



SMART
SAFETY.

HR Report

HIMA Group

2016







Driven by technological excellence, HIMA Group in its market has achieved a leading position in Germany and Europe and ranks amongst the top 5 worldwide.

In recent years, the prime thrust of this development, which has been based on continuous organic growth, has been to make our business consistently more global in order to achieve customer proximity anywhere in the world.

This achievement has been highly dependent on the skills and experience of the people working in our organization – as will be our future success.

Continuing and enhancing this success story – as part of our “Strategy 2020” – will only be possible if we maintain HIMA’s ability to attract, motivate, retain, and develop people around the globe in the labor environment of the future. If we want to meet the challenges ahead and take advantage of related opportunities this will be the only way forward. The investment in our people will, thus, remain paramount.

This report illustrates how HR acts as an integral part of our global organization directly supporting the corporate strategy and highlights progress made in this regard during 2016.

Brühl, May 2017

Klaus D. Mittorp
Head of Human Resources

Our Staff - the HIMA Family

- Well-positioned in the labor markets
- Increasing diversity
- Balanced structure
- Sustainable retention

By the end of 2016, HIMA Group employed 760 staff. This represented a moderate reduction compared to the previous year, which was mainly due to developments in China where HIMA discontinued its previous joint venture and embarked on an own WOFE (wholly owned foreign enterprise) with fewer staff.



Well-Positioned in the Labor Markets

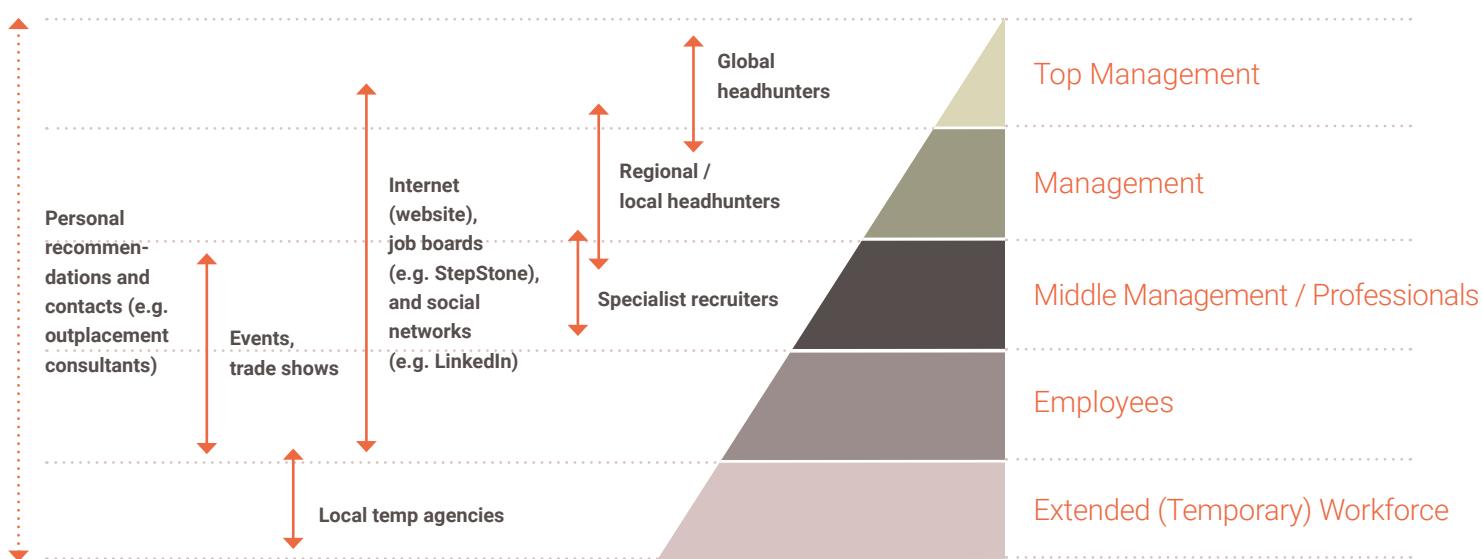
Over the last year, on a worldwide basis HIMA Group has been able to attract 67 people – without taking into account the transfer of some staff previously employed in our Chinese joint venture. In this context we were able to fill 14 managerial or leadership positions.

Our recruiting strategy utilizes a variety of channels geared toward the specifics of the respective position that needs filling and prevailing local conditions. This includes

cooperation with trusted external partners as well as the use of social media.

