

Resources Are Limited
Ideas Are Not
Sustainability Report 2010



The Report

Voith's first Sustainability Report

Voith GmbH presents its first Sustainability Report, which is intended to provide unique insights into its Group-wide activities in terms of ecological and social responsibility. Here, our goals and aspirations are to make our sustainability strategies transparent for our stakeholders and to offer information about how they are implemented in our various fields of activity.

The Voith Sustainability Report focuses on our current and future challenges in areas such as management, economics, environmental protection, product responsibility, employees and society. We report on both the status quo as well as our future strategies, approaches to finding solutions and concrete measures aimed at increasing the sustainable performance of the company.

Reporting method

Our reporting method is oriented on the internationally recognized GR 3 Guidelines of the Global Reporting Initiative (GRI). Based on our own assessment, we estimate that Voith has reached the application level C.

To determine the sustainability issues for this report, we conducted extensive analyses in 2009 and 2010. In addition, special internal workshops were conducted to identify our relevant stakeholders and sustainability themes in the areas of economics, environment and social affairs. The relevance of the selected subjects for the identified stakeholders and Voith was checked in a weighted ranking system. The result of this evaluation was then used to identify specific fields of action and to define goals.

Reporting period and report scope

The reporting period covers the fiscal years 2008/09 and 2009/10. Our fiscal year starts on 1 October and ends on 30 September. In addition, we have also included other information accumulated up to the editorial deadline of February 28, 2011 when it improved the report's overall understanding.

The figures, facts and information published in this report refer to Voith GmbH as a whole with its Group Divisions of Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo, covering approximately 85 % of the Group's sales and/or 87 % of the Group's created value. Exceptions, such as location-related figures or division-specific activities, are marked accordingly.

Data collection

Since fiscal 2008/09, relevant key data on occupational safety, environmental and health protection have been recorded via a database at site level and validated in accordance with the two sets of four-eyes principle. This process covers all production and administrative sites operatively controlled by Voith.

Forward-looking statements

It was important to us that our first report provides not only a review of past events, but also an outlook for the future. The report therefore contains a number of forward-looking statements. We would like to point out that these statements are based on current assumptions. Due to unknown risks, uncertainties and other factors, the actual results, developments or services of our company may deviate from our prognoses, evaluations and statements.

Further information

This printed report cannot cover the entire spectrum of information on the services and activities of the Voith Group. Further and more comprehensive information can be found on our Web site www.voith.com, as well as our Voith Annual Report. This Voith Sustainability Report is published in German and English. To provide easier readability, gender-specific double entries have been avoided. This does not represent a valuation and all entries are to be understood as gender-neutral.

Publication of the next Voith Sustainability Report is scheduled for 2012.

“We do not inherit the world from our parents, we borrow it from our children. As a family-owned company we believe in this principle and we act accordingly.”

Corporate Board of Management

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Foreword

Ladies and Gentlemen, Business Partners and Friends of Voith,



Many of you have known Voith for a long time, having worked closely together with us as good partners for years, sometimes even decades. I'm sure that with this, the first Voith Sustainability Report, our many long-standing friends and customers will discover a wide range of new as well as interesting aspects of our company.

Today, Voith is a family-owned company that has become a global player. Sustainable thinking has been a significant part of our history. For example, Voith was investing in education and health care long before these activities fell under the term sustainability, because they were seen as a natural part of our entrepreneurial responsibility.

At Voith, we have preserved this mentality and sense of responsibility. Today, our pursuit of sustainability characterizes our methods and activities in three different ways:

1. Sustainable management is a significant component of our commercial success. Our growth, even in times of crisis, shows that we are on the right track: Voith is one of the very few companies that managed to overcome the most serious economic downturn since the Second World War without a decline in sales or profit from operations. For example, with €5.2 billion, our sales in fiscal 2009/10 were 2% higher than in the previous fiscal year. The foundation for this sustainable growth was laid over many decades, thanks to: long-term strategies, a balanced and innovative product portfolio, global positioning, continuous investment in research and development as well as the competence and experience of our employees.

2. Our product portfolio is also characterized by sustainability. For decades, our products have helped our customers in many different industries to set up sustainable infrastructures and processes as well as to preserve resources. There are numerous examples: Today, Voith is the technology leader in wastepaper recycling for papermaking. And Voith's hydro power stations reliably supply millions of people and industries all over the world with power, light and heating.

