

**VOITH**

# Sustainability Report 2016





**Ulrich Weiße**

Head of Central Function  
Corporate Sustainability & HSE

## Dear Readers,

In what is now our seventh consecutive Voith Sustainability Report we would like to take the opportunity once again to inform you about our sustainability achievements. Through a new reporting approach we aim to improve the way we inform all of our various stakeholders in a way that best suits the respective target group. The new report comprises three coordinated modules. Our sustainability communication activities remain focused around the traditional report, which is aligned with key international standards. At the same time, with our new approach we have supplemented it via our website with additional details on our company's material fields of action. Analysts, NGOs, and other interested parties will find further facts and figures here. For those who want rapid and concise information on Voith's activities we have put together a new brochure entitled "Sharing Values – Creating Value", which outlines our company's fundamental approach to sustainability and includes selected highlights from the reporting period.

I would first like to say that we have achieved a lot once again in this reporting year. We are on the home stretch regarding our planned reduction in energy consumption and the amount of waste we produce, and we even successfully crossed the finish line in the reporting year in terms of our wastewater volume reduction goal. Together with the experts from our newly established Voith Sustainability Advisory Committee, we are currently working on setting new goals; among these, for the first time we also want to set ourselves a specific carbon-reduction target.

With our new HSE (health, safety, and environment) organization, last year we laid the basis for us to work on further improving our performance across the Group. The relevant processes, and our new hse+ IT platform in particular, are now in place and operational. Our performance in the area of occupational health and safety at Voith shows what potentials can be leveraged through a consistent and targeted approach to sustainability. Whereas we still held a relatively midfield ranking in our industry when we started reporting on our sustainability activities, we are now leaders in this field – and have attained a position that we also aim to achieve in our other material fields of action. We intend to be the benchmark in the field of sustainability, both in our industry and in all the markets in which Voith is active.

Have I awoken your interest? Then I wish you a stimulating and inspiring read!

Sincerely yours,

A handwritten signature in blue ink, appearing to read "U. W. f.", written in a cursive style.

P.S. We are very keen to know what you think about our new reporting approach: Please let us know by e-mailing me at [ulrich.weisse@voith.com](mailto:ulrich.weisse@voith.com). I would be delighted to hear your feedback.

# Voith 2016

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**Dr. Hubert Lienhard**  
President and CEO

## Dear Readers,

I am delighted to present to you today our new Voith Sustainability Report. It is now our seventh report of this type since we began in the 2009/10 fiscal year to publish our goals, systematically record our sustainability performance and thus make our sustainability activities transparent.

A lot has happened in the meantime: Our aspiration is to be the benchmark for sustainability – both in our industry and in our markets. To achieve this aim we have continuously improved our sustainability performance, benefitting both the environment and our company in equal measure. In terms of energy, waste, and wastewater savings alone, compared to four years ago we are currently saving €11.0 million annually – with scope to improve this even further. Once again, it proves that acting sustainably and economic success go hand in hand and are inextricably linked.

With its 150-year business tradition, today Voith counts as one of Europe's oldest family companies. The fact that we can celebrate this in 2017 is also testament to our executive managers' commitment to consistently prioritize long-term success over short-term trends. They have always set their sights on future generations, and in doing so have acted sustainably and responsibly right from the outset. With our new corporate mission statement and the claim "Inspiring Technologies for Generations" derived from this, we are reaffirming our commitment to this fundamental principle.

150 years of Voith means 150 years of quality and reliability. 150 years driven by the aim to always give our best. We will hold true to this philosophy as it has shaped, is shaping, and will shape our corporate identity. Voith's long and successful history empowers us – and with our current transformation, we are making ourselves fit for the future.

In recent years, we have transformed our company significantly through our Voith 150+ success program to prepare Voith for the future. The reporting year that we have summarized in this report was particularly characterized by this transformation.

From the sale of our industry services business, to fundamental changes at all Group Divisions, especially at Voith Paper – arguably Voith is undergoing the most extensive transformation process of the past decade. We are taking our responsibility seriously throughout this process too, and striving to make the necessary measures as socially acceptable as possible for our affected employees.

At the same time, our new Group Division Digital Solutions is picking up speed. There are now 1,500 employees working there on seizing the opportunities that digitization offers Voith, and above all for our customers. In this area as well we are repeatedly adding value from combining long-term thinking with sustainable business activities. As a result of this, in partnership with Boston Consulting Group Digital Ventures we recently established a digital marketplace in North America for the paper industry. The new platform is called merQbiz, and offers buyers and sellers from paper and pulp mills, paper brokers, and recycling companies a quick, safe, and efficient way to buy and sell recovered paper.

I am particularly delighted by the fact that we managed to improve our sustainability performance further in the reporting year. We established a new organizational structure for HSE (health, safety, and environment), and in doing so laid the basis for continuing to strengthen our capabilities in these areas. All our major energy, waste, and wastewater KPIs (key performance indicators) are within our target corridors and I am confident that we will achieve the objectives we have set ourselves.

The time has now come for us to set new goals. After all, we make progress through the will to improve constantly – a point that our company's history unequivocally confirms. At Voith, sustainability will continue to be an aspiration, obligation, and challenge we fully intend to meet. This report informs you about our specific achievements in the 2015/16 fiscal year. I wish you an enjoyable and informative read!

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Hubert Rindler".



# 1\_What Underpins our Actions

Voith is a globally active technology group. With our portfolio of production plants, products and industrial services, we actively serve five essential markets worldwide: Energy, Oil & Gas, Paper, Raw Materials, and Transport & Automotive. Our understanding of sustainability is strongly influenced by the tradition of Voith as a family-owned company, and the way it has always done business. This understanding is at the core of our commitment to conduct business in an environmentally friendly and fair manner, and thus to secure long-term business success.

# 1\_What Underpins our Actions

## 1.1 Our Profile

Founded in 1867, Voith is now one of Europe's largest family-owned companies. The long-term focus of its owners has always been the driving force behind the company. Ensuring the company develops sustainably and profitably is the core aim of the shareholders, Supervisory Board, and Corporate Board of Management. This is also the aim pursued by our Group strategy. Our focus lies particularly on:

- a diversified product portfolio based on industry megatrends
- an international footprint and strong local roots
- our innovative capabilities, and
- our financial independence as a family-owned company.

This way we establish the basis for Voith's long-term success – and at the same time secure the prerequisites for ensuring the company can be handed on to the next generation.

### Overview of the Group

As a global technology group active in over 60 countries, Voith maintains a worldwide network with around 120 production locations. Voith GmbH, headquartered in Heidenheim/Brenz, Germany, is the operational management holding company for the Group and is entirely family-owned. The Board of Management of Voith GmbH is responsible for the Group's strategic management and operations. The Shareholders' Committee and the Supervisory Board act as the advisory and supervisory bodies respectively. The Supervisory Board also monitors the Board of Management.

At the end of the reporting period the Group's operating business is bundled in three Group Divisions, which are each managed by legally independent management companies.

- Voith Hydro is a turnkey provider that equips leading operators' hydropower plants around the world.
- Voith Paper is a system supplier to the paper industry, providing technologies, products, and services covering the entire paper production process.
- Voith Turbo produces drive solutions as well as technical systems and components, which are used around the globe in industrial plants as well as on railroads, highways, and seaways worldwide.

We divested our majority stake in the former Group Division Voith Industrial Services on August 31, 2016. We have treated this Group Division as a discontinued operation in accordance with the International Financial Reporting Standard (IFRS 5) since we announced our intention to sell it.



Location Overview (online) –  
<http://voith.com/en/group/global-presence-154.html>



- Our Profile
- Strategy & Organization
- Values & Compliance
- Responsibility for Society

Voith Digital Solutions was launched in April 2016 with a team of around 650 employees. Existing automation, software, IT, digitization, and sensor expertise from the Group Divisions Voith Hydro, Voith Paper, and Voith Turbo is bundled and further developed in this newly founded Group Division. Furthermore, Voith Digital Solutions is also home to all of the Group’s digital ventures and start-up activities. This Group Division is still in the start-up phase.

In accordance with how information is presented in our Annual Report, our Sustainability Report also focuses on the three core business segments of Voith Hydro, Voith Paper, and Voith Turbo.

**The 2015/16 Fiscal Year**

At €4,252 million, Group revenues were at much the same level as in the previous year (€4,302 million), whereby the three continuing Group Divisions increased their operating profit significantly in some cases. At Group level too, efficiency gains achieved as part of the Voith 150+ success program are reflected in improved profitability and return on investment. ROCE (Return On Capital Employed) at Group level rose from 12.2% the previous year to 12.9% in the 2015/16 fiscal year. Our net result, which stood at €-93 million the previous year owing to high expenditure on restructuring measures, was once again positive in the reporting year and amounted to €29 million.

**Voith 150+: Transformation of the Group Completed, Key Decisions Taken**

We launched our Group-wide Voith 150+ success program way back at the start of the 2013/14 fiscal year. It aims to optimize our product and service portfolio, increase our efficiency through process improvement, and further develop the Voith corporate culture. After all, only a financially sound company can remain viable over the long term.



AR 2015/16, p. 46 et seq., Group Strategy

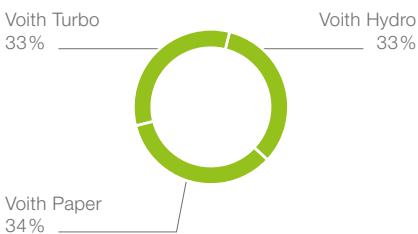


AR 2015/16, p. 52 et seq., Business Development

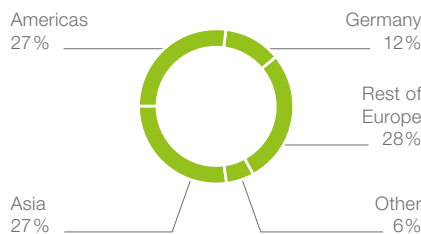


- FACTS & FIGURES  
Key Economic Figures
- FACTS & FIGURES  
International Focus
- FACTS & FIGURES  
Financial Contributions

**Total Revenues €4,252 million\***  
by Group Division

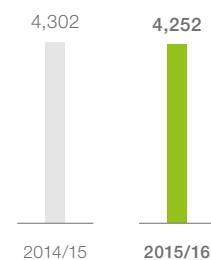


by region



\*Data excludes the discontinued Group Division Voith Industrial Services.

**Group Revenues\***  
in € million



\*Data excludes the discontinued Group Division Voith Industrial Services.

We have now largely completed transforming our company. In doing so, we have laid the basis for the Voith Group's long-term competitiveness and further capacity for growth well beyond our 150th anniversary in 2017.

The biggest change concerned the Group Division Voith Industrial Services, which we put up for sale in February 2015. The divestment process was successfully concluded in August 2016, and we continue to participate with a stake of 20%.

A targeted portfolio adjustment was made in the three other Group Divisions. This included the sale of business units as well as the consolidation, reduction in size, or closure of locations which did not achieve planned profitability levels. In addition, we engaged in restructuring measures and made capacity adjustments. Voith Paper was the Group Division most affected; here there has been a reduction of 3,000 jobs over the past five fiscal years. In doing so, we took into account the profound structural changes in the paper-machine market. We also ensured redundancies were handled fairly and responsibly in consultation with employee representatives.



AR 2015/16, p. 48,  
Key Measures of the  
Voith 150+ Program

Additionally, in the reporting period we decided to sell the stake in KUKA AG we acquired at the end of 2014. After selling our shareholding, we achieved a cash inflow of €1.15 billion. This liquidity inflow will be used to further develop the Group's portfolio, including the acceleration of the digital transformation of Voith, and can be used flexibly both for organic growth as well as for attractive acquisitions.



AR 2015/16, p. 47  
Digital transformation  
takes shape

### **Shared Services Established Successfully**

Launched in October 2015, our new Shared Services organization is now established within the Group. The four Global Business Service Centers in Kunshan (Asia-Pacific region), York (North America), São Paulo (South America) and Heidenheim (EMEA) were established successfully during 2016, and the new structure is now up and running globally.

Standardized administrative activities are bundled in the Global Business Service Centers. Each indirect activity also maintains competence centers for defining global standards for Voith as well as for dealing with individual topics that require specialist knowledge. In specific projects local business partners provide our business units with support, in line with our "one face to the customer" philosophy.

By bundling cross-divisional functions such as Purchasing, IT, Finance, Controlling, Accounting, and HR, we have made our administration leaner and more efficient. This provides effective support to operating units and releases them from scalable processes, giving them the freedom to focus on their core business. The reorganization of cross-divisional functions will result in the need for fewer employees in the individual divisions. The corresponding reduction of around 720 jobs was completed by the end of the 2015/16 fiscal year.

## 1.2 Strategy & Organization

### Sustainability at the Heart of Our Strategy

We make a measurable contribution to the sustainable development of our company, society, and the environment. In doing so we continue the tradition of the family-owned company Voith, which commits us to engage in business activities in a way that promotes the environment, is fair, and promises long-term success. In terms of sustainability, Voith intends to become the benchmark in its markets and sectors – in the same way as we aim to play a leading role globally through our products. It is an aspiration we intend to meet in all of our processes.

### How Voith Organizes Sustainability

At Voith, sustainability is a cross-functional responsibility shared by our Corporate Board of Management, Group Divisions, and Corporate Departments. Our new Group Directive on Sustainability entered into force on December 15, 2015 and sets out the organization, responsibilities and principles underpinning our actions.

Our central Corporate Sustainability & HSE function provides the framework for the strategic focus and organization of sustainability at Voith. It advises the Group companies and Corporate Departments, and further develops the topic as a strategic issue. Corporate Sustainability & HSE is directly accountable to the President and CEO. It defines tools and methods to measure and control the Group's activities, such as the sustainability database and associated reporting tools. Furthermore this central function holds direct responsibility for the global specialist organization Health, Safety, and Environment (HSE), as well as the Sustainability Office.

The Corporate Sustainability Council (CSC) is the central management organ for all of the Group's sustainability activities. It comprises the Group Division's Sustainability Officers. In the 2015/16 fiscal year this central control body convened four times. The CSC prepares the bases for decisions and reports directly to the Corporate Board of Management. In its controlling and monitoring function, the central control body monitors the operational implementation of strategies, goals, and measures in the Group Divisions and is responsible for data-gathering processes. The Group Divisions and relevant Corporate Departments (e.g. HR and Purchasing) are responsible for the operational implementation of these measures.

### Business Partner Structure for Health, Safety and Environment

In accordance with the Shared Services system, in the reporting year we also established a business-partner structure for our HSE organization. The Center of Competence HSE now provides focused methods, tools, and standards under one roof for our Group Divisions. Each Group Division is assigned one employee from the Center of Competence HSE as a business partner. As the central point

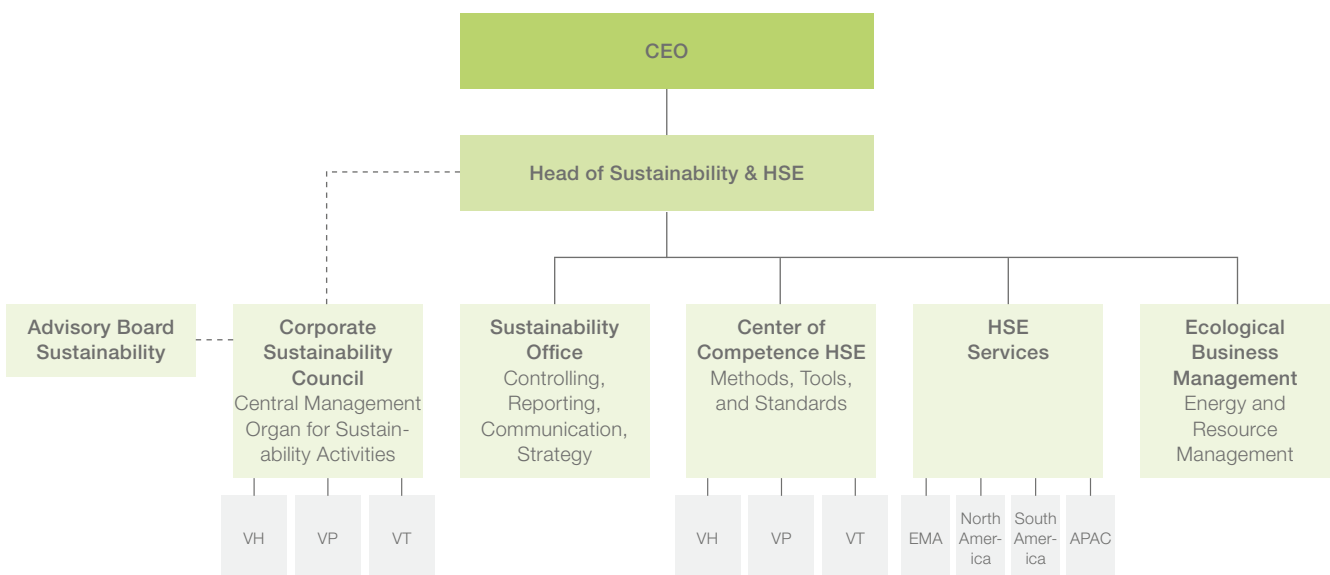
of contact, this business partner is available to the Board of Management of each Group Division to answer any HSE-related questions.

Our operating units remain responsible for implementing health, safety, and environment activities locally. Through the Center of Competence HSE they are supported by experienced experts to continually improve their health, safety, and environmental performance. By leveraging potential synergies we are continually working on optimizing service costs. At the same time, as skilled partners these experts can be called upon to identify risks and systematically reduce them through a continual improvement process. In the majority of cases the expert functions are divided into Occupational Health & Safety, and Environment, with one HSE expert each supporting several regional Voith companies depending on their size. Duties include providing support with annual safety briefings and risk analyses, local approval of hazardous substances, and incident analyses.

The Heads of the regional HSE service organizations and the members of the Center of Competence HSE form the HSE Steering Team. It meets biannually and is chaired by the Head of the Corporate Sustainability & HSE central function.

With our new HSE organization we now have a uniform global organization for health, safety, and environment with standardized processes, a powerful global IT

Sustainability, Health, Safety, and Environment Organization



Our Profile

Strategy & Organization

Values & Compliance

Responsibility for Society

system, and a Group-wide certified HSE management system. This results in greater effectiveness, lower complexity, and increased acceptance among employees and other stakeholders.