Our success is also reflected in the continuous monitoring of relevant external job portals. In 2016 HIMA Group won two awards with the portal Kununu: one as Open Company for transparency and another as Top Company for employers showing particular care for their staff and receiving positive feed-back. We were also able to achieve a 4 star rating with the portal Glassdoor.

Recruiting Channels HIMA Group



Increasing Diversity

HIMA Group operates on a worldwide basis, meaning the HIMA team is truly international. On five continents we employ people from over 45 different nationalities. One in three employees of HIMA Group works outside Germany:

In 2016 the share of female employees in HIMA Group was 22%. Although most of our competitors show similar ratios, and in most countries the share of women in engineering professions lies between 10 and 20% and only about 10% of students of electrical engineering are female, we do not feel this is a satisfactory level.

Our aim is therefore to increase the share of female employees, particularly in management positions. Already today we have female members of our management teams in Germany, Australia, the US, Malaysia, UAE and China.

Share of female staff and staff working outside Germany



Balanced Structure

HIMA Group has a very balanced age structure. This underlines our ability to take advantage of the opportunities offered by the labor market and be an attractive employer for a diverse range of age groups.

Only the group of staff aged below 25 is underrepresented. This is due to the fact that HIMA's requirements as technology leader are comparatively high, leading to staff joining at a later stage.

In recent years HIMA Group has increasingly been able to build a pool of relatively young staff. This can be clearly seen in the structural differences between Germany (where less than 20% of our employees are under age 35) and the rest of the world (where over 40% of staff are under age 35)

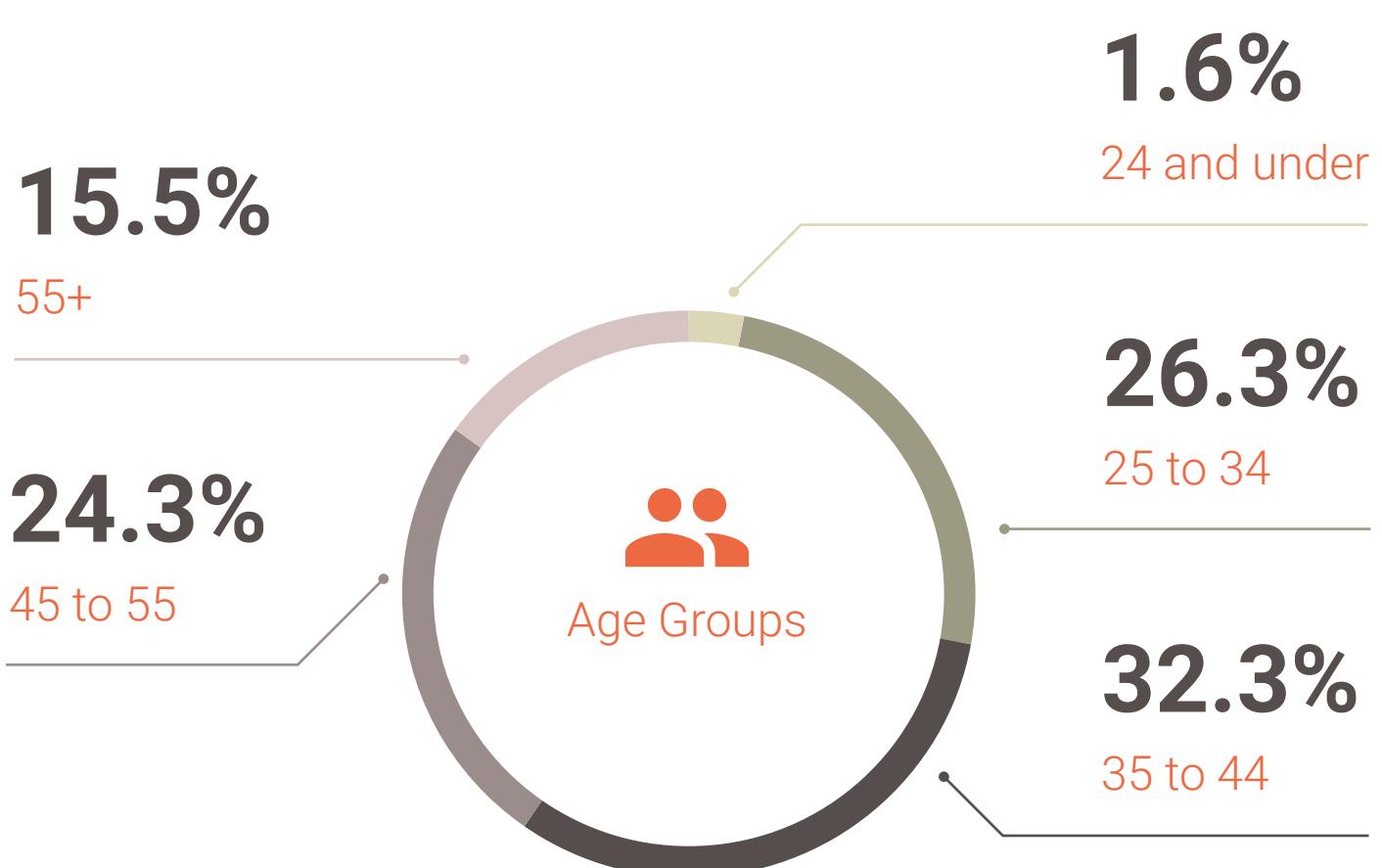
In Germany HIMA's age structure is typical both for the labor market in general and our