In Shanghai, São Paulo or Berlin, Voith transmissions make public transport safe and comfortable. All these successes are an obligation for us to continue our efforts to make our products, plants and systems more eco-friendly.

3. Sustainability is a key feature of our entrepreneurial processes. We aim for economically, ecologically and socially balanced business methods, in which sustainability is rooted as the major principle of all our processes and procedures across the entire added-value chain: in purchasing, production, the interaction with our employees and in our commitment as corporate citizens at our locations in over 50 countries.

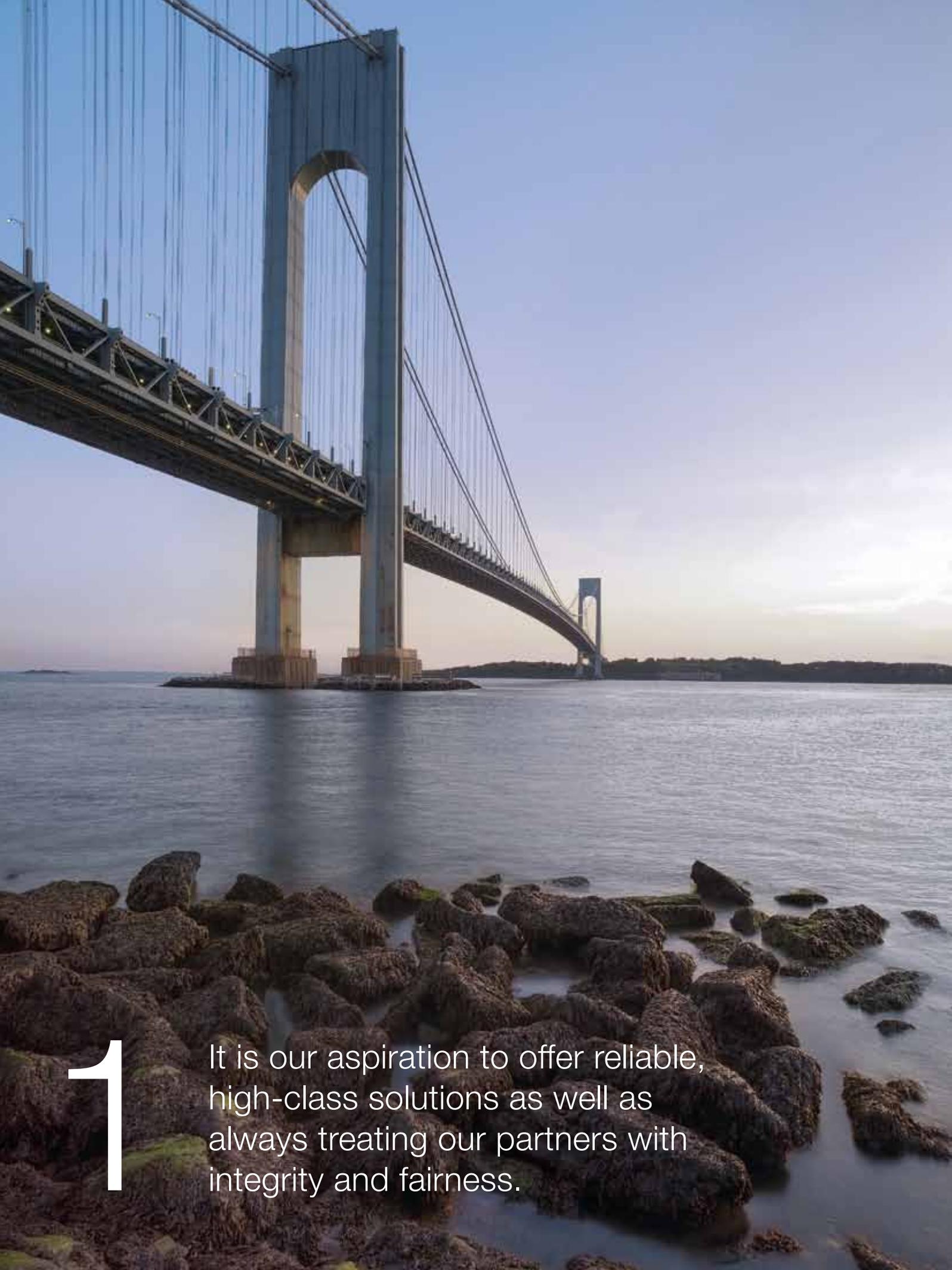
We know that we have already achieved a great deal. Yet there are still some areas where there is room for improvement or where we simply have to become better. This Voith Sustainability Report shows where we currently stand. We would like to use it to inform all our stakeholders, openly and clearly, about our current range of activities. It is our declared goal to take Voith to the top in the field of corporate sustainability and make Voith a benchmark for other industries.

