

RESPECTING LIMITS

DEAR READERS,

PALFINGER has supported the UN Global Compact (UNGC), the world's largest initiative on corporate social responsibility and sustainable development, since 2013. By joining the UNGC, PALFINGER committed itself to embracing and supporting the UNGC's ten principles in the areas of human rights, labour, the environment and anti-corruption.

For the 2016 financial year, PALFINGER once again undertook to implement these principles to the best of its abilities, thus renewing the Company's ongoing obligation and commitment to this initiative and all it stands for.

For the third time in succession, we reviewed the principles of the UN Global Compact in an intensive and detailed manner and took corporate measures in connection with the sustainability programme to promote these ten principles and actively incorporate them into day-to-day business processes.

In the future, as well, PALFINGER AG will place a focus on sustainable development and align its business operations and targets accordingly, in particular with the help of our Code of Conduct and sustainability management.



Herbert Ortner
CEO PALFINGER AG

THE PALFINGER CODE OF CONDUCT

PALFINGER has set itself the goals of achieving sustainable, profitable growth and assuming social responsibility worldwide. The proactive implementation of and compliance with this objective in terms of eco-social issues is important to PALFINGER. As an international, family-run business with global operations, PALFINGER is determined to ensure that its conduct in all markets and in day-to-day operations is guided by the same ethical standards.

In 2010, PALFINGER's Code of Conduct was introduced in order to provide guidance for business operations and activities by establishing ten principles in the areas of human rights, environmental standards, business ethics and communication. All agreements with employees, dealers, suppliers and cooperation partners contain binding references to the PALFINGER Code of Conduct, which is also available on the Company's website.

The PALFINGER Code of Conduct is the instrument through which PALFINGER fulfils the principles of the UNGC. To date, it has been translated into 14 different languages. At the beginning of 2016, an explanatory video was published to familiarize all stakeholders with the Code of Conduct and communicate its significance to them. At the end of the year, the video was given subtitles in 19 different languages to better reflect PALFINGER's international operations.

HUMAN RIGHTS

1. PROHIBITION OF CHILD LABOUR
2. FREE CHOICE OF EMPLOYMENT
3. PROHIBITION OF DISCRIMINATION
4. FREEDOM OF ASSOCIATION
5. HEALTH AND SAFETY

ENVIRONMENTAL STANDARDS

6. ENVIRONMENTAL RESPONSIBILITY
7. GREEN PRODUCTION
8. GREEN PRODUCTS

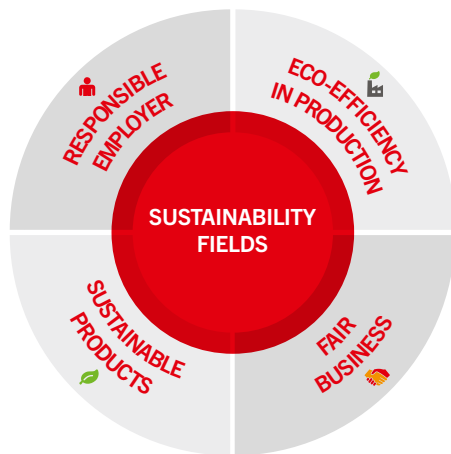
BUSINESS ETHICS

9. ANTI-CORRUPTION MEASURES
10. GIFTS, HOSPITALITY SERVICES, INVITATIONS

www.palfinger.ag/en/newsroom/annual-reports; www.palfinger.ag/en/Pages/code-of-conduct;
www.youtube.com/watch?v=6SSiUbzfdyg&yt:cc=on

SUSTAINABILITY AT PALFINGER

PALFINGER assumes responsibility in the regions in which the Group operates and, as a long-standing family business, has been paying attention to sustainability for more than ten years. As a responsible employer, PALFINGER attaches high importance to eco-efficiency and sustainability in production and maintains fair business practices. PALFINGER views sustainability as an interdisciplinary matter that has been genuinely incorporated into the various areas, and has become an integral part of the management, of the Company as a matter of course.



PALFINGER puts these four sustainability areas into practice as priorities: responsible employer, eco-efficiency in production, sustainable products and fair business. Every year, workshops are held to evaluate existing measures for the four areas and to plan new measures which will be implemented in the following year. More detailed information regarding the current sustainability programme, the status of implementation and the year in which the measures are to be implemented can be found in the chapter “Detailed GRI and sustainability disclosures” of the Integrated Annual Report 2016 of the PALFINGER Group on page 202.