### Sustainability Approach Implemented Systematically

Six fields of action integrate sustainability management within the Group. This includes the twin aim of sustainable corporate governance and striving for profitable growth. Our sustainability approach also includes responsibility for our products, the environment, our employees, and for society. We also regularly publish our goals as part of our sustainability reporting activities, and document our level of achievement.

Currently, our goals are based on our own aspirations as well as our key stakeholders' demands. Essentially, the goals are based on the results of our Stakeholder Survey 2016 and the materiality analysis derived from that. We will incorporate international and national action plans in the goal-setting process, as part of the revision of our approach in the current fiscal year.

We take a systematic approach to the implementation of our Sustainability Strategy. As part of our quarterly reporting the CSC regularly checks the achievement of sustainability goals at Group and Group Division level. The report contains a detailed list of measures which describes the tasks, responsibilities and deadlines for the respective operational level.

### Progress in the Reporting Period

Following the successful rollout of our new HSE organization, in the fiscal year we worked to establish the new structures across our Group. All the vacancies in the new organization have now been filled, and our integrated HSE IT system hse+ is also being used around the world. Over 97% of Voith employees worldwide are now supported or coordinated directly by our HSE organization. The remaining 3% of the Voith workforce are covered by qualified external service providers who are coordinated and integrated by the respective regional HSE service organization. This mainly concerns countries where we have few local employees.

At the end of the 2015/16 fiscal year all Voith locations had been incorporated in the HSE organization, as planned. This also enabled us to establish the basis for a global matrix certification system in the areas of health, safety, and environment way back in June 2016 – a whole year earlier than planned. All certified Voith locations, including holdings, are now part of our global Voith HSE Matrix certification system. Like our HSE management system, these locations are certified according to ISO 14001 and OHSAS 18001.



Environment chapter  
pp. 26–39



FACTS & FIGURES  
EBM and HSE Data  
Collection



FACTS & FIGURES  
Certifications

It is now important to ensure that the corresponding change process is handled successfully in the company. We currently assume that the new organization will have been fully embedded in our company, and that the relevant processes and standards will be utilized by all employees within the next two to three years. To support this process we established an international information and training program for the 2016/17 fiscal year. As part of this, the main objective of the HSE Steering Team is to strengthen personal contact with experts locally, and in doing so to stabilize and continuously improve the organization.

The focus is on providing information for

- a shared understanding of the HSE culture
- training courses for uniform application of the hse+ IT tool, and
- workshops on new HSE process instructions.

To achieve this, we ensure information is shared biannually between employees from the regions, the HSE Steering Team and the regional HSE experts.

#### **Communication – Sharing Best Practices**

Through targeted communication measures we motivate plant managers and employees at our Group companies to help identify savings potentials and measures. A central element of this is our quarterly Ecological Business Management newsletter that targets a broad audience, especially plant managers, and encourages them to adopt and implement measures that have already been introduced successfully at other locations. Since 2016 a further two newsletters (HSE Best Practices and HSE Flash News on current HSE risk areas) have supplemented our communications mix with information on incident focus areas in occupational health and safety. Each edition has a clear focus, showing specific examples of how to deal with situations successfully and which are worthy of emulating.

#### **In Constant Dialog with Stakeholders**

As a global company group Voith is in constant dialog with a large number of stakeholders. We address their wide-ranging requirements, interests and expectations, and take account of these in our business decisions. Our key dialog partners include the shareholders, supervisory committees, employees, the Works Council, our customers, suppliers and investors, as well as neighboring communities, trade associations, academia, government agencies and politicians, NGOs (such as the World Wide Fund for Nature), and the interested general public.

#### **External Experts Provide Further Stimuli**

To expand the internal view of sustainability topics and to generate new stimuli for our sustainability management activities we established an Advisory Board Sustainability in the 2015/16 fiscal year. The committee comprises Prof. Dr. Stefan Schaltegger from Leuphana University, Lüneburg, Germany, and Andreas Zamostny,



FACTS & FIGURES  
Association Membership

Our Profile

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CEO of management consultancy firm Schlange & Co. GmbH, Hamburg, Germany, which specializes in sustainability.

The committee met twice in the reporting year where it reviewed the continuation and updating of environmental goals. As the existing goals expire at the end of the reporting year, future influencing factors and appropriate targets for Voith's environmental activities were discussed.



Environment Chapter

### Regular Stakeholder Survey

In early 2016 we conducted our global stakeholder survey for a second time. 993 participants from Europe, North and South America, Asia, and Africa completed the questionnaires that we distributed as an anonymized online survey in five languages on the Voith homepage.

Whereas our first survey in 2013 focused mainly on the expectations and requirements of the stakeholders in terms of corporate responsibility at Voith, this time the participants were also asked for their assessment of our performance in terms of sustainability. Based on the feedback gained from the previous survey, we revised the questions on individual fields of action and integrated new topics relating to such matters as the supply chain and product responsibility.

The results provided us with the basis to perform a detailed materiality analysis, allowing us to realign our sustainability management and reporting activities, and focus on the key aspects. The challenge confronting us now is to prioritize our activities, as most of our fields of action received an equal weighting.

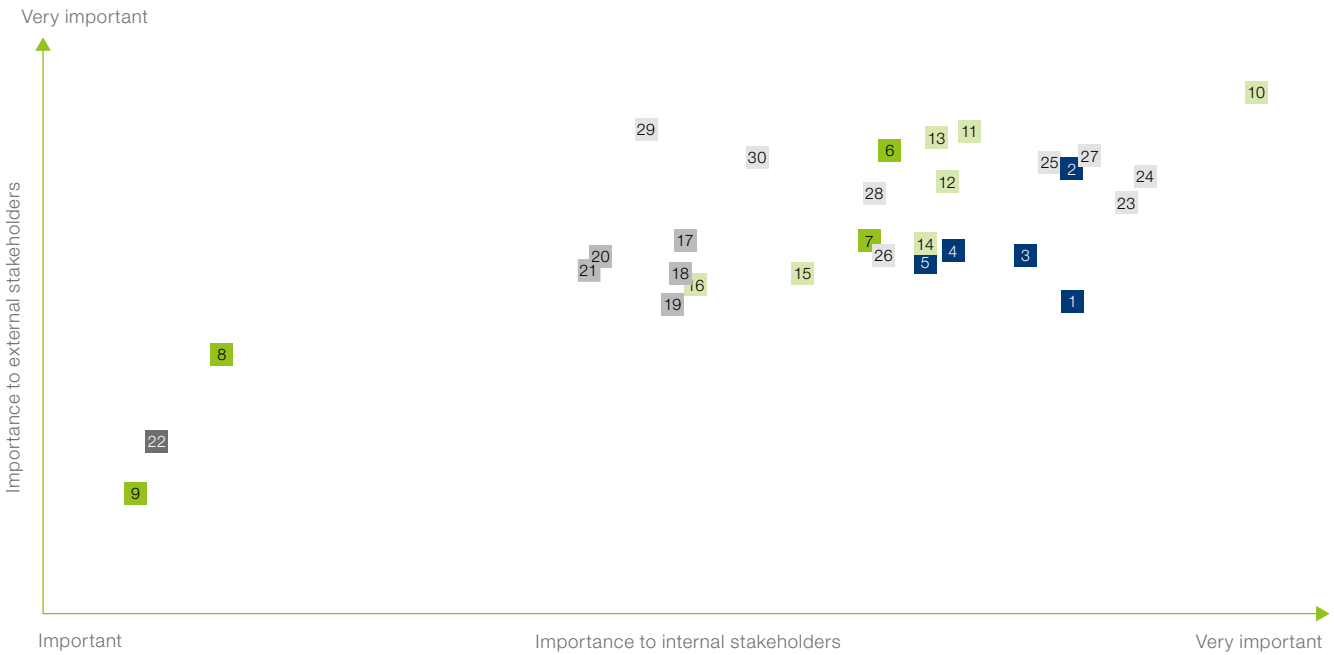
We will continue to gather our stakeholders' opinions regularly by utilizing surveys and forums, the format of which we are currently planning to revise.

### Effective and Transparent Reporting

From as long ago as 2009 we have informed our stakeholders of our performance through our annual Sustainability Report and via additional online information. To ensure our reporting remains as effective as possible, in the reporting year we developed a new reporting model that focuses even more strongly on our target groups. Our traditional sustainability report will now concentrate more on the fields of action that are most material for our company and our stakeholders. It is supplemented by an extensive online facts & figures resource which includes additional information intended mainly for sustainability experts and specialists. In addition, we aim to explain the bases of our actions with our new brochure, giving especially applicants and interested parties quicker access to our activities in a compact format.

Sustainability has been an integral part of our Annual Report for many years. We also keep our employees regularly updated on sustainability issues through posts on our Group-wide intranet and articles in our employee magazine.

Materiality Analysis



Management

- 1 Anti-corruption
- 2 Data Protection
- 3 Economic Stability
- 4 Good Governance
- 5 Human Rights

Supply Chain

- 6 Supply Chain Anti-corruption
- 7 Supplier Relations
- 8 Environmental Standards
- 9 Social Standards

Employees

- 10 Occupational Safety
- 11 Education
- 12 Health Benefits
- 13 Training
- 14 Work-Life Balance
- 15 Remuneration
- 16 Diversity

Environment

- 17 Material Efficiency
- 18 Emissions Reduction
- 19 Energy Efficiency
- 20 Water Efficiency
- 21 Renewable Energies

Society

- 22 Social Engagement

Products

- 23 Customer Collaboration
- 24 Innovation Management
- 25 Reliability
- 26 Value for Money
- 27 Energy-efficient Products
- 28 Product Safety
- 29 Resource-efficient Products
- 30 Water-efficient Products

**The Outlook for Stakeholder Dialog Activities**

We intend to systematically continue our stakeholder dialog activities over the coming years and hold our newly established stakeholder survey biennially. Our survey in the 2015/16 fiscal year also serves as the basis for overhauling our Sustainability Strategy, which we are developing further alongside our Corporate Strategy, and which will also see international and national action plans being incorporated into the goal-setting process.

In terms of environmental aspects, with the support of our Sustainability Advisory Board we are currently working on developing our management approach and corresponding goals further. As a result, our target system will in future also include a specific climate goal, whereas previously our CO<sub>2</sub> emissions were only addressed through our energy target.



## 1.3 Values & Compliance

### How We See Ourselves

At Voith, we integrate the tradition of a family-owned business with the culture of a global player. For many years, Voith has been undergoing a comprehensive process of transformation that impacts our organization and culture. In the reporting year we consolidated the way we have come to see ourselves in a new corporate mission statement. Our vision: Voith is the technology partner for industrial generations.

Our values underpin all of our actions: We are respectful and reliable, open and ambitious. Our values, and the guidelines derived from them, ensure that Voith acts according to the same business principles and adopts the same philosophy worldwide. We have summarized this mission statement in our new claim, which we presented in October 2016 and which we will introduce worldwide in the 2016/17 fiscal year: Inspiring Technology for Generations.

### Code of Conduct for All Employees

Voith committed itself to upholding the following business principles in 1927: "In the business world one must be ethical, decent and honest. If a contracting party or competitor behaves unfairly, this does not give us the right to deviate from this principle." These principles still govern our actions today. Our Code of Conduct defines the way we act towards customers and business partners, as well as how employees behave towards each other within the company. It can be viewed online and contains information on contact partners and the Voith Compliance Committee, among other things.

We ask every single one of our employees to comply with prevailing legislation and our company's internal regulations. This applies across our Group and all hierarchical levels, and any violations will entail sanctions. We constantly update our rules and procedures, and adapt them to meet current requirements.

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#### Key Aspects Addressed by the Voith Code of Conduct

- Observance of the rules of fair competition.
  - No anti-competitive agreements.
  - No corruption or bribery: No offering, granting, demanding and/or accepting of unfair benefits.
  - Transparency on donations and sponsorship.
  - Safeguarding our own trade secrets and patents, and respecting those of third parties.
  - No illegal preferential treatment of suppliers and service providers.
  - Respect for human rights, fair working conditions, and rejection of child and forced labor.
-

### **Voith Compliance Organization**

Our Compliance Committee is responsible for establishing, developing, and coordinating our Compliance Program, revising compliance regulations, and coordinating training. This committee meets monthly and comprises the Head of the Group Law Department (Chairman), as well as the respective Heads of the Group Human Resources Management and the Group Audit Departments. Its Chairman reports directly to the Corporate Board of Management of Voith GmbH. The CFOs of the Group Divisions and the individual Group companies serve as the Compliance Officers in their units. Within their area of responsibility, our Compliance Officers are responsible for implementing our Code of Conduct and also serve as Group-wide contact partners. This also corresponds to our other Risk Management organization.

### **Compliance Training for Employees**

All of our employees are required to keep their knowledge of compliance issues and our Code of Conduct up to date on a regular basis via e-learning programs. With their successful participation, employees also document that they are fully aware of our Code of Conduct and have understood the appropriate regulations. Around 97% of our employees with a computer workstation completed our programs on anti-corruption and antitrust law, as well as on leadership and employees. A higher degree cannot be achieved owing to customary headcount fluctuation in a company, so we assume the programs cover all employees. Employees who do not have a computer workstation are trained by their line manager to ensure their knowledge is up to date.

Face-to-face training courses were also held again in the reporting year, with 241 employees – mainly comprising managers and employees from Sales and Purchasing – taking part in twelve events. Separate, particularly detailed training courses were offered to Compliance Officers from our Group Divisions.

### **Group-wide Information and Complaints Reporting System**

Any employee can report abuse, complaints or violations of our Code of Conduct to us. This principle applies just as much to our employees as it does to our suppliers, local residents or other stakeholders of our company.

There are several ways in which Voith employees can do this: either personally through his/her line manager or the Compliance Officer, electronically via the Helpdesk, or by e-mail. We also follow up on complaints that have been submitted anonymously via our Group-wide whistleblower system. The number and type of violations are documented centrally, and this whistleblower system can also be accessed by external parties at any time via our company website, so it is open to all business partners and suppliers too. Any type of complaint on any subject can be reported. And to ensure the strictest confidentiality is maintained, the number and nature of the complaints at Voith are not disclosed externally.



FACTS & FIGURES  
Compliance Training

FACTS & FIGURES  
External Security Personnel

Our Profile

Strategy &amp; Organization

Values &amp; Compliance

Responsibility for Society

Reports relating to the environment can also be submitted to the local Environmental Officer. The exact complaints process and escalation paths are set out in our HSE Group Directive and its annex Environmental Incidents. Complaints are communicated based on their severity along disciplinary and functional reporting lines. This is an opportunity that is also utilized: In the reporting period two incidents were reported regarding noise; the incidents were dealt with and the complaints resolved.



FACTS &amp; FIGURES

Violations of Compliance Regulations

FACTS &amp; FIGURES

Escalation Paths

### Regular Reviews Guarantee Effectiveness

In the 2012/13 fiscal year an external auditing firm reviewed our compliance management system in accordance with the IDW PS 980 standard in respect of its design, implementation, and effectiveness. This review focused on preventing violations of antitrust and corruption laws.

Our Internal Audit Department also examines observance of all compliance regulations in a routine risk assessment that involves around 30 operating units annually. We are pleased to announce that this Department once again confirmed that our compliance management system had been implemented appropriately in the reporting period.

We ensure that our business partners comply with our regulations by means of a Supplier Self-Assessment (SSA). Compliance also forms part of our General Purchasing Terms. For the reporting period we are pleased to announce that we received no complaints concerning supplier violations of environmental or social standards, nor were we notified of any suspected cases of corruption.

As in virtually all companies, in the reporting year we also had isolated cases where compliance regulations were violated at Voith. Appropriate action was taken in all instances.

### Tackling Corruption

It is vital that we take rigorous action against corruption. All Compliance Officers create a Risk Control Matrix that also includes potential corruption risks for their specific Group Division. This structured process covers all Voith locations worldwide. The results of all Group Divisions are aggregated and, among other things, form the basis of internal compliance audits.

Our risk assessment is based on many factors including the Corruption Perception Index (CPI) published annually by Transparency International. The index ranks virtually all countries by their perceived levels of corruption on a scale of 1 to 100. As we maintain business relationships the world over, special precautionary measures apply to high-risk countries. The risk manager responsible decides on the measures. 176 countries are listed in the Corruption Perception Index.

### Confidential Treatment of Information

Information security and protection of confidential data are core aspects of privacy and information security at Voith. Every employee is expected to show appropriate awareness and a sense of responsibility. Our information technology and security management system is certified according to the international standard ISO/IEC 27001. Our Group Directive on Information Security and Data Protection sets out how information, and particularly customer data, must be handled.

### The Outlook for Integrity

This fiscal year we are focusing on revising our Voith values in particular. In addition, we work continuously to optimize our compliance organization and adapt it to new standards and requirements. For example, in January we implemented the UK Modern Slavery Act declaration in our organization. We are currently working on reviewing and, if necessary, making relevant modifications to our compliance management system in the context of the German government's action plan on human rights.



<http://www.voith.com/en/konzern/compliance-187.html>

## 1.4 Responsibility for Society

Active social engagement is an integral part of our understanding of sustainability. A particular focus area of our activities lies traditionally on our headquarters in Heidenheim, Germany. Through various initiatives, such as our training program, we cooperate there with the special vocational college Sonderberufsfachschule Hanns Voith. And as a good neighbor, we also get involved in numerous other activities in the town. The scope of our activities focuses on the areas of sport, education, social affairs and culture, which we support either by providing direct financial assistance or through in-kind contributions.

### Group Directive Defines Frameworks

The nature and scope of our engagement have been documented since 2008 in our Donations and Sponsorship Group Directive. This also outlines the financial frameworks of our spending commitments. The budget is based on the previous year's earnings before tax (EBT), limited to a maximum of 1% of EBT or at least two-thirds of the volume of funding in the year before last. By simplifying our approach we aim to ensure our engagement is continuous – even at times when our company's development is volatile.