With this report and its underlying analyses we are entering a new frontier. At the same time we are carrying on the tradition and style of Voith, a family-owned company, which includes the obligation to conduct environmentally compatible, clean and fair business with long-term success. This triad is our foundation. We intend to operate sustainably in every respect – and to discover fresh opportunities for future generations rather than spoiling them.

I hope that you will accompany us on this journey.



Dr. Hubert Lienhard, President and CEO



1

It is our aspiration to offer reliable, high-class solutions as well as always treating our partners with integrity and fairness.

Group Portrait and Philosophy

Voith sets standards in the energy, oil & gas, paper, raw materials, and transportation & automotive markets. Founded in 1867, Voith employs almost 40 000 people, generates €5.2 billion in sales, operates in around 50 countries around the world and is today one of the biggest family-owned companies in Europe.

Voith GmbH

Innovative capacity, engineering expertise, reliability and quality have governed our activities since the birth of Voith in 1867, and these are still the guarantee of our ongoing success. Today, the Voith Group employs 40 000 people in around 50 countries. With its headquarters in Heidenheim/Brenz in the German state of Baden-Württemberg and other major locations in Brazil, China, India, Austria and in the USA, the company is based in Germany, but at home all over the world.

Always one step ahead

A pioneering spirit and consistency are not a contradiction for us. Both principles enable us to continuously expand our competitiveness and our strength in the market. Ever since the company was founded, our engineers have been writing technical history with their inventions. Today, Voith holds over 11 000 active patents worldwide, and every year about 400 new ones are added.

Our operative business is organized into four Group Divisions: Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo. One quarter of the energy generated worldwide from hydro power is produced with turbines and generators from Voith Hydro. A large proportion of the world's paper production originates from paper machines made by Voith Paper. Drive components from Voith Turbo are used all over the globe both in industrial plants and on railways, road and the water. Major companies in key industries trust in the technical services of Voith Industrial Services.

A pillar of strength: our employees

Our employees are a vital factor of our success. They have made us what we are today: one of the largest family-owned companies in Europe. In the past fiscal year, Voith has recruited new staff, leading to a moderate and selective increase of its workforce. But a company that is looking for highly qualified employees also has to invest in training and further education. That's why we offer apprenticeships and traineeships in a wide variety of jobs and pay close attention to the quality of our training programs.

Financial independence as a family-owned company – the path to sustainable growth

Voith's economic foundation is its financial independence as a family-owned company. Otherwise we would not be able to generate the means for securing our future and financing our growth. And it is the best way for us to continue to develop the technologies that our customers need. Only on this basis will our shareholders continue to enjoy being a part of Voith and being proud of their company. Ultimately, we are also convinced that there is no other way of sustainably maintaining our economic strength, securing jobs and generating new ones – in Germany and around the world.

1.1 Organizational Structure

Everything owned by one family

The Voith GmbH is 100% owned by the Voith family. It is an operative management holding, whose Board of Management is directly responsible for the business strategies in the Voith Group and thus controls the company. The Shareholders' Committee and the Supervisory Board act as advisory and supervisory bodies. At the same time they are also there to control the Board of Management. Each of the four Group Divisions has its own holding company that governs the activities of their independent subsidiaries.

Voith Hydro

Generating clean energy from water

Against the background of the double challenge of effective climate protection and the globally rising demand for energy – hydro power will in the future play an even more important role in the energy mix. It is the only form of renewable energy that can generate power in industrial quantities at competitive prices, at any time and without subsidies.

As a complete supplier of hydro power plants, Voith Hydro is one of the leading industrial partners of power station opera-

tors. This applies not only to traditional hydro power, but also to harnessing energy from the oceans.

