure



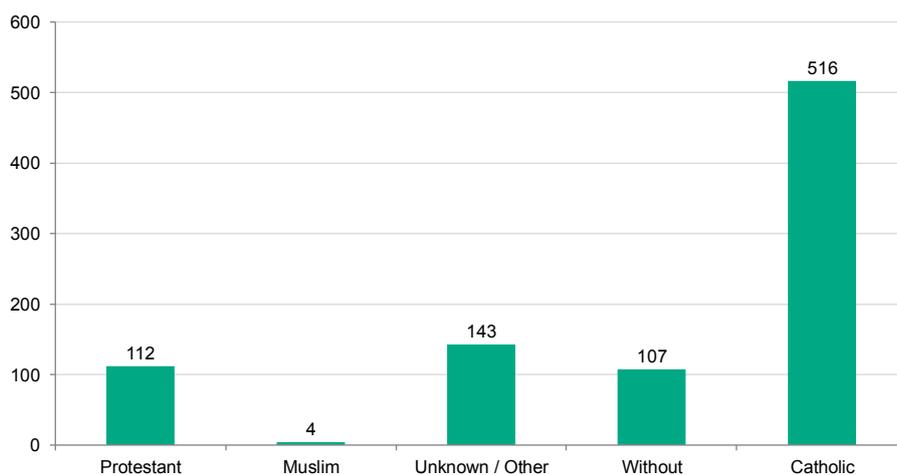
As of December 31, 2017, elobau had employees of 28 different nationalities. Thanks in particular to our foundation's work, we were able to offer refugees an opportunity for internships, training or even starting their career in our company. It is worth mentioning that our project "Together towards the Future" (#MiRiZu) was honoured as a short-list participant in the German Human Resources Management Award in 2017. Almost 800 employees are German citizens.

**The nationalities of our employees:**

- Brazil
- Bosnia-Herzegovina
- Bulgaria
- Germany
- Greece
- Iraq
- Iran
- Italy
- Cameroon
- Kazakhstan
- Kosovo
- Croatia
- Montenegro
- Austria
- Poland
- Portugal
- Romania
- Russia
- Serbia
- Somalia
- Spain
- Syria
- Thailand
- Czech Republic
- Tunisia
- Turkey
- Ukraine
- Hungary

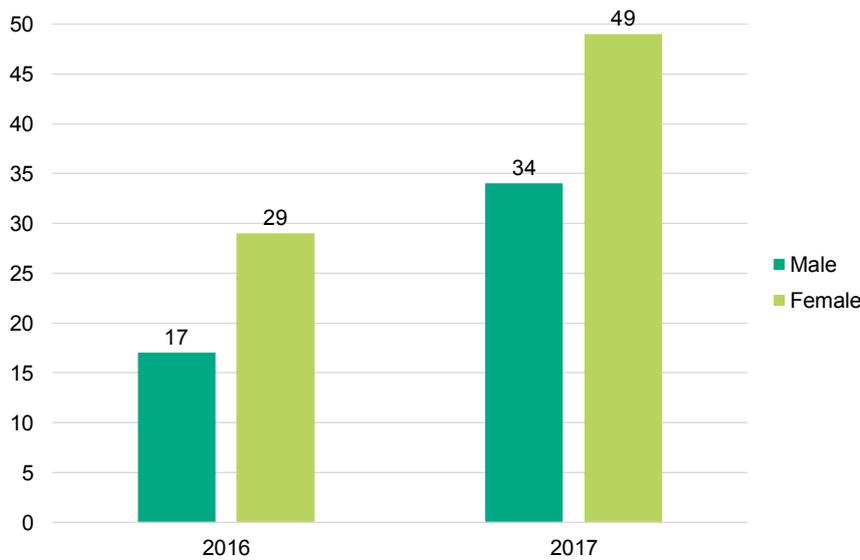
At elobau, religious affiliation is currently only recorded for payroll purposes.

**Religious affiliation**



The number of employees in maternity leave and parental leave has almost doubled from 2016 to 2017. The proportion of men taking parental leave has doubled. We also support part-time employment during parental leave and work to find appropriate, individual solutions with employees.

**Employees on maternity and parental leave**



The number of employees with disabilities rose from 12 to 15 in the period from 2015 to 2017. Furthermore, we have strengthened our cooperation with sheltered workshops. Compensation payments for the disability compensation tax amounted to zero euros in 2016 and 2017 respectively.

Our trainees took part in the "Change of Perspective" programme for the first time in 2017. The aim of this programme is to bring people with disabilities and people without disabilities closer together to promote the idea of inclusion, i.e. change the people's perspective. The way this works is that employees from a workshop for the disabled (in our case the Stephanuswerk in Isny) come visit our trainees for one week to gain new experiences. Subsequently, an exchange takes place and the trainees go to the workshop for the disabled for a week. Both elobau and the workshops for the disabled provide patronage.

**Implemented measures:**

- Employing refugees within the scope of internships, as apprentices and in permanent positions
- More flexible handling of parental leave for employees
- Employing an increasing number of disabled people and are expanding our collaborations with sheltered workshops
- Our apprentices took part in the "Change of Perspective" campaign

**Objectives:**

- Increasing the number of women in management positions
- More jobs for people with disabilities

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				4	
Auditor assessment				4	

**Negative Aspect C1.4 Inhumane working conditions**

There is currently no employee representation at elobau, which is why our human resources department should have a say at this point: We currently see no area at elobau where (potential) inhumane working conditions prevail. In particular, the possibility of seeking a direct dialogue with management (for example via our "Suggestion box") means that possible grievances can be addressed quickly and unbureaucratically. This is also reflected by the fact that, in the past six years, elobau has not had to conduct a single lawsuit / no legal proceedings regarding any possible violation of labour rights.

	0 to 200 minus points
Self-assessment	0
Auditor assessment	0

**C2 Drafting of employment contracts**

**C2.1 Earnings structure**

elobau is a non-tariff company. We are guided by the tariff agreements of IG Metall trade union, but have our own remuneration system. In 2017, we introduced a new compensation system in the production area, which was developed independently by the employees in this area. A total of 56 employees were involved in the development of the new system.

When the system was introduced in January 2017, negotiations were conducted individually with each employee concerned. Each individual was free to stay in the previous model or to change. The new model was chosen by more than 96% of employees. Transparency is an essential factor of this model. Everyone can see how their basic classification is defined. If the classification is not agreed with, an escalation process can be started. Other components of the model are the so-called FWC share (for each other, with each other, customer-oriented) and a per capita quality and success bonus (x% of the company profit for all employees). It does not matter which position a person holds in the company.

In addition, our employees receive company welfare benefits, such as:

- Benefit card (EUR 44 per month)
- Working time account
- Advice on the company retirement benefits
- Net pay optimization
- Occupational health management
- Free social counselling
- Free organic apples, fair trade coffee and organic tea
- Free refuelling of pedelecs and electric vehicles at work
- Social actions
- Company sports (40 employees in preventative courses)
- Discounted eco-energy rates for private households

Since 2017, our employees have had the opportunity to use a sustainable insurance product for their company pension scheme (see B1.3). Each individual can check the market viability of the salary we pay via the HR department by means of a salary database benchmark. In 2016, we introduced a salary review process under the Remuneration Transparency Act.

A total of 54% of employees rate the payment for the work performed as appropriate. 80% believe they have an appropriate share in the company's success (Great Place To Work® study in 2016).

Our temporary employees receive the same benefits as elobau employees. This also applies to the FWC bonus and per capita profit-sharing. The highest earnings in the company is 8.19 times the lowest earnings.

Since elobau manufactures exclusively in Germany, the internal working conditions comply with legal requirements or go far beyond. The latter is continuously confirmed by our employee surveys conducted by the Great Place to Work® institute.

**Implemented measures:**

- New compensation system in the production area, which was developed by the employees themselves
- Employees employed on a temporary basis are treated the same way as employees
- Conversion of profit-sharing to a per capita bonus (instead of a bonus that was relative to salaries/wage)
- Introduction of a process for the Remuneration Transparency Act

**Objectives:**

- Expansion of the new compensation system to all employee groups

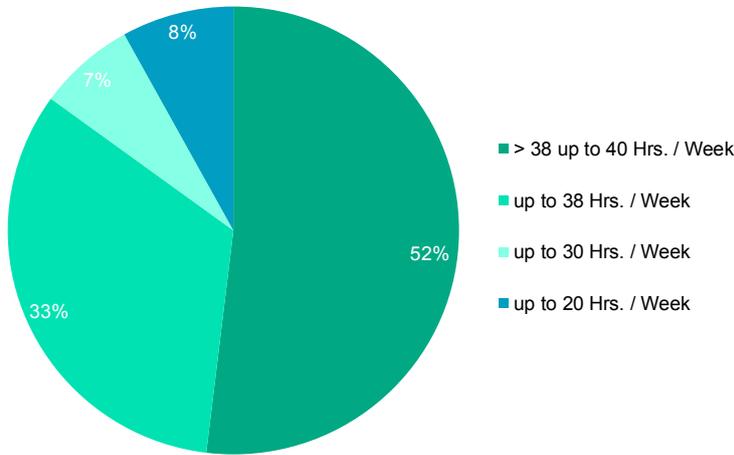
	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				4	
Auditor assessment				5	

**C2.2 Organization of working hours**

The weekly working time company-wide is 40 hours. 52% of our employees work more than 38 hours per week. The time model used is a classic flexitime model with a core working time. All overtime hours are collected in a flexi-time account. Accumulated time does not expire. In addition to time off compensation, employees have the option of payment and transfer to a long-term time value account. This time value account can be used, for example, to provide for care periods or additional parental leave. A more flexible retirement age is also possible.