We record our donation and sponsorship activities in our internal controlling system and update it every six months, covering all our global activities and across all business units. The Head of the Legal Department informs the Corporate Board of Management once a year on how funds have been allocated across the entire Voith Group.

Our Profile

Strategy & Organization

Values & Compliance

Responsibility for Society

We follow clear project-selection criteria. To qualify for assistance, above all we must be convinced that the recipient's project is a worthy one, and of their integrity. We also take the regional relevance and the appropriateness to our business segments, values and corporate culture into consideration. Furthermore we consider the frequency and volume of previous contributions. Irrespective of this, in humanitarian emergencies that demand urgent action we provide help quickly and directly. There was no significant expenditure in the reporting year.

By contrast, our sponsorship activities always focus on the appropriateness of the contribution and the benefit we receive in return. This is because we follow additional, mainly communicative goals besides providing sponsorship.

### Organization of our Engagement

Our social engagement activities are managed predominantly by two organizations:

- Voith GmbH, Heidenheim, and
- Fundação Voith, Brazil – since 2004, Voith has helped social projects in Brazil through this foundation.

In terms of organization, within our company we have also taken into account our activities' various goals. Our Legal Department coordinates our social engagement activities, while Corporate Communications controls our sponsorship activities. Individual Group Divisions and local Group companies can also launch and run their own assistance and sponsorship projects as long as they comply with our Group Directive.

We also support numerous initiatives and projects in coordination with the Hanns Voith Foundation. Through its activities, this independent foundation regularly engages in a large number of local and supraregional initiatives, and also provides financial support as annual donations to various projects.

### Our Engagement Activities in the Reporting Period

In the 2015/16 fiscal year we invested around €1.99 million in social engagement activities (previous year: €2.8 million). Of this, Fundação Voith contributed €62,000. The drop in total funding is due primarily to the non-recurrence of one-time effects in the area of sponsorship.

We provided €0.80 million in the form of donations, while €1.19 million was used for sponsorship measures. We spent the greatest share on sports (57%), followed by education (29%), social projects (8%), and cultural projects (7%). In the reporting year, political parties and organizations received financial contributions of €80,000.



FACTS & FIGURES  
Donations and Sponsorship

FACTS & FIGURES  
Contributions to Political Actors

### Sports Engagement

Voith sponsors professional and amateur sports, and supports sports clubs and events around the world with the main focus on Heidenheim. In the reporting year we spent €1.13 million in this area. At our company's headquarters we sponsor the sports club 1. FC Heidenheim 1864 e.V. This includes sponsoring the naming rights to the Voith Arena and supporting the club as the principal sponsor of the shirts and perimeter boards. By doing so we aim to increase Voith's brand recognition in particular. In addition, we sponsor the fencing center of the Heidenheimer Sportbund 1846 e.V. (HSB – Heidenheim Sports Association) as well as the local HSB baseball team and the HSB athletics department, whose training site bears the name Voith-Sportzentrum (Voith Sports Center). We believe support for local initiatives is an investment in the attractiveness of the region – and one that benefits both the regional citizens and our employees. In the previous fiscal year we also provided financial assistance to Sunpor St. Pölten cycling club, the Crailsheim Merlins basketball team, and the Tennessee Valley golf association.

### Committed to Education

A good education and training form the basis for the best development opportunities in life. This is why we support kindergartens, schools, and universities around the world, and in doing so are continuing the tradition of Dr. Hanns Voith. Already in 1946, Voith dedicated itself in the German state of Baden-Württemberg to taking disadvantaged young people and preparing them for training schemes and the world of work. What initially started as a vocational preparation and training course has now become an institution, and has been recognized since 2004 as the Sonderberufsfachschule Hanns Voith (Special Vocational College Hanns Voith).



FACTS & FIGURES  
Special Vocational College Hanns Voith  
FACTS & FIGURES  
Education Initiative "business@school"

13 years have passed since we began supporting the Germany-wide business@school, an education initiative of The Boston Consulting Group. It gives senior high school students the opportunity to get a closer look at business, including hands-on experience, over the course of one school year.



FACTS & FIGURES  
University Engagement and  
Foundation Professorships

At university level we support young talent at the universities of Aalen, Dresden, Stuttgart, and Ulm as part of the German Deutschlandstipendien scholarship scheme. Furthermore, we provide endowments for professorships at the German universities of Stuttgart, Ulm, and Aalen. By doing so, we aim to contribute – without influencing the research content or teaching practices – to the training of new academic talent and promote research in scientific areas relevant to Voith.



FACTS & FIGURES  
International Education Projects

Our long-standing cooperation with schools and universities has also proven its worth in Europe, the US, India, China, and Brazil. Our assistance in this area includes support for the Educational Freedom projects of ReCreatur Resgatur, Escola Estadual Conjunto Habitacional Voith, and Friedrich von Voith School in São Paulo, Brazil as well as the Formare project of Fundação lochpe. Each year Formare offers 20 children from low-income families the chance to take a training course and go on to gain a state-recognized qualification. Employees' children are excluded from taking part.

Our Profile

Strategy & Organization

Values & Compliance

Responsibility for Society

We forge a link to our cultural engagement through our contribution to the Heidenheim Opera Festival, of which we are the main sponsor. In the reporting year this support included inviting all fourth grade primary school pupils in Heidenheim to the Junge Oper opera for youngsters, thereby contributing to the pupils' early musical education.

### Cultural Engagement

We want to give as many people as possible access to culture. As an example, in the reporting period we provided financial support to various institutions in Heidenheim, including the Opera Festival with a €9,000 donation. In Brazil, we also provided €50,000 in funding to the Fundação Bachiana Filarmonica.

### Social Affairs Engagement

Our wish is to improve people's living conditions around the world and promote intercultural exchange. Voith is one of the initiators of the integration initiative "Wir Zusammen" (We Together) of German industry, which helps refugees integrate in Germany. We are involved in providing an introductory vocational training course for young refugees to facilitate their entry into professional life or vocational training. Of the eight places offered at Voith, on October 1, 2016 four were taken by young refugees, who are supported and trained by experienced Voith trainers.

In India we supported a number of social projects in the reporting period. These included Bharat Sevashram Sangha, the Prime Minister's National Relief Fund, and Pranab Kanya Sangha (€13,500 each), Prayas Social Welfare Society and Shirdi Sai Baba Temple Society (€6,750 each).

Many of our employees also volunteer their spare time to assist people in need. Among our activities in this area, we support them by granting temporary paid release from work and providing them with materials or equipment that is no longer required.

One example of this in action is a children's village in Nepal, which came about on the initiative of a Voith employee and his wife. The village is run by the Children's Future Organization (CFO) and looks after orphans and half-orphans.



FACTS & FIGURES  
International Social Projects



FACTS & FIGURES  
Engagement in Nepal





## 2\_Environment

Voith is a global technology group, so we see it as our corporate responsibility to handle resources and energy efficiently as well as to avoid environmental risks at all of our locations. By linking our economic principles with environmental actions we not only contribute to protecting the climate but also create measurable added value for our company.

## 2\_Environment

### 2.1 Environmental Management Approach

As a global technology group Voith is required to comply with a large number of national, regional, and industry-specific laws, regulations, and guidelines. It goes without saying that we comply fully with these. At the same time, we have a duty towards our employees and neighbors to avoid environmental risks and use resources responsibly. As a manufacturer our main focus therefore lies on energy and resource management, through which we intend to continually reduce our energy consumption and the resulting greenhouse gas emissions, make efficient and safe use of materials and raw materials, and prevent waste as far as possible. We also work continuously to reduce our water withdrawal and wastewater volumes.

To meet these challenges we defined two focus areas for our environmental activities:

- **Operational environmental protection – Eco Standards** provide strategic and operational support to our divisions and locations in complying with and implementing environmental regulations as well as internal environmental protection policies.
- **Resource protection – Ecological Business Management (EBM)** improves energy and resource efficiency at our locations.

#### 2.1.1 Operational Environmental Protection

##### Eco Standards Set the Framework

The aim of operational environmental protection is to minimize all environmentally harmful effects of Voith's operating activities. Our actions in this area focus on strategic and operational control, with the aim of ensuring that environmental regulations are implemented and upheld (Eco Standards). In particular, this includes the assessment and internal communication of potential environmental risks, categorized into risk classes according to their probability and potential damage level.

The HSE Steering Team is responsible for coordinating and standardizing our approach to operational environmental protection. In the reporting period, the team dealt with a variety of activities including standardizing and organizing existing environmental protection processes and procedures. It also addressed central issues relating to hazardous materials management, with the aim of replacing especially critical materials with harmless substitutes while reducing the amount of materials used.

Our HSE Group Directive commits each of our locations to appoint an Environmental Representative. Their tasks cover a wide range of topics including emissions control and water protection, waste management, hazardous materials and goods,



and preventing environmental incidents. They also advise operations managers on new plant constructions, modifications and approval processes, and conduct regular site inspections and audits.

Full-time environmental experts at our regional HSE service organizations ensure our Group companies are provided with high-quality, organized support. To assist them, the experts have access to a central HSE legislation database that contains all the relevant HSE regulations and standards that apply to us in each region. Besides current legislative texts, the database also includes summaries and comments in the respective national languages.

The legal requirements are assigned via our global hse+ system to the relevant representative, who then becomes responsible for ensuring the requirements are complied with. The same applies to Voith standards, approvals, and requirements. hse+ is also used to perform location-related environmental risk assessments. The measures derived are then assigned implementation responsibilities and implementation review dates, and documented and monitored in hse+.

### Environmental Incident Reporting System

Using our Group-wide reporting system we record all environmental incidents every month based on standardized criteria. We analyze them, and then report the analysis results every quarter to our Corporate Board of Management.

In the reporting year we revised our definition of environmental incidents. They are now fully aligned with our occupational safety categories, enabling us to evaluate and rate cross-topic incidents according to the same standards. We incorporated the corresponding changes in our HSE Group Directive.

Our internal communications have increased our employees' awareness of environmental protection and environmental incidents, thereby broadening the regional distribution of information relating to unsafe actions. Whereas our focus was previously on Europe and South America, in the 2015/16 fiscal year we gathered more information from North America and Asia.

We are pleased to announce that no incidents requiring public reporting were registered in the reporting period.

### Hazardous Materials Management

The hazardous materials we use at Voith include coating materials such as paints, lacquers, thinners and solvents, adhesives, resins and hardeners, lubricants, cleaning agents, and industrial chemicals. Wherever possible we try to eliminate particularly harmful materials, and encourage the use of low-risk substitutes as well as the harmonization of safety standards across the Group.



Section 1.1  
Strategy & Organization



FACTS & FIGURES  
Noise Complaints

To achieve this, our global approval process is underpinned by our hazardous materials database. It comprises a uniform global assessment of the environmental, health, and safety risks of work materials and hazardous materials.

The first step involves us examining globally whether legal restrictions are in place or whether materials are listed on customers' banned lists. We ensure these materials are handled as safely and securely as possible by means of a Group-wide hazardous materials approval process. We also impose a strict "polluter pays" principle to encourage prioritization of the use of approved materials from the hazardous materials database. In doing so, we work to meet environmental protection, occupational safety, and compliance requirements, and achieve the greatest possible degree of standardization. We also aim to have a positive influence on hazard potentials and costs by reducing the wide range of redundant materials we use.

Since we introduced the process there has already been a considerable increase in both the quality and completeness of data as well as in the transparency of the requested materials. In doing so, this process will allow us to issue product declarations at the press of a button and reduce pollutants in products.

However, the sheer number of materials currently in the database means the consolidation process is taking longer than we expected when launching the project back in 2011. We currently estimate it will take a further two years to integrate all previous local databases into our centralized hazardous materials database.

In the reporting period we submitted 947 requests for new hazardous materials, of which 867 were approved. 8% of applications were rejected; in over half of these it was because they contained banned or harmful materials – proof that the new process is working and effective. The other rejected applications were returned with the request to select a suitable substitute from the list of approved materials.

In coming years we aim to progressively increase the consolidation of hazardous materials used, but we can only achieve this in collaboration with the people who use these materials within our company. They need to trust the substitutes, particularly in relation to the integrity of our processes and the quality of the products.

In the reporting period we developed a Materials Navigator tool to provide information quickly and reliably whenever required on which hazardous materials we use in our products. As an indicator of any hazardous materials that product groups may contain, the tool offers a range of functions including a quick check on whether and to what degree a (sub)product contains certain hazardous materials. It also allows banned or restricted materials to be checked against current standards, so that Purchasing does not buy problematic materials in the first place, or a stop can be put to their use as soon as possible.



FACTS & FIGURES  
Nanotechnology

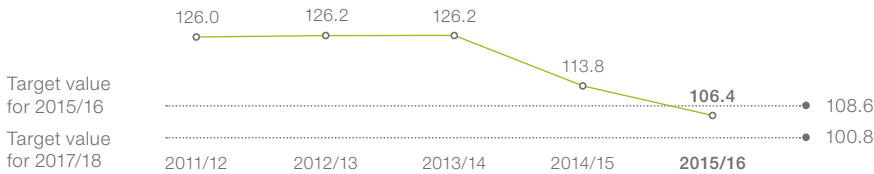
**2.1.2 Efficient Use of Resources**

Ecological Business Management (EBM) aims to identify ecological and economic potentials for improvement in our production processes. To leverage these potentials, we perform analyses at process, system, and component level.

We focus on the areas of energy, waste, and freshwater, and within this we follow three specific aims set out by the Corporate Board of Management taking the 2011/12 fiscal year as the benchmark: We will reduce our energy consumption by 20% based on revenue, our waste by 25%, and our freshwater consumption by 10% by the 2017/18 fiscal year. Since the absolute savings to be achieved vary

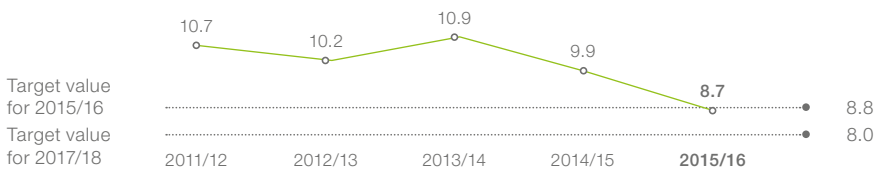
**Production-related Energy Consumption\***

specific value in MWh/€ million in revenues



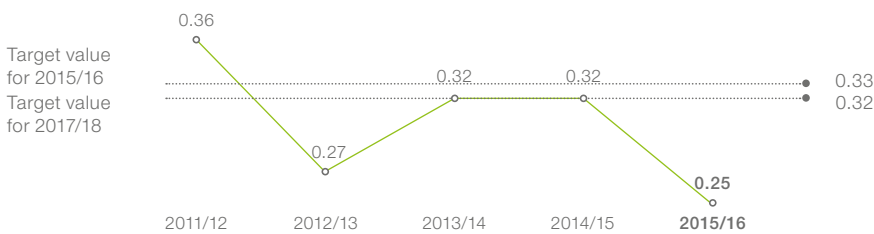
**Waste**

specific value in t/€ million in revenues



**Freshwater Consumption\***

specific value in m³/€ thousand in revenues



\*Data excludes the discontinued Group Division Voith Industrial Services.

**Ability to Influence Value-adding Stages**  
in terms of material efficiency




 **FACTS & FIGURES**  
Environmental Goals

depending on revenue targets, we adjust and check these through our Green Controlling process. Our progress towards achieving targets in our EBM system is influenced by a range of factors, including changes to design and construction processes, production relocations, production fluctuations as a result of changes in utilization, changes in purchasing behavior, and site closures.

In the reporting year we continued the successful course charted in the previous year and achieved further improvements across all target fields based on revenue. We successfully refilled our pipeline of measures and also further improved the level of implementation of measures already identified and launched.

At present we are already working on further developing existing goals so that we can continue optimizing our processes seamlessly beyond the end of the current target period in the 2017/18 fiscal year. Our EBM team was tasked with reviewing this, and its findings will be discussed during the current fiscal year in the Corporate Sustainability Council (CSC).

 **FACTS & FIGURES**  
Green Controlling  
**FACTS & FIGURES**  
EBM Experts

**Green Controlling Establishes Objective Decision-making Principles**

We aim to create both economic and ecological added value through our resource management activities. To achieve this we follow a four-stage Green Controlling process: This provides us with transparency concerning our pipeline of measures, the degree of implementation of the measures represented within it, and their impact on the development of indicators, allowing us to actively control the target-achievement process.

**Hot-spot Analyses Leverage Further Potential**

For many years now we have been using hot-spot analyses to successfully address location-specific and cross-location focus topics, such as the energy consumed during a process step. To achieve maximum effect we focus on the greatest consumption drivers at our individual regions and locations. To allow us to leverage

additional optimization potentials, in the reporting period we conducted 17 hot-spot analyses – 10 in Europe, 2 in America, and 5 in Asia – that also enabled us to address the regional distribution of resource consumption. Once again, energy and waste were the focus areas of the analyses. The results are explained later in the respective report sections.

The analyses once again confirm the trend that we are increasingly moving away from facility infrastructure topics (lighting, compressed air, ventilation, and air conditioning) towards process-specific topics (such as the use of steel grit for sandblasting, and the heat-setting process for felt production). In doing so we are gradually leveraging the greatest value potentials, although the expense and risks involved in implementing the relevant measures are increasing.



FACTS & FIGURES  
Hot-spot Analysis Methodology

## 2.2 Performance in the Reporting Period

### 2.2.1 Energy Efficiency and Greenhouse Gas Emissions

#### Energy Consumption Falls Again

In the 2015/16 fiscal year Voith consumed 452,294 MWh of energy (previous year: 489,473 MWh). 106 MWh of energy was needed per € million in revenue, which was 6.5% less than the previous year (114 MWh per € million in revenues). Taking the figures of the 2011/12 fiscal year as our benchmark we have already achieved a 15.6% improvement, with the goal of 20% in the 2017/18 fiscal year still firmly in our sights.

In the period under review the identified potential for action in the pipeline rose from 90.1 GWh to 107.0 GWh (an increase of 18.8% versus the previous year). Measures with a volume of 23.6 GWh (previous year: 25.4 GWh, –7.1%) were implemented in the reporting period; as a result, the total amount of measures implemented is 73.6 GWh.