Voith Hydro consists of the Large Hydro, Small Hydro, Automation and After-Market Business divisions. The product portfolio of this systems supplier ranges from generators and turbines to pumps as well as control technology. Be it research and development, consultation, engineering, production and assembly or commissioning – Voith accompanies hydro power projects all over the world throughout their entire life cycle. And it also offers services for the maintenance, operation and modernization of existing hydroelectric plants.

Voith Industrial Services

Technical services and service concepts

Voith Industrial Services is a leading provider of services for key industries. The Group Division serves four market segments: the automotive and tier 1 industry, the petrochemical and energy industry, the manufacturing industry and engineering services. This new organization has been set up to comply with specific customer requirements. Here, customers benefit from our streamlined organization, higher industrial competence and worldwide quality standards. The Automotive and Energy-

A Company ...

Voith GmbH

Corporate Central Functions

Voith Hydro

Sales €1 158 million
Orders Received €972 million
Employees 5 238
Share of Group Sales 22%

Voith Industrial Services

Sales €962 million
Orders Received €962 million
Employees 19 119
Share of Group Sales 19%

Voith Paper

Sales €1 723 million
Orders Received €2 009 million
Employees 9 353
Share of Group Sales 33%

Voith Turbo

Sales €1 349 million
Orders Received €1 351 million
Employees 5 422
Share of Group Sales 26%

Petro-Chemicals divisions offer customized solutions for the automobile and processing industries. Under the name Deutsche Industriewartung (DIW) this Division, has for more than 40 years provided industrial services and solutions for the the manufacturing industry – mainly for customers in Central and Eastern Europe. The Engineering Services division offers contract engineering for the aeronautics industry and for rail vehicle manufacturers.

Voith Paper

From stock preparation to finished paper

As a partner and systems supplier for the paper industry, Voith Paper develops and produces technologies and products for the entire papermaking process. The Group Division is divided into divisions for: Fiber & Environmental Solutions, Paper Machines, Fabric & Roll Systems and Automation. The product portfolio covers plants for processing virgin and recycled fibers including water treatment, complete paper machines from headbox to packaging systems, automation technology and also consumables, such as fabrics and roll covers. In addition, Voith Paper offers services for the entire manufacturing process.

Due to continuous innovations, Voith Paper continually improves the papermaking process. The emphasis lies on the development of resource-saving products, which ensure the most efficient utilization of energy, water and fibers.

Voith Turbo

Drive systems for vehicles and industrial applications

Voith Turbo is a leading supplier of drive, coupling and braking systems for industrial, rail, road and marine applications. The Group Division develops drive components and systems to increase the efficiency and the economy of end-products which generate sustainable, long-term benefits. To achieve this, our core competence in hydrodynamics, mechanics and electrical engineering/electronics are intelligently combined. The key developments of Voith Turbo focus on improved energy consumption, higher efficiency and energy recovery. The most important products are transmissions and retarders for commercial vehicles, diesel-hydraulic locomotives, coupler systems for rail vehicles, start-up and control components for industrial plants, universal joint shafts, marine propulsion systems, as well as components for power generation from renewable energies.

... at Home in the World

North America

Sales €719 million
Employees 5 157



Central/South America

Sales €512 million
Employees 6 343

Europe

Sales €2 554 million
Employees 24 163



Africa

Sales €73 million
Employees 112



Asia/Australia/Oceania

Sales €1 340 million
Employees 3 979



1.2 Tradition and History

Growth and responsibility

January 1, 1867 was the official founding date of the Voith Group. It was the day when Johann Matthäus Voith handed over the reins of the company to his son Friedrich, who registered the company as the Maschinenfabrik J. M. Voith based in Heidenheim. The first Voith patent was a “Raffineur” (refiner), a wood-grinding machine. With this product, Voith entered the technical history books for the first time: the Raffineur allowed paper production from wood on an industrial scale.

Soon after, Voith started to produce its own turbines. In 1870, the first 100 hp turbine left the factory in Heidenheim and at the same time the company also developed complete paper machines. The first one was delivered and commissioned in 1881. In 1903, Friedrich Voith opened the first subsidiary in St. Pölten, Austria, to expand into markets in Austria-Hungary and Russia. In 1908, Friedrich Voith again demonstrated his engineering ambitions and inaugurated the first turbine test laboratory in Heidenheim, known as the “Brunnenmühle.”

