

# UN Global Compact: Communication on Progress 2017

The activities of big industrial companies, such as Wienerberger AG, have a strong impact on society and the environment. Such companies therefore bear a special responsibility and should act in an exemplary manner. The minimum standards to be complied with include, above all, the principles of the UN Global Compact regarding human rights, labor standards, environmental protection and the fight against corruption. Through its accession to the UN Global Compact in 2003, Wienerberger officially committed to the ten principles and undertook to foster their implementation within the framework of the company's possibilities. Once a year, we report on progress achieved in this respect.

The 2017 Communication on Progress in respect of the Global Compact forms part of our 2017 Sustainability Update. In order to ensure maximum transparency and to make it easier for our readers to find the individual examples, we have aggregated the most important statements on the ten principles and, in addition, marked the corresponding indicators in the GRI Index and added references to the pages concerned.

## ***Global Compact Principles – Human Rights*** **Principles 1 und 2**

Businesses should support and respect the protection of internationally proclaimed human rights, and make sure that they are not complicit in human rights abuses.

### **Commitment**

Within its sphere of influence, Wienerberger guarantees the protection of basic human rights. By adopting the Wienerberger Social Charter, Wienerberger committed itself to comply with the conventions and recommendations of the International Labor Organization (ILO). This includes providing safe and healthy working conditions. The safety of its employees is a matter of top priority for Wienerberger.

### **Progress in 2017**

The long-term target pursued by the Wienerberger Group is to reduce the number of accidents to zero. In 2014, the Group-wide safety standards implemented in 2010 were upgraded for the entire Wienerberger Group and activities within the framework of the Safety Initiative were stepped up. Additionally, each Business Unit implements its specific internal programs, which are described in detail on pages 45 and 46 of the 2016 Sustainability Report.

As in the previous year, targeted measures were taken by each Business Unit in 2017 in order to further increase the level of safety for our employees. Every occupational accident is analyzed by the Business Unit concerned; core aspects of occupational safety and individual initiatives are evaluated annually. In 2017, we again succeeded in reducing the frequency of accidents within the Wienerberger Group. As compared to the previous year, accident frequency was reduced from 6.5 occupational accidents per million hours worked in 2016 to 5.4 in 2017, which corresponds to a further reduction by almost 17%. Accident severity, expressed in accident-related sick leave days per million hours worked, also dropped from 177 in 2016 to 173 in 2017 (-2.1%). However, it saddens us to report that in 2017 again two fatal accidents occurred in the Wienerberger Group. Wienerberger deeply regrets these accidents. We studied the circumstances of the accidents in great depth and consistently pursued our measures aimed at increasing safety at work for our employees.

Health is a human right. Wienerberger therefore ensures safe and healthy working conditions at all its production sites. In 2017, the average number of non-accident-related sick leave days per employee at Group level (excluding the North America Division) increased to 10.2 from 9.6 in the previous year. This development is due to the higher frequency of long sick leave periods. The North America Division is not included, as its absolute numbers and percentages are not comparable with those of the other Divisions of the Group due to local legal provisions. Prevention plays an important role in health promotion, especially in view of the increased frequency of long sick leave periods. Besides our regular health

screening programs, we ensure that company physicians are available to all employees and offer ergonomic workplace analyses as well as individual health and fitness programs.

In North America, all full-time employees are covered by supplementary health insurance, the scope of which exceeds that of the Affordable Care Act (ACA) in some respects.

Being aware of its responsibility for the health and well-being of its employees, Wienerberger for years has been making every effort to minimize their exposure to potentially hazardous substances. Since 2008, Wienerberger has voluntarily reported on its measures to protect employees from exposure to respirable crystalline silica. The survey is conducted every two years within the framework of the NEPSI social partnership agreement between employees and employers (Negotiation Platform on Silica, [www.nepsi.eu/en/nepsi](http://www.nepsi.eu/en/nepsi)). Within the framework of the 2017 survey, Wienerberger applied the NEPSI system limits and collected indicators exclusively at its ceramic production sites. At the same time, however, we extended the geographic scope of the NEPSI system in order to obtain a clearer picture of all ceramic production sites of the Wienerberger Group. Based on the new, internally fine-tuned definitions of the indicators of the NEPSI social partnership agreement, we adjusted our targets in respect of the protection of our employees against exposure to respirable crystalline silica accordingly. As a Group-wide target, at least 95% of all ceramic production sites are to report on measures taken to protect employees from respirable crystalline silica. With almost 98% of all ceramic plants reporting on their measures, the target was again surpassed in 2017.