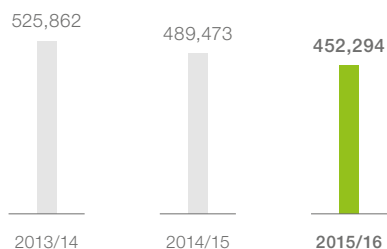
FACTS & FIGURES  
Energy Consumption

FACTS & FIGURES  
Energy Saving Measures  
and Further Potentials

FACTS & FIGURES  
Certifications

#### Production-related Energy Consumption\*

in MWh



\*Data excludes the discontinued Group Division Voith Industrial Services.

To further reduce our energy consumption in the reporting period we conducted hot-spot analyses focusing on ventilation, air conditioning, heating, and lighting. Almost all analyses were followed by upgrade projects to existing facility infrastructures, which to some degree had already been implemented in the reporting period. However, the trend reveals that the potentials that still need to be achieved in economic terms through infrastructure measures are limited owing to the successful implementation of measures in past years.

Regular resource-efficiency workshops also encourage knowledge exchange within our organization. Within these we try to compare similar processes, set benchmarks, and realize identified potentials by sharing best practice examples.

**Energy Mix Largely Unchanged**

14.8% of the energy we consumed came from renewables, and 85.2% from non-renewable resources. This calculation included all energy sources associated with our energy consumption in production.

Besides heating and cooling, which account for around 33% of our energy consumption, the production of paper-machine clothing remains the key driver of our production-related energy use, accounting for 25% of our global consumption. Apart from weaving processes, heat-setting is especially energy-intensive – particularly in felt production. The operation of machine tools consumes 5% of the energy used at Voith, with 5% of production-related energy consumption accounted for by the foundry in São Paulo, Brazil.

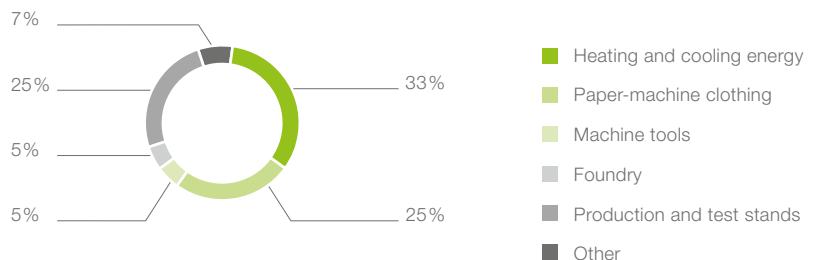
In the reporting period there was no change to the proportion of direct (33%) and indirect (67%) energy consumption. With a share of 80%, natural gas remains the key energy source for our direct production-related energy consumption, followed by LPG (liquefied petroleum gas), diesel, and heating oil with percentage shares in single digits. We use these energy sources as heating fuel and for heat-intensive thermal processes. Diesel is used primarily to operate emergency generators and

FACTS & FIGURES  
Renewables

FACTS & FIGURES  
Production-related  
Energy Consumption

FACTS & FIGURES  
Direct and Indirect Energy Ratio

**Main Sources of Energy Consumption**  
in %





generate steam at our locations in Karawang, Indonesia, and for thermal processes in São Paulo, Brazil.

**Electricity Consumption Continues to Fall**

In the reporting period we consumed 249,206 MWh of electricity (previous year: 268,855 MWh). In terms of our electricity mix, the share of energy sources supplied by external providers remained virtually unchanged at 73.3% (previous year: 71.9%) from non-renewable and 26.7% (previous year: 28.1%) from renewable resources.

**Greenhouse Gas Emissions Reduced**

We are well aware of the impact our actions have on climate change, so we try to minimize them as far as possible. We identified how much energy we consume, as the main driver of our greenhouse gas (GHG) emissions, and are taking rigorous steps to counter these emissions as part of our environmental goals. The primary focus of our activities in the current fiscal year is on improving our energy efficiency.

Both energy consumption and the associated GHG emissions are included in our current realignment of environmental goals. In addition, through our measures within the framework of our EBM and Eco Technologies activities we also factor-in the consequences of climate change when developing products. After all, our products' lifecycle analyses demonstrate clearly that their environmental footprint is far greater when they are in use than in the production stage. As a fundamental principle we aim to be the technology leader in all of our markets – where Voith products feature regularly in the highest efficiency class.

In the 2015/16 fiscal year our facilities' GHG emissions fell by 4.1% to 147,341 t CO<sub>2</sub>e (previous year: 153,697 t CO<sub>2</sub>e). The share of direct GHG emissions fell compared to the previous year by 6.6% from 32,728 t CO<sub>2</sub>e to 30,554 t CO<sub>2</sub>e. Indirect GHG emissions also fell to 116,787 t CO<sub>2</sub>e (previous year: 120,968 t CO<sub>2</sub>e), equivalent to a reduction of 3.5%.



FACTS & FIGURES  
Electricity Mix

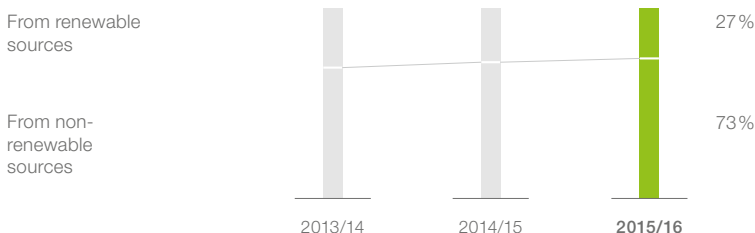
FACTS & FIGURES  
Environmental Impact of Buildings



Section 4  
Product Responsibility

**Electricity Mix by Renewable and Non-renewable Resources**

in %



**Production-related Greenhouse Gas (GHG) Emissions**  
 energy consumption/total GHG emissions in t CO<sub>2</sub>e



- FACTS & FIGURES  
GHG Emissions by Scope, Region, and Methodology
- FACTS & FIGURES  
Transport Emissions
- FACTS & FIGURES  
GHG Emission Reduction Measures
- FACTS & FIGURES  
Emissions Trading
- FACTS & FIGURES  
Air Pollutants

Since the 2008/09 fiscal year we have reduced our absolute energy consumption by 19.8%, whereas absolute GHG emissions in the same period fell by 13.1%. This difference is attributable to the national electricity mixes, meaning energy savings at individual locations or due to production relocations vary in their impact on GHG emissions.

**2.2.2 Material Efficiency and Waste**

The use of materials and raw materials is controlled Group-wide at Voith. We work tirelessly to make our processes resource-friendly; we are nevertheless confronted with specific challenges due to the broad scope of our product portfolio and the corresponding diversity of our process landscape. We also face challenges in the project businesses at Voith Hydro and Voith Paper, as well as in mass production at Voith Turbo.

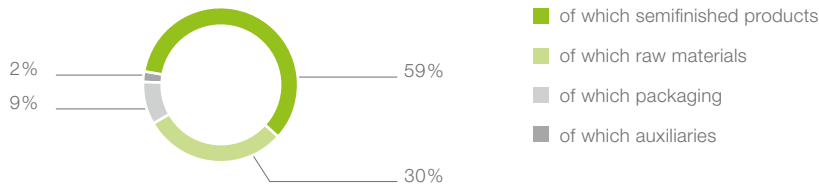
Known methods to increase material efficiency have so far focused heavily on mass production and efficiencies of scale; however, in practical terms there is currently a genuine lack of useful methodical approaches to increase material efficiency in the project business. This is why we have invested a great deal of time in recent years in developing a practical standard methodology for project business and mass production.

**Material Efficiency Increased**

In the reporting period we purchased around 186,000 t of materials from suppliers, an increase of around 15% versus the previous year (161,739 t). The distribution in terms of the materials we purchased is as follows: 59% semifinished products (previous year: 55%), 30% raw materials (previous year: 34%), 9% packaging (previous year: 8%), and 3% auxiliaries (previous year: 3%). The proportion of renewable materials was 9% (previous year: 10%) owing to the large share of wooden packaging.

- FACTS & FIGURES  
Materials Used

**Material Consumption by Use**  
in %



In the reporting period 41% (previous year: 50%) of the materials we used were recycled. The proportion was 55% (previous year: 53%) for auxiliaries, 45% (previous year: 47%) for raw materials, 33% (previous year: 49%) for semifinished products, and 80% (previous year: 84%) for packaging.

We work continuously to further optimize material efficiency by utilizing proven approaches, such as hot-spot and Ishikawa analyses. As part of this we closely follow one of the focus areas of our Voith Excellent Initiative – Voith 150+ Next Level – whose aims include looking for potentials for improvement in product development and engineering.

**Waste Volume Reduced**

In the reporting period Voith generated 36,989 t of waste (previous year: 42,632 t), which is 5,643 t, or 13.2%, less than the year before. As a result, the ratio of the volume of waste by revenue improved by 12.2% to 8.7 t per € million in revenues (previous year: 9.9 t). With an overall reduction of 18.7% since the base year, our goal of 25.0% for the coming fiscal year is within reach.

Gains from measures implemented rose by 1,399 tonnes to 3,782 tonnes (increase of 170.4%) in the reporting year. Due to our restructuring measures as part of the Voith 150+ success program, we reevaluated our measures in the topic area of waste. This reevaluation – owing to site closures and the cutback in production at our smelting furnace in São Paulo – reduced the potential gains identified from measures in the pipeline by 31% to 5,975 tonnes in the period under review.

To further reduce the amount of waste we generate, and thereby increase material efficiency, at the start of the period under review we held expert workshops on the topic of waste in which we reviewed an analysis of key waste drivers. This analysis was carried out based on our global sustainability database, and reported the largest waste fractions on the basis of mass by region and location. In a joint discussion we reviewed the causes of the individual fractions and looked



4.2 Responsibility in the Supply Chain

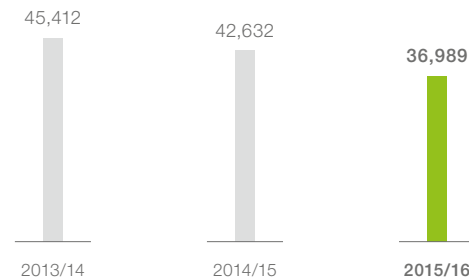


FACTS & FIGURES  
Waste Volume



FACTS & FIGURES  
Waste Saving Measures  
and Further Potentials

### Waste in t



for opportunities to reduce them. We identified emulsion waste (such as from coolant emulsions), packaging waste (e.g. wood), as well as casting-sand waste from the foundry in São Paulo as key waste fractions. To validate the workshop findings and identify detailed measures, we conducted hot-spot analyses at the locations.

Wood, paper, and cardboard waste account for a large share of the waste we generate in all regions. This is due largely to packaging, and making make-to-order components safe and secure for transportation.

Owing to the high proportion of one-off and custom-made products at Voith, it is often not economically viable to produce individual material-optimized packaging; nevertheless, in some cases we managed to increase the share of recycled packaging.

#### Reduction in Hazardous and Non-hazardous Waste

Our waste classifications remain virtually unchanged versus the previous year, with around 81% of our waste deemed non-hazardous and the remaining 19% classified as hazardous. In absolute terms we generated 3,889 t less non-hazardous waste and 1,754 t less hazardous waste compared to the previous year.

The hazardous waste reduction is mainly caused by the cutback in production at our foundry in São Paulo, which generates over a third of our hazardous waste.

The restructuring measures we implemented the previous year also influenced the volume of non-hazardous waste. At our locations of St. Pölten, Ravensburg, and Krefeld we produced 1,136 t less waste compared to the same period the previous year. At the same time, the non-hazardous waste volumes at our locations of



FACTS & FIGURES  
Hazardous Waste

Heidenheim, Kunshan, and Appleton – to which we relocated production – rose slightly by 338 t.

The collection of hazardous waste at Voith is governed by internal regulations. External waste disposal and recycling companies take care of our company's waste; Voith does not transport any waste itself. We are pleased to announce that in the reporting period no violations of the law were reported to us related to the disposal of waste by our external service providers.

In addition, many of our locations developed special solutions in the reporting period to tackle local waste challenges, increase material efficiency, and reduce waste volumes.

### 2.2.3 Water

#### Significant Drop in Freshwater Consumption

In the reporting period our freshwater consumption totaled 1,046,912 m<sup>3</sup>, representing a fall of 346,727 m<sup>3</sup> or 24.9% versus the previous year. We use around a third (35.2%; previous year: 41.9%) of our freshwater consumption for cooling purposes only, which does not contaminate it.

In relation to revenue, our year-on-year freshwater consumption fell by 21.9% to 0.25 m<sup>3</sup> per € thousand in revenue. With a total reduction of over 30% since the base year we have already clearly exceeded our goal for 2017/18 even before the end of the five-year timeframe we set ourselves for this.

Notwithstanding this already very high level of achievement we were able to further increase the number of identified measures in the pipeline, with the volume increasing by 6.9% to 743,000 m<sup>3</sup> of freshwater in comparison to the previous year. In the same period, the gains from measures already implemented from the pipeline rose by 12% to 706,000 m<sup>3</sup> of freshwater.

In the current fiscal year we intend to stabilize the high level we have achieved, and further improve it by the end of the target period in the 2017/18 fiscal year.

Among other measures, in the reporting period the renewal of a cooling plant at our York location reduced our consumption, leading to savings of around 4,500 m<sup>3</sup>. In addition, the full impact of repairs to our groundwater cooling system at our new training center in Heidenheim became evident in the reporting period – further proof of the effectiveness of our Green Controlling process. By monitoring the KPIs, we identified the defect promptly and pinpointed its location. Our Green Controlling process also helped in the technical analysis of the fault, the implementation of corresponding measures, and the checking of their effectiveness.



FACTS & FIGURES  
Waste Disposal

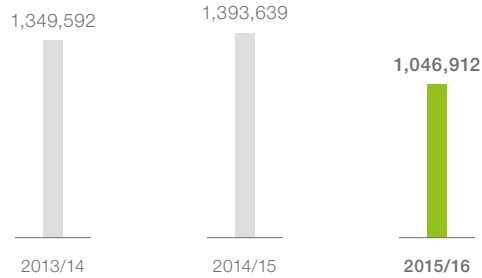


FACTS & FIGURES  
Water Consumption



FACTS & FIGURES  
Freshwater Savings Measures  
and Further Potentials

**Freshwater Consumption**  
in m<sup>3</sup>



We routinely review our 2011 water scarcity and biodiversity studies to ensure they are current. We incorporate the findings in our planning of measures, and at the same time we monitor the development of our water consumption as part of our Green Controlling process – particularly for those locations where there is a threat of water scarcity.


Our water conservation measures are especially important to us, particularly at our facility in São Paulo, as Brazil has been increasingly afflicted by droughts and water shortages in recent years. This is why we replaced the freshwater used to cool the foundry with processed water from our own wastewater treatment plant way back in the 2013/14 fiscal year. This enables us to achieve annual freshwater savings of up to 25,000 m<sup>3</sup>.

**Less Wastewater**

In the reporting period our volume of wastewater stood at 985,880 m<sup>3</sup> (previous year: 1,212,974 m<sup>3</sup>). Around 39% (previous year: 27%) was discharged into rivers, lakes or the soil, while 49% (previous year: 44%) was discharged into the sewage system. We operate our own wastewater treatment plants at our locations in São Paulo, Garching, and West Monroe. Where possible, we reuse the treated water internally.

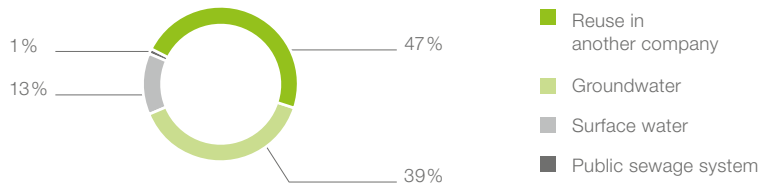
The significant 20% year-on-year drop is thanks mainly to the strong reduction in cooling water use at our new training center in Heidenheim, the full impact of which became evident for the first time in the reporting period. This reduction also reduced our freshwater use considerably.

We record the KPIs to provide more detailed information about the effects of the process water we discharge. However, the overall burden of BOD, COD, TSS, heavy metals, nitrogen, and phosphorus cannot be derived for the balance-sheet

 **FACTS & FIGURES**  
Wastewater: By Method of Discharge  
**FACTS & FIGURES**  
Wastewater: Quality

 2.3.3 Freshwater

**Wastewater by Discharge Type**  
in %



scope owing to the low sampling requirements. This is because our manufacturing processes only have a minor impact on water compared to other industrial companies. Therefore, we are rarely required to measure water quality. For instance, at our Chinese locations only one sample per year is analyzed, whereas at our other locations continuous or repeated monitoring measurements are required.

We are pleased to announce that there were no reports of limits being violated in the reporting period.

### 2.3 Outlook

We have already achieved our freshwater consumption goal a full year before our environmental goals expire. And we will stick to our goal right to the end of the target period, even if our revenue development turns negative. Besides this, our energy consumption and waste generation goals are within reach for this coming fiscal year.

In the area of energy we will need to achieve savings of around 25 GWh, with a delta of 3,500 t in terms of waste generation, until we achieve our goal. Based on the measures we introduced in the current fiscal year we expect to achieve all of our goals as planned. We will then have saved just short of 112 GWh of energy and around 21,502 t of waste since the base year.

We intend to continue creating both ecological and economic added value through our activities. This is why we are working towards setting new goals, whereby we intend to also explicitly include our greenhouse gas emissions. Furthermore, we will incorporate established national and international sustainable-development goals when setting our new target values.



FACTS & FIGURES  
Water and Neighboring  
Habitat Protection

FACTS & FIGURES  
Sealing of Soil Surfaces

FACTS & FIGURES  
Environmental Incidents



FACTS & FIGURES  
Saving Measures





## 3\_Employees

Being a family company makes us all the more aware of the special responsibility we have towards our employees. We aim to be a fair and reliable employer, and one that takes our employees' personal circumstances into account. We have high expectations of our employees, so in return we offer them flexible solutions for their needs, wide-ranging training and further education opportunities and varied career paths in all areas of our global Group.