A permanent two-shift system (Monday to Friday) is only implemented in two departments of the company. There is no night shift.

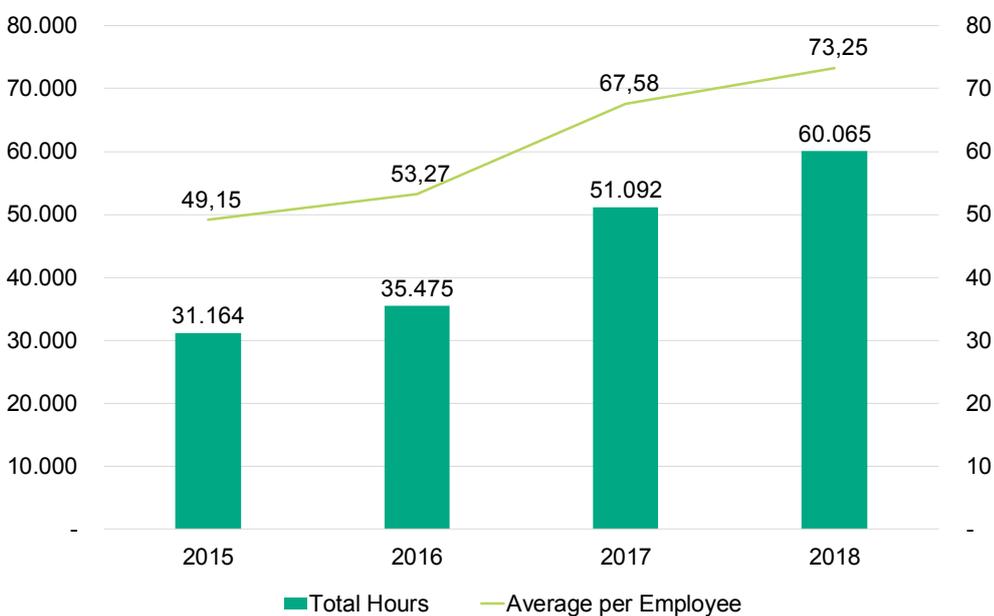
**Distribution of weekly working time**



Despite a strong increase in personnel in recent years, the total of flexitime balances has continued to rise. On the one hand, this is due to the double-digit annual growth and on the other to increased customer requirements due to much higher demand than expected. This increased demand is also offset by increased outsourcing of upstream processes as part of the "extended workbench" (see Chapter A).

We also see flexitime accounts as a buffer for economically difficult times. This approach enabled us to survive the economic slowdown in 2008 and 2009 without lay-offs. It should also be noted that we have succeeded in reducing overtime in the last two years. In the development department, we were able to reduce most overtime.

**Development of flexitime balances**



**Implemented measures:**

- Reduction of overtime in the development area

**Improvement potentials / objectives:**

- Reduction of overtime hours
- Expansion of flexible working time models

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment			2		
Auditor assessment			2		

**C2.3 Structuring the employment relationship and work-life balance**

We currently have 40 different working time models in use in the company. In 2017, we drew up a regulation to make the work location and working time flexible in order to achieve better work-life balance. This particularly pertains to the issue of home office. This new regulation was implemented in February 2018. Most of the managers in the company work full-time.

**Improvement potentials:**

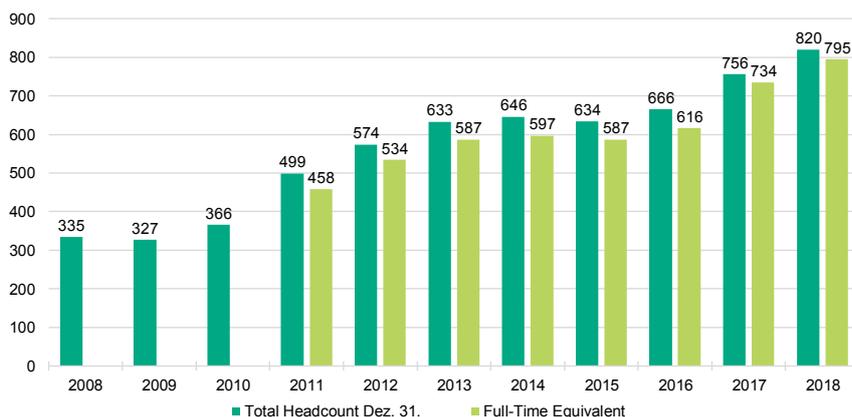
- Part-time and job-sharing executives

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment			3		
Auditor assessment				4	

**Negative aspect C2.4 Unfair wording of employment contracts**

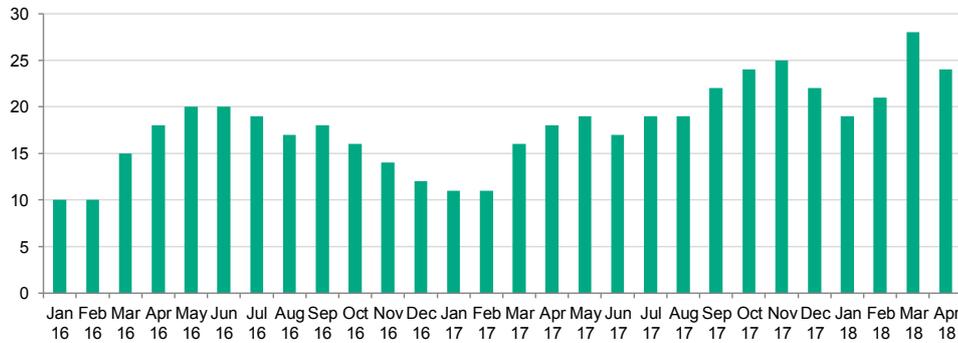
When we introduced our remuneration system in production, we dealt intensively with the topic of minimum remuneration. The minimum value defined in the system was defined by the employees themselves and can therefore also be seen as "dignified remuneration". We use part of our profits as a bonus for our employees. Each employee receives the same share.

Our number of employees has grown steadily in recent years. Our good reputation in the region of the site has certainly facilitated this growth.



Despite the high volume of orders, we kept the proportion of temporary workers under 5% in 2016 and 2017. For temporary employees, we use the equal treatment approach.

**Temporary workers**



Employees who are employed on a temporary basis are employed for a maximum of 14 months. No later than at that time is it decided whether the person will be offered a fulltime position.

The number of temporary employment contracts is currently 14.39%. A total of 118 employment relationships, mainly in the area of production, are temporary (training contracts and dual courses of study are not included here). With fixed terms, we generally set a 12-month limitation. About three months before expiration of the fixed term, it is decided whether another extension of 12 months is offered. Also, about three months before the end of the second fixed term, a decision on an indefinite takeover is made. There are no fixed terms that go beyond two years.

As mentioned previously, the income spread at elobau is 1:8.2 and is thus far below the limit of 1:20. The way salaries are determined can be tracked through a newly introduced, transparent system in production, and thus does not discriminate based on age, gender or ethnicity.

The salaries in the company have always been paid on time and in the correct amount.

With regard to contract design, it should be noted that only 16 employees in the entire company are currently employed with so-called all-in contracts.

	0 to 200 minus points
Self-assessment	0
Auditor assessment	0

## C3 Encouraging ecological behaviour of employees

### C3.1 Sustenance during working hours

In 2016 and 2017, the company's catering was provided by external service providers, which were mainly frozen goods. But a subsequent concept was developed and another subsidiary was founded in order to have our own organic canteen. The new "elobau Esszimmer" opened in March 2018. In addition to the organic certification, the concept includes regional meat procurement and a main supplier with an ECG entry report. Even before that, elobau offered daily fresh organic apples as well as organic coffee and snack machines, which also dispense organic products. During Health Days and other festivities, we made sure to select organic food and regional suppliers.