specific industry. Compared to the average of the German "Mittelstand" (SMEs) our share of staff aged 50+ is slightly higher. This emphasizes our ability to make good use of all potential available within a changing labor market.

On the other hand, this means that in Germany we will lose an above average number of staff due to age in the period 2020 to 2025. Against this background we will further increase our efforts towards worldwide mobility and systematic development.

Diversity is not an aim in itself but has been a long-standing characteristic of HIMA Group. This has also been confirmed by staff in a recent global employee survey: two thirds of staff in HIMA Group agree with the statement that HIMA values and supports diversity in every aspect.

Distribution of staff In HIMA Group by age



HIMA Overall

14.6	14.4	23.9	16.8	30.3
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Germany

3.6	9.4	23.7	17.9	45.4
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Rest of the World (Excluding Germany)

33.3	22.8	24.3	14.9	4.7
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■ Less than 1 year ■ 1 to 2 years ■ 3 to 5 years ■ 6 to 10 years ■ 11 years and more

Distribution of HIMA Group staff by length of service

Sustainable Retention

In terms of length of service HIMA Group has a fairly even distribution. This is a reflection of the long-standing commitment of many employees. Every third employee has been a member of the HIMA family for more than a decade.

The share of staff with 3 to 5 years' service is relatively high. This is a reflection of the strong growth in the years 2011 to 2013.

This structure reflects the growing internationalization of recent years: whilst in Germany only 13% of our staff have joined

the company during the last 2 years (less than would be typical by external comparison) and nearly 50% have been with the company for more than 11 years in the rest of the world 56% have joined during the last 2 years and only 5% have been with HIMA for over 11 years.

This underlines the importance of our endeavours to strongly embed the HIMA culture on a worldwide basis and to continuously enhance our employer attractiveness.

Our Direction – the Strategic HR Agenda

- Based on corporate strategy and mega trends
- Create and maintain conducive conditions (sustainable culture, enabling environment and adequate leadership)
- Consistently pursue strategic objectives
- Strategically position HR function

At HIMA the people agenda has a long-term focus and is not conceived for a single year. It is consistently designed to contribute to securing the future success of the organization.

During the course of 2016, we have been able to finalise a number of important steps in the definition and implementation of the strategic HR agenda. The main focus was on identifying, designing and gradually implementing necessary people initiatives and measures.

Based on Corporate Strategy and Mega Trends

The fundamental orientation for the HR strategy comes from the purpose of HIMA Group (as defined in the HIMA strategy house) and the related corporate strategy.

It is aimed at being the most trusted partner for safety solutions worldwide and achieving sustainable and profitable growth.

This business direction generates some clear requirements for HIMA's people agenda over the coming years. In addition we need to take into account some of the major demographic and social developments we expect to see over the next few years. In particular these are:

- demographic change (with different characteristics by region)
- evolving social norms and standards (taking into account that a shift in values differs by culture).

As a result we particularly focus on providing an organizational purpose that goes beyond the mere financials, establishing worldwide strategic talent management, making the work-environment more flexible and fostering social dialogue.

Our Direction

**The HIMA
strategy house**

**Who we
want to be:**
Our vision

**The most trusted partner for
safety solutions around the world**

**How we aim
to achieve it:**
Our mission

We strive to be the first choice for safety and critical control solutions by guaranteeing superior technology and first-class lifecycle and consulting services.