## 3\_Employees

### 3.1 Our Aspiration – Our Responsibility

We are fully aware that our success as a company depends on the success of our employees. Qualified, motivated, and committed employees are the engine that powers Voith. We offer employees who meet our high performance standards challenging tasks, personal development opportunities, and an attractive working environment. As a reliable employer, we work hard to secure the long-term loyalty of our employees, and in doing so also lay the basis for the successful long-term development of our company – for generations to come.

#### Voith as an Employer

The Voith Group's workforce stood at 19,494 employees as at the end of the 2015/16 fiscal year. This is equivalent to 19,098 full-time equivalent (FTE) jobs excluding apprentices. Around 54% of our employees work in Europe, 26% in the Americas, 17% in Asia, with the remaining 3% working in other regions of the world.

#### Workforce Changes

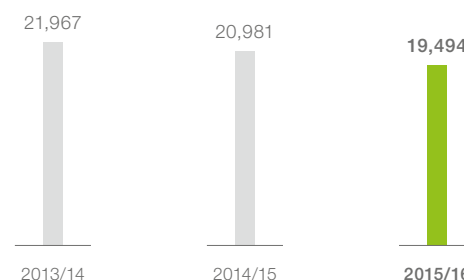
The comprehensive transformation of our Group under the Voith 150+ program also resulted in workforce changes in the 2015/16 fiscal year, which mainly affected Voith Paper. The transformation was completed there, resulting in a reduction in 830 FTEs over the past two fiscal years.

Furthermore, as part of our centralization of indirect tasks such as accounting and payroll, around 450 positions were reassigned from our Group Divisions to our Shared Service Centers; these are in turn assigned to the Group holding in organizational terms, and to some degree newly structured there. This has allowed us to save a net figure of around 720 positions Group-wide, with the majority of reductions taking place the previous year.



FACTS & FIGURES  
Workforce Structure

**Number of Employees**  
in individual people



We have now completed our transformation and workforce reductions as part of Voith 150+, so there will therefore only be minimal further workforce reductions in the current fiscal year.

True to the tradition of a family company, we have worked hard to make the consequences of our workforce restructuring measures as socially acceptable as possible. In close collaboration with employee representatives at each location, we agreed on solutions appropriate for local circumstances. Wherever possible, employees affected by site closures received an offer to take on a new role within another area of our business or at another location.

### Challenges and Focus Topics

Voith has been in a process of transformation, which is setting the course for our company's continued success in the future. This has also resulted in new challenges for our HR area. Increasing digitization in business and society poses new challenges to our employees and their skills profile, so it is essential to counter the constantly shifting labor-market conditions around the world.

To achieve this, in accordance with the development of our Corporate Strategy, we thoroughly overhauled our HR Strategy in the 2015/16 fiscal year and defined four focus fields for our actions:

- Talent Management
- Workforce Planning
- Performance Management
- Change Management.

We bundled all four focus fields with specific packages of measures. Through these we also address the focus topics we derived as part of our materiality analysis:

- Ensuring safe working conditions
- Employee development, training and further education
- Health benefits for employees
- Training and promoting new talent
- Ensuring a healthy work-life balance
- Performance-related, gender-neutral remuneration and social benefits
- Diversity and equal opportunity
- Co-determination through employee representation.

### Company Values

Clear values have always shaped our company's identity. They are an integral part of our corporate culture, and are also the benchmark by which we assess



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FACTS & FIGURES  
Workforce by Employment Type

our employees each year. In addition, our values play a central role in our training programs, such as our standard training program for prospective executives.

Our value framework is described as follows: “We are respectful and reliable, open and ambitious.” These values have been an integral part of the Voith vision and mission for over 100 years, and are imparted through our training programs at the Voith Academy.

### **Efficient Processes and Systems for HR Management**

In the reporting period we introduced a new Group-wide organizational structure for our HR activities. Under the Shared Service system, four Global HR Business Service Centers around the world with seven service lines now handle tasks such as payroll, time management, and HR administration for each region, using a service approach that is uniform across the Group. This lays the basis for Voith-wide standardization, automation, and at the same time the modernization of HR processes – including self-service options for employees and executives.

Centralizing and bundling our activities have already achieved the targeted savings and improved process quality in many areas. We are currently working on further implementation details, optimizing processes and systems, and adjusting or shifting capacities according to tasks. The next step of our transformation process involves harmonizing and standardizing those processes and policies wherever appropriate which have been adopted but so far not adjusted (“shift-and-lift approach”).

## **3.2 Attractive Employer**

The name Voith also enjoys an excellent reputation as an employer brand, as we combine the stability of a 150-year-old family company with the opportunities of a truly global player. This has been repeatedly reconfirmed by external institutes, ratings portals, and employer rankings. As an employer that offers outstanding career opportunities, in the fall of 2016 we once again performed convincingly in the “DEUTSCHLAND TEST” and “trendence” studies.

Targeted marketing activities help to further cement this reputation. Our recently established Voith Digital Solutions Group Division also gives us an excellent basis to attract and retain the right employees to additionally tackle the challenges posed by digitization.



FACTS & FIGURES  
Rankings and Ratings

### Performance-based Remuneration

The compensation we pay our employees is in line with the global market, irrespective of gender, and based on their level of qualification and performance. Remuneration models and other benefits are in line with the prevalent market situation in each region. At our German locations, the level of wages and salaries is generally regulated under collective bargaining law. In all regions, we follow applicable statutory requirements to the letter.

### Diversity and Equal Opportunity

Voith's workforce is highly diverse, with employees from over 90 nations. They are all in different stages of life, with each individual contributing their own experience for the benefit of our company. This diversity strengthens us further, as it enriches our corporate culture and contributes to our company's success. And it permeates every level of Voith, with eleven nations represented in the Voith Senior Management Circle alone.

We foster a corporate culture that promotes respect for all colleagues and business partners, and regards diversity in gender, culture, age, belief and other personal characteristics as an asset. These principles are enshrined in our Code of Conduct, and the implementation of and compliance with it is monitored at every Group level by our Compliance Committee. In the reporting period we are pleased to announce that we received no reports of discrimination.

To further strengthen diversity and equal opportunity within our Group we have supported activities in this area since the 2012/13 fiscal year through our Group-wide Diversity&Inclusion (D&I) program.

As part of this, we understand "diversity" as the differences among our workforce in terms of the five aspects of gender, age, nationality/ethnic origin, qualifications/professional experience, and personal differences such as beliefs or physical abilities.

At Voith, "inclusion" is understood as meaning a culture of respectful coexistence that is open to different perspectives and approaches, thus allowing the wide range of experiences to be incorporated in solving complex customer requirements.

Our D&I program ranges from the gradual raising of employees' awareness, through initiating suitable measures, to establishing an inclusive working environment at each location. Our central HR area coordinates the program, but responsibility for each focus area and implementation of the measures lies locally with the regions. This approach enables us to take into account the wide variety of global challenges we face.

In recent years we held awareness workshops at almost all locations outside of Europe to increase the understanding of these matters in our upper four management levels. In the 2015/16 fiscal year we also prepared related events in the European region, which we plan to implement in the current fiscal year.



FACTS & FIGURES  
Expenditures for Employees

FACTS & FIGURES  
Upholding Employee Rights



AR 2015/16, pp. 90/91,  
Diversity and Equal Opportunity



FACTS & FIGURES  
Employment Ratio of People  
with Disabilities

In South Africa, the program has been expanded up to Information Level 7 since the reporting year; thanks to this, all employees there are now aware of the topic. At our Voith locations in China we focused on the aspect of inclusion.

Even if we have our sights set on the five aspects, various recently introduced laws are placing the gender aspect center-stage in the social debate in Germany. Women are still traditionally underrepresented in technical apprenticeships and courses. This is why technology companies, especially in the B2B area, typically employ considerably more men than women. At Voith, as at September 30, 2016 women account for 17.4% (previous year: 17.5%) of our workforce. In the Voith Senior Management Circle, the proportion of women currently stands at 6.6% (previous year: 7.3%). We are well aware of the need to take further action in this respect. To increase these proportions, particularly of female executives in the company, we have launched a variety of measures in addition to corresponding activities in our D&I program. Among these, we make a point of ensuring that both genders always feature on the shortlist for vacancies. Furthermore, in the reporting year we established a women's network in Germany, and conducted our first Female Talent Meeting in South Africa. Our aim here is to identify potential female candidates and provide targeted support. In China we already increased the share of women among recently hired graduates to 30% in the past year alone.

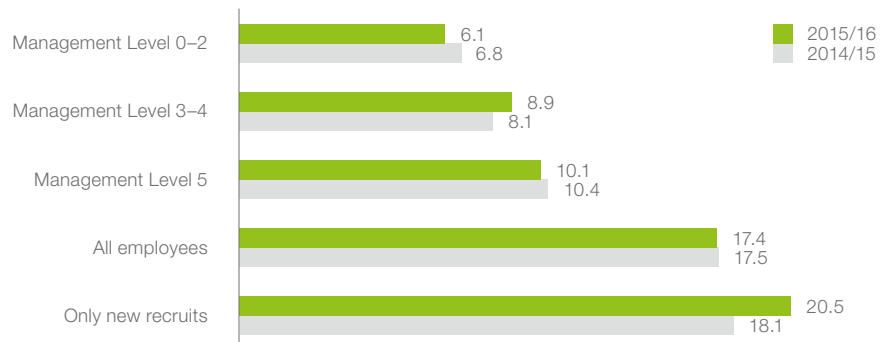
**Bringing Balance to Work and Family Life**

Voith is a family-friendly company – a philosophy that has characterized our company for 150 years. In the reporting year we set out this understanding of how we see ourselves in clear terms, setting them in stone in the form of guidelines to create a flexible, family-friendly work culture at Voith. These guidelines were adopted by the Corporate Board of Management, and we are now in the process



FACTS & FIGURES  
Diversity in the Management Team  
and in the Workforce

**Percentage of Women by Management Level**  
in %



of implementing the appropriate communication measures in the current fiscal year. These are intended to increase understanding, particularly among our executives, towards the topic.

We aim to offer our employees an attractive working environment that adapts flexibly to their personal circumstances. The aspect of caring for family members is also becoming increasingly important in this regard. Wherever possible, our employees can arrange personal working-time models with their supervisor ranging from the use of a home office, part-time working, or job sharing. This allows our employees the greatest possible freedom to structure their personal working time, taking into account professional and personal needs.

Furthermore, we help our employees achieve a better work-life balance through our offer of assorted company daycare centers and childcare places at various locations. In addition, our facilities in Sonthofen, Heidenheim, and Crailsheim each have their own parent-child workroom, enabling parents to bring their children to work with them should they have difficulty finding someone to look after their children at short notice. We also offer our employees in Germany a comprehensive range of information covering topics such as children & career, and care giving & career. These are available via the intranet or through an information hotline run by an external service provider.

To measure our employees' satisfaction we regularly analyze illness and employee-turnover data. The 2016/17 fiscal year also marks the first time we will conduct a global employee survey to gain even more detailed insights and approaches on potential improvements.



FACTS & FIGURES  
 Flexible Working Time Models



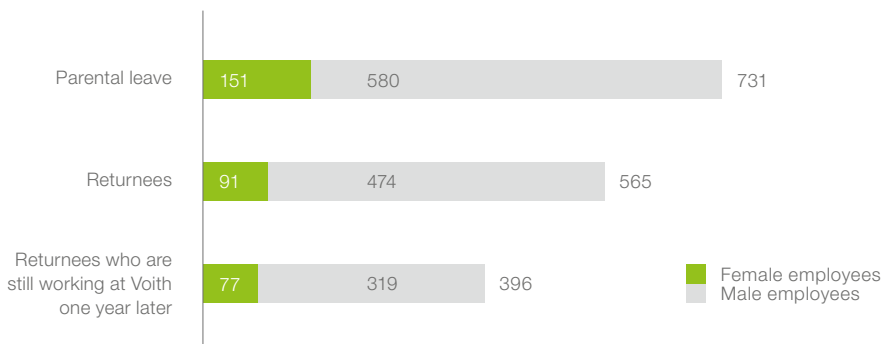
FACTS & FIGURES  
 Parental Leave



FACTS & FIGURES  
 Employment Length  
 Employment Turnover

**Parental Leave Take-up, Employees Returning after Parental Leave Who Are Still Working at Voith 12 Months after their Return**

in individual people



### 3.3 Attracting and Promoting Talent

Voith has a presence at many locations around the world, where the competition for qualified employees is intense. To win in the global war for talents, we present ourselves through our HR marketing measures as a modern, forward-looking employer.

We are further improving the professionalization of our recruitment processes by modifying and standardizing them. This process is largely completed in Germany, North America, Brazil, and China. Alongside greater process efficiency, our new pep. (People Excellence Platform) recruitment module offers numerous self-service options for applicants, providing them with additional offers through its integration in our Talent Management Platform.



FACTS & FIGURES  
New Hirings

#### Appealing to New Talent at an Early Stage

We address students directly, and offer them an insight into our company as a potential employer through collaborations and international HR marketing campaigns at universities. We also award scholarships and sponsor competitions in the regions where we are active.

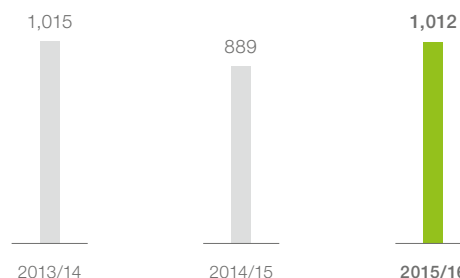


FACTS & FIGURES  
Trainees  
Section 1  
Committed to Education, p. 22

#### Consistently High Level of Training and Education

We have been actively involved in offering first-rate vocational training for over 100 years. We are currently training young people in over 40 commercial, technical, and trade occupations, whereby we place great emphasis on interdisciplinary learning and the integrated provision of social and specialist expertise. Voith apprentices repeatedly achieve excellent results in a German federal-state and nationwide comparison. In general, apprentices are taken on by our company on completion of their vocational training.

**Number of Apprentices (Including Dual-study Students)**  
in individual people





As at the end of the 2015/16 fiscal year, Voith employed 1,012 apprentices and students (previous year: 889). 606 of our apprentices work in Germany, 358 of them in Heidenheim.



FACTS & FIGURES  
 Apprenticeships and Opportunities

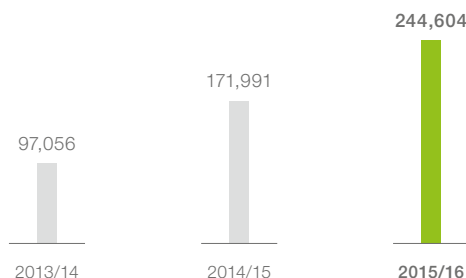
Our two Voith Training Centers in Heidenheim, Germany, and Kunshan, China, bear witness to the high regard Voith has for training and education. They serve as further training and education centers for employees and executives, and as multi-function buildings they bring cutting-edge training programs together with architecture, construction, building technology, and design within an innovative overall approach.

Internationally too, we employ the German dual-track system to offer training enriched by country-specific values and cultural aspects. In São Paulo, Brazil, we worked with training initiatives at a local level to develop a training model for a typical four-year training scheme aimed at young people over the age of 15 and which regularly produces qualified new talent. The dual-track system has also proven itself in Kunshan. In the reporting year, the second year of specialists successfully completed their one-year training program there. Of the 20 trainees, 18 passed their exams and have been employed by Voith.

**Lifelong Learning – Both a Right and a Commitment**

Lifelong learning is a principle of our company. We expect our employees to continuously expand their know-how and skills, so we help them by providing a comprehensive range of training and education measures. Our aim when recruiting is to always match the right employees with the right qualifications and, correspondingly, expertise with the right position. Our leadership model, which comprises a range of leadership tools, provides the operational framework for this. It revolves around two formal annual meetings between the employee and the supervisor. While the target-setting meetings focus on the individual’s personal contribution to the achievement of corporate goals, the performance review meetings concentrate on work tasks and the working environment, the relationship between the employee

**Hours of Further Education**



The difference to previous years is due to a variety of factors, including extended data-gathering.



FACTS & FIGURES  
Training and Education  
& Career Development

and supervisor, and the employee's own personal development perspectives. The outcome of these meetings is entered in our pep. HR IT system, together with findings of the management review process, allowing development measures to be defined and implemented in line with company needs and specific position requirements.

To encourage the expansion of personal or methodological skills we offer our employees a broad spectrum of further training and education opportunities. The range of topics covered by Voith training includes occupational health and safety, environmental protection, technology, IT, quality, management and personality development.

At the Voith Management School we provide special training to employees from specific departments such as Purchasing and for project managers. Our executives also take part in standard development programs to create a common understanding of leadership in all Group Divisions and regions. These programs are compulsory for all executives with supervisory roles. Our new Business Forum Leadership format, which we established in the reporting year, is a further component of our programs: This two-day event focuses on topics arising from daily management practice as well as key aspects of the personal work-life balance for executives, and has been held annually since 2015. Executives at the top management level are also committed to lifelong learning, and take part in our Voith Academy to prepare themselves for future tasks.

In the 2015/16 fiscal year 15,829 employees (previous year: 14,505) across all Voith locations took up our further training and education offerings, with 244,604 training hours (previous year: 171,991) completed.

To measure the success of each training course, and to constantly improve our training offering, we ask participants to give us feedback on their experiences. The results are then passed on to the trainers and HR. In addition, the participant's supervisor is asked to rate the success of the training measure.

In Germany we continually receive awards and quality seals that recognize us as an attractive and fair employer that offers its employees excellent training and development opportunities, and promotes a sound work-life balance. In the reporting year, we are pleased to announce that our commitment was honored for the first time in China too. As part of the China Learning & Development Value Awards, Voith received a Most Valuable Case Award from the Human Resource Excellence Center for its lifelong learning model, which is also implemented in China.

### Leadership at Voith – Focus on Development and Feedback

Executives at Voith are expected to lead their staff in a way that enables them to fulfill their responsibilities in meeting joint objectives, and at the same time allows their own talents to unfold and develop further. We review the performance of our executives as part of our annual Management Review, in which we also assess individual potential and derive development measures.

