

Introduction by the Chief Executive Officer



*Heimo Scheuch, Chief Executive Officer
Wienerberger AG*

Ladies and Gentlemen:

We have the courage to take a new approach. The Wienerberger Group is the technology and innovation leader of its sector of industry. Looking toward the future, we are ready to embark on a course of continuous further development. This is our way of addressing the challenges confronting us in an environment of ongoing transformation. The essential issue for us is to put the right questions – and to find adequate answers. This is how Wienerberger generates “Smart Solutions”.

The world is facing major challenges: preserving peace, fighting against poverty and hunger, providing food, drinking water and energy for a growing world population, supporting and integrating refugees and displaced persons, generating sustainable economic growth while ensuring humane working conditions, health and education for all, reducing inequalities within and between countries, limiting the volume of greenhouse gas emissions and adjusting to climate change, adopting responsible

consumption patterns in view of the growing scarcity of resources, preserving eco-systems, coping with urbanization and strengthening the resilience of urban communities. The United Nations have incorporated these challenges in their 2030 Agenda for Sustainable Development and defined 17 Sustainable Development Goals to be reached by 2030. As the technology and innovation leader of our industry, we consider it our duty to contribute to the achievement of these goals, especially in view of the fact that many of the challenges referred to, such as climate change, the scarcity of resources, humane working conditions, urbanization and demographic change, directly or indirectly concern Wienerberger.

Climate change demands that we fight against its root causes and adjust to its consequences. The main cause is well known: the rise in greenhouse gases present in the atmosphere as a result of the world’s increasing consumption of fossil sources of energy, above all oil and coal. Our products are highly energy-intensive: in 2016,

Wienerberger's total energy consumption amounted to approx. 7,590 GWh. We are making consistent efforts to reduce our energy consumption and to rely, above all, on energy sources generating the lowest possible volume of specific CO₂ emissions. Our goal is to achieve a 20% reduction in the specific energy consumption of our major business units by 2020, as compared to 2010.

In 2016, we succeeded in reducing our specific energy consumption by 1.3% from the previous year's level, and the specific CO₂ emissions from our ceramic production came down by 3.3%. We are going to consistently pursue this course.

At the same time, we are developing forward-looking smart solutions that should enable us to better cope with the consequences of climate change, such as the increasing frequency of extreme rainstorms. In 2016, for instance, we completed a lighthouse project for the construction of tornado-proof houses in Tuscaloosa, Alabama, in cooperation with Habitat for Humanity.

Today, more than half of the world population lives in cities; by 2050, according to a UN study, it will be two thirds. If so many people are to live together peacefully in a confined space, healthy, affordable and socially acceptable housing as well as functioning infrastructure solutions are indispensable. Wienerberger is continuously working to develop new, innovative products, system solutions and services for these applications. In this context, we regard an innovation-oriented corporate culture and proximity to our customers as crucial factors of success. In 2016, we invested close to 1% of our revenues in research and development and in future-oriented products. As a strong partner in new residential construction, renovation and infrastructure, we generated 27% of our revenues through innovative products. All our business units achieved or outperformed their individual targets. We intend to further pursue this course in the years to come.

Wienerberger currently employs a workforce of almost 16,000 people. They are the key to the successful

future development of our company. Our objective is to be the preferred employer in our markets. We attribute great value to diversity and equal opportunities, a motivating work environment, the consistent involvement of our employees, a culture of open communication, and attractive initial and further training options.

Thanks to our Group-wide safety standard and the individual safety programs of our business units, we were able to reduce the frequency of accidents by 18.4% and the severity of accidents by 15.5% in the Wienerberger Group, as compared to the previous year. Despite our efforts, one fatal occupational accident each occurred in the Wienerberger Group and in a 50% subsidiary of Wienerberger's. We deeply regret these accidents. We have further intensified our efforts to improve the safety of our employees.

As an industrial producer, ensuring occupational health and safety for all our employees is our top priority. Zero accidents throughout the Group is our yearly target.

Cultural diversity and decentralized structures characterize Wienerberger's corporate identity. We regard regionally recruited teams as a crucial factor of our success. In our human resources planning, we therefore make every effort to employ local staff and executives, which enables us to gain a better understanding of the local market and to consider the specificities of the region in decisions taken at Group level. It is our policy to give preference to women for new appointments to senior management and executive positions, provided the candidates' qualifications are equal. In 2016, 12% of Wienerberger's senior management positions were held by women, which corresponds to a 50% increase over the previous year's level. The satisfaction and motivation of our employees are the basic prerequisites for positive human resources development. The average length of service with the company remained high at 13 years in 2016. We regard this as a strong vote of confidence in the Wienerberger Group from our employees. The ongoing employee survey will be rolled

out to all local companies of the Wienerberger Group by 2018; its results will provide the basis for measures to further improve the degree of employee satisfaction.

In a world of digital transformation, Wienerberger is directly affected by issues of data usage and data security. Digitalization concerns every segment of our company and covers the entire range of our value chain. At present, we are working on the implementation of our digital agenda. It covers a broad range of topics, from product development to webshop marketing, from production processes to supply chain management, from customer apps to integrated 3D planning in real time. Within the framework of our digital agenda, we are working intensively on projects for all our product groups. We are opening up new fields of business and playing a leading role in the digital transformation of our industry. As regards data security, we apply strict rules to protect the interests of our customers, employees and suppliers.

In our production, we see great opportunities in networking and in advanced technologies, as this enables us to meet individual requirements at short notice and to adjust to our customers' needs.

When we signed the UN Global Compact in 2003, we officially acknowledged our responsibility as a corporate citizen. We actively promote business ethics, we see to it that the ten principles of the UN Global Compact are consistently implemented, and we advocate “good corporate citizenship” throughout the Wienerberger Group. Our 2016 Communication on Progress in respect of the UN Global Compact is reproduced on pages 96 to 100.

In the coming years, we will continue to work intensively on the achievement of our targets and the implementation of the corresponding measures. I will be pleased if you continue to follow our progress.

Yours