#### Implemented measures:

- Concept for organic canteen
- Organic apples and coffee for all employees

#### Objectives:

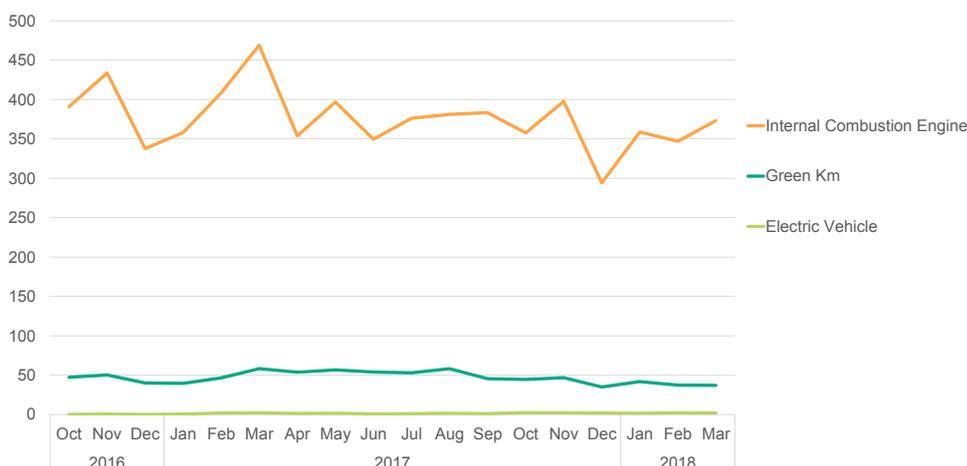
- Opened in-house organic restaurant in 2018

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment			3		
Auditor assessment			3		

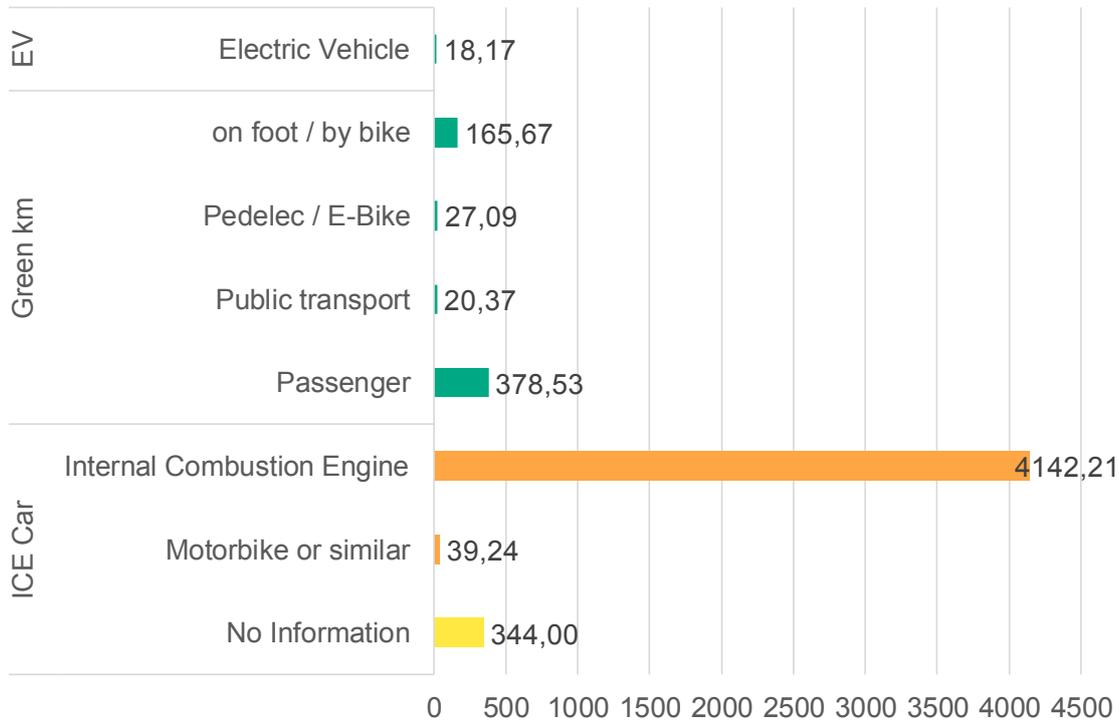
### C3.2 Commuting to the workplace

In October 2016, we started logging the means of commuting via our time management system, which provides day-accurate data. The main reason behind this was to get feedback on our bicycle campaign "Ride your Bike" and make a database for further measures. At the same time, we use this method to automatically record the commuting emissions for our carbon footprint. Due to the rural location of the company, the ratio of cars used as a means of travel is relatively high.

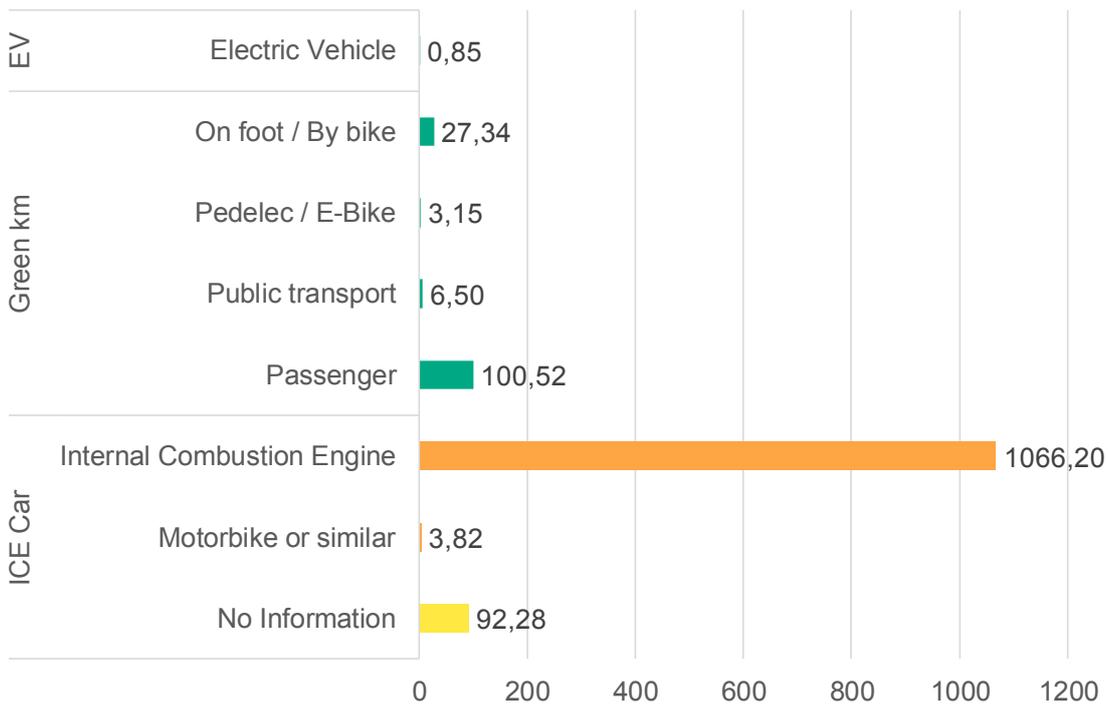
The sustainability department also publishes the mobility indicator "Green km per employee" via Beekeeper (defined as "green km" are: on foot, by bicycle/pedelec, car pooling or public transport). Owners of electric vehicles can recharge their vehicles for free and have specially reserved parking spaces in front of the building.



**Commuting kilometres per employee 2016**



**Commuting kilometres per employee 2017**



People who drive company cars generally also use these to drive to work. The ecology criteria for the purchase of company cars valid at the time of reporting are: max.115 g CO<sub>2</sub> e/km, no SUVs and at least energy efficiency class A.

**Implemented measures:**

- Bicycle leasing programme "Ride your bike"
- Own parking spaces for electric cars as well as optional battery charging
- Promotion of e-mobility
- Company bicycles

**Improvement potentials:**

- More support for electric vehicles

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				4	
Auditor assessment				4	

**C3.3 Organizational culture, sensitization for ecological process design**

In 2014, we redefined the concept of sustainability at elobau. While mostly ecological aspects were taken into account until that time, we have now supplemented them with economic and social aspects. We summarized our philosophy in this respect in 2017 in a separate sustainability brochure entitled "Sustainability is not child's play", which was published in early 2018.

Since 2017, we have been offering sustainability training in our training catalogue for all employees. It was introduced as a supplement to our management talk (vision exchange with management) and is mandatory for all new employees.

Since 2016, we have also been offering the option to submit suggestions for improvements in regards to ecology through our company's suggestion scheme, in order for these to be subsequently implemented.

Since 2017, employees have been receiving a company pension scheme on the occasion of their 10th anniversary, which is implemented through a sustainable insurance product (see B1.3). We have also negotiated offers for green electricity for our employees.

**Implemented measures:**

- Charging facilities and special parking spaces for employees' electric vehicles
- Offering sustainability training in the training catalogue
- Possibility to submit suggestions for improvement also for ecological topics
- Company pension scheme through sustainable insurance product

**Improvement potentials:**

- Add environmental objectives to recruitment policy
- Expand green social benefits

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				4	
Auditor assessment				5	

**Negative aspect C3.4 Instructions for wastage / tolerating unecological behavior**

In our Travel Policy, employees are asked to prioritize trains as a means of travel, but, in accordance with our mission statement, we refrain from monitoring employees and applying pressure.

We have abolished products with excessive packaging as far as possible. The opening of the "Esszimmer" organic canteen in particular enabled us to eliminate the high number of aluminium trays needed for the previous food items. Every employee receives a coffee cup when they start employment at elobau, so that they can get coffee for free at the coffee machine. Paper cups cost EUR 0.10. The company has a clear waste disposal guideline that promotes the appropriate handling of waste from an ecological point of view. This is also a topic of sustainability training. And we only use recycled paper for printing. Our printed materials are also produced on corresponding paper.