As an international company, we rely on a Group-wide, uniform understanding of our corporate and management culture. In principle we strive to staff executive positions with local employees. At the same time we place considerable value on temporarily reassigning our executives abroad as a development step, so that they can gain international experience. In this regard we follow our 3x2 principle: Over the course of their career at Voith, our executives are expected to gain experience in two Divisions, two functions, and two regions.

In coming years, the requirements on our executives will change and expand, as we want to seize the opportunities that digitization offers our company. At the same time, working at Voith will be increasingly shaped by greater team self-management. As such, we intend to encourage autonomy and strengthen engagement. Through the restructuring and focusing of our values, in the reporting year we created a key foundation on which to build towards these goals.

## 3.4 Occupational Health and Safety

Health and safety in the workplace take maximum priority at Voith. Established last year across the Group, our HSE (health, safety, environment) organization underpins our occupational health and safety activities. Through optimizing workplaces and processes we intend to prevent accidents and work-related illnesses to the greatest extent possible. To underscore this, reducing the frequency and severity of accidents has been anchored in our corporate goals since 2009.

In the field of health protection we take a regional approach, as differing legal frameworks and cultural differences call for specific approaches in the regions. We identified this in the reporting year in an analysis of health protection in Germany, China, Brazil, and the USA. We have already devised basic strategies for health protection in the four regions. In Germany, we will also anchor internal occupational medical care progressively in the company.

In the current fiscal year, we are working mainly towards gradually integrating our recently established Digital Solutions Group Division into our occupational health and safety model and structure. Furthermore, we intend to further consolidate and continue developing our HSE organization. This will ensure that we continue to maintain our high level of achievement in occupational health and safety.



### Efficient HSE Organization

As part of our Voith 150+ program, in the previous fiscal year we took a systematic approach to additionally structure HSE (health, safety, environment) as a shared service organization.

The frameworks and responsibilities for occupational health and safety are documented in our Group Directive. It sets out the mandatory minimum requirements and standards for our Group, and also includes standard operating procedures (SOPs) on HSE at Voith. We are currently consolidating and streamlining our existing policies, so that by the end of the coming fiscal year all 23 SOPs will be available in an amended form. Among them, there will be three completely new SOPs on the topics of emergency management, travel and transport, as well as machine-safety testing.

All occupational health and safety policies, just like our environmental protection regulations, are available via our Group-wide hse+ IT system. In the reporting period we expanded this system to include a further module on environmental risk assessments. To produce it we gathered a wide range of information, including hazards posed by earthquakes and regional floods, for instance.

### Matrix Certification Process Established

We also use hse+ to control the matrix certification of our locations according to ISO 14001 and OHSAS 18001 – a process we established in 2016. At the end of the reporting year, the matrix covered 78 Group companies (Group Holding and Corporate Central Functions). In the current fiscal year we intend to add two further Group companies with locations in Germany and South Africa.

Through our participation in the DIN Standards Committee we play an active role in migrating OHSAS 18001 to DIN EN 45001. At the same time, we are preparing our company for this changeover.

### Joining Forces with Employee Representatives

In terms of occupational health and safety, common, goal-oriented action on the part of the employer and employees is the key factor for success. This is why we take a collaborative approach with these topics too, whereby we involve employee representatives in key decisions. Company agreements on occupational health and safety, as well as on preventing addiction, complement the regulations embedded in our HSE Group Directive. A Safety Committee, comprising employee and employer representatives, meets every month at each production location and works to develop the annual occupational safety program and implement it in monthly actions.



### 3.4.1 Occupational Safety

Our occupational safety program includes every employee. Information and targets are cascaded right from the Board of Management through the respective executives down to employee level. Executives with supervisory roles have a particular responsibility in this regard. They have a clear duty to train their staff and actively communicate current developments. Employees must be given documented instruction at least once a year, with centrally prescribed training documents supporting this process.

In the reporting period, all executives received occupational safety training. We also involve our service providers in our activities through our “Coordination of Visitors and Contractors” Occupational Safety Directive. Production employees’ awareness of the topic of occupational safety is raised on a daily or weekly basis through short, high-impact presentations. Beyond the annual instruction we provide, through these five to ten-minute presentations on current topics we aim to keep the subject of occupational safety at the forefront of their minds as they carry out their daily work. In the reporting year we focused on the topic of hand injuries – the most common type of injury at Voith Hydro. Besides short, high-impact presentations and related literature, the campaign also comprised a newsletter focusing on hand and finger injuries. In the 2016/17 fiscal year we will focus our activities on crane operation, as we noticed that the greatest number of near-miss accidents happened in this area in the previous fiscal year.

We document training sessions required by law. Besides verbal or written instruction, pilot projects have allowed us to gain positive experiences over recent years in the area of online instruction, which we are now gradually rolling out using our global hse+ IT tool. In this, our initial focus areas are decentralized organizations such as site construction, service and sales employees, and administration. For this purpose, we ran a successful pilot project in the reporting year.

We place particular emphasis on training our experts in the regional HSE organization. They have already been fully trained on the use of hse+, which we have been using since the 2015/16 fiscal year to display information globally and in a standardized and transparent way on audit planning and audit results, as well as key information on hazardous materials, compliance, and risk assessments.

#### Special Responsibility with Field Service

When on construction sites or service calls, Voith field service employees take responsibility for occupational health and safety as well as environmental protection in a variety of ways – whether as a supervisor without authority over other service providers, right through to taking full construction-site responsibility that includes authority over subcontractors.



FACTS & FIGURES  
Occupational Safety Training



FACTS & FIGURES  
HSE Standard Online Instruction



Section 2  
Environment Hazardous  
Substances

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 eVAP – Accident Prevention by App


To analyze the challenges and standardize existing policies in the long term, our Voith Hydro and Voith Paper Group Divisions established the cross-divisional working group HSE in Field Service in the 2015/16 fiscal year.

#### **Documenting, Analyzing, and Preventing Accidents**

At Voith, all accidents are immediately recorded, reported to the respective supervisor, and published on the intranet. In the event of serious incidents, the Corporate Board of Management is informed directly within 24 hours. Every accident is then studied and documented by an investigation team comprising those affected, supervisors, and safety experts. Especially serious accidents are examined separately once again at our Center of Competence HSE. The accident definitions are described in detail in the Group Manual, and presented in a way that makes them comparable internationally with other companies.

Since the 2015/16 fiscal year we have taken steps to involve our employees even more closely in accident prevention. We developed our eVAP (electronic Voith Awareness Program) app to enable employees to log unsafe situations quickly and easily right on the spot, and then send this information to a central database. Clear icons facilitate the entire process of using the app. The data is analyzed automatically and then published in target group-specific media together with corresponding instructions. This allows us to raise our employees' awareness of unsafe actions

and situations before accidents occur. In 2016 we received the DEKRA Award 2016 in the “Safety at work” category for our innovative accident-prevention approach.

We monitor the development of occupational safety on a monthly basis through accident analyses, audits, and other measures. This allows us to take immediate steps if serious incidents occur, or if specific types of accident increase in number. The first step we take in every instance is to issue a global HSE Flash News notice (information on the accident/incident focus areas in occupational health and safety) to promptly inform all affected employees. In the reporting period we continued to focus on reporting near-miss accidents. Through doing so we intend to take more preventative action – especially in view of the continual decrease in accident numbers.

Our regional HSE organization implements Voith standards globally. The experts meet twice a year to share experiences locally, and by doing so ensure that know-how is transferred more quickly between locations. They are also responsible for translating the guidelines and standards into their respective languages.

In 2016 the business partners at the Center of Competence HSE analyzed the distribution of accidents at each Group Division in more depth to identify accident hot-spots and division-specific hazards. One specific result of this is our hand-injury prevention program at Voith Hydro.

### Occupational Safety Benchmark

We have continuously improved our performance since we implemented our global occupational safety program in 2009 at all production locations. Both the number and the severity of accidents at our company have fallen continuously, making Voith a worldwide industry leader in occupational safety.

Two benchmarks above all confirm this position: the accident frequency rate and the accident severity rate. The frequency rate (the number of accidents per 1 million working hours), which we calculate according to the international standard, fell significantly from 13.9 in the 2008/9 fiscal year to 1.6 in the reporting year. This corresponds to 57 notifiable accidents (previous year: 57). In the reporting period we are pleased to announce that there were no fatalities as a result of occupational accidents. To put things in perspective, the average frequency rate of companies in the Professional Association of Plant and Mechanical Engineering is 22.

We also achieved a considerable improvement in recent years in terms of the accident severity rate, which stabilized at a very satisfactory level in the reporting year at 282 working hours lost (previous year: 273). Alongside the absolute figure, this shows that the severity of accidents has decreased significantly.



FACTS & FIGURES  
Near-miss Accidents



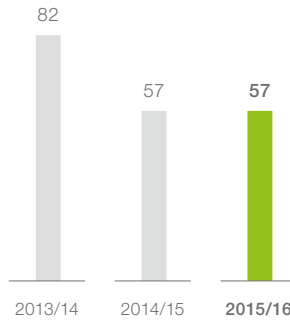
FACTS & FIGURES  
Occupational Accidents

**Frequency Rate\***

specific figure in accidents per 1 million working hours

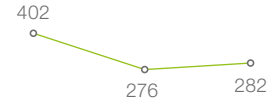


absolute figures

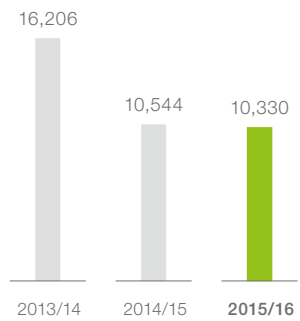


**Severity Rate\***

specific figure in lost hours per 1 million working hours



absolute figures



\*Data excluding the discontinued Group Division Voith Industrial Services.

We intend to maintain this high level in occupational safety in coming years too. Using our hse+ IT platform we will further optimize the transparency of our actions and derive measures in an even more targeted way. Above all, however, we intend to involve employees even more closely in our activities. Our eVAP occupational safety app is a further key step in this direction.

**3.4.2 Occupational Health**

We focus particularly on prevention when it comes to the health of our employees. We pursue a regional approach to take into account the highly varied conditions at our locations all around the world. Regardless of where our employees work, we want them to stay fit for work and retire healthily at the end of their professional lives. To achieve this aim, we focus on four fields of action in which we achieved the following progress in the reporting period.

**Ergonomic and Safe Working Environment**

Within our ergonomics campaign we targeted office workers in particular this fiscal year. As part of workplace walkarounds we informed them about ergonomics and advised them on optimally arranging their own workspace layout.



### Health Promotion and Illness Prevention

In this field of action, the locations initiate campaigns as part of their respective annual programs. The measures are each developed as pilots at our Center of Competence HSE in Heidenheim, and then rolled out to all locations in Germany. In the reporting year we offered the following presentations, which were predominantly given by external medical experts:

- Medicine: Movement – a miracle cure with positive side-effects
- Matter of the heart: Preventing and detecting heart and circulatory diseases
- Care planning: Living will and healthcare proxy
- All about Life Balance.

An average of 120 employees took part in each event. The Life Balance presentation was repeated in Heidenheim due to the strong demand, and was also offered in Crailsheim. Besides the series of seminars, in the 2016/17 fiscal year we plan to run a colon-cancer screening campaign at our German locations.

### Illness and Stress Support

In the reporting period we achieved significant improvements in occupational medical care at our German locations. Two locations are now supported directly by our occupational medical service, with the others now more closely coordinated. We also leverage synergies, amongst others by standardizing occupational healthcare software, which creates additional scope for the optimal provision of healthcare.

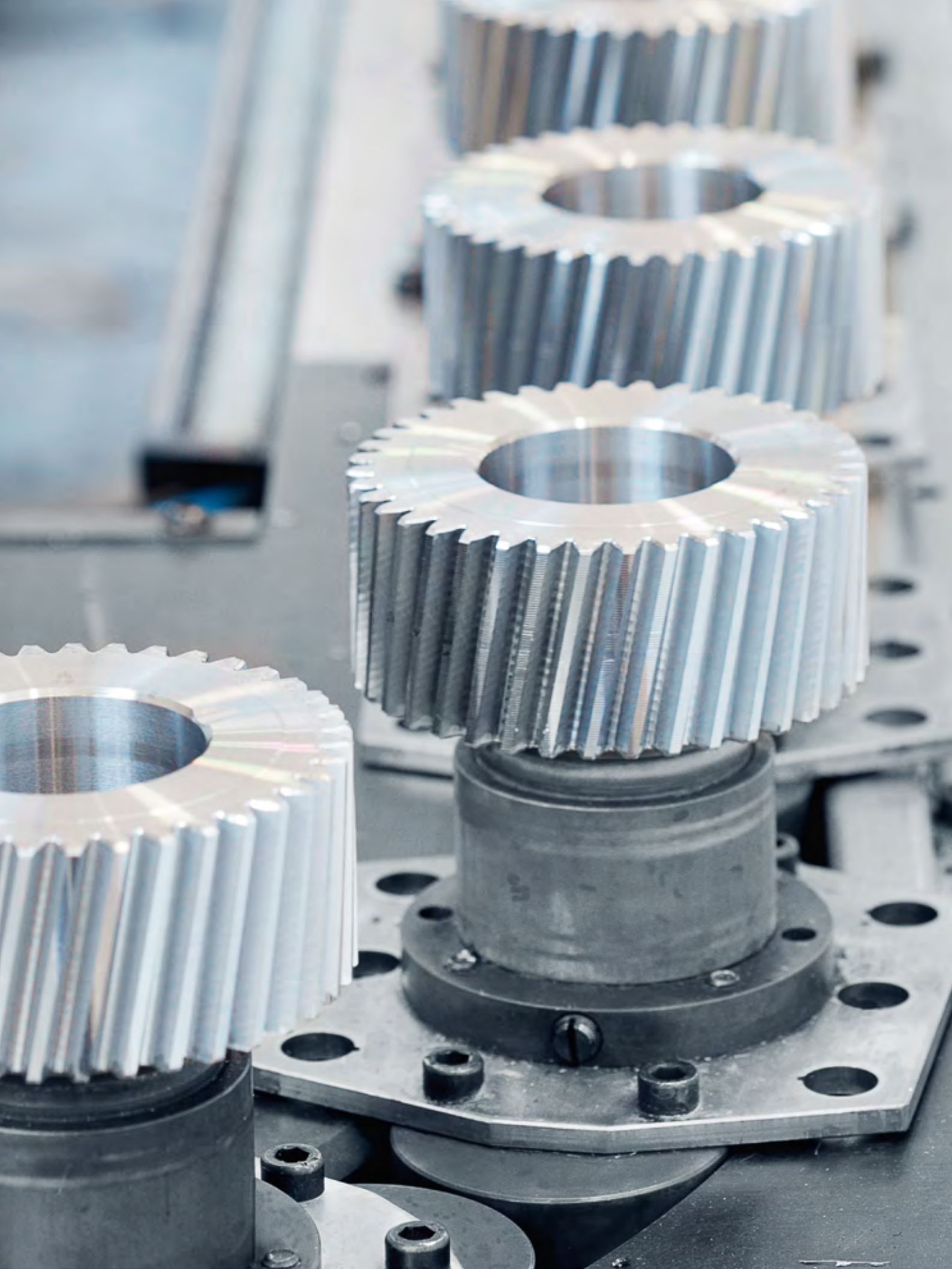
Thanks to our cooperation with an external service provider, our employees in Germany can obtain information and support relating to caring for family members and childcare. We are currently continuing to work on implementing robust illness and stress-support processes at our locations. Once this is done – as far as permissible under data-protection legislation – we will establish a central reporting system on this topic. In addition, we will complete the process of implementing our standardized occupational-reintegration management system in the current fiscal year.

### Corporate Culture and Leadership

Occupational health and safety are key aspects of our corporate culture. Our Group-wide reporting system provides Voith executives with robust KPIs on a quarterly basis on the development of our employees' health, such as their illness rate. If one of our locations reports an above-average illness rate, we offer seminars on preventative healthcare. Through seminars on the topic of Leadership & Health we also intend to enhance our executives' awareness for the topic of health management. We already held 10 seminars attended by around 111 participants in the reporting year, and plan to hold further events at different locations in Germany.



FACTS & FIGURES  
Employee Support Measures



## 4\_Products & Supply Chains

We create economic and environmental added value for our customers through our products and industrial services. Besides our products' quality and reliability, we place great value on their energy and resource efficiency – both in the production and usage phase. Within our overall sphere of influence we also ensure international environmental and social standards are upheld. In a nutshell, we set high standards for ourselves and our suppliers in order to provide the same to our customers.

## 4\_Products & Supply Chain

### 4.1 Product Responsibility

Voith products and industrial services serve five major markets around the world: Energy, Oil & Gas, Paper, Raw Materials, and Transport & Automotive. And our solutions are just as varied as these markets' requirements.

Voith Hydro is a manufacturer of generators, turbines, pumps, as well as electrical and mechanical equipment for hydropower plants. With this broad offering Voith supplies all key components for hydropower plants in the power generation and power storage sectors. At the same time, Voith Hydro ensures a plant remains productive throughout its lifecycle.

Voith Paper supplies technologies, products, and services covering the entire paper production process. Its offering includes large industrial production lines for paper and board production, system rebuild and modernization services, as well as corresponding service offerings. This is complemented by consumables and replacement parts.

Voith Turbo technologies transmit and control energy under extreme conditions – safely and in a resource-efficient way. Voith Turbo's drive solutions, advanced technical components and systems are used in a wide variety of industries, wherever power needs to be transformed into controlled movement.

#### **Our Responsibility – Our Fields of Action**

Owing to the diversity of our product portfolio and the very different market requirements we face, our Group Divisions are confronted with a range of challenges regarding product responsibility. To gather data on these requirements systematically and evaluate them in terms of their materiality, we draw on the results of our stakeholder survey of early 2016. As part of a Master's thesis we also evaluated external benchmarks, including IÖW (Institute for Ecological Economy Research) and oekom research. This enabled us to define the main fields of action for our company in terms of our product responsibility.

#### **Challenges and Trends**

To identify trends early on and take effective action to counter upcoming challenges, our Group Divisions employ their own market- and technology-specific methods and tools.