[Detailed GRI and sustainability disclosures, page 202](#)

In the period under review, PALFINGER also reviewed the UN Sustainable Development Goals (SDGs) – the 2030 Agenda for Sustainable Development. This Agenda contains 17 global SDGs, which were adopted by the UN General Assembly in September 2015. PALFINGER carried out an initial analysis and ranked its top 12 issues with a view to these goals and determined that the Group had an impact on a total of 14 Sustainable Development Goals. The strongest impact was found to be on the following four SDGs:

- Goal 4. Quality education
- Goal 8. Decent work and economic growth
- Goal 9. Industry, innovation and infrastructure
- Goal 12. Responsible consumption and production

These SDGs will be considered in the upcoming corporate strategic planning for 2017.

[Detailed GRI and sustainability disclosures, page 202](#)

DETAILS REGARDING THIS COMMUNICATION ON PROGRESS

The Global Reporting Initiative Index contains all material GRI indicators that are in accordance with the principles of the UNGC. The following specific GRI standard disclosures are not reported because they are classified as being of no material relevance:

- Economic aspects: market presence, procurement practices
- Environmental aspects: water, biodiversity, transport, overall and environmental grievance mechanisms
- Social aspects: labour/management relations, equal remuneration for women and men, labour practices grievance mechanisms, non-discrimination, security practices, indigenous rights, assessment, human rights grievance mechanisms, local communities, grievance mechanisms for impacts on society
- Product responsibility: marketing communications, customer privacy, compliance

[GRI index \(Sustainability Annex\), page 226](#)

HUMAN RIGHTS

To PALFINGER, human rights violations are intolerable, in line with the Company's commitment to being a responsible employer. Not only are such violations in contradiction with the corporate values of entrepreneurial spirit, learning and respect, they are also harmful to the economy, and consequently also to PALFINGER. Whenever any irregularities are suspected, action is taken immediately. PALFINGER has implemented a multi-stage process to prevent or, if necessary, reveal any violations.

PRINCIPLE 1:

Businesses should support and respect the protection of internationally proclaimed human rights.

PRINCIPLE 2:

Businesses should make sure that they are not complicit in human rights abuses.

PROTECTION OF HUMAN RIGHTS

Under its Code of Conduct, PALFINGER is committed to embracing and supporting human rights and asks all its stakeholders for the same commitment. PALFINGER understands human rights to mean that all human beings are born free and equal in dignity and rights. The human rights section of PALFINGER's Code of Conduct hence includes the following: prohibition of child labour, free choice of employment, prohibition of discrimination, freedom of association, as well as health and safety.

Measures and results

A description of PALFINGER's activities with regard to human rights in investment agreements is contained in the Integrated Annual Report 2016.

 [Strategy and value management, page 14](#)

PALFINGER supports the protection of human rights on the part of its strategic suppliers. The quality of supplier relations is augmented at PALFINGER if ecological and social awareness as well as corruption prevention are confirmed in the quarterly supplier survey. Every year, strategic suppliers are audited regarding ethical and social aspects as well as adherence to human rights.

 [Sustainability among suppliers, page 48](#)

HEALTH AND SAFETY

In the field of human rights, PALFINGER also attaches high priority to the health and safety of its employees and the users of its products. PALFINGER ensures occupational health and safety in the workplace at least within the scope of the national provisions, and promotes continuous further development to improve the work environment.

Measures and results

The health and safety of its employees are top priorities at PALFINGER. Relevant measures and results are quantified with the performance indicators "staff absences due to industrial accidents" and "general absences". A description of additional relevant topics, indicators and measures can be found in the Integrated Annual Report.

 [Health and safety, page 78](#)

USERS OF PALFINGER PRODUCTS

Research, development and innovation increase the sustainability of PALFINGER's business model not only by focusing on economic advantages for customers and users but also by taking into account ecological and social aspects. This can only succeed through top-quality, reliable solutions that also guarantee a high level of user safety. Features designed to avoid accidents during the operation of PALFINGER's products go beyond statutory requirements.

Measures and results

PALFINGER strives to ensure that its products are distinguished not only by efficiency but also by utmost safety. In the reporting period, there were no convictions for non-compliance with safety regulations. Moreover, PALFINGER discloses reported accidents with fatalities as well as those with injuries of varying severity. A description of the relevant topics, indicators and measures regarding the use of PALFINGER's products can be found in the Integrated Annual Report.

