



Company

The companies of ALTANA AG develop, manufacture, and distribute high-quality, specialty chemical products and provide the associated services. ALTANA is a globally active corporation headquartered in Wesel, Germany, with an international sales share of approximately 85 percent. Its four divisions, BYK Additives & Instruments, ECKART Effect Pigments, ELANTAS Electrical Insulation, and ACTEGA Coatings & Sealants, occupy a leading position in their target markets with respect to quality, product solution expertise, innovation, and service.

ALTANA offers innovative and environmentally compatible solutions with the matching specialty products for coatings manufacturers, paint and plastics processors, for the printing and cosmetics industries, as well as for the electrical and electronics industry. The product range includes additives, special coatings and adhesives, effect pigments, sealants and compounds, impregnating resins and varnishes, and testing and measuring instruments.

The ALTANA Group, which belongs to SKion GmbH, an investment company owned by Susanne Klatten, who is also the Deputy Chairwoman of ALTANA's Supervisory Board, currently includes 46 production sites and more than 50 service and research laboratories worldwide. With a workforce of more than 5,700 employees throughout the group, ALTANA generated sales of about € 1.8 billion in the 2013 fiscal year. Its impressive earning power and high growth rate make ALTANA one of the most successful and innovative chemical groups worldwide.

Corporate performance indicators

	2013	2012
Number of employees	5,741	5,363
Sales € million	1,765	1,705
EBITDA € million	336	323
EBITDA margin %	19.0	19.0
Research and development expenses € million	109	102
Investments € million	94	90
Total production t	533,770	518,172
Gross value added € million	633	601
Final products t	418,450	407,876
WAI 1 ¹	6.02	7.29
WAI 3 ²	67	76
Total CO ₂ (Scope 1 + Scope 2) ³ t	147,602	144,305
Drinking water m ³	565,080	634,344
Non-hazardous waste t	6,286	7,347
Hazardous waste t	18,487	19,075

¹ Work Accident Indicator 1 (number of occupational accidents with one or more days of lost work time per million working hours)

² Work Accident Indicator 3 (number of lost work days due to occupational accidents per million working hours)

³ Scope 1: direct emissions; Scope 2: indirect emissions

About this report






The Sustainability Report 2013 was written by ALTANA AG to provide the public, the company's employees and business partners, authorities, non-governmental organizations, and all other stakeholders with information about the implementation of sustainability in the strategy of ALTANA in terms of ecology and corporate social responsibility. The company's economic development is discussed in detail in its 2013 Annual Report.

The facts and key figures presented in this report refer to fiscal year 2013; environmental performance indicators refer to the period from October 1, 2012 to September 30, 2013. Unless otherwise noted, our

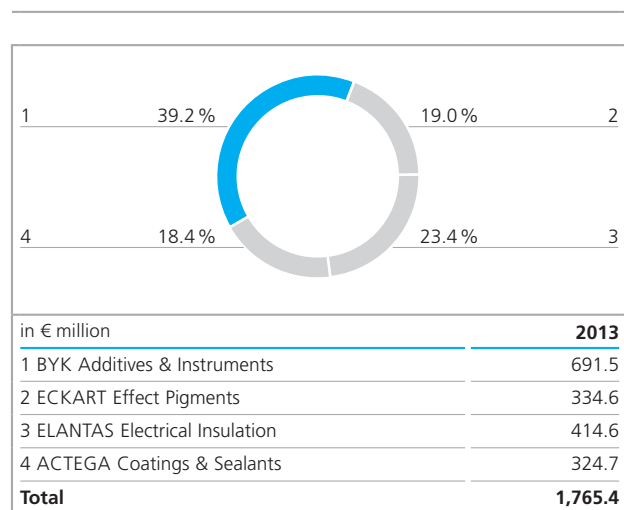
statements apply to all divisions and worldwide subsidiaries that were part of the ALTANA Group in 2013. The report follows the international G3 guidelines of the Global Reporting Initiative (GRI). We performed an in-house assessment of our compliance with GRI indicators and have concluded that the report meets the requirements of application level A.

For further information on the topics presented in this report, on further performance indicators, and concerning the GRI index, please visit www.altana.com/sustainability. The annually published report also serves as COP on ALTANA's implementation of the principles of the Global Compact. The report is available in both German and English.

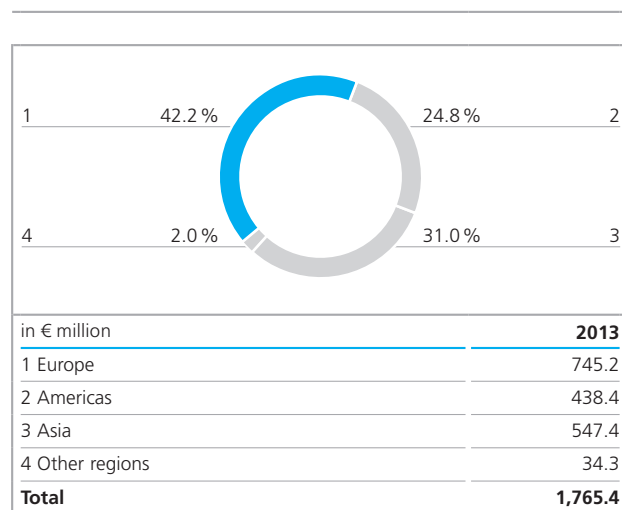
ALTANA's divisions

			
 Additives & Instruments	 Effect Pigments	 Electrical Insulation	 Coatings & Sealants
Business lines	Business lines	Business lines	Business lines
Paint additives	Coatings	Primary insulation	Converting specialties
Plastic additives	Graphic arts	Secondary insulation	Graphic arts
Industrial applications	Cosmetics and personal care	Electronic and engineering materials	
Gas & oilfield	Plastics industry		
Measuring and testing instruments	Functional applications		

Sales by division



Sales by region



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More detailed information, further key performance indicators, and the GRI index can be found in the Notes to the Sustainability Report 2013 on the Internet at www.altana.com/sustainability



Ladies and Gentlemen,

Opposites attract. And sometimes something new emerges from a connection between seeming contradictions. This is the case with sustainability. And that's why we support the objectives of the UN Global Compact initiative. For in our society we still hear much too often that economy and ecology are irreconcilable. In point of fact, these two issues go hand in hand, particularly in our core business, specialty chemicals. Innovative products from ALTANA help our customers manufacture with low emissions and in an energy-efficient way. And not seldom, our solutions contribute to considerable cost savings. This is an important success factor for ALTANA. Ultimately, we give our customers a competitive edge with this and at the same time can be successful on the market ourselves.

At ALTANA, such synergies are forged in all of our business divisions. Behind these synergies are individuals who advocate sustainable developments in their work environment and create added value out of seeming opposites. Thus, we are devoting this year's Sustainability Report to the entrepreneurs and environmentalists, the coatings developers and climate protectors, the discoverers and resource protectors, the pioneers and safety experts, the future shapers and value upholders, the researchers and talent scouts in our group of companies worldwide.

I would like to thank all of the employees for their commitment, which has made ALTANA a sustainable employer, business partner, and neighbor.

A handwritten signature in blue ink, appearing to read 'M. Wolfgruber', with a stylized, flowing script.

Dr. Matthias L. Wolfgruber

Chief Executive Officer



Dr. Matthias L. Wolfgruber, Chief Executive Officer

Dr. Andreas Diez, Vice President Environment, Health and Safety

Preface

Ladies and Gentlemen,

Chemistry to the third power. That is the name of a sustainability initiative launched by the German chemical industry. In my view, it expresses the gist of the matter in an extremely concise way: The three dimensions economy, ecology, and social involvement are mutually reinforcing and cannot be viewed separately from one another. Put a different way: Any measure that does not contribute to economic success is not sustainable. This fact is still often overlooked. That's why our industry embraces a comprehensive understanding of sustainability.

ALTANA has taken up the cause of sharpening awareness of sustainability even more, both within the company and in our business environment. That's why, in this report, we're viewing the acquisitions ALTANA made last year from the perspective of sustainability. For these takeovers have not only accelerated the growth of our group of companies, but have also strengthened our portfolio of environmentally friendly products. Another example is the introduction of a long-term bonus last year. Because we are convinced that future-oriented management that does justice to business, the environment, and society also has to be worthwhile for the individual.

This year ALTANA's Annual Report and Sustainability Report have the same design and general idea for the first time. Thus, it is apparent at first glance that they are two sides of the same coin.

I wish you pleasurable reading.



Dr. Andreas Diez

Vice President Environment, Health and Safety

Management

ALTANA stands for sustainable profitable growth. The environmental management system we introduced, the excellence program ALTANA X, acquisitions, and research investments in future technologies support our growth path.

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WE ARE + ENTREPRENEURS ENVIRON- MENTALISTS

WE ARE ALTANA

ALTANA is growing – based on its own efforts and through acquisitions – but not at all costs. When we purchase new businesses, we make sure our high environmental and safety standards are upheld. Our specialists at ACTEGA show how aesthetics and ecology can be reconciled economically. Last year, the division expanded its portfolio of environmentally friendly coatings by making two strategic acquisitions – to the benefit of our customers.

DR. ROLAND PETER, PRESIDENT DIVISION ACTEGA
CARINA PACK, M&A, ALTANA



ALTANA CONSISTENTLY CONCENTRATES ON ACHIEVING SUSTAINABLE, PROFITABLE GROWTH. THIS INCLUDES EXPANDING OUR OFFER OF **ENVIRONMENTALLY FRIENDLY SPECIALTY CHEMICAL SOLUTIONS THROUGH TARGETED ACQUISITIONS.**

WE ARE ENTREPRENEURS + ENVIRONMENTALISTS

Finishing with Water and UV Light

Folding boxes for consumer goods as well as catalogs and magazines remain attractive due to overprint varnishes and effect coatings. ACTEGA provides particularly environmentally friendly coatings for product finishing. They are water based or dry in split seconds under ultraviolet light. Thanks to these methods, ACTEGA effect coatings consume less energy during processing.

"Our sustainability- and innovation-oriented portfolio convinces our customers," says Dr. Roland Peter, President Division ACTEGA. As a result, the division has an

excellent position on the European and North American markets. "By making two targeted acquisitions, we systematically expanded our offer last year within the framework of our defined growth strategy," says the division president. "This has brought our customers numerous advantages."

In August 2013, ALTANA acquired the specialty coatings business of Henkel, including effect coatings and overprint varnishes that harden under UV and electron radiation. The coatings, known under the brand names Miracure and Mirafoil, offer environmentally compatible, cost-cut-

ting alternatives to hot foil stamping without losing gloss.

Since very precise visual effects can be achieved with them, they also reduce the amount of waste of our customers – another ecological advantage. The North American markets particularly appreciate these coatings, and our subsidiary ACTEGA Kelstar continues to sell them there under the established brand names.

In October, the water-based and UV overprint varnishes of Valspar were added to the division's portfolio. Since then, ACTEGA Terra has marketed them primarily in Eu-



rope. "With this business we took over highly innovative, sustainable technologies that complement our range and expand our knowhow," says Dr. Peter. Thanks to these additions, the division has considerably improved its profile in France, Russia, and Poland. In those countries, too, our customers now have access to additional individualized product solutions.

Strategic Growth

Our Corporate Development/Mergers & Acquisitions (M&A) department plans, prepares, and implements suitable acquisitions. It continually analyzes developments on the international markets to identify

the right businesses. "In the process, it is important to perform a thorough analysis of the candidates regarding various factors," says M&A manager Carina Pack. "They should fit our business strategy to a tee."

The business should also strengthen our sustainability profile. Additionally, it has to open up new technological perspectives and new regions for ALTANA. For only then can it open new doors in the market and thus ensure sustainable, profitable growth.

Company

ALTANA AG is a globally active group of companies. It develops, produces, and sells high-quality specialty chemicals, including additives, special coatings, and adhesives, effect pigments, sealants and compounds, impregnating resins, as well as testing and measuring instruments. The company is based in Wesel, Germany.

In 2013, the ALTANA Group achieved 85 percent of its sales on international markets. More information about the Group and its management, responsibility, and compliance structures can be found at www.altana.com/sustainability.

Acquisitions Strengthen Our Sustainability Profile

In 2013, ALTANA acquired three new businesses: the rheology business of Rockwood, the overprint varnishes business of Valspar, and the specialty coatings business of Henkel. The three acquisitions strengthen the sustainability profile of our group, because they considerably expand our portfolio of environmentally friendly additives and coatings, for which there is a growing demand.

In economic terms, the most important acquisition was the takeover of Rockwood's rheology business, which is being integrated into the BYK division of ALTANA. The additives acquired are based on natural minerals, particularly clay. They are suitable for controlling viscosity and are used in water-based coatings, among other things.