Implemented measures:

- First hybrid and electric vehicles in the company fleet
- Clear ecological criteria for the purchase of new company vehicles
- Aluminium packaging for company catering has been abolished

	0 to 200 minus points
Self-assessment	0
Auditor assessment	0

**C4 Co-decision and transparency within the company**

**C4.1 Internal transparency**

Every month, the company's scheduled and actual sales figures are published for all employees. Comprehensive company information is published annually in the Sustainability Report, which is also available to all employees. All managers in the company (more than 50 employees) receive additional access to sales, costs and earnings figures. Managers have access to all information relevant to the respective area. In addition, selected employees from different areas (for example, sales or sustainability) also have extended access to relevant company data. The top management level (15 employees) also has access to the MIS (Management Information System). And the remuneration working group regularly receives aggregated figures on the development of salary ranges and levels. The increasing transparency and volume of company data in recent years has significantly piqued the interest in such figures.

Existing employees are also actively involved in the recruitment process and are given relevant information. All hirings are communicated via the intranet.

All measures to create transparency are designed to comply with data protection requirements.

And lastly, the ECG report is available in many places throughout the company and can be viewed by the employees.

**The following was implemented in the reporting period:**

- Management insight into all relevant business figures

**Improvement potentials:**

- Increased transparency of business figures (costs and income)

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				4	
Auditor assessment				4	

**C4.2 Legitimacy of executives**

Executives at elobau are assigned and appointed through selection procedures by the higher hierarchy level. In 2017, for the first time a manager was appointed by employee election.

We conduct an employee survey every two years. If the department has more than five employees, the results of the survey are also related to the immediate manager. All feedback is communicated openly. Since the last survey, a separate working group has had access to all data from the survey and is responsible for implementing the feedback.

**Implemented measures:**

- Election of a manager
- Assessment of executives through an employee survey
- Own working group, which is composed of volunteers and takes care of the implementation of the results

**Objectives:**

- Introduction of opportunities to participate in the legitimation of managers

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment			2		
Auditor assessment			3		

**C4.3 Co-decision of the employees**

For the first time in 2017, we involved our employees in defining our long-term strategy. As part of a World Café, more than 80 people (employees and executives) took part and kick-started Strategy 2025.

Another major achievement was the remuneration project, which is described in more detail in section C2.1.

The employees of the respective teams are involved in the recruitment process and can play a decisive role.

**Implemented measures:**

- World Café for strategy development
- Compensation project

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				6	
Auditor assessment				6	

### Negative aspect C4.4 Prohibition of works council

There is no works council in the company. The last time a vote was taken in regards to introducing an advocacy group was in 2014. The majority of the workforce has decided against this.

#### Improvement potentials:

- Introduction of a trust body

	0 to 200 minus points
Self-assessment	-5
Auditor assessment	0

## D – CUSTOMERS & OTHER COMPANIES

Authors: Oliver Brauchle, Stefan Teichmann, Julian Rieblinger, Eduard Zang

### D1 Ethical customer relationships

#### D1.1 Respectful communication with customers

New customers are acquired through trade fairs, application reports, social media, trade magazines and recommendations from our existing customers. New customer relationships are also established regularly via our website. A worldwide sales team advises customers on site with technical solutions. This is also done proactively by potential customers, but always by appointment.

The total marketing budget is 1% of sales.

Customer orientation is anchored in our mission statement in the form of internal ethical guidelines. Customer orientation is an essential part of how we are positioned on the market. We see ourselves as a "problem solver" for smaller and medium quantities. This allows customers to configure products on the website or in customer meetings. A variety of selection parameters are available to them. In recent years, we have identified potentials for improvement in the important area of on-time delivery (OTD) and have initiated appropriate optimization measures in the Operations and Quality Management divisions (OTD95Plus and QTotal projects).

As an independent foundation company, elobau is not based on quarterly figures, instead it plans and acts on a long-term basis. Due to its economic success, elobau is a stable and reliable partner for its customers. In order to ensure this independence and resilience in the future, the management decided in 2016 to develop a modular tractor armrest. This is primarily intended for customers who do not have the resources to develop an exclusive armrest. The sales team is tasked with advising the customer in a solution-oriented manner and making an optimum product selection in a joint discussion.

Advertising and mailing campaigns are only used after approval by the recipient. Approvals are stored in the Customer Relationship Management system. We do not use negative advertising to the detriment of our competitors. Furthermore, elobau relies on regional advertising, such as the labelling of a public transport bus with "elobau produces in a carbon-neutral manner".

We conduct regular customer surveys (mailing campaigns, questionnaires, evaluations, analysis). With this market feedback, our customers' impulses and requirements are incorporated into the development of products.

Customers can easily make complaints via a warranty claim on the website. In addition, complaints offices can be reached by phone. The points of contact are the sales team, the key account managers, the internal sales department and quality management.

Sales employees are paid a fixed salary, irrespective of sales, although there are still some old contracts that are commission-based. For this reason, two sales representatives still received a sales bonus in the reporting period. However, this will be abolished in 2018 as part of the self-organization of the German sales force. There are no internal sales targets.

**Improvement potentials:**

The commission share of sales employees is fully converted to fixed amounts. The German sales force has been completely self-organized since May 2018, i.e. there is no longer a manager for each individual employee. Roles have been defined for various topics, which are handled by different team members. The team appointed a spokesperson.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				5	
Auditor assessment				6	

**D1.2 Accessibility**

We categorically exclude sales to defence companies and nuclear technology providers. There are no other obstacles to purchasing our products and services.

Universities are given free products for educational purposes. We particularly support start-up companies and SMEs (small and medium-sized enterprises) with regard to the integration of operator controls via the modular armrest developed by elobau. As we are a problem solver for small and medium quantities, many SMEs are also among our customers whom we regard as a disadvantaged target group in a market dominated by corporations worldwide. We offer these SMEs the same service as large companies and also serve requests that are rejected by larger companies. This customer group accounts for approximately 20% of total turnover. Accessibility is promoted particularly through online configurators.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				4	
Auditor assessment				6	

**Negative aspect D1.3 Unethical advertising measures**

elobau does not discredit its competitors. We take no further advertising measures apart from the informative and factual presentation of our products.

	0 to 200 minus points
Self-assessment	0
Auditor assessment	0

## D2 Cooperation and solidarity with other companies

### D2.1 Cooperation with other companies

elobau sells a number of "brand label" products from market competitors in order to complement its own product portfolio for customers. These include safety interlocks, speed monitors, software-configurable safety controls, emergency stop buttons and ultrasonic sensors. Market competitors also sell elobau products, such as various non-contact safety sensors. Together with the University of Hohenheim, we are investigating adaptive operation of tractors in the future as part of the AISA (Adaptive Interface Systems in Tractors) research project. As a system supplier, we are already seeking cooperation with customers in this area. We want to expand and intensify this in the future.

The first armrest in the industry made of bio-based plastics and apple leather was implemented during the reporting period, in order to promote the idea of sustainability at the product level. This project was supported by the renowned Institute for Bioplastics and Biocomposites (IfBB). As part of these collaborations, both technical and financial information is exchanged. There is no concrete data collection for the purpose of tracking time or demarcation to other projects, because the projects are too strongly interconnected and interrelated.

#### Objectives:

Projects with a partner company are currently pending in order to jointly develop an actuator for non-contact safety sensors. Our cooperation partner contributes the development work for the design of the housing, and elobau provides the function with the corresponding safety sensor, the validation tests and the necessary approval support. Both companies will then be allowed to sell this product. Secondly, the cooperation partner is developing a magnetic guard and integrating an SMD module from elobau, which is used in a non-contact safety sensor. When this module is used, the above-mentioned guard is supplemented with a safety function. elobau provides the functionality and supports this with know-how in integration and validation tests. elobau will sell this product as a brand label product in the future.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment			3		
Auditor assessment				4	

### D2.2 Solidarity with other companies

We work actively with our partner companies to fill gaps in the product portfolio. To date, no concrete measures have been taken to pass on projects to competitors. However, articles of competitors are frequently integrated into our products if our customers so desire (see D2.1). An exchange in the area of development is certainly possible, but unfortunately we often encounter rejection from our counterparts as far as a deeper cooperation is concerned. As described in 1.2, we offer particularly small companies and start-ups the possibility of acquiring individualized, modular systems without a significant increase in price for smaller purchase quantities. In this way, we support highly innovative companies that are still in the development phase.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment		1			
Auditor assessment			3		

**Negative aspect D2.3 Abuse of market power vis-à-vis other companies**

Products from other companies are also purchased and installed. Other companies are neither harmed nor obstructed. We focus more on qualitative aspects rather than quantitative ones. We do not pursue a dumping price strategy, but aim to convince with quality, innovation and sustainability.

**Excerpt from our company mission statement:**

**Vision**

elobau wants to be among the best in all activities and target markets worldwide. In doing so, we want to retain our independence and, on the basis of renewable energies, develop elobau into an energy-independent and sustainable company.

**Mission**

Protect people, control machines: efficiently, ergonomically, safely – all of the time.  
 With innovative sensor technology, we support our customers worldwide in building machines and vehicles which set standards in terms of performance, operating comfort, safety and quality. In doing so, we meet our responsibility to employees, society and environment and motivate others to follow this example.

