

UN Global Compact: Communication on Progress 2016

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

The 2016 Communication on Progress in respect of the Global Compact forms part of our 2016 Sustainability Report. In order to ensure maximum transparency and to make it easier for our readers to find the individual examples, we have aggregated the most important statements on the ten principles and, in addition, marked the corresponding indicators in the GRI Index and added references to the pages concerned.

Global Compact Principles – Human Rights Principles 1 and 2

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

Commitment

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

Progress in 2016

The long-term target pursued by the Wienerberger Group is to reduce the number of accidents to zero. Through the Group-wide Wienerberger Safety Initiative, uniform safety standards were implemented in 2010. In 2014, these were upgraded for the entire Wienerberger Group and activities within the framework of the Safety Initiative were stepped up in order to minimize the frequency and severity of accidents. Every occupational accident is analyzed by the business unit concerned; core aspects of occupational safety and individual initiatives are evaluated annually. The accident frequency within the Wienerberger Group was reduced from 8 occupational accidents per million hours worked in 2015 to 6.5 in 2016, which corresponds to a reduction by 18.4%. Accident severity, expressed in accident-related sick-leave days per million hours worked, dropped significantly by 15.5% from 209 in 2015 to 177 in 2016. 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 in the previous year, targeted measures were taken by each business unit in 2016 in order to further increase the level of safety for our employees. These measures are described in detail on pages 45 to 46 of the Wienerberger Sustainability Report. Going beyond the Group-wide safety standard, each business unit has implemented its own safety programs:

Clay Building Materials Europe (CBME)

- CBME's Safety Management Department centrally coordinates the implementation of the Safety Roadmap as well as the Safety Alert and Safety Award programs and monitors compliance with the safety standards.
- Health & Safety Standard with division-specific minimum requirements regarding occupational safety and health protection

- › Safety Roadmap, a binding plan of action to increase occupational safety
- › Safety Alert: A standardized process of dealing with occupational accidents at all CBME production sites, documenting and communicating the cause of the accident, how it occurred and which measures were taken as a result
- › Safety Award: A distinction awarded for outstanding performance in the field of safety
- › Accident reduction targets serve as input factors for establishing the variable salary components of managing directors and plant managers.

North America

- › At local level, a safety officer has been appointed for each plant.
- › Monthly meetings on safety issues are held, which also clarify the reporting format between top management and the local management.
- › Safety targets to be reached within two years are defined for each production site.
- › Communication on safety issues

Pipelife

- › Responsibility for implementation of Pipelife's safety program lies with the Manufacturing Excellence Officer.
- › Programs aimed at observing employee behavior: Behavior Observation Program (BOP), Lock-out/Tag-out (LOTO) and 5 S (method to keep workplaces and their environment clean, safe and tidy)
- › 2016 safety awareness campaign "Take Care"
- › Safety app for early detection of potential hazards and for safety monitoring at the workplace
- › Zero Accident Club with Safety Award: A distinction awarded to local companies, depending on the number of accident-free months, and for special efforts in the field of safety
- › Safety audits in the plants performed by specially trained employees from other local companies with regularly alternating assignments
- › Safety Call: Thorough analysis of every accident resulting in sick leave within the framework of a telephone conference with all managing directors of the local organizations, leading to the identification of preventive measures for other production sites; the

Pipelife Safety Portal, an online platform that can be accessed by all employees who have an email account, serves as a work and information platform.

- › Extensive industry benchmarking and exchange of experience within TEPPFA (The European Plastic Pipe and Fittings Association)

Semmelrock

- › Laboratory International coordinates the safety activities, supports awareness building among all employees through initiatives and training programs focusing on the observance of safety standards and measures to increase plant and equipment safety, and reviews implementation of the safety strategy.
- › "Safety@Semmelrock" using of the "Accident Investigation Report Semmelrock" (AIRS document) to centrally document, analyze and communicate all accidents and/or incidents
- › "Safety Book" listing the principles of occupational health and safety
- › "Safety Day" for the exchange of information among plant and engineering managers
- › "Safety Culture" for the implementation of mission statements, award of premiums, and use of visual aids by the local companies
- › Technical safety optimization and risk analyses of production facilities