In the reporting period Voith Paper comprehensively expanded its trend-gathering methodology. This is based on five pillars: Trend Analysis, Technology Outlook, Customer Perspective, Consumer Perspective, and Radical Technologies. Voith Hydro and Voith Turbo both plan to introduce a similar process in the 2016/17 fiscal

year. The one thing in common among the trends identified in this way is that they directly or indirectly address the sustainability of our or our customers' manufacturing processes. Furthermore, through trend surveys we identified additional trends such as bionics and water scarcity. In the reporting period we already started to process the topics and expect to be able to produce results and derive specific measures during the 2016/17 fiscal year.

One current challenge facing Voith is posed by new policies and legislation which erode intellectual property protection. Among them, EU Directive 2016/943 on the protection of undisclosed know-how and business information (trade secrets) will give customers the right to disassemble purchased machines into their constituent components, to reverse engineer them, and then commission a third party to manufacture spare parts. In doing so, the original manufacturer loses copyright protection in relation to its product, meaning safe operation of the system may no longer be guaranteed.

Requirements such as the German Renewable Energy Sources Act (EEG) and EU Directive 2014/24 on public procurement constantly place new requirements on Voith Hydro's development and sales activities. Last but not least, the opportunities presented by Industry 4.0 must be seized and translated into specific customer benefits through process modifications.

Hydropower competes globally with other renewables. While the wind and solar power industry is at present enjoying high double-digit growth rates, hydropower is currently expanding by an annual 2.3%. Consequently, Voith Hydro faces the challenge of improving the public perception of hydropower as a source of renewable energy. Among other things this calls for the advantages of pumped storage power plants over battery storage facilities and other solutions to be evaluated technically and objectively, and for their case to be argued accordingly. In particular, promising trends for Voith Hydro include hybrid power plants that combine solar, wind, and hydropower, as well as pumped storage power plants that use the ocean as a reservoir. Material tests for the application of hydraulic components in seawater have already been performed successfully. The supply of pumps for agricultural irrigation plants or drinking water storage also offers new opportunities.

### Customer Dialog

Maintaining close customer relationships and a deep understanding of their needs has always been one of Voith's strengths. All divisions are in constant touch with their customers, for instance through targeted surveys on customer satisfaction or their future requirements on our products' capabilities.

Customer dialog is an essential part of **Voith Hydro's** sales strategy. Customer requirements are often reflected in great detail in individual tenders. Furthermore, in the subsequent negotiations the technical as well as new or further optimized



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Opportunities and Risk Report



FACTS & FIGURES  
Responsible Marketing



Resource Preservation

solutions are discussed at length. Last but not least, the Product Management team holds discussions with customers and associations to examine further improvements.

Close contact with customers is also typical of **Voith Paper**'s approach. Specialists provide technical advice to customers, while the Key Account Management team primarily supports larger customer groups. Customers are also involved closely in quality assurance processes, and even to some degree in technical development activities and in identifying trends. When optimizing paper machines Voith Paper works closely with customers to improve the use of raw materials through recycling and to reduce electricity consumption as part of energy audits. The aim is to develop energy- and water-efficient products, and further reduce overall operating costs.

In the past fiscal year **Voith Turbo** underwent a fundamental transformation, and now focuses even more clearly on the three corporate goals of Customer Focus, Technological Leadership, and World-class Performance. Customer proximity, a high level of regional market presence, and offering a world-class service were identified as success factors in the area of Customer Focus. The introduction of a Product Management team at the interface between Sales and Key Account Management has proven itself, and has since been rolled out across the Division. This means customers' requirements can be better taken into account, more clearly focused on, and implemented more quickly.

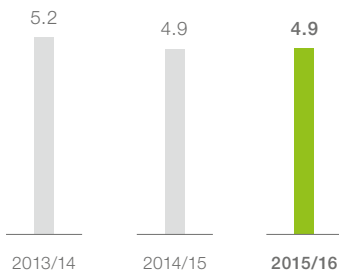
**Research & Development**

Technological expertise and the ability to continually apply our know-how to innovations that bring added value to our customers are the basis of our company's success. This is why we continue to invest, even in economically challenging times, in the research and development of new solutions. In the past five years alone we have invested over €1.1 billion in this area. In the 2015/16 fiscal year our R&D expenditure totaled €208 million (previous year: €210 million; -1%). The Voith Group continued to dedicate an equivalent 4.9% of its Group revenues to R&D (previous year: 4.9%). All of our Group Divisions involved in mechanical and plant manufacturing have a strong patent base. The Voith Group currently holds several thousand active patents, with many hundreds more added in the reporting year alone.



FACTS & FIGURES  
Research & Development Expenditure

Percentage of Revenues Dedicated to R&D in %



In all of our Group Divisions we fully intend to defend and strengthen the leading position we hold in many markets. The digital transformation in particular, often referred to as "Industry 4.0", offers immense opportunities for our Group Divisions. They work consistently to leverage the potential of Industry 4.0 in their own production processes and in specific products for their customers.

We established the function of Chief Technology Officer in each of our divisions back in the 2014/15 fiscal year. Since then, the CTOs have regularly compared

their divisions' technological development roadmaps within the CTO Council to leverage synergies. By doing so, we intend to achieve positive economies of scale as well as create knowledge in a more structured way, and distribute it within our Group, particularly in the case of technologies and process that can be implemented universally, such as in the area of materials use.

Voith Paper is currently developing systems that use sensors to forecast the service life of products. This approach improves operational reliability, making sudden system failures virtually a thing of the past. Automated monitoring systems have already been launched with the OnCare product family, and are now being expanded.

Fuglesangs and Voith Turbo have partnered up to develop speed-controllable drives to operate sea-floor multiphase pumps. Thanks to this there is no need for a frequency converter to control the speed, which would otherwise take up a lot of space on the supply ship. This technology is making a considerable contribution to the exploration of raw materials beneath the sea floor.

In its E-Volition project, Voith Turbo is currently developing a drive which can achieve fuel savings of around 7%, and which is designed to run more quietly. Among other things, mild hybridization and recuperation provides energy to power the electrical system and drivetrain.

### **Collaborations Deliver Key Findings on Future Viability**

Voith's Group Divisions are market and technology leaders in many of their business segments. This is why they are also in constant dialog with research institutes, universities, associations, as well as other companies along the supply chain.

Among them, Voith Paper collaborates with a range of institutes and universities within clearly defined fields of action. This includes initiatives such as the industry-wide Fiber & Paper 2030 project, and the EU-wide Provides project, which aims to achieve a drastic reduction in the carbon footprint of cellulose and paper production. The implementation phase of such initiatives is often relatively long, as the paper-industry investment cycle may extend up to 20 years. To achieve the targeted 80% carbon reduction between 2030 and 2050 as planned, Voith is already working actively on developing the technology to make it market-ready within the next decade.

Voith Paper and Voith Digital Solutions and a group of customers and academics are working together to develop solutions that will enable the paper-production industry to respond to the volatile supply and price situation in the energy market by allowing production plants to be operated in a sustainable way through the use of new technological processes. These range from allowing the use of cheaper energy periods, through to switching off individual process steps at periods when energy is scarce – without a significant impact on paper production.



FACTS & FIGURES  
Voith Paper Collaboration Projects



FACTS & FIGURES  
Voith Hydro Collaboration Projects

In the reporting year Voith Hydro devoted itself to a range of activities including developing digital solutions for hydropower plants. One focus area was HyGuard, a new type of smart plant-monitoring solution that is currently being pilot-tested. Noise monitoring at a power plant, for example, can help to monitor trends and interpret anomalies. HyGuard Acoustic can also be used in conjunction with other monitoring systems to measure oscillations or temperatures, for instance. Responsibility for developing the monitoring systems has since been transferred to our new Group Division Voith Digital Solutions.

Voith Turbo is currently working on a research project that also involves DLR (German Aerospace Center). In this project, composite-structure sensors are being developed for use in mobile applications such as for rail vehicles. The project focuses on gathering data on vehicle damage resulting from external influences and/or material fatigue: Its aim is to increase operational safety as well as reduce construction weight.

### **Reliable, Safe Products**

The Voith name is renowned the world over for safety, quality, and reliability. We are fully aware of the value of this important competitive advantage, so we have set out the principles of our quality management process and technical risk-management process in a Group Directive. Our Group Divisions and their companies then expand on these principles and supplement them accordingly.

We document and certify our activities according to the international ISO 9001 quality management standard, which we supplement with many of our own QM methods. Virtually all Voith locations are certified to this standard. With the help of clearly defined KPIs (Key Performance Indicators), a Group-wide Operational Excellence initiative places an even stronger focus on the quality of our products and processes.

Voith products always meet the statutory and regulatory requirements of the countries we supply to. Our Group Divisions are responsible for implementation, while the respective Quality Assurance departments ensure process compliance. To achieve this, they rely on our Group-wide TRQM (Total Risk and Quality Management) system as well as division-specific regulations. Our TRQM system also defines how to fulfill the respective statutory product documentation requirements, and how products are to be labeled. Besides internal technical documentation, operating instructions provide information on the intended use of our products as well as on how to handle them in a technically and environmentally safe way. Our TRQM system also outlines procedures for decisions that entail risks.



FACTS & FIGURES  
Quality Management  
in Our Business Areas

We regularly train employees on how to handle regulations, and make these available to them via our Group-wide database and internal communication channels. In addition, we provide our customers with the relevant know-how through training courses held either at our training center or directly at the customer's location.



Right from the development stage we analyze and simulate the various operating states, perform computer-based calculations, and run pilot projects on product performance and safety. We evaluate the effectiveness of our quality assurance measures in our respective Group Divisions using division-specific KPIs as well as internal and external audits. We also involve our suppliers closely in these activities. In the reporting year alone, over 200 participants from around 50 companies took advantage of this opportunity.

Long service life is a key quality of Voith machines and systems, which is why Voith Turbo gear systems and Voith Hydro turbines are often in reliable operation for decades. And the same applies to our paper machines. Due to this, our Group Divisions are faced with the challenge of supplying spare parts even after many decades of operation. Consequently, the reparability of our solutions is a core requirement we factor-in right from the product development stage.

By further developing our products, we work to make them increasingly environment- and resource-friendly throughout their lifecycle. In doing so, we meet our customers' demands, statutory requirements, and ultimately our own stated objective. The primary aim of all of our Group Divisions is therefore to conserve resources and to minimize the environmental impact of our products. To achieve this, we follow a decentralized management approach.

### **Product Impacts by Group Division**

We predominantly supply components that as part of an overall system have differing energy and material footprints. We employ a range of tools to gain an even more detailed evaluation of our products' energy and raw-material efficiency. To achieve this, for many years now we have conducted Life Cycle Assessments (LCAs) for selected products in compliance with ISO 14040 and 14044.

As our product portfolio is so broad and we are active in such a variety of markets, we constantly face the challenge of producing a balanced account of our activities in a uniform, standardized report that covers all Group Divisions. By way of example, in the following we have outlined the lifecycle of a main product of each Group Division that also shows the environmental and social impact of each product.



FACTS & FIGURES  
Voith HydroSchool

**Voith Paper**

**Paper Facility**  
Sustainability aspects



Voith component lifecycle

**Voith Paper Machines**  
Contribution to greater sustainability



Upstream/Supply Chain (Procurement of Materials and Services)	Creation (Paper Facility Construction Phase)
Potential risks: · Social & environmental impacts in the supply chain	Potential risks: · Land use · Loss of biodiversity · Emissions (air, wastewater, noise, goods transportation) · Occupational accidents
· Reduction in supply chain risks through GPTs, CoC, and LSA · ISO 14001 and OSHAS 18001 matrix certification for production locations	· Planning services for entire paper facility · Ensuring the occupational health and safety of our employees when at the customer's location

Paper machines are in operation for many decades, with an average operating period of around 40 years. Over this long period of time, even small improvements can have a vast impact on a machine's efficiency. However, while the environmental impacts caused during the manufacturing of the machine are minor, the amount of energy required to operate a paper facility exceeds the amount required to manufacture the machine by a factor of 300. Steel, as well as materials for structural and civil engineering, account for the largest share of material types in the supply chain.

Voith Paper aims to generate the greatest added value for customers through operation that is as resource-friendly as possible, and by designing machines with efficiency as high as possible. To Voith Paper, resource conservation means above all reducing the specific consumption of water as well as electrical and thermal energy requirements per tonne of paper. Moreover, it also means reducing fiber loss and achieving paper-production time-savings for customers by deploying the most efficient systems possible. In the reporting period Voith Paper incorporated an additional topic in the development process, the Clean Design of paper machines. The aim here is to reduce dirt deposits in paper machines, thereby minimizing the cleaning effort.

Utilization Phase (Paper Production)	End-of-Life (Decommissioning of the Paper Facility)
<p>Potential risks:</p> <ul style="list-style-type: none"> <li>· Fresh fibers from unsustainable forestry practices</li> <li>· Water consumption</li> <li>· Energy requirement</li> <li>· Emissions (air, wastewater, noise, goods transportation)</li> <li>· Waste (impurities and process waste)</li> <li>· Process residues</li> <li>· Use of chemicals</li> <li>· Loss of fibers</li> </ul> <p>Potential opportunities:</p> <ul style="list-style-type: none"> <li>· Use of fibers from waste paper</li> <li>· Closing of cycles</li> </ul>	<p>Potential risks:</p> <ul style="list-style-type: none"> <li>· Process residuals, hydraulic oil</li> </ul> <p>Potential opportunities:</p> <ul style="list-style-type: none"> <li>· Recyclable materials such as metal, structural/civil engineering materials, plastics, oil</li> </ul>
<p>Efficient paper machine technology helps reduce:</p> <ul style="list-style-type: none"> <li>· Energy requirements</li> <li>· Fiber use (stock preparation)</li> <li>· Water consumption (water treatment, closing water cycles)</li> <li>· Emissions</li> <li>· Use of chemicals</li> </ul> <p>Improving occupational health and safety at the customer's site through product safety standards</p>	<p>Extension of the utilization phase through:</p> <ul style="list-style-type: none"> <li>· Renewal of components</li> <li>· Modular design</li> <li>· Service offering</li> </ul>

Voith Paper is using increasing amounts of renewable materials, and works tirelessly to close material, water, and auxiliary cycles. In doing so, we intend to further reduce the environmental impacts of paper production while increasing the plant cost-effectiveness. In the reporting period Voith Paper achieved further progress in energy efficiency and in reducing the environmental impacts of its products and services. Among their many outstanding features, over two-thirds of the 34 new products launched by Voith Paper also support lower consumption of resources.

Moreover, Voith Paper is always looking for opportunities to increase the recycling rate of its own production processes. However, it is currently only economically viable to achieve high rates of recycling in terms of petroleum-based plastics with PPS (polyphenylene sulfide) materials. Voith Paper is also currently reviewing the cost-effectiveness to recycle used materials – in other words, products used and contaminated through use. If this material is fit for reuse under technical and economic considerations, Voith Paper aims to recycle this material.

Over the coming years Voith Paper expects new emissions laws, which enter into force in the EU from mid-2018 onwards, to provide considerable stimuli. These will require customers to operate facilities in an even more resource-friendly way – requirements which Voith Paper is already perfectly equipped to meet with its portfolio.

 **FACTS & FIGURES**  
Progress Regarding Social and Environmental Impacts

 **FACTS & FIGURES**  
Recycling in Detail

**Voith Hydro**

**Hydropower Plant**  
Sustainability aspects



Voith component lifecycle


**Complete Equipment from Voith**  
Contribution to greater sustainability



Upstream/Supply Chain (Hydropower Plant Planning Phase)	Creation (Hydropower Plant Construction Phase)
<ul style="list-style-type: none"> <li>· Environmental &amp; social acceptability checks</li> <li>· Stakeholder engagement</li> </ul>	<ul style="list-style-type: none"> <li>· Management of social and environmental aspects</li> <li>· Safe working conditions</li> </ul>
<ul style="list-style-type: none"> <li>· Reduction in supply chain risks through GPTs, CoC</li> <li>· ISO 9001, ISO 14001, and OSHAS 18001 matrix certification for production locations</li> </ul>	<ul style="list-style-type: none"> <li>· High global safety and quality standards</li> <li>· Ensuring the occupational health and safety of our employees (when at the customer's location)</li> <li>· Technical customer training courses on optimal environmental and economic operation -&gt; HydroSchool</li> </ul>

Hydropower is renewable, and despite its unavoidable impacts on nature it is an eco-friendly way to generate electricity. Voith technologies are crucial to minimizing the environmental impact of hydropower plants – from improving water quality through aerating turbines and oil-free hubs which prevent water contamination, through to innovative runners which ease the passage of fish. Voith Hydro works tirelessly to further minimize the remaining environmental impacts. This includes reducing noise emissions produced by generators, turbines, and hydraulic auxiliary units in the hydropower plant.

Owing to the long service life of hydropower plants – a service life of 70 years is not uncommon – our customers focus on their own energy requirements and material use during the utilization phase to optimize their operating costs, especially in the case of large systems and equipment. Especially in Scandinavia, avoiding the use of oil in bearings and hubs is an important topic for customers.

 **FACTS & FIGURES**  
Reducing Noise Emissions

Utilization Phase (Electricity Generation)	End-of-Life
<ul style="list-style-type: none"> <li>· Electricity generation</li> <li>· Regenerative, flexible, reliable, inexpensive, low-carbon multi-purpose benefit of the plant (e.g. flood protection, irrigation)</li> <li>· Plant safety</li> <li>· Environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>· Modernization allows continual extension of a plant's operating life</li> </ul>
<p>VH products offer:</p> <ul style="list-style-type: none"> <li>· A high level of efficiency</li> <li>· Durability</li> </ul> <p>VH products/services can:</p> <ul style="list-style-type: none"> <li>· Improve operation and cost-effectiveness</li> <li>· Mitigate the plant's environmental impacts</li> <li>· Offer flexible operation to integrate other renewable energy sources into the grid</li> </ul>	<ul style="list-style-type: none"> <li>· Extension of the utilization phase through the renewal of components</li> <li>· High proportion of reused products</li> </ul>

To document the minimal environmental impacts of our components and entire hydropower plants, such as their excellent energy payback ratio or their low carbon footprint, we also perform LCAs in accordance with ISO 14040. In addition, we develop environmentally sound solutions for the automation of hydropower plants, and provide services for all plant components. To ease the passage of fish we developed an optimized wicket gates and runner design as part of the Advanced Hydropower Turbine System (AHTS) program established by the US Department of Energy.