	0 to 200 minus points
Self-assessment	0
Auditor assessment	0

**D3 Ecological impact of use and disposal of products and services**

**D3.1 Ecological cost-benefit ratio of products and services (efficiency and consistency)**

We can draw conclusions about the shelf life of the products because we simulate environmental influences in our test laboratory. In this way, we guarantee the longest possible service life of our products (20,000 operating hours, which corresponds to a service life of around 10 years) and thus reduce the environmental impact.

Materials that are on the Reach or RoHS index are not used. This means that we deliberately avoid all hazardous and toxic substances in our products and constantly monitor whether other materials are classified as problematic.

The basic reed technology in our sensors is durable as it is. It works without any supply voltage and can therefore be considered very energy-efficient.

The modular design and separability of the parts ensure ease of repair and recycling by type. Parts with high wear in particular are developed in such a way that they can be replaced. Products are usually bolted and not cast (glued). elobau offers standardized individual parts to consume as little energy and resources as possible.

Installing new hardware is possible, e.g. the customer can make a control console more ergonomic with a new joystick without replacing the entire console. We offer spare parts availability between ten and 20 years. Already during the product design, attention is paid to the separability of components and materials in order to facilitate subsequent recycling.

For the reporting period, the aforementioned modular armrest, which was developed in-house and consists of approximately 70% biobased, i.e. petroleum-free, plastic, applies in particular. A guideline for the development of new products was also developed. It meets sustainability aspects such as energy and material efficiency. Using this guideline is mandatory for every development process (product development process).

When it comes to the carbon footprint, we deliberately include the upstream value chain (Scope 3 emissions), which accounts for by far the largest part of our total emissions. We compensate for all climate emissions and thus offer our products in a carbon-neutral manner.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				5	
Auditor assessment				6	

### D3.2 Moderate use of products and services (sufficiency)

Most of our products contribute to a sufficient society. Moderate use is an integral part of the product development process and product specifications. From a sufficiency point of view, it should be mentioned above all that elobau allows for installation of new hardware in the products. Spare parts are available over a period of at least ten years, and our products are designed for a service life of at least 20,000 operating hours. Further measures relate primarily to product development. In the field of commercial vehicles, elobau products yield a so-called oil-free cab, i.e. lower consumption of equipment and thus a resource-saving and energy-efficient way of working.

A strategic decision of the management was to develop an armrest made of bioplastics. It consists mainly of renewable raw materials and is in no way inferior to the armrest made of conventional plastics, both functionally and in terms of durability and longevity.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				4	
Auditor assessment				5	

### Negative aspect D3.3 Conscious acceptance of disproportionate, ecological effects

Commission-based remuneration for the sales force was abolished at the beginning of 2018. Environmental impacts were minimized for all relevant products. Particularly noteworthy here is the casting, which is needed for the tightness of components. We reduce this process to a minimum.

	0 to 200 minus points
Self-assessment	0
Auditor assessment	0

## D4 Customer participation and product transparency

### D4.1 Customer participation, joint product development and market research

The success of elobau lies in flexible, highly customized solutions, which are not available or very difficult to obtain from large companies.

It is also due to the high vertical integration. elobau fulfills many customer wishes and delivers from a single source in the face of special requirements. Customer meetings (records, memos, minutes, forms, visit reports), customer surveys (conversations, mailing campaigns, questionnaires, evaluations, analyses), market analyses, benchmarking and market information (pool of ideas for the sales force to collect customer requests) are used to determine customer requirements.

In all products developed together with customers, sustainability aspects regarding material efficiency and longevity are taken into account. Biomaterials are used whenever possible, and the design is always intended to be modular. Individual details are defined in specifications. In order to incorporate our customers' future wishes and goals in the development process, it is essential to conduct market studies at certain times. Furthermore, we are involved in research projects in order to determine how agricultural vehicles are operated in the future.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				6	
Auditor assessment				6	

### D4.2 Product transparency

Technical information on the products can be found on the website. Data sheets and 3D data are provided on request.

The cost calculation is not disclosed. We file patents only with the intention of using them in the future. We do not file patents to block others.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment		1			
Auditor assessment		1			

### Negative aspect D4.3 No identification of hazardous substances

We are subject to the REACH and RoHS regulations and ensure through our management systems and processes

	0 to 200 minus points
Self-assessment	0
Auditor assessment	0

that no corresponding materials or quantities are used.

## E – SOCIAL ENVIRONMENT

Authors: Tobias Fetscher, Armin Hipper, Peter Aulmann

### E1 Meaning and social impact of products and services

#### E1.1 Products and services meet basic needs and serve the good life

elobau products are used in four very different fields (operator controls for commercial vehicles, machine safety, level measurement, sensors). This guarantees a broad positioning of the company. The more than 10,000 articles are used in very different areas, therefore, a detailed analysis of all fields of use is unfortunately not yet possible. According to elobau's mission statement, customers in the defence and nuclear sectors are excluded, provided we are aware of this. Evaluating the usefulness of elobau products is ultimately only possible on the basis of each individual area of application. For example, a tractor can be used in organic farming or for dispensing critical crop protection products.

However, industrial agriculture, for example, is commonly identified as a cause of the extinction of species and, in particular, insects. This demonstrates that our products can potentially be used in risky areas. We are increasingly becoming aware of this aspect and can pay even greater attention to the effects of customer applications.

However, as shown in the table below, all of our products and the products of our customers can still serve the basic needs of people - with the limitation that we cannot guarantee how the products will ultimately be used by the end consumer. All of our customers' derivatives can also be used to solve social or ecological problems and can thus contribute to the UN's Sustainable Development Goals.

	Industries	Examples	Fundamental needs <sup>8</sup>	Serves development <sup>9</sup>	UN - SDGs <sup>10</sup>
More than 80% of turnover	Agricultural technology	Agricultural and forestry tractors, equipment for soil tillage, harvesting machinery, gardening and landscape management	1, 2	M, E	2
	Conveyor technology	Industrial trucks, aerial work platforms, municipal vehicles	1, 2, 6, 7, 9	M, E	3, 6, 9, 11, 12
	Construction and civil engineering machinery	Construction machinery, civil engineering, mining, road construction	1, 2, 5	M	8, 9, 11, 12
	Food and packaging machines	Commercial dishwashers, bread slicers, packaging	1, 2, 6	M, E	2, 3, 6, 10, 12
	Fluid technology	Hydraulics, pneumatics (valves, pumps, filters)	1, 2	M, E	3, 6, 7, 11, 14
	Process-engineering machinery and apparatus	Water processing, waste water treatment, tanks	1, 2, 9	M, E	3, 6
	Laboratory and medical technology		1, 2	M	3, 12

<sup>8</sup> The fundamental human needs according to Neef are used as an evaluation framework in the ECG. They are defined as follows: 1. Subsistence / health / well-being, 2. Protection / safety, 3. Affection / love, 4. Understanding / empathy, 5. Participation / comfort, 6. Leisure / recreation, 7. Creation, 8. Identity / meaning, 9. Freedom / autonomy

<sup>9</sup> ECG also enquires whether our products serve the development of humans (M) or the earth/biosphere (E).

<sup>10</sup> UN sustainable development goals: The ECG uses the UN development goals as a benchmark. The 17 defined goals can be found under: <https://sustainabledevelopment.un.org/sdgs>

	Industries	Examples	Fundamental needs	Serves Development	UN - SDGs
Less than 20% of turnover	Drive technology		1, 2, 9	M	3, 7, 8, 9
	Measurement and testing technology		1, 2	M, E	3, 6, 7, 8, 9, 12
	End consumer / spare parts	Medical technology, pharmaceuticals, food-stuffs and beverage industry	1, 2, 6	M	3, 12
	Fire-fighting equipment	Fire-fighting vehicles, fire fighting equipment	1, 2	M, E	3, 11
	Printing and paper technology	Printing machines	2, 6, 7	M	3, 4, 12
	Cleaning systems	Steam cleaners	1, 2, 5	M	2, 3, 6, 10, 12
	Compressors, compressed air and vacuum technology	Construction machinery	1, 2, 5	M	8, 9, 11, 12
	Cooling technology	Commercial refrigerated and refrigerating machines, heat pumps	1, 5	M	2, 3, 12
	Central lubrication systems		1, 2	M	8, 9, 12
	Tool manufacturing machines		1, 2, 7, 8, 9	M	8, 9, 12
	Textile machinery		1, 7	M	3, 12
	Power systems	Turbines and power engines	1, 2, 9	M	3, 7, 8, 9
	Commercial vehicles	Waste collection vehicles, environmental technology, special tractors	1, 2, 6, 7, 9	M, E	3, 6, 9, 11, 12
	Plastics / rubber machinery	Injection moulding, extruder	2, 7	M	8, 9, 12
	Marine, maritime, offshore	Ship building	1, 2, 5, 6, 9	M	3, 6, 14
	General air technology	Fans, ventilation systems, drying systems	1, 2	M	3, 7, 8, 9, 11
	Woodworking machines		1, 2, 7	M	8, 11, 15
	Heavy goods vehicles		1, 2, 9	M	8, 9
	Buses and coaches		1, 2, 9	M	1, 3, 8, 11, 13
	Miscellaneous		-	-	-
Sales <sup>11</sup>	Wholesalers, suppliers, subsidiaries, distributors	-	-	-	

The positive effect (according to Neef) of our products can be seen, for example, in guaranteeing personal safety on machinery or in food production through the operator controls. Energy efficiency is also improved by elobau sensors, especially when reed technology is used, as is the case with most products. Our electronic operator controls replace hydraulic systems and thus enable so-called "oil-free" cabins of commercial vehicles, which facilitates a reduction in resource consumption.