Steinzeug-Keramo

- › Responsibility for safety at Steinzeug-Keramo lies with the Safety Board, which is chaired by the Head of Operations and comprises plant managers, works council members and experts.
- › Steinzeug-Keramo implemented the DuPont™ STOP® (safety training observation program) in 2016 and organized training programs at all production sites, also for the management. Occupational safety counts for the attainment of variable remuneration targets of plant managers.
- › Plant optimization measures
- › Initial and further training sessions on occupational safety and hazard prevention, including specific safety instructions targeted at individual workplaces

Health is a human right. Wienerberger therefore ensures safe and healthy working conditions at all its production sites. In 2016, the average number of sick-leave days per employee at Group level (excluding the North America Division, as its figures are not comparable with those of the other divisions of the Group due to local legal provisions) increased slightly to 9.6 from 9.1 in the previous year. Prevention plays an important role in health promotion. Besides its regular health screening programs, Wienerberger therefore ensures that company physicians are available to all its employees and offers ergonomic workplace analyses as well as individual health and fitness programs. In North America, all full-time employees are covered by additional health insurance, the scope of which exceeds that of the Affordable Care Act (ACA) in some respects.

Being aware of its responsibility for the health and well-being of its employees, Wienerberger for years has been making every effort to minimize their exposure to potentially hazardous substances. In 2015, particulate matter measurements were performed at 98% of all ceramic plants of the Wienerberger Group. Thus, the Group-wide target of rolling out particulate matter measurements to at least 95% of all Wienerberger ceramic plants by 2020 was reached ahead of schedule.

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

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

Commitment

Zero tolerance of child labor and discrimination is an absolute must for Wienerberger. Even before its accession to the UN Global Compact in 2003, Wienerberger committed itself, by signing the 2001 Social Charter, to ensure that employment and working conditions throughout the Group comply with national legislation and/or are based on collective bargaining agreements as a minimum standard. Thus, Wienerberger operates in accordance with the recommendations of the Inter-

national Labor Organization (ILO). Besides adequate and safe working conditions, fair remuneration and the right of assembly and collective bargaining are high priorities for us. In our effort to combat discrimination in recruitment and employment, we consider it essential to offer our female employees an attractive working environment and the same opportunities as their male colleagues. At the same time, we want to make sure that our male employees benefit from the same flexible solutions that enable them to reconcile work and family obligations as their female colleagues.

Progress in 2016

In 2016, 73% of all Wienerberger employees were covered by a collective bargaining agreement, the percentage being the same as in 2015.

Companies with a primary focus on the production of building materials traditionally have a high percentage of male employees. In 2016, the number of new entrants was 1,970, i.e. 208 more than in 2015. The number of women among the new entrants rose from 234 to 274, the number of men from 1,528 to 1,696. The percentage of women among the new entrants increased from 13.3% to 13.9%. As at 31/12/2016, the total percentage of women employed by the Wienerberger Group was 13.6%, i.e. slightly above the previous year's value (+0.1%). The percentages of women in the individual functional areas remained almost unchanged compared to the previous year. In 2016, 12% of senior management positions were held by women, a significant increase over the previous year's value of 8%. We continued to adhere to our policy of giving preference to women for new appointments to senior management and executive positions, provided the candidates' qualifications were equal. One specific measure to increase the number of women in senior management and executive positions at Wienerberger is to enable women to embark on suitable career paths at an early point in time.

The reconciliation of work and family life is an issue of special concern to Wienerberger. We therefore offer our employees the possibility of working part-time. This offer is being taken up by a growing number of female as well as male employees. The percentage of Wienerberger employees working part-time increased slightly from 3.4%

in 2015 to 3.5% in 2016. The percentage of women in part-time employment amounted to 16.8% in 2016, up from 15.3% in 2015, while the percentage of men working part-time decreased slightly from 1.5% in 2015 to 1.4% in 2016.