Wherever possible, Voith Hydro attempts to repair or modernize products used by customers. The high proportion of steel parts and low share of hybrid materials have a positive impact on the ability of materials to be recycled.



FACTS & FIGURES  
Progress Regarding Social  
and Environmental Impacts

**Voith Turbo**

**Bus**  
Sustainability aspects



Voith component lifecycle

**Voith Components**  
Contribution to greater sustainability



Upstream/Supply Chain (Procurement of Materials and Services)	Creation (System Construction Phase)
Potential risks: · Social & environmental impacts in the supply chain	Potential risks: · Emissions (air, wastewater, noise, goods transportation) · Occupational accidents
· Reduction in supply chain risks through GPTs, Code of Conduct, and LSA · ISO 14001 and OSHAS 18001 matrix certification for production locations	· Ensuring the occupational health and safety of our employees when integrating the transmission unit at the customer's location

Voith Turbo also follows the principle of offering increasingly energy-efficient and environmentally friendly product generations. It focuses on the impact of using Voith components on the total cost of ownership (TCO). By way of example, a 1% fuel saving with a standard bus brings the operator around €3,600 in operating-cost savings. As such, the topic of resource conservation through increased efficiency is a key aspect of related customer discussions, whether during the tendering phase or on handover of the product. In this regard, Voith Turbo aims to adopt a continual process of improvement in which it also involves its customers.

In the reporting period Voith Turbo achieved the following progress in terms of its energy efficiency and in reducing the environmental impacts of its products and services.

When redesigning the VoreconNX, three sustainability aspects were improved significantly. A new transformer in the power splitter allows the second planetary gear to be replaced by a single gear stage. As a result this allows the Vorecon to be designed in a modular way. The advanced design of the remaining planetary gear offers a very high power density, making it around 7% more efficient across

Utilization Phase (City and Overland Transportation)	End-of-Life
<p>Potential risks:</p> <ul style="list-style-type: none"> <li>· Oil loss (30 liters of transmission oil)</li> <li>· Emissions (CO<sub>2</sub>)</li> <li>· Noise emissions (transportation noise)</li> </ul> <p>Potential opportunities:</p> <ul style="list-style-type: none"> <li>· Emissions reduction in local public transport</li> </ul>	<p>Potential risks:</p> <ul style="list-style-type: none"> <li>· Operating fluids: transmission oil, engine oil, hydraulic oil, brake fluid, air-conditioning unit, coolant additive</li> <li>· Interior fittings, etc.</li> </ul> <p>Potential opportunities:</p> <ul style="list-style-type: none"> <li>· Recyclable materials such as aluminum, copper, steel, less plastic</li> </ul>
<p>Automatic transmission units help reduce fuel consumption, such as through:</p> <ul style="list-style-type: none"> <li>· Limiting acceleration</li> <li>· Deactivation of kick-down</li> <li>· Acceleration and topography based gear-changing</li> <li>· Smart Assist (in development; information on fuel-savings potential when driving)</li> </ul> <p>Automatic transmission units help reduce TCO (total cost of ownership), such as through:</p> <ul style="list-style-type: none"> <li>· Smart Maintenance (predictive maintenance)</li> <li>· Service-friendly (reduces labor time and increases labor safety)</li> </ul>	<ul style="list-style-type: none"> <li>· Transmission Exchange Program (reconditioning of transmission units)</li> <li>· Correct handling and disposal</li> </ul>

the complete operating range than its predecessor. This means the new VoreconNX saves energy, is more compact and lightweight, and increases process reliability in production thanks to its modular design.

FlexPad – an innovative connecting coupling between the universal joint shaft and roller in the steel mill – revolutionizes this highly stressed component in the drivetrain of a rolling mill. Up to now, wear plates had to be replaced at sometimes very short intervals – with the entire assembly even needing to be replaced after the third or fourth replacement of the wear plates. Voith FlexPad technology triples the service life of the coupling, protects the drivetrain, and reduces both the costs for wearing parts and maintenance effort. At the same time it improves safety throughout the manufacturing process and increases product quality.

The diesel-electric RailPack for rail vehicles increases resource utilization and passenger transportation efficiency. In addition to the power supply via the overhead lines, the RailPack is integrated into the vehicle allowing trains to be operated on rail networks which include electrified, partly electrified, and non-electrified track sections. This means there is no need to operate a separate diesel locomotive to



FACTS & FIGURES  
Challenge: Long Service Life

serve non-electrified sections, dispensing with the time-consuming process of uncoupling and recoupling wagons. Passengers also benefit as they no longer need to change trains on the switchover from the electrified to the non-electrified sections.

### Product Responsibility Outlook

We expect a further tightening of environmental protection legislation as well as a continual rise in customer demands regarding the environmental and resource efficiency of our products. This is something that affects all of our Group Divisions. The growing complexity of the challenges confronting many of our customers in their markets is increasingly leading them to opt to obtain solutions from a single supplier. In the coming years, we see Industry 4.0 opening up huge opportunities for all three Group Divisions involved in mechanical and plant manufacturing. With the founding of our Group Division Digital Solutions we are bundling existing know-how in our Group, developing new digital business models, and will further expand our technological leadership in the years to come.

## 4.2 Responsibility in the Supply Chain

We aim to anchor resource conservation and social responsibility in our supply chains. Our stakeholders also considered this as material to the way we manage sustainability. In Purchasing, our Guiding Principles and the Voith Purchasing Manual set out specific requirements in this area.

Naturally, Purchasing focuses on price, quality, on-time delivery, compliance with health, safety, and environmental legislation as well as upholding the ban on the use of child and forced labor. Differing legislation and ever-growing demands for documentation, such as under the chemicals directive REACH, and the Restriction of Hazardous Substances Directive (ROHS), place high demands on our company. A further challenge is current legislation on conflict minerals in the USA and EU. At the same time, as our buyers' and suppliers' level of knowledge varies, appropriate training is needed.

In light of this, controlling complex and heterogeneous supply chains remains a core challenge for Voith Purchasing.

Owing to the multitude of suppliers and supply chains, we can only provide reliable information on tier 1 of our supply chain.

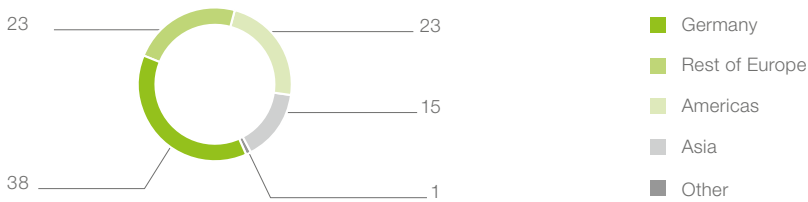
### High Purchasing Volume, Heterogeneous Product Range

In the 2015/16 fiscal year our purchasing volume stood at around €2.5 billion, of which production materials accounted for around €1.8 billion. As usual, they varied greatly, ranging from a 1 mm nut to a 250 mm-thick steel sheet, and from special customer-specific lacquering to electrical cable custom-made for Voith. In terms



**Share of Suppliers by Region**

in %



of our invoicing volume, as in the previous year structural components accounted for the majority of our procured product materials by value, followed by electricals/electronics, subcontracting, and cast parts.



FACTS & FIGURES  
Purchasing Volume

**International Environment with Fairness as the Guiding Principle**

As an international company we work with over 23,000 suppliers from 84 countries. However, the majority of goods and services are provided by European suppliers – with Germany alone accounting for 35%.

In principle we consistently strive for long-term business relationships, so we always focus on the economic feasibility of our requirements. We also believe firmly that treating each other fairly is the basis for a long-term partnership based on trust.

Supplier Days are special initiatives where we get to engage in discussion with our business partners. In the reporting period, we held a successful Supplier Day for Voith Paper China, with further Supplier Days already in the planning stage.



FACTS & FIGURES  
Active Suppliers

FACTS & FIGURES  
Procurement Markets

**Clear Conditions Set the Framework**

Our Code of Conduct and General Purchase Conditions (GPCs) define our basic understanding of partnership, and provide the guidelines for questions regarding compliance as well as environmental and social standards.

Our Code of Conduct and the GPCs are available on the Internet. Our GPCs form the basis for contractual agreements with our suppliers, and also ensure that their sub-suppliers abide by these requirements. Country-specific versions ensure that local purchasing processes always take national aspects into account, for instance regarding payment terms, environmental standards, and customs requirements. We are currently in the process of updating our GPCs and producing country-specific versions for Poland, Chile, and Argentina.

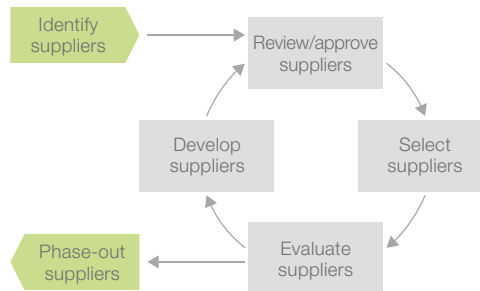


GPCs:  
<http://www.voith.com/de/konzern/einkauf/aeb-176.html>  
Code of Conduct:  
<https://voith.com/cn/coc-english.pdf>



FACTS & FIGURES  
Country-specific GPCs

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**Supplier Management Process**

**Risk Map Establishes Transparency**

With the help of the Swiss Federal Institute of Technology (ETH) in Zurich, in the reporting year we gathered information on key economic, social, and environmental risks in our supply chain. This was underpinned by public sources of information such as the UN Global Weather Report and Transparency International's Corruption Index. This allowed us to create a risk map that illustrates in detail for us the complex issue of sustainability in the supply chain. The study focuses on each of our key material groups and regions. With these findings we aim to address sustainability issues in a more focused way within our company, and coordinate queries and evaluations in a more targeted way.

**High-Performance Organization**

Our Purchasing organization is divided into centralized and decentralized as well as strategic and operational responsibilities. Strategic Purchasing is responsible for supplier and material-group management, and concludes framework agreements. It only conducts individual negotiations once a specific value threshold has been passed. Below this threshold, Operational Purchasing conducts individual negotiations based on material-group strategies, and deals with day-to-day business such as placing and following up orders.

Since we established our four Global Business Service Centers in Heidenheim, York, São Paulo, and Kunshan, we gradually began transferring responsibility for the strategic and operational procurement of non-production materials to these centers. The corresponding locations were integrated into the new structure as planned in the reporting year, and the local teams have commenced their work. Production materials continue to be procured directly by our various Operating Units around the world.

In Voith Purchasing, sustainability topics are assigned mainly to our Corporate Strategic Purchasing (CSP) Department, with a focus on setting sustainability goals for Purchasing, gathering data on KPIs, and reporting. In addition, CSP devotes itself to fundamental sustainability issues such as the use of conflict minerals in the supply chain.

Relevant topics are identified internally within the Group, and the corresponding activities are discussed across Divisions by the Global Purchasing Board (GPB) and coordinated with representatives from the Group Divisions. In the reporting period, topics including the centralization of the Supplier Self Assessment, the performing of supplier evaluations, and the pending revision of our GPTs were addressed.

**Employees Receive Extensive Training**

Our Purchasing Training Program, developed specifically for Purchasing, ensures that our employees around the world are always kept up-to-date on legal compliance requirements, the use of IT tools, and negotiations with suppliers. Local trainers also address special cultural and local aspects through face-to-face training sessions. Besides traditional purchasing topics, the training modules also cover sustainability and compliance aspects. In the reporting period we expanded our program to include our North American locations. We are now focusing on expanding the scope of seminars and e-learning courses.

**Supplier Self Assessment and Evaluation**

To mitigate risks in the purchasing process we require our suppliers to provide regular Supplier Self Assessments. In the 2015/16 fiscal year we transacted 59.2% (previous year: 61.7%) of our invoicing volume with suppliers listed in our system as having a current and approved assessment. Through centralized processing, we intend to ensure that these assessments are gathered in a meaningful and coordinated way. In addition to the self-assessment, once a year employees from the specialist departments as well as Voith Buyers evaluate those suppliers with whom we place the largest order volumes. We use a standardized process based on transparent criteria, so results can be compared across the Group. In

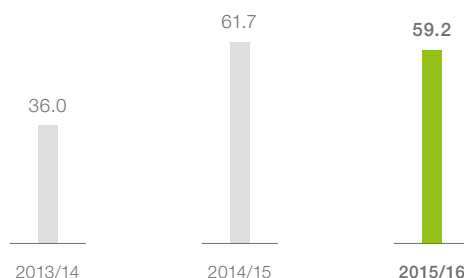


FACTS & FIGURES  
Use of Conflict Minerals



FACTS & FIGURES  
Scope of Training

**Share of Suppliers with a Supplier Self Assessment**  
in %





FACTS & FIGURES  
Supplier Self Assessment,  
Supplier Evaluation

the reporting period we produced 2,441 evaluations for 1,956 suppliers. Through a more targeted approach to individual evaluations we successfully covered a higher invoicing volume with a considerably lower number of individual evaluations. We transacted 68 % (previous year: 62 %) of our invoicing volume with suppliers listed in our central supplier database as having an up-to-date and completed evaluation.

The supplier evaluation also encompasses sustainability criteria, which we use to calculate the sustainability ratio. It shows the average subjective evaluation of our suppliers by our employees in relation to their compliance with environmental and social standards. The partners we evaluated in the reporting period achieved an average sustainability ratio of 85.4 %.

**Rigorous Action on Violations**

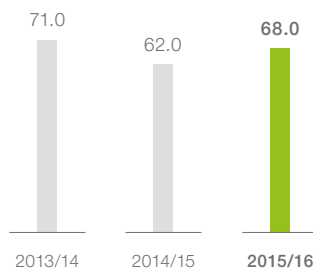
If suppliers violate laws, the Voith Code of Conduct, or lose their creditworthiness, Purchasing is obliged to terminate the business relationship and block the supplier centrally. Even violations of health, safety, and environmental standards can lead to a Group-wide block under our Blocked Supplier Concept. For the 2015/16 fiscal year, we are pleased to announce that there were no cases based on a violation of social or environmental standards.



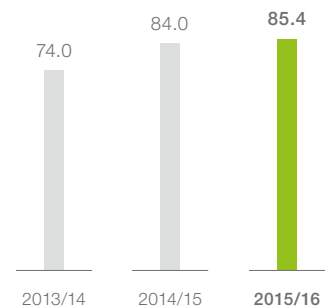
FACTS & FIGURES  
Supplier Compliance

Suppliers can also report violations of sustainability standards in the supply chain on their own initiative. Just like our employees, our suppliers also have access to our anonymous Voith Compliance Helpdesk, which covers all countries and regions where Voith is active. Complaints can be submitted both in the local language and in English. For the reporting period we are pleased to announce that we received no voluntary declarations, nor were we informed by suppliers of any violations by competitors or sub-suppliers.

**Share of Invoice Volume Placed with Evaluated Suppliers** in %



**Sustainability Ratio** in %





## The Report

Voith has published a Sustainability Report every year since 2009. This report describes the progress we made in the 2015/16 fiscal year, i.e. from October 1, 2015 to September 30, 2016. This year's report is complemented by a Highlights Brochure as well as an online Facts and Figures resource for the first time.

In producing our report we followed the internationally recognized guidelines of the Global Reporting Initiative (GRI) and applied version G4. Our report was not audited externally. In our assessment, the scope of our report meets the requirements of the Core option of GRI G4. To identify the material sustainability topics, in 2016 we developed our materiality analysis further, based on the results of a comprehensive stakeholder survey.

In the reporting period we continued to drive our future-focused Voith 150+ program forward. The most significant change affected the Group Division Voith Industrial Services, successfully divested in August 2016. This Group Division will therefore be considered as a discontinued operation, in line with our 2016 Annual Report. Unless stated otherwise, the facts, figures and information provided in this report apply to the continued global Voith Group Divisions: Voith Hydro, Voith Paper, and Voith Turbo. Please refer to the Voith Annual Report 2016 for the Group companies involved. The degree of consolidation comprises at least 80% of the Voith Group by revenue and headcount, and includes all of our Group's major locations.

The information was requested electronically in writing, and the data was gathered using mainly division-specific software. In individual cases it is not currently possible to derive a three-year trend; however, this is our objective for future reports. In a few cases, certain facts already reported and affecting previous periods have been corrected. We have marked this in the report at the appropriate points. Rounding differences may occur owing to the addition of data.

All forward-looking statements in this report are based on reasonable assumptions as at the deadline for content submission. Due to unknown risks, uncertainties, and other factors, the actual results, developments or performance of our company may deviate from our forecasts, estimations, and statements. For further information please see our Annual Report.

For improved readability we refrain from referring specifically to both genders in this report. This is not a value judgment, and all forms are to be understood as gender-neutral.

Further and more extensive information is provided at [www.voith.com](http://www.voith.com) and in our Annual Report. We currently expect to publish our next Sustainability Report in early 2018.

## Imprint & Contacts

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### Further Information

This Sustainability Report is also available in German.

This German and English editions are available online at:

[www.voith.com/de/konzern/nachhaltigkeit](http://www.voith.com/de/konzern/nachhaltigkeit)

[www.voith.com/en/group/sustainability](http://www.voith.com/en/group/sustainability)

In addition to the Sustainability Report, Voith also publishes a comprehensive Annual Report at the end of the fiscal year. It is available online at:

<https://www.voith.com/de/presse/berichte-und-magazine-18929.html>

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## Environmentally Friendly Production

All CO<sub>2</sub> emissions produced during the course of printing and preparing the Voith Sustainability Report were determined. By making a proportionally equal investment in a Gold Standard climate project, the corresponding CO<sub>2</sub> emissions will be saved in the future and the Voith Sustainability Report will be CO<sub>2</sub> compensated.



The recycled paper used for the Voith Sustainability Report 2016 is made from at least 60% secondary fibers, and was produced using a Voith paper machine.



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