 [Safe and efficient products, page 83](#)

🌐 [G4-LA14, G4-LA15, G4-HR1, G4-HR2, G4-HR4, G4-HR5, G4-HR6, G4-HR10, G4-HR11](#)

LABOUR

The following human rights aspects are an integral part of the PALFINGER Code of Conduct: prohibition of child labour, free choice of employment, prohibition of discrimination, freedom of association, as well as health and safety. Labour standards as a topic is covered in the sustainability area “responsible employer”.

FREEDOM OF ASSOCIATION

PALFINGER is committed to active communications across all levels and to the internal organization of bodies for the representation of employees and works councils, and, as a responsible employer, rejects any kind of repression of the freedom of assembly. Based on the Group’s values, which also encompass an open-door policy, PALFINGER attaches great importance to enabling active exchange at all times and to treating the articulated needs of its staff members with respect.

Measures and results

An overview of PALFINGER’s implementation of the principle of freedom of association and collective bargaining, as well as the divergence in legislation at the PALFINGER Group’s Asian sites, can be found in the Integrated Annual Report. The results of these measures are quantified on the basis of the number of collective bargaining agreements.

 [Attractive jobs for employees with individual responsibility, page 75; Working hours and remuneration, page 77](#)

The quality of supplier relations is augmented at PALFINGER if ecological and social awareness as well as corruption prevention are confirmed in the quarterly supplier survey. An annual audit of strategic suppliers is carried out to verify their incorporation of labour standards. Such audits include ethical and social aspects as well as human rights.

 [Sustainability among suppliers, page 48](#)

FREE CHOICE OF EMPLOYMENT

Under its Code of Conduct, PALFINGER is committed to embracing and supporting free choice of employment: Forced or compulsory labour is not permitted. Employees must have the freedom to terminate their working relationship with reasonable advance notice. Employees must not be required to deliver their identification documents, passports or work permits as a precondition of employment.

Measures and results

According to the results presented, PALFINGER does not have any knowledge of child labour, forced labour or compulsory labour being used at any of its sites in 2016, as in previous years.

 [Group guidelines and Code of Conduct, page 101](#)

The quality of supplier relations is augmented at PALFINGER if ecological and social awareness as well as corruption prevention are confirmed in the quarterly supplier survey. An annual audit of strategic suppliers is carried out to verify their incorporation of labour standards. Such audits include ethical and social aspects as well as human rights.

 [Sustainability among suppliers, page 48](#)

PRINCIPLE 3:

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

PRINCIPLE 4:

Businesses should ensure the elimination of all forms of forced and compulsory labour.

PRINCIPLE 5:

Businesses should support the effective abolition of child labour.

PRINCIPLE 6:

Businesses should uphold the elimination of discrimination in respect of employment and occupation.

PROHIBITION OF CHILD LABOUR

Furthermore, under its Code of Conduct, PALFINGER is committed to embracing and supporting the prohibition of child labour: Child labour must not be used in any phase of the production process. The stakeholders are mandated to adhere to the recommendations of ILO Convention No. 138 on the minimum age for admission to employment and work. This minimum age should not be less than the age at which compulsory school attendance ends, and in any case not less than 15 years.

Measures and results

The quality of supplier relations is augmented at PALFINGER if ecological and social awareness as well as corruption prevention are confirmed in the quarterly supplier survey. An annual audit of strategic suppliers is carried out to verify their incorporation of labour standards. Such audits include ethical and social aspects as well as human rights.

 Sustainability among suppliers, page 48

PROHIBITION OF DISCRIMINATION

Within its Code of Conduct and the group-wide PALiversity initiative, PALFINGER is committed to embracing and supporting the principle of non-discrimination. Discrimination against employees, in any form, is not permitted. This applies to discrimination, for example, on the basis of gender, skin colour, disability, union membership, political convictions, national origin, religion, age or sexual orientation.

Measures and results

PALFINGER promotes diversity, which is reflected in the group-wide PALiversity initiative. In this connection, the indicators regarding generations, gender and women in management provide important information.

The quality of supplier relations is augmented at PALFINGER if ecological and social awareness as well as corruption prevention are confirmed in the quarterly supplier survey. An annual audit of strategic suppliers is carried out to verify their incorporation of labour standards. Such audits include ethical and social aspects as well as human rights.