**Why we do
what we do:**
The purpose of
our business

We are the safety experts who provide solutions worldwide to protect people, assets, and the environment.

Foundations:
Our corporate
guidelines

Safety
leadership

Global
reach

Family
spirit

Freedom of
decision

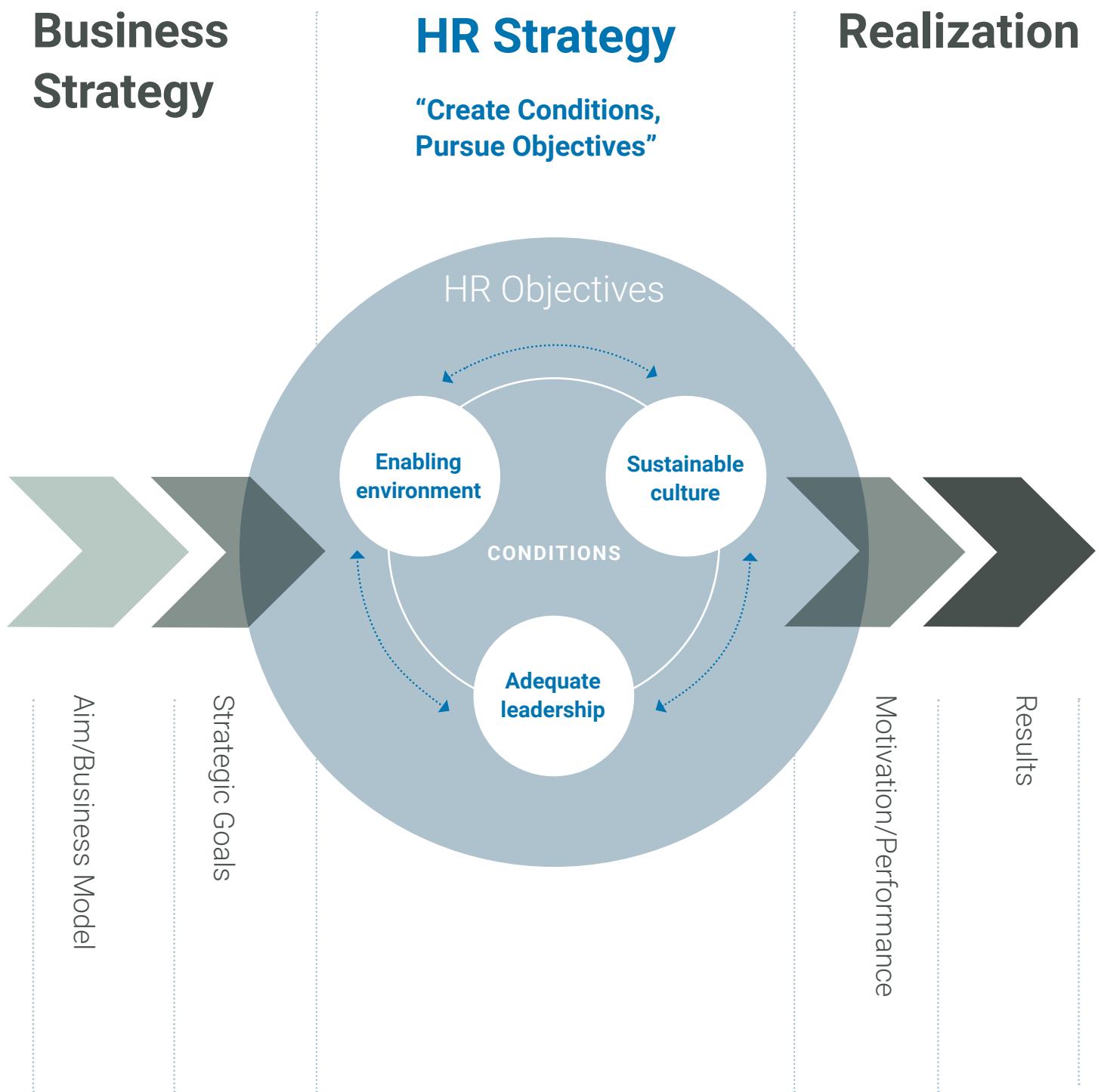
Create Conditions, Pursue Objectives

From a people perspective it will only be possible to concretely achieve our objectives if, firstly, three fundamental conditions are in place:

- an enabling environment
- a sustainable corporate culture and
- adequate leadership

Our HR strategy is, thus, consistently geared towards creating and maintaining the required conditions in order to build on them to consistently pursue the objectives derived from the strategy and prevailing mega trends.