As these additives largely are not based on fossil raw materials, fewer CO₂ emissions arise when they are disposed of. This has a positive influence on the ecobalance.

With the rheology business, we took over the operation of seven mines, including mines in the U.S. and Spain. The raw materials are extracted from open-pit mines. Budgets

are available for restoring the areas to their natural state after the mining is completed. We expect the renaturation to increase the biodiversity in the regions in question compared to the period before the strip mining was initiated.

Some of the new rheology additives we acquired can be used for natural gas production with the help of so-called fracking. ALTANA is in favor of responsible utilization of this technology under precisely defined conditions. To ensure that no danger is posed to people or the environment, we advocate precautionary risk management. A more detailed discussion of our view on fracking can be found at www.altana.com/sustainability.

Efficiency Thanks to Environmental and Energy Management

ALTANA regularly records the effects on the environment of activities connected with its business at all of its sites. The goal is to steadily reduce these effects. To achieve this objective, all of the managing directors of the ALTANA Group have committed themselves to ensuring that systematic improvements are made in their companies. To this end, we implement internationally recognized environmental and energy management systems, especially ISO 50001 and ISO 14001.

On the one hand, the effects on the environment concern raw material and water consumption, VOC and CO₂ emissions, as well as quantities of waste that arise during production. On the other, we determine the effects that transports of raw materials and finished products have on the environment based on tonnage and modes of transport. At some sites, we also measure chemical emissions in the wastewater. They are below the permitted levels.

ECKART, headquartered in Günterstal, Germany, was the first company in the ALTANA Group to introduce energy management, back in 2012, and became ISO 50001 certi-

fied. In 2013, nearly all of the company's German sites also began to set up an energy management system. ACTEGA DS received certification in December 2013.

Our first experiences with the management system show that it superbly supports the systematic enhancement of energy efficiency. And for energy intensive sectors such as the chemical industry, it has additional advantages in Germany. It is a prerequisite for being able to decrease taxes or the apportionment under the German Renewable Energy Act, EEG.

In 2013, ALTANA was able to take advantage of this share of the cost – at least partially – as the apportionment was granted for some of its operations at the Günterstal site. In view of the ever-fiercer competition in the industry, ALTANA believes it is imperative to retain this cost-cutting possibility. The low energy prices in the U.S., in particular, are putting the European chemical sector under pressure.

The internationally accepted environmental guideline ISO 14001 has been used at ALTANA for some time. In 2013, a total of four sites successfully underwent the certification process: ACTEGA WIT, ACTEGA Rhenacoat, ACTEGA Kelstar, and ECKART America based in Louisville, Kentucky. As a representative example, we will now discuss the achievements of ACTEGA Kelstar.

The objective of the certification was to gather exact data on water and energy consumption, as well as waste and emissions, and on this basis to implement measures that will improve the situation in the future. The company did not have an environmental management system hitherto. But due to regional and local environmental programs that the manufacturer of coatings and inks for the printing industry was already observing, the Kelstar environmental managers were able to collect the data swiftly and complete the certification process – including staff training – in seven months. On the basis of the data, the environmental managers launched four improvement programs. First, the company will implement more efficient technology wherever pos-

sible to reduce CO₂ emissions. Second, it will reduce VOC emissions. The company's focus is on the completely VOC-free products marketed under the brand name Kelstar Green Line. Third, it will decrease the amount of special waste with the help of technological measures. And fourth, it will introduce a program for corrective and preventative measures designed to ensure that the improvement measures are successful.

Of the four sites acquired, two are already certified in accordance with ISO 14001: the former Rockwood plants in Widnes, Great Britain, and the facility in Moosburg, Germany. The two sites in the U.S. are preparing for ISO 14001 certification.

Compliance: E-Learning Makes It Easier to Impart Knowledge

In 2013, ALTANA's Compliance Committee dealt intensely with the auditing standard PS 980, developed by the Institute of Public Auditors in Germany (IDW), for compliance management systems. As a result, possible optimizations in organization, control, and communications were identified and will now be implemented.

Our Code of Conduct contains binding rules regarding issues such as antitrust law, corruption, and discrimination. The e-learning program that belongs to the Code is now available in German, English, and Chinese, and an Italian version will be introduced in 2014. We will also implement a new e-learning tool on corruption in 2014. It is geared to the Group's some 300 managers.

In 2013, employees reported irregularities in business processes at ACTEGA in Foshan, China, and at ACTEGA Colorchemie in France. Both cases involved compliance violations, which were being investigated. One case may entail corruption. There was no fine for violations of legal standards relevant for society.

In internal audits, we regularly examine external contracts and provision agreements, among other things, in cases where there is suspicion of corruption. In 2013, 20 audits were carried out.

Guiding Principles

The Guiding Principles for the entire ALTANA Group, developed around two years ago with the participation of all of the company's employees worldwide, were taken up again in 2013. Together with the ambassadors charged to communicate the content of the Guiding Principles during the introductory phase, ALTANA Corporate Communications developed a film project in which staff from different divisions and countries, and in different capacities and hierarchies, talked in front of the camera. The objective is to understand where ALTANA stands today with respect to the Guiding Principles and where there is room for improvement. In addition, the montage of interviews that will be shown to all of our employees at the different sites worldwide aims at illustrating both the diversity and common ground within the ALTANA Group. During the shooting, which began in the fall of 2013, short sequences showing the film being made were elaborated at every site.

ALTANA X: Excellent and Sustainable at Once

We want to be leading in everything we do. This is our goal. Therefore, we launched the ALTANA X program internally. It helps us to make our processes more efficient and to optimize our productivity so that the quality of our products will continue to improve.

In our view, business improvements should have positive effects on the environment. Cost-cutting measures can also mean reducing energy consumption or the amount

of waste created. Thus, ALTANA X is also a program for sustainability.

We opted for a mix of the proven Six Sigma and Lean Management methods. We tailored both models to the needs of our industry and our group.

Depending on the project and site, the teams can decide autonomously which method to apply to reach the respective target. Independent of this, all projects are geared to a concrete key performance indicator on whose basis we analyze unnecessarily high resource consumption (time, raw materials, energy) and continually measure improvements.

During the pilot phase in 2013, we successfully completed a total of 35 projects at four sites in Germany. The projects were designed, among other things, to make work processes more efficient, to optimize boiler cleaning and raw materials storage, and to shorten changeover times between different products. The program will be rolled out internationally in 2014.

Battery of the Future Initiative

Due to the steady increase in energy consumption worldwide, efficient, innovative storage media are becoming more important. For the energy turnaround sought in Germany, such media play a crucial role for economic utilization of wind and solar energy.

Following a systematic group-wide investigation, we know that with their knowledge and their products, all ALTANA companies can contribute to this promising business. With our knowhow, we expect to be able to support especially sustainable storage media.

With this goal in mind, we launched a group-wide initiative in 2013. For the project, BYK is providing laboratories and experts for two years at its Wesel site. In a feasibility study, they are examining which technologies and products

can help ALTANA improve the performance of batteries and reduce their manufacturing costs. This concerns, for example, printed variants of old-established zinc manganese, new zinc air, and particularly lithium-ion batteries.

Zinc flakes developed by ECKART and UV-curable adhesives from ACTEGA are two possibilities. But due to their variety and versatility, BYK's additives will play a more prominent role. In cooperation with the German start-up company Custom Cells Itzehoe, co-financed by ALTANA, the battery team also has access to technologies that are still in the development stage.

Paving the Way for Sustainability with Research

It is particularly important for ALTANA to develop sustainable products. So it makes sense to prepare the way in the development phase. BYK was the first company in the Group to add systematic sustainability analysis to its innovation management. With this step, the additives manufacturer is continuing to expand its Greenability strategy.

In the so-called laboratory phase, during which the team works on the concrete formulation of the future product, the developers have to test the raw materials to be used, as well as the future product, based on ten ecological criteria. If the product is expected to produce, say, VOC emissions or other health or environmental hazards, the developers have to change their plans and find alternatives.

Equipped for an Emergency

Major incidents such as fires or chemical accidents endanger people and the environment. They can also substantially impair the business activity of a company. Social, ecological, and economic damage can be limited with systematic crisis management, including detailed emergency plans.

In 2013, BYK introduced such a management system at its Wesel site and concluded a company agreement on it.

In an emergency, a precisely defined crisis unit assembles, consisting of various specialized staff members and the crisis manager on duty. All of the employees who assume special tasks in the crisis management system receive training. An emergency exercise rounds out the training. An English translation of the handbook on which the crisis management is based is provided to all ALTANA companies as a best-practice example.

Awards

Striving for excellence is more than just an aspiration at ALTANA. In 2013, we received several awards documenting our successes as a family-owned company and specialty chemicals manufacturer.

First place in the chemical industry rankings: In the rating of chemical companies within the framework of the Career's Best Recruiters employer study, ALTANA secured the top position. Career's Best Recruiters is an initiative launched by the Vienna-based communication agency GPK Event- und Kommunikationsmanagement GmbH in cooperation with Koblenz University of Applied Sciences for Human Resources and Education and, by its own account, is the largest recruitment study in German-speaking countries.

Award for trainee programs: The Initiative for Career-Promoting and Fair Trainee Programs rewarded our efforts in this area. The focus was on the Cross Divisional Development Program Innovation (CDDPI), in which young talents work on innovations across divisions. The initiative was launched by the Absolventa job fair in cooperation with the Institute for Human Resources Management of the Ludwig Maximilian University of Munich.

Fifth place in the "Private Public Award": This accolade honors the best annual reports of German family-owned

companies. In 2013, ALTANA finished in fifth place among 250 companies, both in the overall evaluation and in the "Clear Course" prize category. The award is an initiative of the German consulting company ergo Kommunikation.

The Philadelphia Society for Coatings Technology (PSCT) gave John Du, Technical Product Manager Paint Additives at BYK USA, the Wayne Kraus Award for his ongoing commitment and contributions to the field of coatings.

Internal Awards

Within the Group, we granted the ALTANA Innovation Award for the fifth time. The prizewinner was a team from ACTEGA Terra. It received the distinction for the development of special in-mold labels (IML) used for labeling plastic containers. The team succeeded in identifying new raw materials and developing innovative formulation strategies.

In 2013, BYK gave its internal BYK advance award to a team that developed a new modifier for wood-plastic composites (WPC) based on polyethylene (PE). The additive, distinguished by its improved compatibility, optimizes the mechanical properties of the end product.

Memberships

As a member of the United Nations Global Compact program, ALTANA has made a commitment to improving human rights, labor standards, and environmental protection, and to fighting corruption. This sustainability report also serves as Communication on Progress (COP) on ALTANA's implementation of the principles of the Global Compact.

Global Compact in the Supply Chain

ALTANA's voluntary commitment within the framework of Global Compact requires that we shape our supply chain accordingly. We communicate our Supplier Code of Conduct internally on our Intranet and externally during presentations and visits to suppliers, and, since November 2011, on the website of the ALTANA purchasing network.

So far, 319 suppliers have contacted us via the purchasing website and committed themselves to the principles of Global Compact. We check to see whether they adhere to these principles with audits. In 2013, we visited 40 business partners in India, China, Poland, and the U.S. for this purpose.

In 2013, we established a new risk management system for raw materials and preliminary raw materials that is available to all ALTANA companies. An important part of this system are criteria that can be used to evaluate the extent to which the supply sources uphold human rights and sustainability and have integrated anti-corruption measures into the company structure. In addition, we defined concrete alternatives that we can resort to if necessary. These include alternative supply sources and the development of products using alternative raw materials.

Responsible Care

The basis of our activities is the chemical industry's worldwide initiative, called Responsible Care. The managing directors of the ALTANA Group personally signed this voluntary commitment. They submit an annual report consisting of information about ALTANA's sustainability efforts to the German Chemical Industry Association (VCI), which uses the data for its annual Responsible Care progress report.

In Germany, we have supported the sustainability initiative "Chemie³" since 2013. It was called into being by the

VCI, the German Mining, Chemical and Energy Industries Union (IGBCE), and the German Federation of Chemical Employers (BAVC). Its goal is to anchor sustainable management principles in the industry. These principles correspond to our Guiding Principles.