<sup>11</sup>Just over 10% of the products are sold through distribution companies and wholesalers. Exact tracking of how the products are used is even more difficult in this case. However, it can be assumed that the products are used in a similar way to the products sold directly. In addition, our distribution partners are obliged not to sell the products to arms manufacturers.

**Objectives:**

Sustainability is to become an essential aspect of key account management, i.e. key customers should also be selected according to sustainability aspects.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				6	
Auditor assessment				6	

**E1.2 Social impact of products and services**

Our mission is to live up to our responsibility to employees, society and the environment and to motivate others to follow suit. This means, for example, that we take the time as speakers to give various lectures on our sustainability measures and sustainability management. Among the addressees and interested parties are schools, colleges, municipalities, banks and the industry association VDMA, or even interested groups such as the Rotarians. We hold approximately 10 - 15 lectures<sup>12</sup> per year, some on our premises, some elsewhere.

With regard to the community-building effect of our products, it should be mentioned that management has initiated the elobau 2025 vision process together with executives and external moderators in the reporting period. In this vision and strategy development process, we reflected on elobau's core competencies and our desired areas of application for elobau products. We documented the results of this participatory reflection process in a special edition of the company newspaper eloZEIT. This is about the effects and areas of application we would like to achieve and reach with elobau products in the future. The reinforcement of the pre-development department is a concrete result of these advanced ambitions.

In regards to raising awareness and structuring, reference should be made here once again to the elobau foundation and its projects founded in 2016 (see also E2.2).

**Objectives:**

The number of lectures and keynote speeches is to be maintained. And so is the level of social commitment.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				6	
Auditor assessment				5	

**Negative aspect E1.3 Inhuman products and services**

We have been excluding the use of our products in the production of weaponry and nuclear power for many years.

- Share of turnover of unethical products and services listed here:
- We do not produce products that are immoral in any way.
- Customer share who in turn manufactures or sells such products:
- Our customers also produce (as far as verifiable) only products that serve human development (see 1.1).

<sup>12</sup> The number of people reached varies greatly and we therefore do not survey them precisely.

**Improvement potentials:**

In the future, the exclusion of further areas of application for our products is to be examined.

	0 to 200 minus points
Self-assessment	0
Auditor assessment	0

## E2 Contribution to society

### E2.1 Taxes and social security contributions

elobau pays taxes and duties in accordance with the general conditions in Germany and Baden-Württemberg. elobau is the largest employer at its headquarters in the municipality of Leutkirch.

	2016	2017
Total turnover	EUR 84,352,838	EUR 98,188,604
Net tax ratio <sup>13</sup>	496.09%	-

In terms of support, elobau mainly receives electricity tax reductions and feed-in tariffs under the Renewable Energies Act (EEG) for its nine electricity generation facilities according to the EEG.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				5	
Auditor assessment				7	

### E2.2 Voluntary contributions for supporting society

elobau is committed to society in various areas. In 2017, for example, we donated EUR 66,000 to various projects. We have supported education, culture, events and athletes within the framework of official sponsoring, totalling EUR 107,000.

For example, we are partners of a monoskier who participated in the Paralympics, and we support a racing team with an electric drive. The donations and sponsorships totalled EUR 173,000 in 2017. This corresponds to 0.176% of sales (2016: EUR 95,000).

However, this number only includes the activities of the ensian group. The activities of the elobau foundation are not yet included. The elobau foundation's charitable commitment has completely different extents and will be described below.

<sup>13</sup> Net tax rate according to ECG 5.0 Workbook = (income taxes + employer's taxes and social security contributions based on wage sums + difference between gross and net wage total less subsidies and grants) / profit before taxes

## **elobau foundation**

The family-owned company elobau was converted to a foundation company in 2016. The previous sole owner of the company, Michael Hetzer, has transferred all of his shares to a foundation. The elobau foundation holds 99% of the shares of the elobau Group and has 1% of the voting rights. The reason behind this caesura were:

- The need to preserve independence, as enshrined in the mission statement
- Long-term safeguarding of the company irrespective of a person/family
- Professionalisation of social commitment

The basic idea behind all measures and the thereby declared objective of the elobau foundation is to initiate and support projects with social and ecological impact. The following three foundation purposes are firmly in place:

- Education
- Environmental protection
- Integration

An example of this is the JobKraftwerk project initiated in the districts of Bodenseekreis and Ravensburg. This is an online portal on which refugees can enter biographical data in several languages, for example via a smartphone, and thus create a CV in German. This effectively supports their integration into the labour market, as all civil society actors such as employers, volunteers, authorities and the refugees themselves are brought together on one platform.

The support was focused within the respective, very broadly formulated purposes of the foundation: in the area of education, the focus is on the individual potential development of children and young people; in the area of environmental protection, on the subject of biodiversity in the broadest sense; in the area of integration, on the integration of refugees into the labour market. As long as promising projects arise in these areas or ongoing projects are developed accordingly, these endeavours will be consistently pursued.

The foundation strives to have a full-time person in charge to involve committed volunteers in all initiated activities. The vision for the different roles can be described by comparison to a car: volunteer work is the fuel and financial means is the lubricant to make movement possible. With this approach, already about 50 volunteers got involved on a project basis in the first year of the foundation's work.

Since its establishment, the elobau foundation has received 10% of the operating profit of the elobau Group annually, but at least EUR 150,000 and capped at EUR 750,000 per fiscal year. The annual subsidies are thus formally stipulated. This does not include voluntary additional distributions to the foundation.

In 2017, around EUR 210,000 was spent on various projects within the framework of the foundation's purpose of education, environmental protection and the integration of refugees. This includes personnel resources worth around EUR 60,000. Allocation of all expenditure by foundation purposes: EUR 90,000 for education, EUR 20,000 for environmental protection and EUR 90,000 for integration.

In the foundation's first full financial year (2017), an administrative expense ratio of around 20% was achieved due to increased start-up costs as part of setting up the foundation and the infrastructure. For 2018, we expect an administrative expense ratio of well below 10%. The goal is to achieve 7%. The distribution for the short year 2016 and the entire year 2017 totalled EUR 285,000.

**Areas for improvement of the elobau foundation:**

We do not (yet) have results management for the foundation and simply do not have multi-year runtimes of the projects. However, the provisioning of full-time project management already shows to be promising.

**Overview of projects of the elobau foundation 2017**

elobau foundation – Educational projects		
BarCamp sustainability	BarCamp for the exchange of projects, ideas and measures in the field of sustainability and digitization at the Karlsruhochschule in Karlsruhe	20.05.2017
Plant-for-the-Planet Academy	All-day academy for children aged 10-12 years with the topics climate crisis, equity of distribution, and ecological contexts including a practical planting campaign in the forest.	From 01.01.2017 to 31.12.2019
Learning <sup>3</sup>	New didactic concept at the Hans-Multscher-Gymnasium Leutkirch with a focus on learning awareness, learning guidance and learning environment. The foundation supports the necessary construction of a new building.	From 01.01.2017 to 01.01.2022
Photo project Home – habitat/happiness	Two classes of the Geschwister-Scholl-Schule Leutkirch went on an artist pursuit to capture the term 'homeland' in pictures. The exhibition was on display in the school and in the town hall of Leutkirch.	From 01.04.2017 to 22.05.2017
<b>Total expenses for educational projects (including personnel expenses): EUR 95,000.00</b>		

elobau foundation – Environmental protection projects		
elobees company bees	Ecological cycles and interrelationships can be experienced by looking after bee colonies. In 2017, the team which will take care of up to three colonies of bees from 2018 was organized.	01.01.2017
Blooming campaign 2018	A large campaign was organized, which encourages people to create bee pastures in the form of flowered areas in their gardens. With the support of a homepage, newsletters and events, 340 households registered. Seeds for an area of 10,000 square meters were provided and sent by the foundation free of charge to the participants.	01.10.2017
Grassland revaluation	Experimental agricultural area of 3.3 hectares, which was previously farmed intensively. Extensification takes place with scientific support, and the development of biodiversity is precisely documented and evaluated over a period of five years.	01.10.2017
Bees / flowering areas / diversity of species	Creation of larger flowering areas in partnership with farmers & companies. Some 3 hectares of flowering areas have been created in the year 2017 in the Leutkirch area.	From 01.01.16 to 31.12.2018
<b>Total expenditures for environmental protection projects (including personnel expenses): EUR 19,000.00</b>		

elobau foundation – Integration projects		
Film project Clip Contest 2017	Film competition with the aim of providing a perspective on the topic "Typically German, typically Leutkirch, typically home" in short clips of max. 100 seconds. 46 clips were submitted. Around 300 visitors attended the award ceremony.	01.01.2017
CommunityLearning	Platform to bring together refugees and locals. In the fields of knowledge & mediation, art & culture, home & origin and work & employment, activities were and are developed and implemented together with volunteers and refugees.	01.10.2017
Project Workbench – Summer 17	As part of the project, the basic skills of the refugees in various areas of craftsmanship were evaluated with the help of volunteers. The main focus was on metal, wood and electrical work. The refugees were tested for their craftsmanship in groups of up to ten people at various dates in the workshops of the Otl-Aicher-Realschule.	01.10.2017
Project JobPowerstation	Initiation of an internet portal to which refugees can upload CVs. The CVs can also be created on a smartphone and in different languages. Employers can access the anonymized profile database.	From 01.01.2016 to 31.12.2018
<b>Total expenditures for integration projects (including personnel expenses): EUR 93,000.00</b>		

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment					7
Auditor assessment					9

### Negative aspect E2.3 Illegitimate tax avoidance

As an internationally operating group of companies, funds also flow across national borders. Generally, we only pay the international sales subsidiaries a sales-dependent commission. However, when a new location is set up, the sum can exceed this commission to allow for on-site assembly. But we always pay attention to (internal) transparency and appropriateness in order to minimize risks. The total dues never exceed the threshold of 10% of the total turnover.