**Thrust of HIMA
HR strategy**



Enabling Environment

In order to ensure an enabling environment it is of fundamental importance to involve staff and seek their input. We have, therefore, conducted the first global employee survey, the HIMA Global People Survey (GPS), in 2015, which saw a participation rate of over 62%. The results of the survey were communicated internally in February 2016 and used as input for a variety of leadership and HR decisions.

At Group level we deducted a number of measures particularly in the areas of leadership and development. Furthermore detailed reviews of the results were undertaken with all people managers, including driver analysis and the related implications for engagement and motivation. On a worldwide basis over 60 concrete action items were identified and implemented.

Feedback from the survey has also shown that six elements have particular importance for the retention of staff in HIMA:

- Trust and confidence in senior management and the development of our business
- Experiencing support and enablement in a successful business context
- Individual empowerment and the ability to get things done
- Opportunities to grow
- Meaningful work
- The perception of striking a reasonable balance regarding the personal work situation

We will use these insights to shape the work environment within HIMA Group going forward.

Main reasons for staying in the organisation

“Playing for a winning team”

“In a good position to succeed”

“A feeling of control”

“Doing something meaningful”

“Good prospects if I stay”

“Balance between giving and taking”

Reasons to Stay at the Company

Confidence and trust

Creating meaning (particularly for Generation Y)

Growth opportunities

A fair deal

Influence and freedom to act

Support

Sustainable Corporate Culture

HIMA Group's culture is based on four pillars:

- Safety Leadership
- Family Spirit
- Freedom of Choice
- Global Proximity

We have also used the results of our employee survey to clearly understand the current status of the culture and measures required for further development.

In this respect we have seen that already today there is a strong commonality: in more than 75% of HIMA Group companies the critical drivers for motivation are the same.

We received particularly positive staff feedback regarding being treated with respect, enjoying work, customer focus and pride to work for HIMA. Our staff identified areas for development mainly around leadership and career opportunities.

Adequate Leadership

In order to secure the quality of leadership throughout HIMA Group we have introduced HIMA leadership competencies globally:

Leadership Competencies

Results focus	Strategy and innovation	Customer focus
Change management	Embracing the HIMA values	Employee development
Team leadership	Collaboration	Intercultural competency

HIMA group leadership competencies

They form the basis for recruiting and development decisions for leaders and managers at all levels.

In 2016, we have further systematically enhanced the use of diagnostic tools. Prior to filling leadership or managerial positions (both externally and internally) we ask candidates to take an online test as part of the selection process and, if applicable, to take part in an assessment day or visit a development center. This process is aligned with the HIMA Leadership Competencies and available in all major languages meaning that for leadership we can provide quality assurance on a worldwide basis using the best methodologies currently available.

Strategically Position HR

We have also made good progress in 2016 in adequately positioning the HR function within HIMA.

Building on the HIMA-Strategy House we have developed an HR approach that defines Visoon, Mission, Purpose and Fundamentals.

HIMA

HR

The most trusted partner for safety solutions worldwide

Dependable HR solutions provider for the entire HIMA Group

Vision

Who we want to be

We strive to be the first choice for safety and critical control solutions through superior technology and first class life cycle and consulting services.

We provide professional support in all aspects of people management by advising, creating a binding framework and ensuring all regulatory requirements are met.

Mission

How we want to achieve it

We are the safety experts providing solutions worldwide to protect people, assets and the environment from harm.

We ensure we are able to attract the world's best experts to HIMA, now and in the future.

Purpose

Why we do what we do

Safety Leadership, Global reach, Family spirit, Freedom of decision

Professionalism, World-wide Presence, Fair Treatment, Independence

Fundamentals

As a provider of solutions, the HR function is a traditional business enabler, which has to fulfill three very distinct roles:

- Determine a binding framework for people management and employment in the organisation (governance)
- Ensure compliance with external regulations on people management and employment (compliance)
- Provide comprehensive cost-effective support /advice on people management and employment (service)

Furthermore we improved effectiveness and service quality of our travel expense claim process in Germany by outsourcing to an external partner. By the same token in China and the US we adopted a change in the external provider for payroll and other administrative HR services. In Germany we have also started preparations for a partial outsourcing of our payroll which will be implemented during the course of 2017.