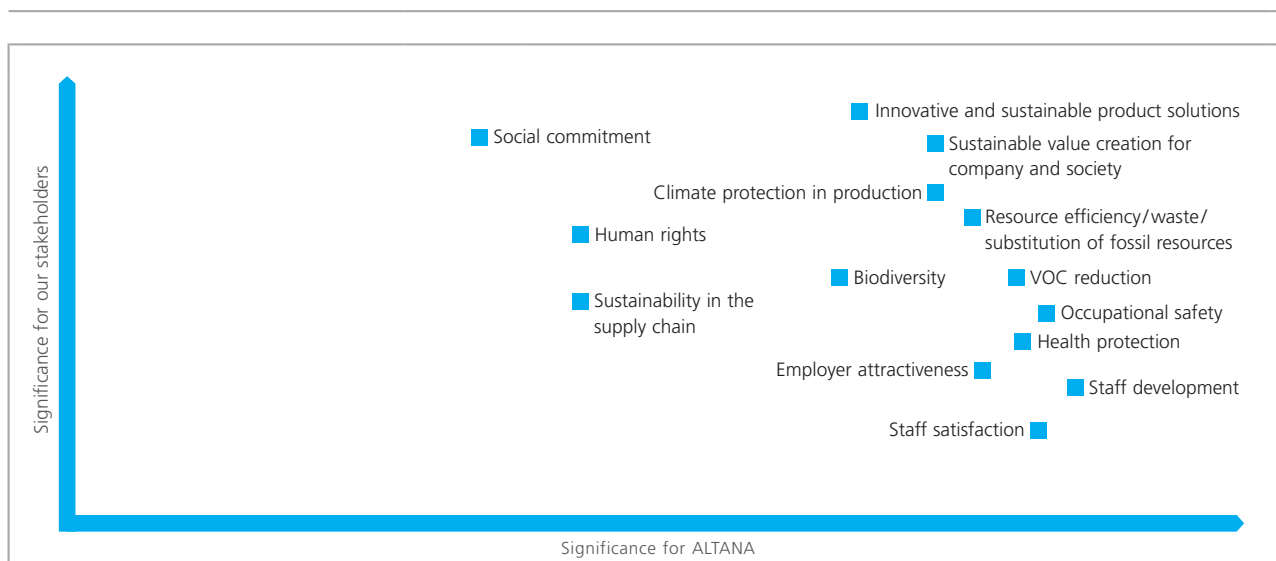
Stakeholders

To strengthen public trust in the safety of our plants and products, ALTANA maintains close dialogue with neighbors, local politicians and media, associations, investors, customers, suppliers, authorities, and all other interest groups that are directly or indirectly affected by our activities. This is achieved in direct exchange, with our annual reports and the

annual sustainability reports, through participation in association meetings, and open house activities held every three years.

The essential stakeholders are determined on the basis of many years of experience and the recognizable need for communication. But they are also defined based on knowledge regarding expectations and concerns vis-à-vis the chemical industry. In this report, we display the results of our continuous dialogue in a so-called materiality matrix (see graphic below). It lists the most important sustainability topics and their significance for ALTANA, on the one hand, and for our stakeholders on the other. The same topics are the focal points of this sustainability report. Although we deem all action areas important, we focus particularly on the topics in the right field of the matrix.

ALTANA Materiality Matrix



Products

We want to be leading in everything we do. This particularly concerns our innovative products, which conserve resources and protect the climate. We help our customers manufacture with low emissions and energy-efficiently, for example with our water-based coatings and ecological insulating materials.

18	WE ARE COATINGS DEVELOPERS + CLIMATE PROTECTORS
22	Sustainability Is Multifaceted
22	Reducing Emissions
22	Resource Conservation and Climate Protection
23	Alternatives to Hazardous Substances
24	Guidelines and Their Impact on ALTANA





WE ARE COATINGS DEVELOPERS + CLIMATE PROTECTORS

WE ARE ALTANA

Sustainability is a loose concept. But we have very specific sustainability requirements when we develop our products. For example, we try to ensure that emissions are as low as possible during processing and to keep energy consumption to a minimum. An example: monomer-free impregnating resins from ELANTAS. These unique insulating materials are almost emission free and require less energy than comparable products. They not only protect the environment, but also our customers' budgets.

DR. KLAUS-WILHELM LIENERT, RESEARCH AND DEVELOPMENT, ELANTAS BECK



ALL DIVISIONS OF ALTANA DEVELOP SPECIAL SOLUTIONS TO ENSURE THAT COATINGS HAVE THE RIGHT CONSISTENCY, BRILLIANCE, AND FUNCTIONALITY. AT THE SAME TIME, OUR PRODUCTS **HELP OUR CUSTOMERS REDUCE EMISSIONS AND ENERGY CONSUMPTION.**

WE ARE COATINGS DEVELOPERS + CLIMATE PROTECTORS

Insulation with Monomer-Free Resins

Whether it's for a wind turbine or a conveyor system, a drill or a hairdryer – motors in small electrical devices and in large plants need insulation for their electrical coils. The insulation is applied in the last manufacturing step. In an impregnating plant, the motors are dipped in the insulating material, which has to harden in a special oven.

Traditionally, the hardening phase has required a great deal of energy and produced substantial emissions. The oven continually needs fresh air, which has to be warmed up. At the same time, the

hardening process generates emissions that have to be filtered out using special exhaust air purification systems. This is particularly the case with solvent-based impregnating resins used in conventional procedures.

For many years now, researchers at ELANTAS Beck have been working to reduce the energy consumption and emissions of their insulating materials. To this end, they initially developed so-called impregnating resins under the brand name Dobeckan. These products contain unsaturated polyester resins instead of solvent-based formulations. This alone reduced emissions

considerably. In addition, less energy was needed, since the resins hardened at lower temperatures and in a shorter time than conventional coatings.

Dobeckan MF – A Breakthrough in Climate Protection

But the decisive breakthrough in climate protection was made with Dobeckan MF, where MF stands for monomer free. "This product family is the result of our targeted research," explains Dr. Klaus-Wilhelm Lienert, head of R&D at ELANTAS Beck. The special challenge was to develop environmentally friendly resins that could be integrated smoothly into customers' man-



ufacturing processes. The formulations had to ensure that the insulating materials could resist the diverse mechanical, thermal, and chemical loads they were subjected to.

The result is unique worldwide. "Our monomer-free products are the only ones that combine ecological advantages with economic efficiency to this extent. They enable our customers to reduce their production costs considerably," says Lienert.

The monomer-free insulating materials are based on polyester resins that harden without monomers. As a result, virtually no

emissions are produced when the materials are processed and there is no need for waste air purification. That saves energy. Furthermore, monomer-free resins are toxicologically safer than other resins, as they dispense with harmful substances such as styrene.

Today, a fifth of the impregnating resins produced by ELANTAS Beck are monomer-free products. Manufacturers in Europe are more than happy to take these products on board. Although they first have to invest in new impregnating plants, insulation of motors with monomer-free resins is not only more environmentally com-

patible, but, due to the energy savings, more economic to boot.

Sustainability Is Multifaceted

As a manufacturing company, we believe it is our responsibility to ensure that our products are as sustainable as possible and couple this with our objective of reconciling environmental protection and economic viability.

Three aspects are particularly important to us. First, we work on launching products that produce a minimal amount of emissions. Second, we develop products that conserve resources or protect the climate. And third, we keep our eye out for possible alternatives to substances that are harmful to human health. All of these efforts enable our customers, in turn, to manufacture more environmentally friendly products and thus gain a competitive edge. In 2013, we made considerable progress here.

Reducing Emissions

Above all, we concentrate on reducing emissions from volatile organic compounds (VOC). They arise during processing of substances that contain carbon, including solvents. With paints and coatings, these emissions can be reduced if water is used instead of solvent. A positive side effect: Fossil raw materials become superfluous.

Many of our customers from the paint and coatings industry are relying increasingly on water-based systems. BYK's multifaceted innovations for solvent-free systems offer a number of approaches for continued improvement of water-based paints and coatings and their processing. For example, BYK has developed two defoamers expressly for water-based spray applications for furniture or buildings and for corrosion protection in industry. They ensure that bubbles do not form in layers of paint or varnish. Other additives improve the distribution of particularly fine black and blue pigments used, for example, in solvent-free powder coatings, inks for inkjet printers, and other printing inks.

In secondary insulation, too, water-based systems are increasingly playing a role. Our ELANTAS companies are working on important innovations in this area. For example, ELANTAS China has developed an epoxy resin-based emulsifier that serves as the basis for water-based insulation of small motors and transformers. This insulation hardens at low temperatures and thus reduces energy consumption. ELANTAS PDG in the U.S. is working on water-based emulsion on the basis of unsaturated polyester resins. They have a high flash point and are therefore less flammable.

Resource Conservation and Climate Protection

There are many ways to conserve resources. For example, the function of a product can make a contribution. ECKART has launched a number of innovations along these lines.

The most recent example is Energysafe pigments, which were developed expressly for plastic applications. These pigments reflect sunlight, thus preventing plastics from heating up. This can reduce the energy consumption, say, of air-conditioning systems in cars or homes. Scientists from Arizona State University found that in hot, arid regions, so-called "cool roofs" have a more positive effect on the climate than green roofs.

Likewise, ECKART's IReflex pigments, especially developed for wall paints, improve the energy management of buildings because they reflect sunlight. This was confirmed by a study conducted by Bauhaus University in Weimar. In 2013, a textile covering coated with IReflex was put on the wooden roof construction of the ice rink in Landsberg, Bavaria, reducing the energy needed for the ice surface significantly.

When BYK develops additives that make surfaces more scratch resistant, this prolongs their lifespan. Thus, we view new surface additives such as Ceraflour 925, BYK TS3200, and the Nanobyk products 3620 and 3630 as contributing

to sustainability. The adhesion promoter BYK 4510 also meets this requirement, as it improves the corrosion protection of baking systems.

Another way to save resources is to conserve materials during the manufacture of products. This especially applies to the new Platalux pigments from ECKART. They consist of flakes of glass coated with silver. The division, based in Günterstal in southern Germany, developed a method that uses the precious metal especially efficiently during the manufacture of flakes.

A composite material developed by ACTEGA DS helps crown cork manufacturers reduce the amount of raw material they need. The new material enables them to save 0.4 grams of steel per bottle top without making concessions to quality. With four billion crown corks a year, this corresponds to savings of 1,600 tons of steel.

The third possibility of conserving resources is to reduce the amount of energy needed to process our products. The patented cure indicator that ELANTAS has started offering recently with its impregnating varnishes shows users exactly when the insulating layer has hardened, saving time, energy, and money. The rapidly hardening impregnating varnishes that ELANTAS Beck India developed to insulate low-voltage motors also serves this purpose.

Finally, renewable materials save precious resources, as BYK's "Greenability" portfolio shows. Last year, two new products were added to it, the defoamer BYK A-505 and the styrene emissions reducer BYK S-760, both of which consist chiefly of renewable raw materials.

Alternatives to Hazardous Substances

As our knowledge about hazardous substances grows, ALTANA is stepping up its efforts to find alternatives. One possibility is to use enzymes as catalysts in manufacturing processes. ALTANA's cross-divisional industrial biotechnology plat-

form has set itself the task of examining alternatives to harmful substances such as styrene and cobalt.

The ACTEGA division can already boast a number of successes concerning the replacement of plasticizers such as Bisphenol A (BPA). Their use in food packaging is being discussed due to potentially harmful effects on people's health.

With Artiseal and Provalin, the companies ACTEGA Artística and ACTEGA DS brought two sealants for twist-off tops onto the market that do not contain any PVC and therefore no plasticizer and are especially suitable for packaging of antipasti and other fat-containing foods. The developers are currently working on adapting Provalin to the even more stringent requirements for baby-food packaging.

At the same time, ACTEGA Rhenania had Actebond patented. This BPA-free adhesive is designed expressly for aluminum foils that are used as closures for flexible plastic food packaging, such as milk bottles. Additionally, the company developed three BPA-free polyester resin-based adhesion promoters. These formulations serve as the basis for coatings for food and pet-food packaging.

NMP – N-Methyl-2-Pyrrolidone – is a component of coatings that serve as inner layers of aluminum spray cans. More than six billion of these cans are sold worldwide every year, among other things, for hairspray and air freshener. Since 2011, NMP has been a substance of very high concern, and users are seeking alternatives. ACTEGA Rhenacoat has developed a new coating formulation devoid of NMP based on polyesterimide (PEI) and has already tested the first applications in cooperation with French customers. Worldwide tests are planned for 2014.

Benzophenone is used as a so-called photoinitiator in printing inks and coatings to regulate hardening under UV light. But the material is controversial due to its health and environmental hazards. In Europe, limits have been placed on the migration of this substance when it is used in food packaging. In the U.S., its use in food packaging is prohibited. ACTEGA Kelstar has therefore started developing a series

of coatings and varnishes for printing that are free of benzo-phenone. They are suitable for digital, web offset, and screen printing, among others.

Demand for chromium-free corrosion protection for metals is steadily increasing. This applies to general industrial coatings as well as coil coatings. The primers used need special additives that act as adhesion promoters with the metal. BYK brought them onto the market under the name BYK 4512 in 2013.