After the death of Friedrich Voith, the company was run jointly by his sons Walther, Hermann and Hanns. In the 1920s, the Drive Technology division was added. After the Second World War and the death of Walther and Hermann, it was up to Hanns Voith to rebuild the business. With the arrival of the 1950s, Voith grew at a breathtaking pace: 1956 saw the founding of Voith Turbo KG. In 1958, Voith built the world's fastest newsprint machine. And the founding of Voith S. A. in São Paulo in 1964 kicked off the internationalization of the Group.

Becoming a global player

In the 1970s and 1980s, Voith consistently pursued its globalization drive with the establishment of subsidiaries in North America and Asia. Between 1986 and 2000, sales quadrupled. Acquisitions and mergers increased the portfolio. In 1994, Voith Paper was founded as a result of Voith acquiring the majority share of a joint venture with the Swiss Sulzer Group. In 2000, Voith and Siemens formed a joint venture for hydro power technology: Voith Siemens Hydro Power Generation.

During the 1990s, the company continued its expansion towards the east. New locations in China, Russia and India were set up. Through a shareholding in DIW Deutsche Industriewartung AG, the cornerstone was laid for the Group Division: Voith Industrial Services. On October 1, 2010, Voith AG changed its name to Voith GmbH.

Over the years, the number of employees has grown to nearly 40 000. Today, Voith is prepared to continue the success story, which started with a small locksmith's workshop, well into the future.

1.3 Values, Guidelines and Compliance

Voith – Engineered reliability.

Trust is the maxim for our business relations and our activities. This maxim is supported and complemented by our values: reliability, fairness and innovative power. This canon of values is also summarized in our slogan “Voith – Engineered reliability.” It reflects our aspiration to offer reliable and high-quality technology and, at the same time, to always treat our partners with fairness, respect and honesty. The guidelines for our activities are derived from these values. In this way we can ensure that Voith employs the same business principles and applies the same philosophy everywhere in the world. We have been a family-owned company from day one. Our values and guidelines are the basis upon which we combine the culture of a family-owned company with that of an international group.

“Climate change and dwindling resources are a challenge. At the same time they present opportunities for growth with new solutions.”

Dr. Hubert Lienhard, President and CEO

Business relations are grown over generations

Our values not only apply internally, but also to our business relations. The cultivation of long-term partnerships with our customers rates high in our organization. Here, too, we bank on trust, reliability and fairness. We are proud that many of our business partners have been with us for generations, in fact, some of them have been doing business with us for more than 100 years. Our long-standing customer relationships prove that we are taking the right approach.

Trust as a bond with our employees

Trust, fairness and reliability are also the foundation of the relationship between a company and its workforce. The success and the innovative power of Voith are based on their work. Only motivated and contented employees perform well, or even very well. Voith therefore attaches great importance to offering its employees exciting tasks and career perspectives. To us, “Working a lifetime at Voith” is not just a slogan – and definitely not a rarity. This will never change, even in times of ongoing globalization, as Voith sees itself as a genuine community of interest based on accomplishment and mutual respect.

Compliance – our values are binding

Voith’s values characterize the attitude of the Group towards our business partners, customers and suppliers, as well as our owners, the Voith family. The Voith Code of Conduct summarizes the most important rules that are derived from our values. The purpose of the Code of Conduct is to provide our employees with guidelines for their activities and, at the same time, to meet our high expectations of honesty and decency. These rules and procedures are continuously updated and adapted to existing requirements.



2

We are not only aiming for technological leadership, we also want to be the number one in sustainability.

Sustainable Business Management

Entrepreneurial responsibility: to us, sustainability is an essential part of our corporate strategy. In line with the Brundtland definition, Voith considers economic, ecological and social factors to be equally important. This holistic view has been adopted by the Voith family since the foundation of the company. One of the family's concerns is to keep the company in family ownership across generations and to remain financially independent.

Operational excellence – resource optimization

Voith endeavors to continuously optimize the utilization of resources. In the long term we can hold our ground against the competition only if we manage to minimize the negative economic, ecological and social impact of our production processes and products – or eliminate it altogether. And our reputation, too, can only be preserved by consistent sustainability efforts.

“Our sustainability drive covers the entire added-value chain of our company.”

Dr. Hermann Jung,
Member of the Corporate Board of Management

Employees in focus

Voith stands out with its responsible and employee-oriented corporate culture. This includes the responsible treatment of our worldwide employees, as well as their involvement in the implementation of our sustainability issues.