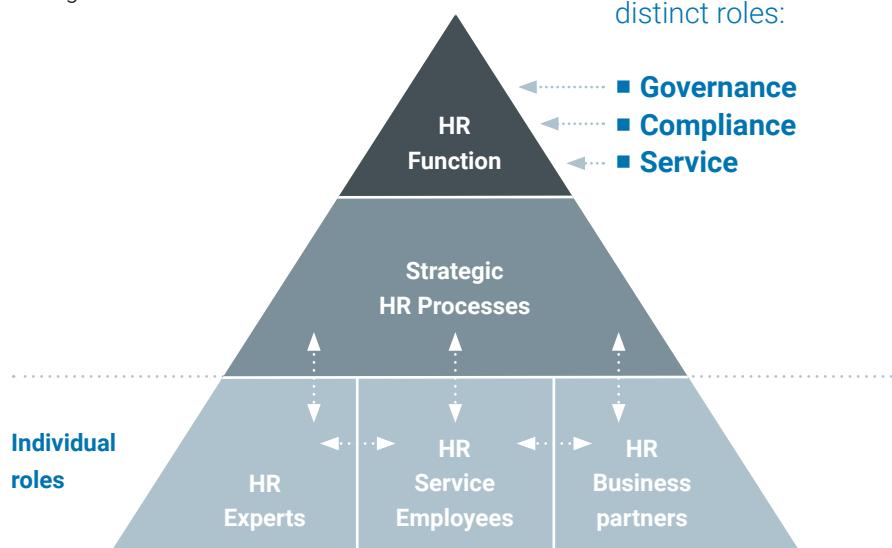
HR roles

On this basis in 2016 we have implemented a Business Partner Concept with clear worldwide responsibilities.

At the same time we established functional reporting lines into Corporate HR for the HR functions in all Group companies.

As a business enabler, HR has to fulfill three very distinct roles:

- Governance
- Compliance
- Service



Our Focus – Strategic HR Objectives (E3C)

- Efficiency – focus and simplify
- Culture – embed values
- Career – stimulate employees and develop future leaders
- Change – support change, improve adaptability

HIMA Group's strategy aims at achieving sustainable and profitable growth. In doing so it focuses on three elements:

- Increase HIMA's market share
- Innovate and develop new business
- Build a solid growth platform

Our Strategy

Markets and Customers

- Positioning the HIMA brand
- Growing with applications/solutions
- Growing the service business

Increase in HIMA's market shares

Safety Leadership and New Business Areas

- Remaining a technology leader
- Developing new products/services
- Developing new business areas

Innovations and development of new business areas

People and Processes

- Establishing a new organization
- Optimizing business processes
- Managing business risks

Establishing a solid growth platform

One Goal

**Sustainable
and profitable
growth**

On this basis, the overarching objectives of HIMA's can be summarized in four areas: efficiency, culture, career, and change (E3C). Concretely these are as follows:

- Foster cost and risk discipline across the entire HIMA Group (Efficiency)
- Embed the HIMA values in a sustainable fashion in all relevant areas, allowing the