Guidelines and Their Impact on ALTANA

National laws and international guidelines are the legal framework of our business activities. ALTANA participates in public debates about new laws within the framework of association memberships. We regard the online surveys that are being initiated increasingly by legislators as a sensible instrument and we take part in them if they concern us.

When we assume that planned laws will have a disadvantageous effect on our business activities or products, we provide expert contributions to generate understanding for our position. In 2013, we did so with respect to two EU guidelines that we feared would have negative consequences for ALTANA.

An example is the revision of the REACH guideline. It now calls for expanded safety data sheets for mixtures of chemical substances. In the form currently planned, we consider the effort needed to create such data sheets to be extremely great. More efficient processes would be desirable.

Regarding the EU's plans for regulation of nanomaterials and for the related nanoregister, we see the danger that the definition of the term "nano" will be too broad. In the current version of the regulation, most powdered materials are considered nanomaterials. We would therefore welcome a more differentiated definition.

In 2013, three new guidelines or laws played an important role for ALTANA. At issue are the implementation of the EU industry emission guideline and the ambitious climate protection plan in the German state of North Rhine-Westphalia, where we have three manufacturing sites. A third issue was the reform of the German Renewable Energies Act (EEG). Here we continue to believe that a lower burden on the energy-intensive industry is imperative.

We welcome the implementation of the United Nations Globally Harmonized System (GHS) with open arms. Unfortunately, we cannot make use of the preliminary work that we have done in the EU in the U.S. because the safety information and labeling are different. Therefore, the data have to be reentered into the corresponding programs in the U.S. This delays the worldwide harmonization. In ALTANA's view, this is disappointing. We hope to be able to complete the GHS implementation in the U.S. by the end of 2014.

Detailed explanations of the laws can be found in the notes to the ALTANA Sustainability Report 2013 at www.altana.com/sustainability.

Safety

ALTANA relies on a uniform safety culture. Technical and organizational measures contribute to enhancing work safety and anchoring the issue firmly in our employees' minds. Our top priority is to reduce the number of accidents. We are constantly working on minimizing dangers and improving the protection of our employees' health.

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WE ARE PIONEERS SAFETY EXPERTS

WE ARE ALTANA

Dealing with risks is part of everyday work in the chemical industry. It is therefore all the more important for a chemical company to develop a well-functioning safety culture. Even then, it is normally not possible to rule out minor incidents completely, which makes the safety record at ELANTAS Beck India even more impressive. For more than ten years now, the company has been free of occupational accidents at both of its production sites thanks to a sophisticated safety culture that has set benchmarks.

SHARADKUMAR SHETYE, DIRECTOR MANUFACTURING, ELANTAS BECK INDIA



WE WANT TO BE LEADING IN EVERYTHING WE DO. THIS ASPIRATION INCLUDES MANUFACTURING PRODUCTS IN SUCH A WAY THAT NO HARM IS DONE TO PEOPLE OR THE ENVIRONMENT. **THE NUMBER OF OCCUPATIONAL ACCIDENTS AT ALTANA HAS DECREASED CONTINUOUSLY SINCE 2006.**

WE ARE PIONEERS + SAFETY EXPERTS

Risk-Aware Behavior

Last year, ELANTAS Beck India produced around 18,000 tons of materials for primary and secondary insulation at its Ankleshwar and Pimpri sites. Of the 191 employees at these two sites, 95 work in production and 44 in production-related areas.

Risk-aware behavior has become second nature to them. Sharadkumar Shetye has personally seen to this. He has been with the company since 1971, and has held a management position as Director of Manufacturing since 1999. In this capacity, he is simultaneously responsible for engineering, quality control/assurance, as well

as Environment, Health & Safety (EH&S). His credo can be summed up in five words: "Safety is a management task." As simple as that might sound, the actual implementation is complex. In the course of the decades, Shetye has built a three-tier safety culture.

Diverse technical measures in the production process form the basis. They aim to rule out dangers to people and the environment. When employees begin work in Ankleshwar and Pimpri, they receive safety training enabling them to effectively implement these measures, and their

knowledge is refreshed on a regular basis in special training sessions.

The second tier is the systematic safety management system based on the internationally recognized OHSAS 18001 certification. With it, ELANTAS Beck India significantly goes beyond the locally applicable legal regulations. The result is occupational safety at an international level.

Objective: Zero Accidents

The third tier involves a goal: zero accidents in everyday work. Foremen and supervisors make sure that everyone in the team consistently observes the safety regula-



tions. Everywhere in the company, there are posters and instructions about how to behave safely. They are written in the regional languages Gujarati and Marathi.

The company has set up a safety committee in which management and staff jointly formulate targets and review the situation. Once a quarter, a member of management meets with a safety manager for an internal audit in production. And every year there is a special safety week in March during which staff can make personal contributions to safety, providing slogans, poems, or short sketches.

The final goal is a safety culture embracing the entire company that all staff members have internalized. Much has been achieved already, further steps need to follow. Particularly in a society like the Indian one, where everyday life involves countless risks, the employees accept the offer of a safe work environment with open arms, says Shetye. "German thinking and discipline are deeply rooted here," says the director with a smile.

Uniform Safety Culture Worldwide

In the 2013 fiscal year, ALTANA employed 5,741 people worldwide. As an employer, it is our duty to protect our staff members from dangers and to offer them safety at the workplace. The technical and organizational measures our companies have implemented to enhance occupational safety are not oriented solely to the legislation of the respective region. In addition, we seek to create a uniform safety culture applicable in all ALTANA companies whose content and goals are firmly anchored in the minds of all of our staff members.

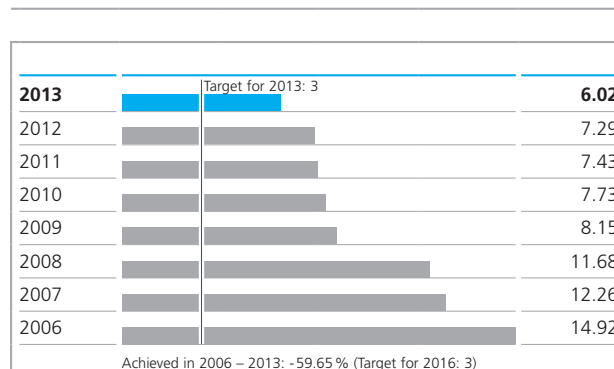
Occupational Safety Indicators

The main aim of all of these measures is to reduce the number of accidents. We measure occupational safety based on the Work Accident Indicator (WAI), which applies to all ALTANA sites. We differentiate between the following categories:

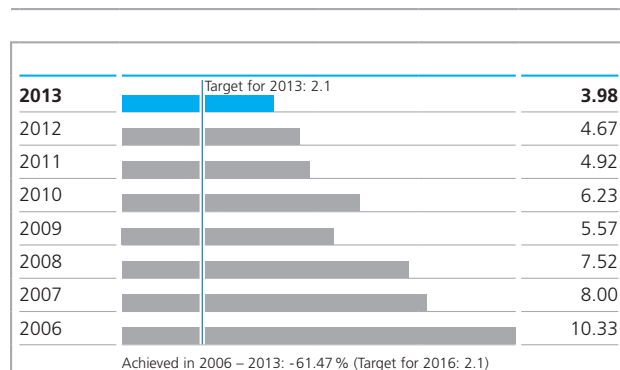
- WAI 1: Number of occupational accidents with lost work time of one or more days per million working hours
- WAI 2: Number of occupational accidents with more than three days of lost work time per million working hours
- WAI 3: Number of lost work days due to occupational accidents per million working hours

As the graphics show, we have improved all three of the indicators significantly since we began recording this data in 2006.

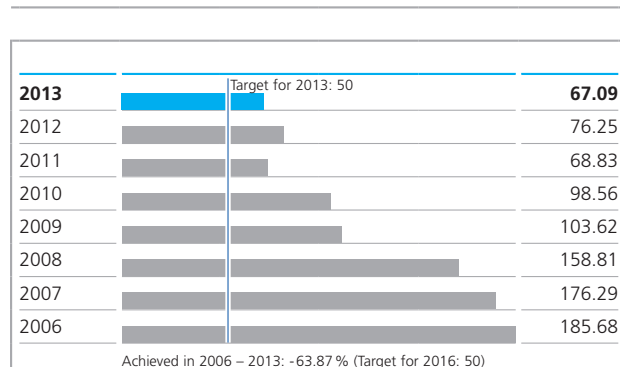
WAI 1



WAI 2



WAI 3



Unfortunately, we did not reach the target we set for 2013. The reason, we believe, is that we underestimated the effort needed to create lasting awareness of the importance of occupational safety in all of our employees. Therefore, we extended the timeframe to 2016, by which time the following key indicators should be achieved: WAI 1 ≥ 3.0 ; WAI 2 ≥ 2.1 and WAI 3 ≥ 50 .

On the other hand, the successes of individual companies show that coordinated on-site organizational measures can lead to decisive progress in the behavior of employees. Examples are special safety committees and monthly safety talks. Thanks to such initiatives, ECKART America did not have any accident-related lost work days at its Schererville site for 10 years; ACTEGA Kelstar and ACTEGA Rhenacoat did not have any accident-related lost work days in 2012 or 2013. These are important milestones in our safety culture.

An evaluation of the accidents shows that most of them are caused by employee behavior. The technical measures are now at such a high level that we see very little room for improvement here. Therefore, we are concentrating our safety strategy increasingly on influencing employees' behavior and sharpening their safety awareness.

Low Number of Incidents

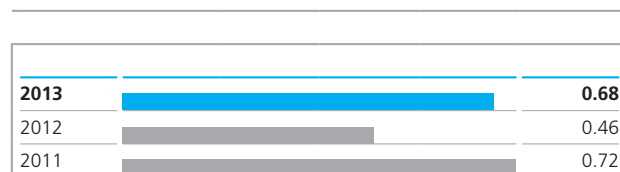
Fire, explosions, and releases of chemicals pose dangers to the company and its neighbors. Worldwide, ALTANA records such incidents based on the definition of the German Chemical Industry Association (VCI), according to which an incident is a process safety incident (PSI) if one or more of the following criteria are fulfilled:

- Injuries leading to a hospital stay of more than 24 hours or lost work days of employees or third parties
- Damages exceeding 25,000 euros

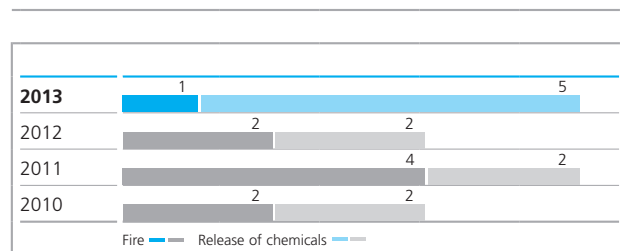
- The amount of substances released – depending on their categorization in the globally valid GHS classification – is above 5, 100 or 2,000 kg.

In 2013, we recorded six incidents: five involving released chemicals and one fire. Setting this number in relation to one million working hours, as specified by the VCI definition, the resulting key indicator is 0.68. It is significantly lower than the VCI average of 1.46.

Number of incidents according to process safety incident (PSI) for 2013/2012/2011 related to one million working hours



Number of incidents in absolute terms for 2013/2012/2011 differentiated according to fire and release of chemicals



Three incidents involving releases of chemicals occurred at the ECKART site in Günterthal, one at the ECKART site in Schererville, and one at ELANTAS Zhuhai. The four incidents at the ECKART sites had no effects on people or the environment. The solvents released (isopropyl alcohol and

acetone) were caught in permanently installed basins, sumps, or tanks provided for this purpose and disposed of as waste.

At ELANTAS Zhuhai, an employee suffered injuries when a small amount of hot heat-transfer oil leaked out during maintenance of the oil duct.

The sixth incident involved the deflagration in a motor of the combined heat and power plant (CHP) installed at ELANTAS Italia's Ascoli site the year before. No one was injured. The deflagration caused a jet flame and the motor was destroyed. The cause of the deflagration could not be ascertained; we assume it was due to a defect in the motor. The motor is being replaced.

Self-Evaluation as a Basis for Improvement

To push forward a shift in awareness in the Group, we continued our "safety on the job" management project in 2013, asking all companies to evaluate their safety culture themselves during everyday work. They were given a uniform questionnaire that focused on four issues: leadership and employee participation; workplace analysis; danger prevention and control, and training.

A new Management Board guideline stipulates that in the future every company should carry out this self-evaluation each year to document its progress. Companies achieving good results may perform the evaluation every two years. Companies whose WAI indicators fail to reach ALTANA's targets have to prove that they have implemented at least one measure derived from the self-evaluation. If this does not bring about progress, these companies have to hire external consultants to make lasting improvements to their safety culture.