2.1 Sustainability Inside the Company

Voith started with the establishment of a systematic, integrated sustainability management drive in 2008. It is our aim to embed the idea of sustainable business practices within the entire Group. For this purpose we are developing suitable strategies, processes, methods and tools across the entire added-value chain and the life cycle of our products and services.

2.2 Organization of Sustainability Management

An efficient sustainability management calls for a business organization with clear structures. Following a resolution by the Board of Management, we launched the Corporate Sustainability central function in the first quarter of 2009, to systemize and promote sustainability-relevant issues. The head of the team reports directly to the Chairman of the Corporate Board of Management. In autumn 2009, we added the Corporate Sustainability Council as a steering committee.

Organization of sustainability management



BoM = Board of Management CS = Corporate Sustainability DS = Divisional Sustainability Ind. = Industrial

Central function: Corporate Sustainability

The Corporate Sustainability executive department develops strategies and concepts as well as supporting the operating units by their implementation. It cooperates closely with other central functions of the Group and their steering committees.

Sustainability Council

The Sustainability Council is made up of the management of the Corporate Sustainability executive department and the individual sustainability managers in the Voith Group Divisions. The committee reports directly to the President and CEO. On his behalf, the Council prepares white papers and proposals on special topics, targets and values for the upcoming periods. It carries out regular assessments of the sustainability performance of the company.

Sustainability in the Group Divisions

The sustainability organizations of the Group Divisions are responsible for the operative implementation of set targets and adopted measures.

2.3 Stakeholder Dialogue

Voith engages in a regular exchange with its interest and target groups. Apart from involving the owner family, the company also communicates with financial service providers, investors, customers, suppliers, universities, research institutes and non-governmental organizations, as well as the interested public.

The customer as a stakeholder – an important barometer

The satisfaction of our customers is one of our major concerns. To objectively assess and improve our performance for our customers, we carry out regular surveys. During a survey in 2010, we managed to contact over 500 customers, representing 60% of the sales in one Group Division. The evaluation confirmed that sustainability issues also play an important role for our customers.

“With our products, we are responsible for safety, reliability and sustainability throughout their service life, which can often last for decades.”

Peter Edelmann, Member of the Corporate Board of Management

Our goals

Over the next few months we will continue to expand our sustainability management. We will define key indicators and measurements for the implementation of sustainability.

Through special training we intend to involve our employees in this process and make them more sensitive to sustainability issues. Our goals also include the further systemization of our stakeholder dialogue.

Sustainability Can Be Measured

Hydro power is the oldest form of renewable energy generation. Compared to power generation from other energy sources, both renewable and conventional, hydro power stations have a very high efficiency with very low emissions across their entire life cycle.