Global Compact Principles – Environmental Protection

Principles 7, 8 and 9

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

Commitment

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

Progress in 2016

Specific energy consumption and specific CO₂ emissions are two of the essential indicators of environmentally friendly production technologies. Wienerberger has set itself the target to reduce these parameters by 20% each in ceramic production by 2020, as compared with 2010. In 2016, the Wienerberger Group's total energy consumption was reduced by 0.5% through consistent efforts made to optimize production throughout the Group. The share of renewable energy sources in the consumption of electric energy, expressed in kWh/ton, increased to a satisfactory 31%, as compared with 27% in 2015. In 2016, specific energy consumption dropped by 1.3% from the previous year's level in the Wienerberger Group as a whole and by 2.4% in ceramic production. Continuous efforts are being made by Wienerberger to convert its production processes to low-emission energy sources, which had a positive impact on the volume of CO₂ emissions, as compared to the previous year. The

index of specific CO₂ emissions from primary energy sources in kg CO₂ per ton of ceramic products produced was reduced by 3.3%, as compared to the previous year. This trend was seen in almost all areas of ceramic production. Specific CO₂ emissions from primary energy sources dropped more strongly (-3.3% as compared to 2015) than specific energy consumption in ceramic production (-2.4%). This is due to the consistent downward trend in the use of CO₂-intensive energy sources, such as coal and fuel oil, and the conversion to natural gas. Pipelife has set itself the target to reduce the volume of specific indirect CO₂ emissions (primarily from the consumption of electricity) in production by 20% from the level reported in 2010. In 2016, Pipelife's indirect CO₂ emissions were 17% below the reference value of 2010.

Specific water consumption is another indicator of the use of environmentally friendly technologies. Wienerberger regrets to report that no progress was achieved in this area in 2016. In the production of ceramic pipes, the higher percentage of ground products resulted in higher specific water consumption (+15%). The increase of specific water consumption in the production of plastic pipes (+8%) was due to singular events, such as water leakages from cooling circuits and the refilling of another cooling circuit in the course of maintenance operations. The product mix also has an influence on specific water consumption in plastic pipe production. Specific water consumption from public networks for plastic pipe production only accounted for 15.8% of specific total water consumption for this product group. Water from sources other than public networks (e.g. water from rivers, lakes and, in Scandinavia, the sea) is returned to the environment after the cooling process in accordance with legal provisions and, thus, does not count as consumption in the true sense of the term. Pipelife's target is to reduce its consumption of water from public networks to 0.55 m³ per ton of products produced by 2020.

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

scrap rates and the recycling of production waste and residual materials into production. Semmelrock's target for 2017 is to reduce its scrap rate by 50% compared to the reference value from 2014.

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

Global Compact Principles – Fight against Corruption

Principle 10

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

Commitment

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

Progress in 2016

No charges for suspected corruption were brought against Wienerberger in 2016, nor were any penalty payments imposed. No negative findings were reported by the competent supervisory authorities. Wienerberger expects all employees of the Wienerberger Group to act in full compliance with the law. Any infringement constitutes a breach of duty. Should a suspicion of unlawful behavior be confirmed, the employee concerned will be sanctioned under labor law or civil law, depending on the extent of damage caused.

In 2016, internal audits were performed in 19 companies, with a special focus on organization, purchasing, materials management, sales and human resources, as well as corruption and anti-trust legislation. Another priority

was compliance with the Group-wide standards on health and safety. In the course of these audits it was found that all internal guidelines had been implemented in the companies audited and the employees concerned had been informed accordingly. Deviations from the guidelines, if any, were reported to the Managing Board and the Audit Committee, and the necessary measures, such as improvements in documentation, were agreed upon with the respective local management.

Global Compact Principles – Implementation in the Supply Chain

Wienerberger increasingly monitors compliance with the principles of the Global Compact also along its supply chains. Pipelife's suppliers, for instance, have for some time been obliged to comply with the "Pipelife Supplier Code of Conduct" (www.pipelife.com/media/com/about_pipelife/Supplier_Code_of_Conduct.pdf). In 2016, Semmelrock developed a "Supplier Code of Conduct", and the Clay Building Materials Europe Division (CBME) rolled out a comprehensive and binding "CBME Supplier Code of Conduct" to all local companies.

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