Averting Concrete Dangers

In spite of the general high level of the technical safety equipment, many companies see the possibility of making pin-point improvements for concrete situations. An example are the so-called cooling vests that ACTEGA Kelstar acquired in 2013. Production workers can wear the vests, which are cooled with ice, under their work clothes on very hot days. This makes it easier for them to work and prevents heat strokes.

In other companies, too, there are examples of how occupational safety can be improved in certain areas with targeted investments. For instance, the risk of employees' falling or suffering burns from chemicals can be reduced, and fire protection measures and ergonomic features can be improved. Important progress has been made with the installation of closed systems. Raw materials are stored in tanks and fed directly to production from them. The advantage: Employees no longer come in direct contact with the hazardous substances.

Organizational Measures

Among the organizational measures that have been implemented to improve safety is the introduction of certified management systems. In recent years, our Chinese companies have made considerable progress in this area. At our Zhuhai site, ECKART and ELANTAS each developed a safety standard consisting of twelve elements based on national and regional guidelines. In the details, it far exceeds the regulations of the internationally recognized guideline OHSAS 18001. In addition, both companies possess a corresponding safety certificate, which has to be renewed in 2015.

The introduction of efficiency programs, such as the 5S program based on Japanese management techniques, also

contributes to occupational safety. Experience shows that there are fewer accidents in an orderly working environment. A number of our U.S. companies have now adopted this approach, which is also applied in the framework of ALTANA X (see page 12).

Occupational safety also means being prepared for emergencies. Crisis exercises serve these purposes. ECKART does not only train its own site fire department on a regular basis. It has 86 voluntary members, divided into five groups, of which 36 were trained as respiratory equipment carriers and 30 as carriers of chemical protection suits. They work in various departments and are always ready to respond if the alarm sounds. Additionally, the company holds regular so-called fire protection days at its Güntersthal site, where 1,300 people work in 195 buildings. Internal experts teach the employees how to use hand-held fire extinguishers. The employees should be able to extinguish an emerging fire.

will offer special relaxation and back classes at its Güntersthal site. A room was set up for this purpose in 2013.

Psychological problems can also make employees ill. They can detract from their performance at work or lead to physical illnesses, which can result in lost work time. For this reason, BYK-Chemie introduced a psychological counseling service at its Wesel site in cooperation with the health-care provider pro homine. It was the first ALTANA company to take this step. Each employee is entitled to up to five hours of counseling a year, regardless of whether their psychological problems result from private or professional issues. A total of 44 employees took advantage of the counseling offer in 2012, and 42 in 2013. Most of them sought advice due to private problems.

Prevention Through Sports and Fitness

Preventive measures to protect employees' health are playing an ever-greater role in our companies' occupational health management. The goal of these activities is to reduce lost work time due to illness.

Many of our companies help their employees lead healthy lives by offering them sports and fitness options financed fully or partially by the companies. The BYK division, for example, has provided a comprehensive sports and health offer at its Wesel site over the years, and ELANTAS in China has recently also started offering its employees health promoting activities.

At the Zhuhai site, staff members have been able to take advantage of a free soccer, badminton, and swimming offer since 2013. Some of the activities take place on the factory grounds, and some externally. In the future, ECKART

Environment

Energy-efficient management is a key component of ALTANA's corporate strategy. Our goal is to steadily reduce the energy consumption at all sites and in all areas. We also implement this objective in other environmentally relevant areas, for example water consumption.

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ECKART
Effect Pigments

Greg

ECKART
Effect Pigments



WE ARE + DISCOVERERS RESOURCE PROTECTORS

WE ARE ALTANA

Those who view crises as opportunities can overcome them. And that is exactly what ECKART America did. In 2009, when the financial crisis was wreaking havoc on the global economy, the company launched a comprehensive austerity program. The objective was to reduce expenditure for energy and at the same time cut CO₂ emissions. Four years later, the engineers in charge had far surpassed their targets, curtailing carbon-dioxide emissions by 15 percent.

GREGORY SUPER, ENGINEERING, ECKART AMERICA



IN TERMS OF GROSS VALUE ADDED, ALTANA SEEKS TO **REDUCE, BY 2020, CO₂ EMISSIONS BY 30 PERCENT COMPARED TO 2007.** TO ACHIEVE THIS OBJECTIVE, THE COMPANY EMPLOYS SPECIALISTS AT ALL OF ITS SITES WHO DISCOVER SAVINGS POTENTIAL AND THUS CONSERVE RESOURCES.

WE ARE DISCOVERERS + RESOURCE PROTECTORS

Efficient Technology Reduces Energy Consumption

From an entrepreneurial point of view, cutting costs always makes sense. For Gregory Super, Head of Engineering of ECKART America Corporation, it was clear from the very outset that such an austerity program was perfectly in line with ALTANA's environmental goals. His recipe for success was to implement more efficient technology because it uses less energy. By 2012, CO₂ emissions were to be reduced by 5 percent annually compared to 2007; by 2020 they were to be reduced by as much as 20 percent.

While more efficient technology requires investments, thanks to the savings, he calculated, these costs would be amortized in just a few years. And that is exactly what has happened.

At its site in Painesville, Ohio, the company invested around 400,000 U.S. dollars in environmentally friendly technology. As a result, it will save more than 120,000 U.S. dollars a year in energy costs and reduce CO₂ emissions by 15 percent. At the site in Louisville, Kentucky, investments totaled 270,000 U.S. dollars. Annual savings amounted to more than 200,000 U.S. dollars and annual CO₂ re-

ductions to 7 percent. With these results, ECKART America far exceeded the targets it had set itself.

What exactly does more efficient technology mean? "We thoroughly analyzed our production equipment and our overall energy consumption," says Super. "Subsequently, we introduced a wide range of measures." Among other things, the company invested in better ventilation, light, and control systems for individual buildings, renewed motors and fans, and upgraded pumps. Some measures will bring costs savings of a few hundred U.S. dollars, while others will save more than



40,000 U.S. dollars, with positive effects on the environment to boot.

Tiny Leaks in Compressed Air Systems Repaired

The strongest benefits were provided by repairs to compressed air systems used at both sites to distribute pulverized metals for further processing. "We suspected there were tiny leaks in the systems which squandered energy," explains Super. "But to prove this, a specialist had to be called in." The expert inspected the systems with an ultrasound device, found that leaks indeed existed, and repaired them.

"In the future, we will have the systems maintained on a regular basis," says Super. And it is well worth it. Sealing air compressor systems has reduced the energy consumption at the two sites by a total of 700,000 kWh a year, meaning 400,000 kg lower CO₂ emissions compared to 2007.

This is a resounding success and simultaneously provided motivation for new measures. In 2014, Super intends to improve the energy efficiency of the atomizer in Painesville, and in 2015 to install a new melting furnace in Louisville. In addition, he has set himself a new target: By



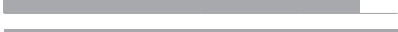

2020, he seeks to reduce CO₂ emissions not by 20 percent, but by 25 percent, vis-à-vis 2007.

ALTANA Reaches Its Environmental Targets Worldwide





Energy-efficient management is a key component of ALTANA's corporate strategy. Rising energy prices pose a risk to ALTANA in the face of climate change. We are continually working on reducing the energy consumption at all of our sites and in all areas. This not only concerns production, but also laboratory and administrative activities. Since 2007, we have measured our energy consumption based on the guidelines of the Greenhouse Gas Protocol, a standard that defines how companies should determine their climate-relevant emissions.

We differentiate between CO₂ emissions from direct and indirect energy consumption (oil and gas, Scope 1; and purchased electricity, Scope 2). In determining CO₂ emissions, we work with data from the respective national electricity network and not from the respective supplier. We take the values for national grids from publications of the International Energy Agency. We set these data in relation to the gross value added and derive a key performance indicator from this.

ALTANA: CO₂ from oil and gas consumption (Scope 1)



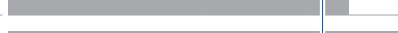

in g/€		
2013		0.080
2012		0.087
2009		0.086
2007		0.095

ALTANA: CO₂ from electricity consumption (Scope 2)

in g/€		
2013		0.150
2012		0.153
2009		0.170
2007		0.203

Our goal is to reduce our CO₂ emissions by 30 percent by 2020 compared to 2007. The corresponding target is 0.21. We have specified detailed sub-targets for each year. The target for 2013 was 0.24. With a value of 0.23, we even exceeded this goal, as the graphic shows.

ALTANA: Total CO₂

in kg/€		
2013		0.23
2012		0.24
2009		0.26
2007		0.30
Target for 2020: 0.21		

The change ECKART made at its Günterstal site in 2013 has played a key role in reducing CO₂ emissions. Since then, we have used gas as a source of energy instead of oil. We laid a gas pipeline in the plant that supplies 18 boilers (and will supply 21 in the future). This cuts the CO₂ emissions at the site by 16 percent, or 959 metric tons, vis-à-vis oil-based emissions.

The optimization of a machine park can also lead to a better energy yield and thus to improved energy efficiency. This is shown by examples from the U.S. and China.

At its Tongling site, ELANTAS installed a new oven that uses less gas than its predecessor. ECKART can now produce pigments more efficiently in Zhuhai thanks to new filter technology. The motors for the nine new sieves require less energy than the old ones. Each year, around 110,000 kWh can be saved. In addition, the new plants are quieter, improving health protection.





In the U.S., ACTEGA Kelstar is now using new, energy-saving electric motors. They replace the ecologically inefficient compressed air motors that have been used traditionally to ensure explosion protection in chemical plants.

Less Waste, Lower Water Consumption





The positive development regarding energy consumption is also reflected in other environmentally relevant areas, as our key performance indicators for waste and water consumption show. All of the results are significantly lower than the targets in 2013. Thus, we see ALTANA as being on the right track to achieving the water and waste targets it set for 2017.

In 2013, ALTANA manufactured 418,000 tons of finished goods. To this end, approximately 390,000 tons of fossil, mineral, and metallic raw materials were used. In addition, water was used as a raw material.





ALTANA: Drinking water consumption

in g/€			
2013		Target for 2013: 1.04	0.89
2012			1.06
2009			1.59
2007			1.53
Target for 2017: 0.9796			




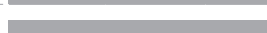
ALTANA: Groundwater consumption

in g/€			
2013			1.16
2012			1.07
2009			1.07
2007			0.87

ALTANA: Hazardous waste

in g/€			
2013		Target for 2013: 31.38	29.19
2012			31.75
2009			34.05
2007			37.33
Target for 2017: 29.89			

ALTANA: Non-hazardous waste

in g/€			
2013		Target for 2013: 12.05	9.92
2012			12.23
2009			13.54
2007			18.09
Target for 2017: 11.33			

Fine Paid in the U.S.

This positive development was marred slightly by a fine of 330,000 U.S. dollars that ECKART America had to pay in the U.S. in 2013. The background was incorrect reporting to the environmental authorities responsible in the U.S. state

of Kentucky. In the meantime, ECKART America is reporting in accordance with licensing requirements.

Plant Construction Helps the Environment

When we build new manufacturing facilities, our primary objective is to increase capacities. At the same time, we can normally improve the companies' safety and environmental records. The two investment projects that ALTANA implemented in the U.S. and China in 2013 are the best proof of the ecological progress that can be made when state-of-the-art technology is coupled with experiences from existing manufacturing.

ELANTAS's new manufacturing plant in Tongling, China, is more energy efficient because it uses thermal oil rather than steam and, moreover, utilizes waste heat from waste incineration. Raw materials and finished products are stored in tanks and transported in closed systems. This cuts VOC emissions. In addition, less effort is needed for cleaning and, as a result, less waste accumulates than with the preceding plant, as in the new facility more tanks are assigned to certain products or product groups.

The improvements made at the BYK manufacturing facility in Wallingford relate to environmental and safety aspects, such as explosion protection and leakage sensors. Among the most important measures implemented was the installation of 18 new raw material tanks, two tanks for rainwater, and special catch tanks for released chemicals. A ventilation system and an automated fire extinguishing system round out the environmental profile of the new plant.

The expansion of a plant can also help reduce its environmental effects. At its Ascoli site, ELANTAS Italia acquired property bordering directly on the existing grounds. On the new property, new laboratory capacities and additional raw material storage facilities, including tanks for liquid raw materials, are being set up.

Biodiversity Measures

Generally, ALTANA sites have been located in industrial or commercial areas and therefore have not had any effect on nature conservation or landscape protection in the respective region. With the acquisition of the rheology business of Rockwood, ALTANA took over clay pits in the U.S. and Spain. As a result, it has an obligation to restore the land to its natural state when the strip mining comes to an end. The necessary budgets have already been earmarked.

The seven clay pits in the U.S. used to primarily serve agricultural purposes. Consequently, the mining has no effect on nature protection. If ALTANA is the owner of the pits, the biodiversity of the area will be greater after renaturing than before the mining operations began. If the grounds are leased, the land will be renatured based on the guidelines of the leaser.