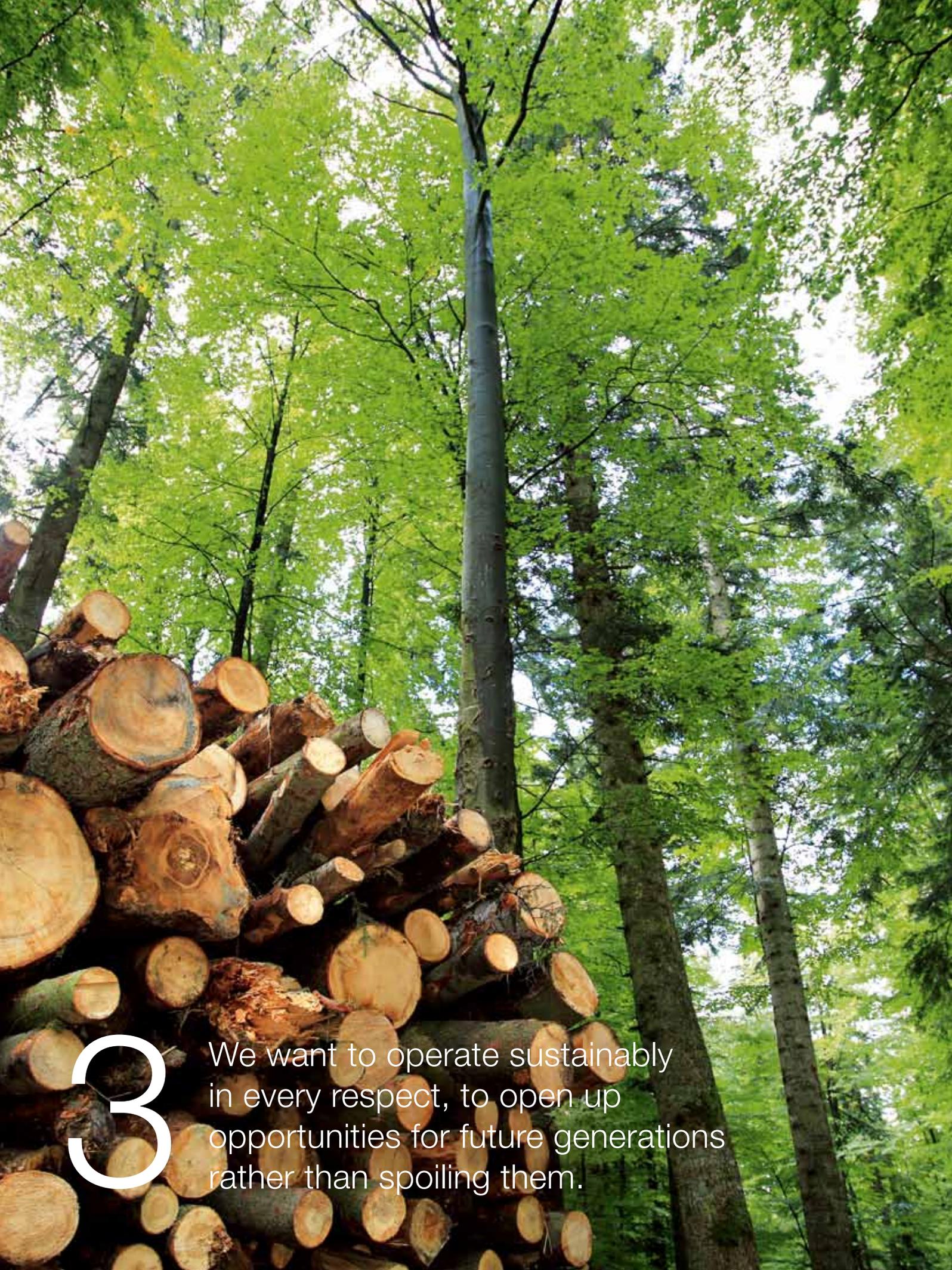
When a hydro power station is built, the impact on humans, animals and the environment has to be assessed on a number of sustainability criteria – a process that starts as soon as the project is planned. The International Hydro power Association has created a planning and decision-making tool, the so-called Hydro power Sustainability Assessment Protocol (HSAP). Among others, the contributors to this initiative also included Voith and the WWF (Worldwide Fund for Nature). This new tool is now being tested for practicality.

Voith has been cooperating with the WWF for several years. From day one, representatives of both parties discovered common beliefs and moral concepts. Therefore, it was only natural for Voith and the WWF to join efforts in examining a pilot project with the help of the new HSAP. Voith succeeded in winning one of its customers for the project, a power station operator in North India. The project was carried out in 2008. Its



result was largely positive for the power station operator. The project manager enjoyed excellent relations with the affected residents and negotiated the financial settlement. In talks with the villagers, the project team also learned that he had handled the social and cultural effects of the power station in an exemplary manner. The power station is relatively small, so that the ecological impact on the mountain valley was

not too drastic. The examination merely highlighted a few weak points on the process side – findings which provided the operator with valuable input on how to improve his procedures. A year later, a second joint project in Brazil eventually convinced the Voith-WWF team that the sustainability protocol of the International Hydro power Association is excellently suited for the assessment of hydro power projects.



3

We want to operate sustainably in every respect, to open up opportunities for future generations rather than spoiling them.

Sustainable Profitable Growth

Economic stability and profitability: the world economy has recovered from the worst recession since the Second World War. The mood of the markets is optimistic and there are positive signs that the upturn will remain stable, even if it varies somewhat in individual countries. Despite the slump of the world economy in recent years, Voith has continued to develop steadily and was able to record significant growth in fiscal 2009/10. The company is therefore well positioned to maintain the strong growth it has shown over the previous years.

Growth in a challenging environment

Sustainable profitability – our company statistics for the period under review are very impressive: sales, operational results and net income showed a clear upward trend. In fiscal 2009/10 Voith increased its sales by 2% to €5.2 billion. The order books are full, and orders received rose by 7% to €5.3 billion. The operational result was up, too; compared to the successful previous year, it grew by 9% to €353 million. The net income amounts to €121 million, representing an increase of 58%.