### ***Global Compact Principles – Labor Standards*** **Principles 3, 4, 5 and 6**

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labor; the effective abolition of child labor; and the elimination of discrimination in respect of employment and occupation.

#### **Commitment**

Zero tolerance of child labor and discrimination is an absolute must for Wienerberger. Even before its accession to the UN Global Compact in 2003, Wienerberger committed itself, by signing the 2001 Social Charter, to ensure that employment and working conditions throughout the Group comply with national legislation and/or are based on collective bargaining agreements as a minimum standard. Thus, Wienerberger operates in accordance with the recommendations of the International Labor Organization (ILO). Besides adequate and safe working conditions, fair remuneration and the right of assembly and collective bargaining are high priorities for us.

In our effort to combat discrimination in recruitment and employment, we consider it essential to offer our female employees an attractive working environment and the same opportunities as their male colleagues. At the same time, we want to make sure that our male employees benefit from the same flexible solutions that enable them to reconcile work and family obligations as their female colleagues.

#### **Progress in 2017**

In 2017, 72% of all Wienerberger employees were covered by a collective bargaining agreement, the percentage being almost the same as in 2016.

Companies with a primary focus on the production of building materials traditionally have a high percentage of male employees. In 2017, the number of new entrants was 2,235, i.e. 265 more than in 2016. The number of women among the new entrants continued to rise in 2017 from 274 to 342, the number of men from 1,696 to 1,893. The percentage of women among the new entrants

increased from 13.9% to 15.3%, whereas the percentage of men declined from 86.1% to 84.7%. As at 31/12/2017, the total percentage of women employed by the Wienerberger Group was 13.8%, i.e. slightly above the previous year's value (13.6%). The percentages of women in the individual functional areas remained almost unchanged compared to the previous year.

In 2017, 12% of senior management positions were held by women, unchanged from the previous year. We continued to adhere to our policy of giving preference to women for new appointments to senior management and executive positions, provided the candidates' qualifications were equal. One specific measure to increase the number of women in senior management and executive positions at Wienerberger is to enable women to embark on suitable career paths at an early point in time.

The reconciliation of work and family life is an issue of special concern to Wienerberger. We therefore offer our employees the possibility of working part-time. This offer is being taken up by a growing number of female as well as male employees. The percentage of Wienerberger employees working part-time increased slightly to 3.6% in 2017 (+0.1 percentage points). The percentage of women in part-time employment amounted to 16.1% in 2017, down by 0.7 percentage points from the previous year. At the same time, the percentage of men working part-time increased slightly to 1.6% in 2017 (+0.2 percentage points).

### **Global Compact Principles – Environmental Protection Principles 7, 8 and 9**

Businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.

### **Commitment**

Our goal is to minimize the environmental impact of our production processes and our use of raw materials. A responsible way of operating our clay extraction sites, the best possible conservation of resources, and an increase in the percentage of recycled materials used: these are the central principles governing our production activity. We are well aware that industrial production processes always involve the consumption of resources and a certain degree of interference with the natural environment. Therefore, production in harmony with the environment is a matter of great importance to us.

### **Progress in 2017**

Specific energy consumption and specific CO<sub>2</sub> emissions are two of the essential indicators of environmentally friendly production technologies. Wienerberger has set itself the target to reduce these parameters by 20% each in ceramic production by 2020, as compared to 2010. However, the Wienerberger Group's total energy consumption increased by 3.9% in 2017. The main reason for the increase is the higher volume of brick and plastic pipe production as well as the increase in concrete paver production at some production sites. Changes in the product mix in plastic pipe and concrete paver production also led to an increase in energy consumption in absolute terms in 2017.

In 2017, specific energy consumption dropped by 0.8% from the previous year's level in the Wienerberger Group as a whole and by 1.7% in ceramic production.

Continuous efforts are being made by Wienerberger to convert its production processes to low-emission energy sources in order to further reduce our climate-relevant CO<sub>2</sub> emissions. The North America Division is a noteworthy example of the success achieved: All its active production lines were converted from high-emission coal to low-emission natural gas in 2017. The share of renewable energy sources in the consumption of electricity, based on kWh per ton, increased significantly to a satisfactory 37% in 2017, up by 19.4 percentage points from the previous year.