The Spanish clay pit is located in the Andalusian nature park Cabo de Gata. The park was established in 1988 – several decades after strip mining began there. Due to the very hot and dry climate, unique, desert-like vegetation has developed in the region, giving the nature park the status of a biosphere reserve.

The pit is around 700 meters long and up to 80 meters deep. As the clay is excavated, chemicals are not needed. The strip mining activities will be finished at the end of 2014. Subsequently, the land will serve as a stockpile for another five to seven years. Then the renaturation process can begin.

Further Reduction of Environmental Effects

Aside from using energy sources as efficiently as possible, we make sure that in other areas, too, the effects of our operations on the environment are steadily reduced. Our companies implement individualized measures, depending on the

conditions of the site. Below we discuss the most important actions taken last year.

Minimizing Dust Emissions

When copper is processed, copper dust arises. At ECKART America's Painesville site, it can be washed by rainwater into the nearby Grand River and pollute the waterway. To improve the situation, the company set up new mills and a sequence of closed systems in 2013. As a result, copper-dust emissions were reduced by 70 percent compared to the previous year. The goal is to cut them to one pound a year in the long run. In view of these positive experiences, ECKART engineers at the Louisville site are working on decreasing the zinc-dust emissions there, too.

Progress in Water Treatment

At its Pimpri site, ELANTAS Beck India operates a wastewater treatment facility that is akin to an in-house sewage treatment plant. The water is treated aerobically with the help of microorganisms. In 2013, osmosis treatment was added. Now the quality of the treated water is so good that it can be reused, saving fresh water at the site.

At its Painesville site, ECKART America began operating a new wastewater treatment plant. The facility ensures that waste particles flake together in the water and can subsequently be filtered out. As a consequence, the site has less waste to dispose of.

Further Reduction of VOC Emissions

At the Louisville site, a new central facility reduces 80 percent of the emissions from white spirit, used as a solvent in pro-

duction. The facility replaces four smaller ones that did not meet the more stringent legal requirements. With the new unit, the company reduced its VOC emissions by four fifths. In a first step, the steam is cooled down until it condenses into water. In a second step, the mineral traces from the air-stream condense.

At its Collecchio site, ELANTAS Italia consumes less acetone, which is used as a cleaning agent, thanks to a new production boiler cleaning facility. This also reduces VOC emissions. The new facility cleans the boilers with brushes under high pressure. Also, not as much manual cleaning work is needed, and so the employees are subjected to less solvent vapors.

ACTEGA Kelstar also reduced its VOC emissions, thanks to three new tanks. Raw materials are now transported through pipelines from the tanks directly to production. In conjunction with the steel catchment basins that completely encircle the manufacturing and storage facilities, the new facility improves the safety of the plant. If chemicals were to leak out, they would not reach the ground and could be collected. The third advantage of the tanks: They reduce the amount of waste.

Raw materials categorized as ozone-depleting substances are not processed at ALTANA.

Improved Logistics

Well-planned logistics also have a positive influence on a company's effects on the environment. By transferring its additives manufacture for the North American market increasingly to the U.S., BYK is reducing its logistics outlay. This primarily concerns the waxes of BYK-Cera. Some of them have been manufactured at the U.S. site in Chester since 2013.

Daily transports and deliveries can pose a burden to neighbors. At its Wesel site, BYK has therefore used a new

ALTANA distribution channels for finished products

	Water	Road	Air	Rail
in t				
2013	106,618	308,907	1,583	2,224
2012	101,439	304,218	3,693	1,724
2009	70,387	208,170	2,125	3,627
2007	83,742	291,193	9,687	2,723

road for transports and deliveries of its own products. The road was built by the town of Wesel specifically for heavy trucks. For this purpose, BYK had to rebuild the access road to the factory grounds. In Quattordio, Italy, a new access road at ELANTAS Italia is also improving procedures and, in particular, safety in the event of a fire. Among other things, it serves as a waiting area for trucks that transport contaminated water from the site.

Human Resources

Our employees are our most important resource. Therefore, ALTANA promotes their professional development, prepares them for positions of leadership, and enables its staff to participate in the company's success to motivate them to stay with the company on a long-term basis. We put particular emphasis on recruitment of young talent, specialists, and managers.

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WE ARE + FUTURE SHAPERS VALUE UPHOLDERS

WE ARE ALTANA

How can sustainable, future-oriented action pay off for decision makers in companies? People around the world have dealt with this question since the financial crisis in 2008 at the latest. In 2013, ALTANA developed a tailor-made response to this question with a new system of variable compensation for its top management. If the ALTANA value added (AVA) indicator rises, so does the long-term bonus for decision makers.

MARTIN BABILAS, CHIEF FINANCIAL OFFICER, ALTANA, **JÖRG BAUER**, HUMAN RESOURCES, ALTANA, **VERA SCHIEFERECKE**, CORPORATE AFFAIRS HR, ALTANA



ALTANA IS ORIENTED TO SUSTAINABLE VALUE GROWTH, NOT TO SHORT-TERM PROFIT MAXIMIZATION. THAT'S WHY **WE INVEST IN OUR EMPLOYEES AND IN A CORPORATE CULTURE THAT PRESERVES AND CREATES VALUES.**

WE ARE FUTURE SHAPERS + VALUE UPHOLDERS

Thinking in Long Time Periods

The compensation for decision makers at ALTANA is composed of fixed and variable components, as is usual in the chemical industry. The bonus payments used to be geared only to the financial indicators of the division in which the executive works. The basis were the earnings before interest, taxes, depreciation and amortization (EBITDA) and the return on capital employed (ROCE) in the previous fiscal year.

That changed in 2013. "With the new Long-Term Bonus (LTB) scheme, we have created an instrument that evaluates and

rewards the success of our top management's strategic thinking and action for the entire group over a period of six years," explains Martin Babilas, Chief Financial Officer at ALTANA.

Group-Wide Value Indicator

The long-term bonus system permits around 110 managers worldwide to participate in the value development of the ALTANA Group. The key difference to the bonus system so far: "With the LTB, the development of the Group as a whole plays a central role," says Jörg Bauer, Vice President Human Resources at ALTANA. Thus, the long-term bonus motivates executives

to look beyond their own division and consistently take account of the overall success of the group in all decisions.

How does one develop a calculation basis that considers long-term effects group-wide? "The benchmark is the internal value creation indicator, the so-called ALTANA Value Added, or AVA for short," answers Vera Schieferecke, Head of Corporate Affairs HR. This indicator is determined by subtracting the cost of capital employed in the Group from the operating earnings.

The calculation of the long-term bonus is based on the average development of the



AVA in the three previous fiscal years, the so-called performance period. This AVA development is compared with the average AVA in the three years before the performance period.

“Our goal is to increase the average AVA by ten percent vis-à-vis the comparison period,” explains Babilas. “It is based on the expectations we have defined for the return on capital employed.”

AVA Performance Determines Bonus

For the compensation system that means: If the AVA reaches the target, the long-term bonus is paid out completely. If the

AVA increases by less than ten percent, the bonus is reduced proportionally. But if the AVA performance is above the target, the bonus increases. For 2013, incidentally, the AVA was above the challenging target, and the top managers involved received an above-average bonus payment.

Employees: Our Most Important Capital

In 2013, more than 5,700 women and men worked for ALTANA companies. With their higher than average qualifications and their commitment, they are the most important capital for us as a technology company. Many of them have been with the respective company for many years. The extremely low fluctuation rate demonstrates our employees' attachment to ALTANA.

The corporate culture in our companies is characterized by ALTANA's Guiding Principles, in which openness and honesty, respect and tolerance, play a key role. We assume responsibility for our staff by offering them further education and training possibilities and promote and support their professional development in a targeted way. Moreover, the preventive health promotion measures discussed in the "Safety" chapter reflect our understanding of employer responsibility.

Diverse Recruitment of Young Talent

Beginning with our choice of employees, we make a concerted effort to hire people whose knowledge and abilities, as well as technical and social skills, fit our group. Our human resource management makes use of various recruitment instruments, including regional education fairs at which our companies introduce themselves and their apprenticed professions. In 2013, BYK and ECKART took part in such events.

University fairs are suitable forums for informing students about the opportunities ALTANA offers. In 2013, we visited a total of 14 university fairs, some of them regional, including the Akademika in Nuremberg and the job fair of the Association of German Chemists (GDCh). These events are regularly attended by so-called university ambassadors who work in various fields in our group of companies. Their task is to convey a personal image of ALTANA.

Encouraging Young Talent in a Targeted Manner

Since 2009, ALTANA has participated in the Germany Scholarship financed by the German Federal Government and partners from industry. Scholarship holders not only have to perform well, but are also expected to be willing to take responsibility. The students receive a monthly stipend of 150 euros from the companies for at least two semesters. The scholarship is paid regardless of level of income.

In this framework, ALTANA supports ten Bachelor's and Master's students at the Hochschule Niederrhein University of Applied Sciences, located in the Lower Rhine region, and three students at the Technical University Munich (TUM). In addition to financial support, ALTANA offers scholarship holders the opportunity to do internships or to write their final papers at one of our companies. An accompanying program with excursions to group sites rounds off the scholarship program.

Campaign to Make Specialty Chemistry More Tangible

We view university marketing as an important means of recruiting young talent. Therefore, we launched a new career campaign in Germany in 2013. It is geared to students and graduates with degrees in chemistry and industrial chemistry, as well as paint, plastics, and chemical engineering. The ads were put in selected print media for a period of eight months (daily and weekly newspapers, specialist journals, and university magazines). Online marketing and social media activities completed our advertising campaign.

The objective of the campaign was to enable people to get more insight into ALTANA as a specialty chemicals company. Based on appealing picture motifs, it shows the contributions our companies' products make to people's everyday life. In the online communication, the ads were linked to

the ALTANA job portal and additionally offered people the opportunity to submit unsolicited applications. Thus, interested people could contact us easily.

Exemplary Recruiting

An independent study conducted by Koblenz University of Applied Sciences for Human Resources and Education in cooperation with the Vienna-based communications agency GPK shows how good our recruiting is. ALTANA finished in first place in the rating of chemical companies and was rated as one of the top ten employers in Germany. We are particularly proud of this award, as the tests and analyses for the study were carried out anonymously and without our prior knowledge. In their summary, the authors of the Career's Best Recruiters study extolled the swift and efficient application process at ALTANA as well as the company's appreciative, fair, and open dealings with applicants.

For the study, the scientists not only examine the company's online job ads and online presence, including its career pages and activities in the social web. They also test the employers' online recruiting: How do they react to unsolicited applications and what is the personal contact with the applicants like? The test applicants are expressly asked to provide feedback with their impressions of the contact with the employer.

Award for Our Trainee Program CDDPI

The second pillar of our activities to promote young talent are our trainee programs for university graduates, which we gear to the individual qualifications and needs of the young people. In this area, too, independent third parties were convinced of the quality of the measures we adopted in 2013.

The "Initiative for Career-promoting & Fair Trainee Programs" gave an award to our Cross-Divisional Development Program Innovation (CDDPI). The initiative was launched by the Absolventa GmbH job fair. The scientific partner is the Institute for Human Resources Management of the Ludwig Maximilian University of Munich. Ten companies from the private sector were also partners. The award is based on the "Charter of Career-promoting and Fair Trainee Programs", which ALTANA also signed. The charter defines standards regarding the character, structure, and remuneration of the trainee program.

The initiative examined our program CDDPI, with which we purposefully promote cooperation across our divisions. Over a period of two years, the participants in the program complete a strategic project in each division and take part in a cross-divisional project.

Distinction for Our Job Portal

Our job portal Career@ALTANA offers comprehensive information on employment and career possibilities in our group. In the job portal, we provide a list of available positions worldwide and offer interested people the opportunity to apply directly online. In addition, people can set up a user account and subscribe to receive our "jobletter," providing the latest information on job postings. In a study on the "Top Career Websites" conducted by the market research institute Potentialpark in 2013, our job portal finished in 29th place among 142 companies. The institute had surveyed 2,000 students in Germany.

Identifying Potential

Our human resources department has developed a number of instruments for analyzing the expertise and leadership

potential of our employees with an eye to their career development. As a supplement to the annual progress dialogs, we have offered a "Talent Evaluation Process" (TEP) in Germany since 2010. It is a prerequisite for participation in our comprehensive human resource development programs.

TEP helps employees who want to make career changes objectively assess their abilities. It is based on a structured evaluation that the employee's superior makes together with other managers. Around 60 staff members have taken part in the process thus far, receiving important impetus for their further professional development.