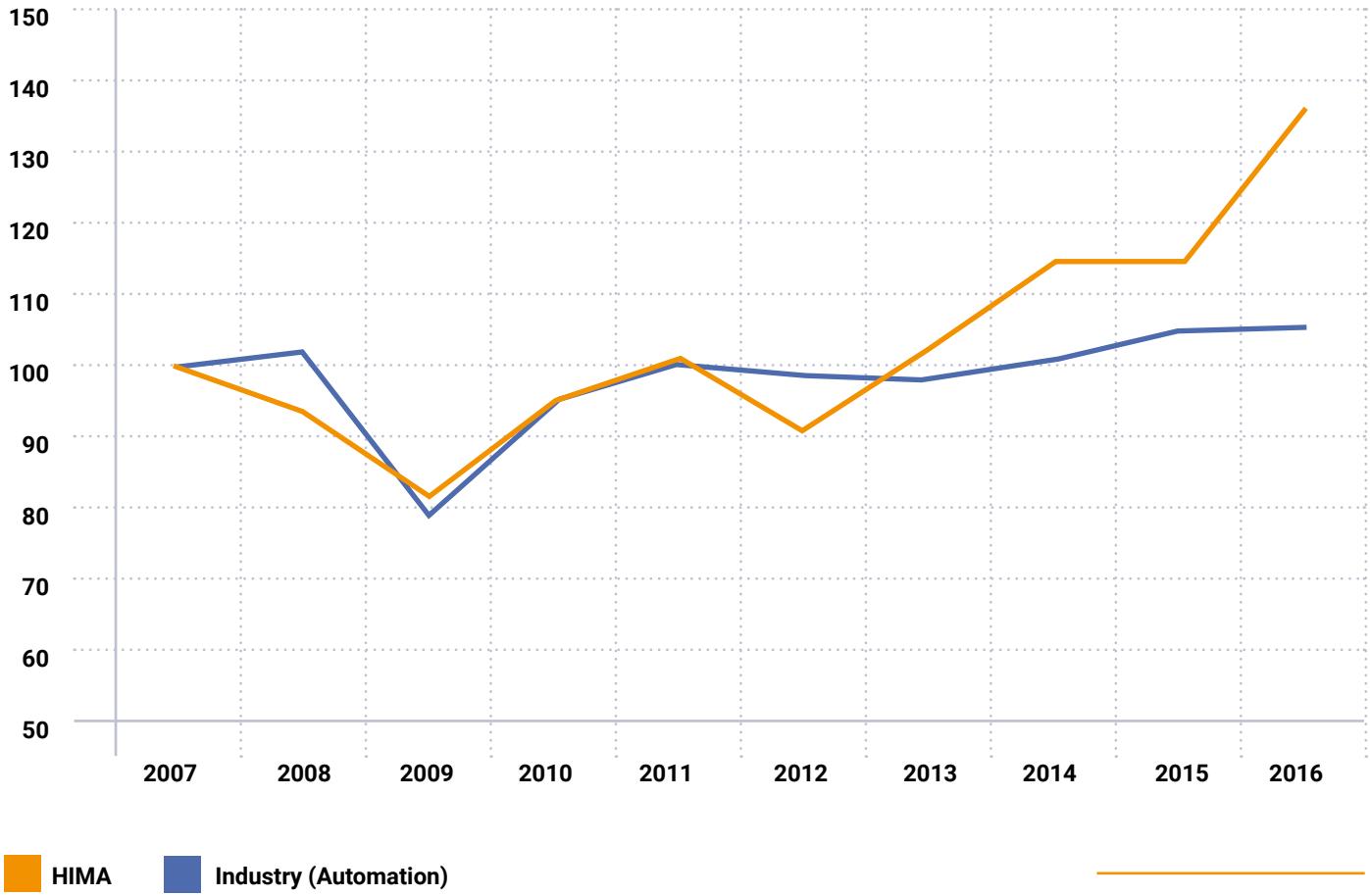
organisation to act in an authentic way (Culture)

- Provide opportunities for adequate personal and professional development for managers and staff within HIMA (career)
- Initiate, support and communicate the strategically necessary change in HIMA (Change)

Details of HR strategy



Efficiency – Focus and Simplify



Productivity

We place great emphasis in our people strategy on ensuring adequate levels of productivity, an aspect that requires additional efforts in times of continuous growth.

In 2016, we were able to further increase turnover per head and – for the first time – reach a value of more than €150,000. This has allowed us to gain some ground compared to the competition but it will still require further efforts to reach the industry average.

Provision of Adequate Management Systems

In 2016, we made further progress in shaping HR processes and systems.

The process for the yearly development planning (employee dialogue) has been implemented and/or adapted in additional group companies. This is a further step towards creating the conditions for the implementation of a single group-wide process mid-term. In line with this approach we have also redesigned the compensation process and, initially, introduced it to the German organization. On this basis we are aiming for a global process in due course. In this context we will also be utilizing the opportunities provided by our future global ERP system which is expected to be implemented from 2018.

**Turnover per head
(2007 = 100)**

Culture – Embed Values

In this area the HR challenge lies in sustainably embedding the HIMA values globally wherever employees experience corporate culture.

We have already started in 2016 to get some sustainable developments under way in this regard. One prime measure was to introduce global standards for the on-boarding process, making sure that applicants and new joiners have a uniform HIMA experience around the globe, which is in line with corporate culture and values. We have also initiated a harmonization of recruiting channels which will culminate in the introduction of a global platform embedded in the forthcoming new HIMA website.

In 2017, the creation of a structural framework and a revised compensation approach will follow.