 Diversity and equal opportunity, page 81; Sustainability among suppliers, page 48

ATTRACTIVE JOBS AND SKILLED LABOUR

PALFINGER endeavours to offer attractive jobs to its workforce. For decades, appraisal interviews with employees have been increasingly in use. With respect to (further) training, levels differ in the individual countries in which PALFINGER operates. In all cases, PALFINGER meets at least the respective national standards and in some cases takes measures that exceed such standards by far. The objective is to enhance the qualifications of staff in all countries.

Measures and results

In the indirectly productive sector, such as sales, administration, etc., employees are invited to appraisal interviews with their superiors, which are indicated as a percentage of the number of the total number of these employees. So far, employees in the directly productive sector of PALFINGER have not yet been included in the survey for this key indicator. In addition, the number of training hours per PALFINGER employee is documented.

 Attractive jobs for employees with individual responsibility, page 75; Skilled labour, page 80

🌐 G4-10, G4-11, G4-LA1, G4-LA2, G4-LA12, G4-LA14, G4-LA15, G4-HR1, G4-HR2, G4-HR4, G4-HR5, G4-HR6, G4-HR10, G4-HR11

ENVIRONMENT

Energy efficiency and climate protection are top priorities for PALFINGER throughout the entire production process. PALFINGER is aware of its environmental responsibility and has set itself the goal, in its own interest, of always being economical and efficient in its use of resources. The minimization of energy consumption, costs and emissions throughout the entire lifecycle of products and the maximization of safety in product use are primary concerns for PALFINGER. All of these aspects are implemented in the two sustainability areas “eco-efficiency in production” and “sustainable products”.

PRINCIPLE 7:

Businesses should support a precautionary approach to environmental challenges.

PRINCIPLE 8:

Businesses should undertake initiatives to promote greater environmental responsibility.

PRINCIPLE 9:

Businesses should encourage the development and diffusion of environmentally friendly technologies.

ENVIRONMENTAL RESPONSIBILITY

Under its Code of Conduct, PALFINGER is committed to embracing and supporting environmental responsibility. The stakeholders follow the precautionary principle when dealing with environmental problems, institute initiatives to increase environmental responsibility, and promote the development and dissemination of environmentally friendly technologies. The PALFINGER environmental protection guideline of 2015 guarantees the establishment of comprehensive environmental management systems at all manufacturing, assembly and distribution sites and governs the following areas: energy, waste, water, environmental law, emergency preparedness and response, and training and communication relating to environmental protection.

Measures and results

PALFINGER carries out surveys among all strategic partners and other suppliers regarding their environmental management systems. The environmental management pursued by the suppliers also has an impact on their ranking in the quarterly supplier assessment, since PALFINGER believes that ecological and social awareness as well as corruption prevention augment the quality of supplier relations. Strategic suppliers are still audited on an annual basis, among other things as to ecological aspects.

 Sustainability among suppliers, page 48

GREEN PRODUCTION

PALFINGER is committed to embracing and supporting environmentally friendly production. Its stakeholders ensure appropriate environmental protection in all phases of production. This includes a proactive approach to prevent or minimize the effects of accidents that could have a negative impact on the environment. In addition, great attention is being paid to the demand for and efficiency of raw materials. Other priorities include the improvement of energy efficiency, the avoidance of hazardous waste and the reduction of climate-relevant emissions. Through eco-efficiency in production, PALFINGER strives to make an active contribution to climate protection.

Measures and results

PALFINGER continuously optimizes its production. In its Integrated Annual Report, PALFINGER reports in great detail on the efficient use of raw materials, on hazardous waste, energy efficiency, climate protection, as well as environmental and energy management. The performance indicators presented are tonnes of steel and aluminium, tonnes of hazardous waste, energy consumption by energy source, and tonnes of CO₂ equivalents. In addition, three indices that put hazardous waste, energy consumption and greenhouse gas emissions in relation to revenue are reported. Environmental and energy management systems are listed by production site.


 Eco-efficiency in production, page 87

GREEN PRODUCTS

Additionally, under its Code of Conduct, PALFINGER is committed to embracing and supporting environmentally friendly products. All products manufactured along the supply chain meet the environmental standards of their respective market segments. This includes all materials and substances used in production. Chemicals and other materials that could present a hazard to the environment if released must be identified. A management system for hazardous materials must be established for their use, so that they can be safely handled, transported, stored, recycled or reused, and disposed of with suitable methods.