The leadership examination, which we initially introduced only in Germany, serves to prepare employees for management positions. In the years to come, we will also launch it in our companies in the U.S. and China. In a one-day, structured procedure, candidates are examined individually to see where their capabilities lie and how suitable they are for the future position.

Strengthening Diversity

In 2013, women occupied just below 20 percent of the management positions at ALTANA in Germany. This is significantly lower than the share of female employees in Germany on the whole, which amounted to 29 percent. A more detailed analysis reveals the following picture: Eight percent of the managerial staff and 22 percent of the staff who are exempt from wage agreements were female. 20.1 percent of the disciplinary management positions were held by women. There are no women in ALTANA's Management Board. However, 25 percent of the members of the Supervisory Board are female.

We cannot currently make any statements about the gender balance in our other companies because no data have been compiled thus far. The reason is that the definition of what a management position is differs from country to coun-

try. We are working on obtaining data that we can use as the basis for a key performance indicator to which our measures will be oriented in the future.

The situation in Germany inspired us to launch the initiative LEADING WOMEN@ALTANA, which was instigated by staff members. The aim of the initiative is to promote ALTANA's objective of transferring more management positions to women. For we are convinced that mixed teams promote diversity, which we need to continue to be successful in our highly specialized industry.

With concrete measures, LEADING WOMEN@ALTANA will contribute to creating an awareness of the added value of diversity. The initiative started with a kick-off event in June 2013 at our Wesel site, attended by more than 70 participants. This was followed in the fall by a seminar devoted to gender-specific communication, which was also held in the Rhineland. It will be repeated in southern Germany in 2014. A women's mentoring network is also planned.

Independent of these activities, several ALTANA companies, including BYK-Chemie, ELANTAS Beck, ACTEGA Colorchemie, and ACTEGA DS, take part as partners in the Germany-wide Girls' Day, and did so in 2013. The event aims to inform female pupils about technical professions and arouse their interest in technology by enabling them to take part in experiments and explaining technical devices.

Social Commitment

As a good corporate citizen, ALTANA supports and sponsors social projects focusing on education, science, and research. To strengthen our local environments and to be a good neighbor, we especially promote initiatives near our sites in Germany and abroad.

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WE ARE + RESEARCHERS TALENT SCOUTS

WE ARE ALTANA

Corporate responsibility does not end at the factory gate. As a good corporate citizen, we maintain dialog with all social groups and sponsor educational initiatives, including the House of Junior Researchers project. Successful event series like the latter in preschools and elementary schools are only possible thanks to the personal commitment of our staff. With imagination, patience, and passion, ALTANA employees get children interested in nature and technology.

ALFRED DALLAROSA, COATINGS ADDITIVES TRAINING AND EDUCATION, BYK



EDUCATION AND TRAINING ARE THE MAIN FOCUS OF OUR SOCIAL ACTIVITIES. NOT ONLY DO OUR EMPLOYEES OFFER THEIR SERVICES, BUT WE ALSO **SPONSOR SCHOOLS AND UNIVERSITIES TO HELP SPAWN FUTURE RESEARCHERS.**

WE ARE RESEARCHERS + TALENT SCOUTS

With Imagination and Inquiring Minds

Children ask a lot of questions because they have a thirst for knowledge. How can it be slaked? "By taking up the questions and helping the children find an answer themselves," says Alfred Dallarosa, Head of Coatings Additives Training and Education at BYK. Since 2006, the trained chemical engineer has spent half a day each month at the German Red Cross preschool Abenteuerland, where he conducts experiments together with three- to six-year-olds. They try to find out why pieces of wood float on water and don't sink. They prick balloons so that they hiss through

the room to illustrate the principle of recoil.

What began as the project of an individual excited others in the company and became established as a volunteer program. There are now ten "school ambassadors" at BYK. They spend up to 40 hours a year in preschools and elementary schools giving girls and boys initial insight into the natural sciences. The House of Junior Researchers foundation coordinates their activities. The foundation supports science education at preschools and grade schools throughout Germany.

"Our projects don't focus on imparting knowledge or facts, on right or wrong," says Dallarosa, discussing the educational approach. "It's much more important to open children's eyes to everyday phenomena and to spark their interest in research. In their normal school classes, they learn how scientists and engineers work."

The children formulate their own hypotheses and check them in experiments, developing new hypotheses if the first ones were wrong. The ambassadors have to react creatively to the conjectures of the young scientists. "Children understand



much more than we adults suppose," says Dallarosa. "They often surprise us with astute insights into scientific phenomena."

Award for Commitment

The seeds that Dallarosa and his coworkers sew in childhood education are cultivated further by BYK. At its headquarters in Wesel, the company maintains contacts with a number of secondary schools. For example, it offers around 30 young people the opportunity to get an impression of work in a chemical company in a two-week practical training program for students.

Additionally, BYK supports special science projects or project weeks at secondary schools. The company even received an award for this in the 2012/2013 school year. In the "Mein Engagement macht Schule" competition, initiated by the German-wide "Arbeitsgemeinschaft Schule-Wirtschaft," BYK finished in third place.

Our Commitment as a Good Corporate Citizen

Our commitment as a good corporate citizen is part of our entrepreneurial self-image. We focus on promoting education, science, and research. Our goal is to spark a lasting interest in young people around the globe for mathematics, the natural sciences, and technology. In the name of good neighborliness, we give preference to projects near our sites. We have supported a number of initiatives for several years now.

From Preschool to University

People who want to become scientists need to get an early start. With this in mind, our activities begin in kindergarten and elementary school. In 2013, for example, we gave elementary school students in the Wesel district, home to the worldwide headquarters of our group of companies, the opportunity to win one of eight chemistry sets worth 1,000 euros each for their school. The sets contain ample material that children can use for experiments.

In advance, we had asked the students via local press to make a creative contribution to a competition called "Chemistry in Everyday Life." The children and their teachers were free to decide on the kind of project. We were impressed by the results. There was a tremendous response and the students' creativity was outstanding. This shows the keen interest children have in chemistry. They sent us posters they painted themselves, poems, videos of dances, and their own rap songs. Due to the high quality of the submissions, we increased the number of chemistry sets from eight to fourteen. The best projects from the competition can be found at www.altana.de/chemiebaukaesten.

Increase in the Company's Value Heightens Commitment

We purposefully promote entrepreneurial thinking in secondary schools. In 2013, we profitably linked the internal further education of our staff with our social commitment.

In the worldwide training programs to introduce our corporate key performance indicator AVA (ALTANA Value Added), employees in selected management capacities were given the task of simulating in a virtual business game three business years in a fictive company to find out how the AVA can be increased based on concrete measures. The executive management agreed to contribute ten euros to a non-profit campaign for each AVA unit achieved in training. A total of 18,500 euros was generated, and the Management Board increased it to 20,000 euros.

Some of the money was donated to the Germany-wide competition "Jugend gründet" (Youth Startups). The online virtual business game, initiated by the German Federal Ministry of Education and Research, is geared to students and trainees. Awards are given to the best ideas and business plans for innovative company startups. The participants have the opportunity to simulate their business idea in virtual fashion – similar to what the ALTANA employees did in the AVA training. We also support real company foundations, for example, by participating in high-tech startup funds.

Support for Private Educational Initiatives

Other educational initiatives sponsored by ALTANA include the Watoto Wema Center in Kenya, the Howard Park Center in Ellisville, Missouri, the Kreativ community foundation in Wesel, the Passo Fundo association, and the children's aid association Kinderhilfe Nepal.

The Watoto Wema Center, which supports an eponymous orphanage in Nairobi, used some of the profits gen-

erated in the AVA training program to build two new brick classrooms and an office for the school social worker.

The Howard Park Center provides educational and therapy services for children with developmental delays, including autism. Our employee Tom Murray from ELANTAS PDG works there on a volunteer basis. We have offered the center financial support for several years. In 2013, ALTANA donated 14,500 U.S. dollars to promote the children's education.

The Kreaktiv community foundation promotes creative activities for children in the Rhine-Lippe region. In 2013, ALTANA provided rooms and catering for the foundation's "Light Tower" event for the third time, donating a total of 6,000 euros in kind.

Passo Fundo e.V. is a German nonprofit organization based in Münster. It aims to enhance social justice in Brazil by promoting talented young people. In the Latin American country, only a minority of people has access to higher education. To improve the situation, the organization regularly gives university grants on the condition that the recipients get involved in social projects in their country. ALTANA has supported the organization for several years. In 2013, we donated 7,500 euros, enabling four scholarships to be given.

Via Kinderhilfe Nepal e.V. Mainz, ALTANA supports the Parizat Nestling Home, a home and educational center for children of parents imprisoned in Kathmandu. The association received 6,000 euros to build a photovoltaic unit and a thermal solar facility.

Volunteer Commitment Promotes a Sense of Responsibility

Like the ALTANA Group as a whole, many employees and managers take social responsibility. They get personally involved, for example, in so-called Volunteer Days, when they work for a day for a nonprofit organization.

The Volunteer Day is part of the ALTANA Development Program Germany, or DP for short, in which especially talented staff from all of our German companies is prepared for future management tasks. In September 2013, 16 DP participants worked in Peace Village Oberhausen, where they winterized the green areas of the facility. In addition, some of the participants prepared 500 aid packages for transport to Armenia. Peace Village Oberhausen is a private initiative that has existed for decades. It provides therapy and care to injured children from war and crisis areas who cannot receive adequate treatment in their home country.

Volunteer work also promotes teambuilding. For instance, the participants in the management meeting of ECKART America have traditionally selected an appropriate task for their annual meeting. In 2013, the managers faced the challenge of cooking 40 portions of lasagna in eight teams within a period of four hours, including the choice of recipe. After four hours, there was only one team left, but there were 85 portions of lasagna. They were brought to the Ronald McDonald House in Columbus, Ohio, where families of severely ill children live while their kids are being treated.

The Charitable Giving Committee of BYK Gardner USA, Columbia, Maryland, also called a Volunteer Day into being. The committee plans and coordinates all of the company's CSR activities. The focus is on educational partnerships with local schools and help for the homeless.

During the 2013 Volunteer Day, employees cooked meals for homeless people cared for in the Route One Day Resource Center, just a ten-minute drive from the BYK Gardner site. While the center is run by the municipal administration, it relies on private support. The employees also helped organize clothing and food donations. Within the framework of educational partnerships, BYK Gardner USA additionally takes part in regional information workshops devoted to scientific professions, organizes company tours, and supports students who are doing their own projects in this area.

Natural Disaster Relief

In exceptional cases, ALTANA's sponsoring and donation activities go beyond the focal points of education, science, and research.

Following the flooding in southern and eastern Germany in 2013, ALTANA supported the "Deutschland hilft" campaign, contributing 30,000 euros. Personal donations made by employees accounted for half of the amount. The company doubled this sum. In addition, ALTANA provided emergency aid of 20,000 euros to the I.S.A.F. Germany foundation, which assisted people in the Philippines victimized by Typhoon Haiyan.

Many of our companies also promote social organizations in their region in a targeted way. At both of ECKART's German sites, employees collect donations during the Christmas season, which are added to by the management. In 2013, the Günterstal site donated 10,000 euros to "Café Vergissmeinnicht" in the Velden Network. People suffering from Alzheimer's or dementia regularly meet up at the café, which is run by volunteers. The Wackersdorf site helped the Regensburg-based VKKK, an association for helping children suffering from cancer or physical handicaps. The association used the contribution of 10,000 euros to buy new furniture for the parents' house of the Children's Hospital Regensburg.

Highlights and Lowlights

Highlights

- ALTANA increased its gross value added by 5.4 percent in 2013. It amounted to 663 million euros.
- ALTANA increased its portfolio of environmentally friendly products and products for water-based coatings significantly in 2013. This was due to the acquisitions of the overprint varnishes business of Valspar, Henkel's specialty coatings business, and the rheology business of Rockwood.
- The number of our suppliers that have committed themselves to the principles of the Global Compact initiative rose to 319.
- In 2013, ALTANA exceeded its environmental targets. This relates to CO₂ emissions, water consumption, and amount of waste.
- At its Günterstal site, ECKART reduced its CO₂ emissions by 959 tons. This was made possible by a switch from oil to gas as an energy source.
- ACTEGA WIT, ACTEGA Kelstar, ACTEGA Rhenacoat, and ECKART America in Louisville were all certified according to ISO 14001. As a result, a total of 29 ALTANA companies now possess this certification.
- ECKART Zhuhai and ELANTAS Zhuhai were certified based on the national safety management system in China.
- 2013 was ELANTAS Beck India's tenth accident-free year in a row.
- At its Schererville site, ECKART America has not recorded any lost work time in ten years, and ACTEGA Kelstar in two.
- We reached important milestones in our efforts to develop alternatives to hazardous substances. These include benzophenone-free coatings and varnishes of ACTEGA Kelstar, the monomer-free coatings of ELANTAS Beck, the NMP-free coatings of ACTEGA Rhenania, and BYK's additives for chrome-free corrosion protection.
- ALTANA's personnel recruitment and the ALTANA trainee program CDDPI each received an award.