Touchpoints of corporate culture





Career – Stimulate Employees and Develop Future Leaders

Business results of HIMA Group strongly depend on the ability and motivation of staff. HIMA strengthens the competencies of managers and employees in order to support them in their personal and professional development and successfully position HIMA for the future.

All our development efforts follow three priorities: build leadership competencies and develop future leaders; create an environment that enables sustainable performance; foster continuous professional and personal development of individuals.

Management Development

In order to systematically develop managers and leaders, we introduced regular talent rounds in 2015. For individuals who have been identified for further development as part of the yearly development process these rounds help identify strengths and areas of development with the aid of diagnostic tools. On this basis we then derive and implement individual measures.

Individual Training and Development

Over 210 employees of HIMA Group participated in training or development initiatives in 2016.

In order to cater for the ever increasing demand for training and qualification of our staff we introduced the HIMA training center. This is where we concentrate the entire current training and development offering in the areas of products and technical knowledge, personal competencies, and HIMA processes and tools. The offering is accessible by means of a training catalogue containing more than 60 different training modules.

In 2016, we also developed a series of new training measures in the area of project management: the modules cover the entire range from the basics of project management through to the tasks in steering committees or multiple portfolio management and, if necessary, also prepare for the related certifications.

Vocational Training

At our headquarters in Brühl we newly initiated a cooperation with a vocational university, the Duale Hochschule Baden Württemberg (DHBW). As part of this cooperation, in September 2016, we started with the training of two students in the area of electrical engineering with a focus on automation. On a rotating basis the students spend time on campus at the DHBW Mannheim for the theoretical part and in the various areas of HIMA for the practical phases.

In this way we can combine a sound theoretical course of studies with intensive practical experience and prepare students for an optimized start to their careers. At the same time they pick up specific HIMA know-how and are already an integral part of the organization during their studies.

As prospective engineers they gain knowledge in business management as well as engineering. The main focus is on electrical engineering, electronics, instrumentation, control, information technology, maths, technical management, physics, project management and fundamentals of economics. At the end of their studies they are qualified as Bachelor of Engineering (B.Eng.) Electronic Engineering / Automation.

Language Tuition

In the context of the further globalisation of HIMA we have put greater emphasis on English language tuition. In countries such as Germany or China, where English is not the primary business language, we regularly offer employees opportunities to improve their knowledge of the English language.

Change – Support Change, Improve Adaptability

In times of dynamic markets and significant evolution, it is critical for our success to prepare employees for change in order to secure efficiency and effectiveness of planned strategic initiatives and measures and at the same time maintain the motivation, readiness, and adaptability of individuals. In order to achieve this we have focused on change management, health and well-being, collaboration with staff representations and the adequate positioning of HR.

Change Management

With a view of providing targeted support in times of change, in 2016 we introduced a coaching program in which selected managers and leaders in the midst of change processes are individually supported and assisted by a coach for a limited period of time. Based on the experience from this initiative we plan to introduce a wider change management program for managers in 2017. This will systematically help managers and leaders to fulfill their roles in change processes in the best possible way.

Health and Well-Being

Looking ahead, HIMA is aiming at a consistent global approach to health and well-being activities and developing them further.

We started in 2016 with a HIMA health day at our corporate headquarters in Brühl (Germany) the theme of which was "fit for winter time" and placed particular emphasis on aspects of illness prevention and nutrition.

HIMA also provides an ongoing occupational health service and emergency services on business trips for employees globally.

Our sustainable offering in this field is complemented by regular health checks for senior staff.

The attendance rate for HIMA Germany was 96,2% in 2016. About two thirds of our staff worldwide feel that they can achieve and maintain a healthy balance between private and work commitments according to our employee survey.

In China during 2016 we reviewed our employee benefits and adapted them to be in line with current employee requirements and local market practice.

Cooperation with Staff Representatives

In those countries in which we have official staff representations – mainly Germany – we entertained a trustful and fruitful cooperation in line with the spirit of the HIMA culture and a family owned company from the German "Mittelstand". This includes a regular and constructive exchange.

For staff in Germany we stipulated a number of framework labor agreements ("Betriebsvereinbarungen"), for example on flexitime, vacation, a staff purchasing card and special measures aimed at enhancing job security. The overarching objective was – in addition to specific improvements for staff – to create a frame that, on the one hand maintains flexibility as an element of employer attractiveness and at the same time strengthens the competitiveness of HIMA.







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