Measures and results

Research, development and innovation increase the sustainability of PALFINGER's business model by not only paying attention to the economic advantages for customers and users but also taking into account ecological and social aspects. Innovations are encouraged primarily in the areas of energy efficiency during product use, alternative motors and reduction of operating supplies.

 [Safe and efficient products, page 83](#)

The minimization of energy consumption, costs and emissions throughout the entire life cycle of products and the maximization of safety in product use are important concerns for PALFINGER. These concerns are covered in the following chapters: "Safety assessment, product labelling", "Product innovation for user safety", "Eco-efficient product innovation" and "PALFINGER products for people and the environment".

 [Sustainable products, page 223](#)

 [G4-14, G4-EN1, G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7, G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN23, G4-EN27, G4-EN29, G4-EN32, G4-EN33](#)

ANTI-CORRUPTION

Profitability, included in the fourth sustainability area “fair business”, is reflected in the goal of generating a profit and recording sustainable, profitable growth. Topics such as the Code of Conduct, corruption prevention, the Integrity Line and fair taxation are some of the priorities here. To PALFINGER, corruption is intolerable from a moral point of view. It is in contradiction to PALFINGER’s corporate values – respect, entrepreneurial spirit and learning – and harmful to the economy, and consequently also to PALFINGER. Whenever any irregularities are suspected, action is taken immediately. PALFINGER has implemented a multi-stage process to prevent or, if necessary, reveal any violations.

PRINCIPLE 10:
Businesses should work against corruption in all its forms, including extortion and bribery.

BUSINESS ETHICS

Under its Code of Conduct, PALFINGER is committed to embracing and supporting anti-corruption measures: The highest level of integrity is expected in all business activities and relationships. Any form of corruption, bribery, extortion or embezzlement is strictly prohibited, and can be reported anonymously using the Integrity Line.

In addition, under its Code of Conduct, PALFINGER undertakes to adhere to the ban on accepting gifts. PALFINGER’s business operations and competitive conduct are based on quality and competence. Employees are prohibited from allowing themselves to be influenced by accepting favours as well as from using favours to influence others. They may only accept proportionate and reasonable hospitality and token gifts appropriate for the circumstances. In the case of doubt, employees may seek the advice and/or approval of the respective management. No PALFINGER employee may accept the following kinds of gifts from third parties, nor may they offer them to third parties, regardless of the value of the gift: money, loans, commissions or similar advantages in monetary form.

Measures and results

The quality of supplier relations is augmented at PALFINGER if ecological and social awareness as well as corruption prevention are confirmed in the quarterly supplier survey. An annual audit of strategic suppliers is carried out to verify their incorporation of anti-corruption measures.

 [Sustainability among suppliers, page 48](#)

Details regarding corporate ethics and corruption prevention are contained in the Integrated Annual Report, which also provides information on the group guidelines, the Code of Conduct, the four-eyes principle and the separation of functions, as well as on corporate ethics and other guidelines.

 [Corporate ethics and corruption prevention, page 101](#)

COMPLIANCE WITH LEGAL AND ETHICAL STANDARDS

PALFINGER acts in an ethically correct manner: It complies with legal provisions, pays taxes as required and takes proactive anti-corruption measures. PALFINGER's integrity is strongly governed by its commitment to compliance with legal and ethical standards and hence PALFINGER is perceived as a reliable company.

Measures and results

The responsible internal audit, risk management and group controlling departments regularly carry out audits of the companies of the PALFINGER Group and engage employees in intensive discussions on ethics and corruption in the workshops held. Via the Company's Integrity Line, alleged violations of laws and guidelines may be reported anonymously. In the period under review, no allegations reported proved to be of substance. In 2016, as in previous years, no major cases of corruption were reported or discovered at PALFINGER. Similarly, no substantial penalties were imposed for any violations of legal provisions. No lawsuits are pending on grounds of anti-competitive conduct.

 Internal audits and risk management, page 102

 G4-56, G4-57, G4-58, G4-S03, G4-S04, G4-S05, G4-S06

 www.palfinger.ag/en/Pages/integrity-line; www.palfinger.ag/en/Pages/code-of-conduct

GENERAL INFORMATION

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Minimal arithmetic differences may arise from the application of commercial rounding to individual items and percentages in this Communication on Progress (COP).
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