Lowlights

- ALTANA did not reach the targets it set for itself for 2013 with regard to the Work Accident Indicator (WAI). The timeframe has been extended to 2016.
- Due to violations of environmental laws, ALTANA paid a fine equivalent to 238,000 euros in the U.S. Other fines amounting to 2,000 euros and 5,000 euros concerned products and services.
- ALTANA recorded two compliance violations in 2013.
- In 2013, ALTANA had to register six incidents. One employee suffered slight injuries.
- Women are still underrepresented in management positions relative to the number of women employees.
- ALTANA did not achieve the goal it set itself of defining a key performance indicator for sick leave. The timeframe is now 2014.

Programs/Goals

Core management tools for increasing performance include the measurement of performance indicators, the definition of goals, the development and implementation of action plans, and the review of goal attainment. The latter is part of the target evaluation that determines the variable income components of executive managers.

The list below shows our goals for performance indicators and important measures. The individual ALTANA companies also have detailed action plans in the context of their respective management systems.

Management

Certification of additional non-certified companies in accordance with ISO 14001 or similar standards	Ongoing
Certification of BYK's energy management system in accordance with ISO 50001	End of 2014
Certification of further companies in Germany in accordance with ISO 50001	End of 2015
Open House event at all German companies	Sept. 2014
Safety summaries for the substances to be registered in 2013 to support the Global Product Strategy	End of 2014
Continued communication of ALTANA requirements for cooperation with suppliers in the context of supplier visits and audits (Global Compact)	Ongoing
Implementation of further core indicators according to GRI: total number > 23	End of 2014

Products

Expanded development of water-based coatings, especially at ACTEGA	Ongoing
Use of renewable raw materials (without quantification)	Ongoing
Additional lifecycle assessments (LCA)	Ongoing
Development of further additives and pigments for waterborne coatings	Ongoing
Development of further VOC-reduced and/or water-based coatings	Ongoing
Development of products for resource efficiency	Ongoing
Development of products for energy efficiency	Ongoing
Development of additional products with FoodSafe seal	Ongoing

Safety

WAI 1 below 3 or WAI 2 below 2.1 occupational accidents per million working hours	By 2016
WAI 3 below 50 lost work days per million working hours	End of 2016
Reduction of significant incidents; no significant incidents in the long run	Ongoing
Safety improvement measures from best practice examples	End of 2014
Guideline to improve occupational safety	End of 2014

Environment

Reduction of specific environmental impact (in terms of gross value added):

CO ₂ emissions	-30 %	2007 – 2020
CO ₂ emissions	-9 %	2012 – 2020
Drinking water	-5 %	2012 – 2017
Hazardous waste	-5 %	2012 – 2017
Non-hazardous waste	-5 %	2012 – 2017
Hazardous waste for disposal	-5 %	2012 – 2017
Non-hazardous waste for disposal	-5 %	2012 – 2017
Various measures to conserve water		Ongoing
Various measures to reduce waste		Ongoing
Various measures for energy efficiency and using renewable energies		Ongoing
Replacement of combined heat and power plant at ELANTAS Italia in Ascoli		End of 2014
Result of the finished-product logistics project in Germany		End of 2014
Reduction of zinc-dust emissions at ECKART America in Louisville		End of 2015
Reduction of copper-dust emissions at ECKART America in Painesville		End of 2015

Human Resources

Increase in percentage of women managers	Ongoing
Sickness absence recording for preventive health care	End of 2014
Additional measures to further establish new Guiding Principles	Ongoing
Compliance seminars in Italy	End of 2014
Audits on compliance-relevant topics around the world	Ongoing

Global Compact: Communication on Progress (COP)

By participating in the U.N. initiative Global Compact, we commit to respecting human rights, creating socially compatible working conditions, promoting environmental protection, and fighting corruption.

Principle	Page	Measure taken
Human Rights		
Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights	28 – 31, 33	Health management, occupational safety
Principle 2 Make sure that they are not complicit in human rights abuses	14	Search for suppliers, supplier agreements, audits, Global Compact on the Internet
Labor		
Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	14	Supplier agreements
Principle 4 The elimination of all forms of forced and compulsory labor	11	Compliance management system
Principle 5 The abolition of child labor	11, 58 – 59	Compliance management system, support of education initiatives
Principle 6 The elimination of discrimination in respect of employment and occupation	11 – 12	Fair treatment, compliance management system, training, investigations, surveys, diversity
Environment		
Principle 7 Businesses should support a precautionary approach to environmental challenges	10 – 11, 64 – 65	Energy and environmental management system, goals
Principle 8 Undertake initiatives to promote greater environmental responsibility	36 – 43, 64 – 65	Process optimizations, technical updates, programs and goals
Principle 9 Encourage the development and diffusion of environmentally friendly technologies	7 – 9, 12 – 13, 17 – 24	Management, product innovations, use of renewable sources and water
Anti-Corruption		
Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery	11 – 12	Training, audits

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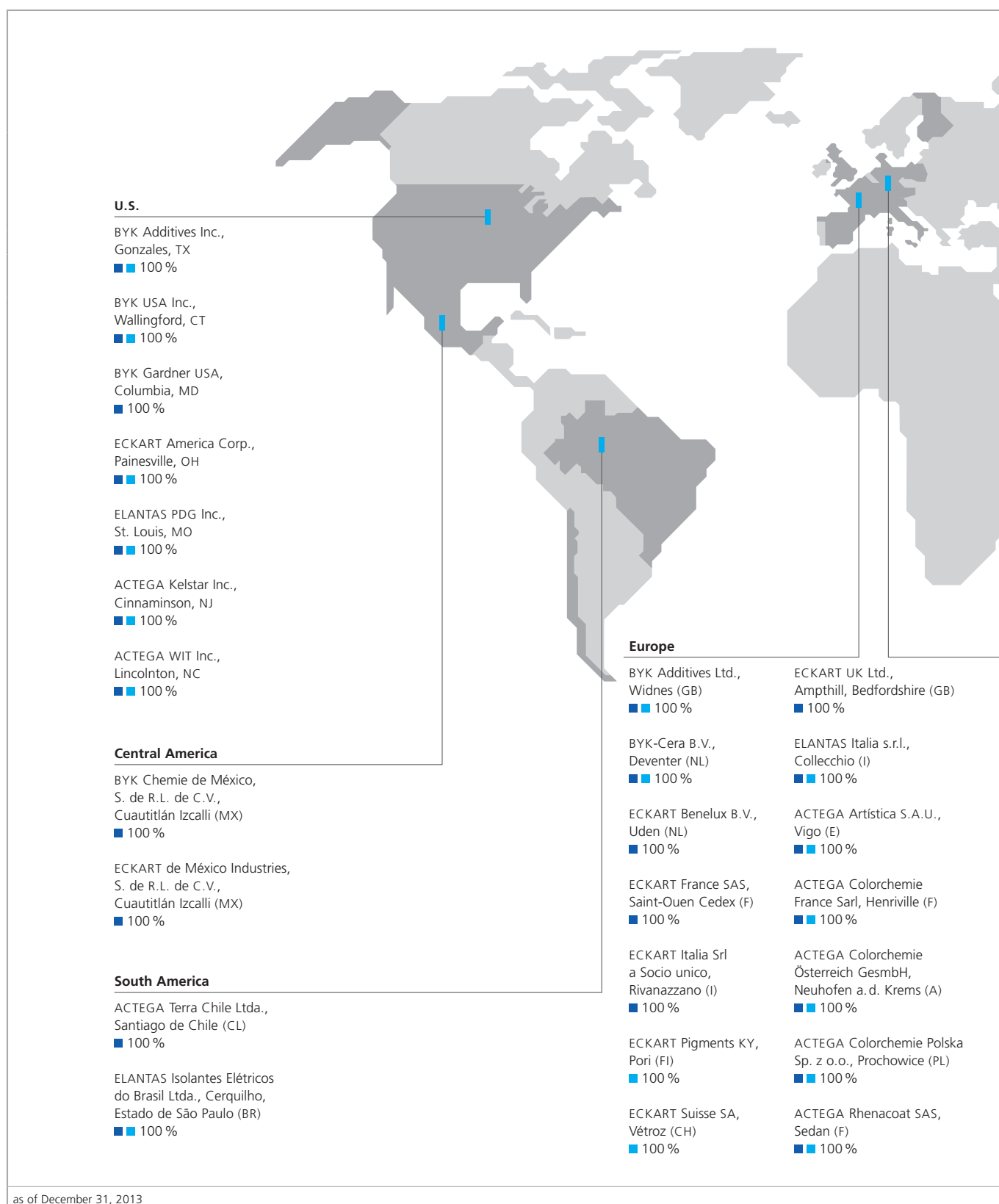
Robert Brembeck, Munich
 Nishant Shukla, Mumbai (pp. 26 – 29)

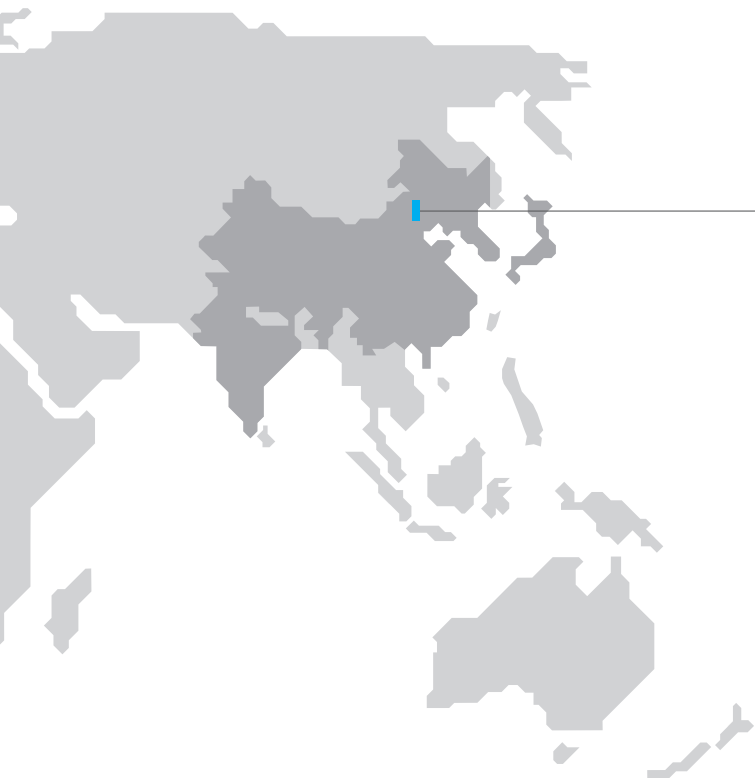
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Overview of ALTANA locations





Germany

ALTANA AG, Wesel	BYK-Gardner GmbH, Geretsried
ALTANA Chemie GmbH, Wesel 100 %	■ ■ 100 %
BYK-Chemie GmbH, Wesel ■ ■ 100 %	BYK Kometra GmbH, Schkopau ■ ■ 100 %
ECKART GmbH, Hartenstein ■ ■ 100 %	ELANTAS Beck GmbH, Hamburg ■ ■ 100 %
ELANTAS GmbH, Wesel 100 %	ACTEGA Colorchemie GmbH, Büdingen ■ ■ 100 %
ACTEGA GmbH, Wesel 100 %	ACTEGA DS GmbH, Bremen ■ ■ 100 %
BYK Additives GmbH, Moosburg ■ ■ 100 %	ACTEGA Rhenania GmbH, Grevenbroich ■ ■ 100 %
	ACTEGA Terra GmbH, Lehrte ■ ■ 100 %

Asia

BYK Asia Pacific Pte Ltd., Singapore (SGP) ■ 100 %
BYK Japan KK, Tokyo (J) ■ 100 %
BYK Solutions (Shanghai) Co., Ltd., Shanghai (CN) ■ 100 %
BYK (Tongling) Co., Ltd., Tongling (CN) ■ ■ 100 %
ECKART Asia Ltd., Hong Kong (CN) ■ 100 %
ECKART Zhuhai Co., Ltd., Zhuhai (CN) ■ ■ 100 %
ELANTAS Beck India Ltd., Pune (IND) ■ ■ 78 %
ELANTAS (Tongling) Co., Ltd., Tongling (CN) ■ ■ 100 %
ELANTAS (Zhuhai) Co., Ltd., Zhuhai (CN) ■ ■ 100 %
ACTEGA Foshan Co., Ltd., Foshan (CN) ■ ■ 100 %

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