All financial transactions (both international and national) are booked in our accounting and banking system, completely transparent for our auditors. All economic beneficiaries are openly communicated through our foundation model (see Part B); there are no silent partners. Through the software support mentioned and the strict procedure according to the GoB (Generally Accepted Accounting Practice), we minimize the risks of non-transparency and embezzlement throughout all transactions.

	0 to 200 minus points
Self-assessment	0
Auditor assessment	0

**Negative aspect E2.4 Lack of prevention of corruption**

- Are party donations disclosed?  
We do not make any party donations.
- Are all lobbying activities (entry in the lobbying register) and lobbying expenses disclosed?  
We do not engage in lobbying activities.
- Are employees required to report corruption and are they given appropriate protection (anonymity)?  
Yes.
- Is there earmarking and control of the budget for social and societal purposes (see positive aspect: Effective contributions to supporting society)?  
Yes.

In our General Work and Operating Regulations, all employees are obliged to forego gifts and other benefits and to immediately report any such offer to management. The Work and Operating Regulations are an integral part of the employment contracts. Christmas gifts are always provided to the Christmas raffle for all employees. All employees can anonymously contact management at any time through the suggestion box. In 2017, we began working on a detailed Code of Conduct.

**Improvement potentials:**

Preventive measures (training) could be designed for potentially endangered areas of the company. The communication channels could be communicated even more clearly for potential whistleblowers.

	0 to 200 minus points
Self-assessment	0
Auditor assessment	0

**E3 Reduction of ecological impacts**

**E3.1 Absolute impacts / management & strategy**

elobau has a certified environmental and energy management system. The reduction of environmental impact is based on the principle of continuous improvement and using key indicators. As part of an environmental assessment, the key environmental aspects and – derived from this – the key indicators of elobau were defined. The TOP 3 environmental aspects of elobau's business activities are:

1. Waste and hazardous wastes
2. Energy consumption/efficiency
3. Environmental impact on end products through our development work

Key indicators from our environmental and energy management (DIN EN ISO 14001:2015 and ISO 50001:2011) and from our carbon footprint assessment in accordance with the Greenhouse Gas Protocol:

Carbon footprint	2015	2016	2017
Scope 1-2 emissions in kg per thousand euros gross value added	3.8	3.7	2.9
Scope 1-2 emissions in kg per employee	341	318	266
Scope 1-3 emissions in kg per thousand euros gross value added	120.8	117.0	116.9
Scope 1-3 emissions in kg per employee	10,787.4	10,089.4	10,595.8
Petrol, diesel, heating oil (scope 1) in kg CO <sub>2</sub> e	202,749	207,250	191,553
Transports <sup>14</sup> (Scope 3.4) in kg CO <sub>2</sub> e	16,816	14,433	48,230

Resources <sup>15</sup>	2015	2016	2017
Total waste in kg per thousand euros gross value added	3.6	3.4	3.2
Total waste in kg per employee	323	290	288
Hazardous waste in kg per thousand euros gross value added	0.3	0.21	0.15
Water consumption per thousand euros gross value added in l	88.93	71.38	75.58
Water consumption per employee in l	7,945	6,156	6,850
Paper usage <sup>16</sup> in kg paper		4,442	5,878

Energy <sup>17</sup>	2015	2016	2017
Energy consumption in kWh per thousand euros gross value added	94.3	84.7	75.2
Quota gas consumption plant 2 week/weekend		94.3	84.7
Bio-gas consumption (see energy footprint) in kWh <sup>18</sup>	1,412,217	1,330,760	1,381,502
Self-sufficiency ratio in % (proportion of generated energy to energy consumption, must be accounted for)	66	69	71

In addition to environmental and energy management, elobau keeps track of its greenhouse gases in a carbon footprint assessment according to the Greenhouse Gas Protocol and currently compensates unavoidable emissions with VER compensation certificates according to the Gold Standard. The carbon footprint assessment also includes Scope 3 emissions from the upstream value chain. Greenhouse gas emissions in the reporting period were offset, so that elobau was carbon-neutral. In the reporting period, environmental management in accordance with DIN EN ISO 14001:2015 and DIN EN ISO 50001:2011 was maintained and further improved. The annual sustainability programme includes, e.g. the conversion from HQL lamps to LED lamps and the purchase of a new air compressor. In our machine park, we have now replaced all hydraulic injection moulding machines with electric ones (an electric injection moulding machine usually has higher acquisition costs than a hydraulic one).

<sup>14</sup> Background on transport emissions: Change of main logistics partner in 2016 and change of calculation basis

<sup>15</sup> We only collect the use of hazardous chemicals via hazardous waste. Other consumables are included in the carbon footprint (exception: office supplies).

<sup>16</sup> Background on paper consumption: Operating instructions are now printed by users themselves, which explains the increase in consumption of copy paper. In the big picture, this makes sense ecologically, because paper consumption is thus accounted for in our carbon footprint, printing takes place with green electricity and elobau's sustainability requirements apply to the paper manufacturer.

<sup>17</sup> In our view, the use of artificial lighting in lumen is not a sensible indicator, as we are constantly moving departments and the effort involved in registering them is out of proportion to the benefit. The subject of lighting is integrated into energy management with regard to energy efficiency (e.g. LED conversion). From a health point of view, we measure the brightness individually at the workplace in lux within the framework of our ergonomic requirements.

<sup>18</sup> Heating energy is measured by gas consumption, but the heat output of geothermal energy and microturbines is not measured.

**Objectives:**

A change from ISO 14001 + 50001 to EMAS is planned for the management systems from 2019. The ECG should also be used as a management system. We have set ourselves the following quantitative environmental and energy goals for 2018:

Environmental figures	Objectives for 2018
Scope 1-3 greenhouse gas emissions per thousand euros gross value added	< 120 kg CO <sub>2</sub> e
Scope 1-2 greenhouse gas emissions per thousand euros gross value added	< 3 kg CO <sub>2</sub> e
Waste in kg per thousand euros gross value added	< 3.3 kg
Total energy efficiency (excluding construction electricity)	< 80 kWh
Energy efficiency of the company fleet	< 10 kWh

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				6	
Auditor assessment				6	

**E3.2 Relative impacts**

No comparable environmental figures are published in our industry. A relative comparison with other companies is thus not yet possible.

In the region where our headquarters are located, we have a partner company for operator controls with Rafi GmbH & Co. KG and one for sensor technology with ifm electronic GmbH. Both companies have an ISO 14001 certified environmental management system but do not publish environmental indicators and information on their greenhouse gas emissions or a sustainability report. Therefore, at the time of reporting, in a direct comparison we are the only company that is carbon-neutral and which has published reports and balance sheets on sustainability, the environment and climate.

Even beyond the regional level, it is not possible to find figures or averages for other companies in the industry. Even with the help of the industry association VDMA, we have not been able to collect any examples of climate neutrality or comparable environmental indicators. Only selected companies of the same industry association, which are, however, active in other business areas, publish a sustainability report in some cases.

**Improvement potentials:**

The ecological effects can be further reduced, as is clear from the targets of the environmental indicators. Our degree of innovation can also be improved or expanded in various respects.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				6	
Auditor assessment				6	

**Negative aspect E3.3 Violations of environmental regulations and inappropriate environmental pollution**

During the reporting period, there was an initial certification and a monitoring audit according to DIN EN ISO 14001:2015 and DIN EN ISO 5001:2011. The verification of "binding obligations", i.e. the legal register, is an essential part of the audit. Furthermore, elobau does not have any facilities subject to permits according to the Federal Immission Control Regulations.

In the reporting period, improvements were made in energy legislation in the context of the EEG (Renewable Energies Act) and StromStG (Electricity Tax Law), in environmental law for the management of the REACH/RoHS Regulation, the WEEE Directive and the German Electrical and Electronic Equipment Act as well as the amended Commercial Waste Ordinance. The topic of occupational safety / list of hazardous substances is handled by an external service provider with close ties to the integrated management system.