The index of specific CO<sub>2</sub> emissions from primary energy sources in kg CO<sub>2</sub> per ton of ceramic products produced was reduced by 2.3%, as compared to the previous year. The reductions in specific CO<sub>2</sub> emission were most pronounced in the production of clay blocks (-2.8%) and facing bricks (-2.0%). Specific CO<sub>2</sub> emissions from primary energy sources in ceramic production dropped more strongly (-2.3% as compared to 2016) than specific energy consumption (-1.7%). This is due to the ongoing, consistent substitution of CO<sub>2</sub>-intensive energy sources, such as coal and fuel oil, by natural gas.

Pipelife has set itself the target to reduce the volume of specific indirect CO<sub>2</sub> emissions (primarily from the consumption of electricity) in production by 20% from the level reported in 2010. In 2017, Pipelife's indirect CO<sub>2</sub> emissions from electricity were 1% higher than in the previous year, which was due, among other factors, to changes in the product mix.

Specific water consumption is another indicator of the use of environmentally friendly technologies. We are making every effort to use water sparingly, for instance by running it in closed circuits and drawing primarily on our own wells. We are happy to report that in 2017 the total volume of specific water consumption, based on net additions to inventories, was reduced in all product groups. Pipelife's target is to reduce its consumption of water from public networks to 0.55 m<sup>3</sup> per ton of products produced by 2020. In plastic pipe production, however, specific water consumption from public networks amounted to 0.95 m<sup>3</sup> per ton in 2017. This unsatisfactory increase is also due, among other factors, to changes in the product mix.

Wienerberger is making a continuous effort to increase resource efficiency in production and, at the same time, further improve the properties of its products. Our particular focus is on reducing raw material consumption and using secondary raw materials in those areas of production where it is economically and technically feasible. We are also working on a continuous reduction of scrap rates and the recycling of production waste and residual materials into production. Semmelrock's target

for 2017 is to reduce its scrap rate by 50% compared to the reference value from 2014. The target was almost attained at 45.3%. The scrap rate is to be further reduced through the optimization of technologies, tools and processes as well as by raising our employees' awareness for resource efficiency in the plants. Pipelife's target is to increase the amount of recycling material used per ton of products produced to 70 kg (reference value in 2014: 58.9 kg/t). In 2017, the amount of recycling material per ton of products produced increased by 1.8 to 67.2 kg/ton.

As part of its commitment to the precautionary principle in dealing with environmental problems, Wienerberger has for years been working intensively on the voluntary preparation of eco-balances and environmental product declarations (EPDs) for its entire product range. Moreover, all ceramic pipes and fittings produced by Steinzeug-Keramo as well as selected Semmelrock product lines have been successfully certified according to the Cradle to Cradle® concept.

### ***Global Compact Principles – Fight against Corruption***

#### **Principle 10**

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

#### **Commitment**

Wienerberger is committed to fair and free competition; this implies a firm stance against any form of corruption. We have always pursued the target of zero incidents of corruption and expect all our employees to act accordingly.

**Progress in 2017**

Wienerberger expects all employees of the Wienerberger Group to act in full compliance with the law. Any infringement constitutes a breach of duty. Should a suspicion of unlawful behavior be confirmed, the employee concerned will be sanctioned under labor law or civil law, depending on the extent of damage caused.

In 2017, internal audits were performed in 23 companies, with a special focus on organization, purchasing, materials management, sales and human resources, as well as corruption and anti-trust legislation. Another priority was compliance with the Group-wide standards on health and safety. In 2017, no judgment was pronounced against Wienerberger for corruption, nor were any penalty payments due. No negative reports were issued by the authorities in charge.

***Global Compact Principles –  
Implementation in the Supply Chain***

To an increasing extent, Wienerberger verifies compliance with the principles of the Global Compact along its supply chain and therefore obliges its suppliers to observe social and ecological minimum standards. Wienerberger demands observance of the ten principles of the UN Global Compact on human rights, occupational health and safety, environmental protection and the fight against corruption along its supply chain. Almost all business areas have laid down their minimum requirements in specific supplier codes of conduct, which suppliers have to sign upon conclusion of a contract and comply with in their transactions. Wienerberger intends to apply a Group-wide “Supplier Code of Conduct”.

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