No complaints or controversies with neighbours or other stakeholders are known. The technical status of the machinery and energy park is attested to us by third parties such as the IHK or visitor groups as above average.

**Improvement potentials:**

The workflow management (traceability of the measures of the responsible persons) as well as the update and annotation service in the legal directory are to be further improved in the future.

	0 to 200 minus points
Self-assessment	0
Auditor assessment	0

**E4 Transparency and societal co-decision**

**E4.1 Transparency**

In July 2016, elobau published its second Sustainability Report in accordance with the German Sustainability Code (DNK). In November 2016, elobau was the first company of the industry association VDMA, and probably also of the industry association ZVEI, to publish a Economy for the Common Good balance sheet. The ECG Balance Sheet was audited externally. Both reports are freely available on the web page as a PDF download. During our lectures and job fairs, we refer to these reports.

**Improvement potentials:**

The holding structure of the company has been made transparent since 2018. In the present report, the boundaries have been adjusted in comparison to the last report. The international sales offices are not yet included.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment				6	
Auditor assessment				6	

**E4.2: Societal co-decision**

There is a regular exchange with the city of Leutkirch on the development of a sustainable mobility concept and for construction projects. Enquiries for all topics are welcome by e-mail or phone. Beyond that there is no institutionalized infrastructure, but neither are there requests, perceived needs or citizen groups. All enquiries are answered promptly, for example, event enquiries on electromobility or sustainability management. There is no demand for co-decision opportunities in business activities or decision-making processes.

**Improvement potentials:**

Due to the lack of demand, we are not focusing on this topic. But we are happy to respond to any enquiries or initiatives.

	Base line (0 points)	First steps (1 point)	Advanced (2-3 points)	Experienced (4-6 points)	Exemplary (7-10 points)
Self-assessment			3		
Auditor assessment			3		

**Negative aspect E4.3 Promotion of non-transparency and deliberate misinformation**

Openness in communication is firmly anchored in our mission statement. This means that openness and transparency are widely practised at elobau. Therefore, ambiguities in communication are only due to ongoing changes within the company and the constant processing of communication required.

**Improvement potentials:**

We are constantly working on optimizing our communication and thus improving our transparency. Thus, all relevant groups that are in contact with elobau should be included and informed.

	0 to 200 minus points
Self-assessment	0
Auditor assessment	0

## Outlook and objective

We set a general target for elobau in its corporate strategy. We have developed a strategy map that identifies and evaluates the most important topics for us. In this process, five focus areas have been consolidated on which we will focus in the coming years: delivery reliability, quality, efficiency, market & product strategies and sustainability. For the five thematic areas, we set overriding goals as well as concrete, quantifiable goals every year.

Our current overriding goals are:

- Flexibilization of production and optimization of the value creation structure; additional focus on eliminating bottlenecks and overloads in 2018
- Achieving stable delivery reliability of 95%
- Efficiency and automation in production
- Continued implementation of preferred supplier concept and supplier management
- Reducing quality costs, focus on preventative quality management; for 2018, additional focus on process optimization and CIP for A customers
- Further optimizing PEP
- Developing market and product strategies
- Optimization of sales processes, especially CRM
- Creating a concept for the future IT landscape
- Expanding risk management

At elobau, the objective of implementing the Economy for the Common Good falls within the area of sustainability. In this area, the current, overriding goals are:

- TOP sustainable, medium-sized company in Germany
- Anchoring sustainability even more firmly in the company DNA
- Increased efficiency and environmental performance

We have derived more concrete and in some cases better quantifiable targets from the overarching goals. These include, for example, the environmental goals mentioned under E3.1, but also the planned switch to a new environmental management system (EMAS) or the introduction of a database-supported legal management system in the area of environmental law. This also includes pioneering work in the field of biobased plastics (midi armrest).

Furthermore, we will integrate ECG as an additional management system into the ongoing processes on the basis of the current participatory Sustainability Report. For example, this report was used as a starting point during the final meeting to develop concrete, operational objectives in each of the five stakeholder areas, which are to be achieved in the coming years.

## Preparation of the report and the Balance Sheet

We have used the first ECG report with standard 4.1 as the basis for elobau's second Common Good Report. The report was written and prepared jointly as part of an interdepartmental project. The project took an estimated 400 man-hours and the following people were involved:

Function	People
Project coordination	Tobias Fetscher, Armin Hipper
A: Suppliers	Horst Huber, Karin Weinbuch
B: Owner & financial partner	Dieter Ohmeier
C: Employees	Norbert Christlbauer, Volker Hartmann
D: Customers & other companies	Oliver Brauchle, Stefan Teichmann, Julian Rieblinger, Eduard Zang
E: Social environment	Tobias Fetscher, Armin Hipper, Peter Aulmann
Outlook	Michael Hetzer
Editing	Bettina Baron

This Sustainability Report is available to all employees on the intranet and to the public as a download from our website.

Leutkirch, June 2018

## Annex 1 – Carbon footprint according to GHG protocol

		Quantity 2016 [kWh/l/kg/pcs./km]
Scope 1	Total direct emissions	102,976
	Heating oil consumption tool manufacturing (stationary combustion)	27,000
	Vehicle fleet, diesel (mobile combustion)	75,319
	Vehicle fleet, petrol (mobile combustion)	657
Scope 2	Total indirect emissions – energy	2,666,564
	Green electricity plant 1 Leutkirch [kWh] (purchased and consumed)	804,435
	Green electricity plant 2 Leutkirch [kWh] (purchased and consumed)	1,685,544
	Green electricity tool manufacturing [kWh] (purchased and consumed)	176,585
Scope 3	Total indirect emissions – other	
Scope 3.1	Purchased goods and services (electronics, cables, magnets, paper, grouting etc.)	146,008,944
Scope 3.3	Fuel and energy-related emissions	4,259,350
	Petrol (upstream chain of fossil fuels)	657
	Diesel (upstream chain of fossil fuels)	75,319
	Heating oil (upstream chain of fossil fuels)	27,000
	Green electricity (upstream chain of renewable energy sources)	2,666,564
	Biogas (upstream chain of renewable energy sources)	1,330,760
	Power supply micro gas turbine plant 1 [kWh credit]	69,808
	Power supply micro gas turbine plant 2 [kWh credit]	89,242
Scope 3.4	Transport and distribution, in particular logistics ("Tank-to-wheel")	
Scope 3.6	Business trips, flights	246,710
Scope 3.7	Commuting of employees [sum]	3,651,955
	Passenger car with combustion engine	3,003,264
	Not specified (treated like a car with a combustion engine)	235,351
	Ride-along / passenger	298,896
	Motorcycle or similar	3,660
	Public transport	16,812
	By pedelec / E-bike	5,264
	Electric car	5,637
	On foot / by bike	83,072
	<b>TOTAL</b>	



## Annex 2 – Energy footprint

Power consumption in kWh	2015	2016	2017
Plant 1, Leutkirch	817,910	804,435	815,633
Plant 2, Leutkirch	1,850,134	1,685,544	1,838,594
Plant 2, construction phase 1		652,129	703,234
Plant 2, construction phase 2		812,786	905,187
Plant 2, logistics		220,629	230,173
Tool manufacturing Probstzella (until 7/2016 Lichtenhain)	202,954	176,585	237,554
Open area PV system Fraureuth, Thuringia	14,774	26,000	25,985
<b>Total power consumption</b>	<b>2,870,998</b>	<b>2,692,564</b>	<b>2,917,766</b>
Biogas consumption in kWh			
Plant 1	796,718	698,830	737,295
Plant 2	615,499	631,930	644,207
<b>Total biogas consumption</b>	<b>1,412,217</b>	<b>1,330,760</b>	<b>1,381,502</b>
Heating oil consumption in kWh			
Lichtenhain	25,000	27,000	0
<b>Total heating oil consumption</b>	<b>25,000</b>	<b>27,000</b>	<b>0</b>
Energy consumption of vehicle fleet in kWh			
Diesel	674,136	734,621	707,640
Petrol	30,018	5,254	11,811
<b>Total energy consumption of vehicle fleet</b>	<b>704,154</b>	<b>739,876</b>	<b>719,451</b>
<b>Total energy consumption in kWh</b>	<b>5,012,369</b>	<b>4,790,200</b>	<b>4,911,868</b>

Power generation in kWh	2015	2016	2017
Fraureuth plant	2,544,381	2,582,506	2,612,779
PV system 42.8 kWp, plant 2	47,567	44,778	45,654
PV system 241 kWp, plant 2	266,313	267,279	274,938
PV system logistics 225 kWp 8 (self-consumption system)	213,574	208,865	205,438
PV system Probstzella roof-mounted 141 kWp			80,225
PV system Probstzella open area 263 kWp			131,230
<b>Subtotal PV systems</b>	<b>3,071,835</b>	<b>3,103,428</b>	<b>3,350,264</b>
Electricity from microturbine, plant 1	118,377	69,808	81,824
Electricity from microturbine, plant 2	92,730	89,242	74,992
<b>Subtotal microturbines</b>	<b>211,108</b>	<b>159,050</b>	<b>156,816</b>
<b>Total energy generation in kWh</b>	<b>3,282,943</b>	<b>3,262,478</b>	<b>3,507,080</b>

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