All four Group Divisions have contributed to this excellent result. The share of the individual Divisions ranged from 19% for Voith Industrial Services to 33% for Voith Paper.

This upbeat development is certainly remarkable in view of the difficult business conditions: quite a few of our markets were hit by the impact of the financial and economic crisis. The fact that Voith still managed to grow on a Group level demonstrates that we are a reliable partner and securely positioned for years to come.

Good prospects

The situation has bottomed out and the economy as a whole has recovered. However, there are still some strong regional

fluctuations: in the USA and in Europe, which were both affected much more severely by the financial crisis than Asia and South America, the economies are recovering only slowly. Economic data is pointing upwards, but the gap between the pre- and post-crisis values is still quite large. In emerging markets such as Brazil, China, India, as well as Asia there was hardly any decline, and pre-crisis levels have already been exceeded.

Being proactive to master the challenges also in the future – this is the declared goal of the Corporate Board of Management. The company recognizes changing markets and acts with foresight. As a result, Voith started a recruitment drive in the growth regions of Asia and Brazil and established new subsidiaries. The company also continues to invest heavily in the research and development of its products. Special attention is paid to solving global challenges, such as resource scarcity, climate change and the specific requirements of growth regions.

Voith has emerged from the economic crisis even stronger than before. The anticipated upturn opens up new opportunities for ongoing positive business developments.

For further information on our company results, please see our Annual Report 2009/10, which can be downloaded from www.voith.com/media/voith_gb_0910_en.pdf.

3.1 Megatrends, Opportunities and Risks

Megatrends point the way

Climate change as well as dwindling resources, globalization and mobility, urbanization and demographic change are today's megatrends. To a degree, these developments can be regarded as risks for economic activities, but they also open up opportunities. It is therefore essential to be aware of social and ecological changes and make room for new ideas and developments. In this way, solutions for future challenges can be identified early.

And this is exactly what Voith does. Our success, especially in times of crisis, is based on positioning ourselves prudently in growth markets and developing an innovative product portfolio. "Our products provide answers to the urgent questions of our time: CO₂-free energy generation, mobility in megacities, resource-saving production methods. This enables us to make a sustainable contribution to the establishment and expansion of national economies," says Dr Hubert Lienhard, Chairman of the Corporate Board of Management.

The Three Pillars of Sustainable Growth at Voith

Voith's successful sustainable growth, its economic stability and its financial independence are supported by three pillars: our diversified product portfolio, our international presence as well as our investment in research and development.

1. A balanced product portfolio

Starting with its core business – machine and plant engineering – Voith has systematically expanded its product and service portfolio, thereby firmly establishing itself in its core markets of paper, energy, oil and gas, raw materials, as well as the transport and automotive markets.

Our broad strategic positioning buffers a great deal of economical risks. Since the individual markets are subject to different business cycles, declines in sales in late-cycle markets such as oil and gas, as well as energy, can be compensated by growth in the early-cycle markets of paper, transport and automotive.

But this is only one of the reasons why Voith enjoys solid growth, even in economically turbulent times. Another reason is that Voith offers investment goods and services that are needed for the commercial development of emerging markets. With our turbines and plants, we equip hydro power stations to cover the rising energy requirements of these new markets. To a large degree, the growing demand for paper is met by Voith's paper machines. Booming cities need well-functioning public transport and rail systems, for which Voith supplies components.

2. Global presence

Voith's history of international activities goes back a long way. At a time, when most German companies only looked at their domestic market, Voith exported its products all over the world. At the beginning of the 20th century, we built turbines for projects in China and in the USA, and sold paper machines to Austria-Hungary, Russia and Sweden. Voith is therefore one of the pioneers of German foreign trade.

The early internationalization of our business has grown consistently. In 1964, Voith opened its first non-European production site in Brazil, and further international locations followed. Today, Voith is represented in nearly 50 countries including the booming emerging markets. Since the 1960s Voith has been in Brazil, since the 1980s in India and since the 1990s in China. The long-standing foothold of the company in today's growth markets is one of the reasons why Voith is now participating in the dynamic development of these countries and, as a result, has weathered the current economic crisis unscathed.

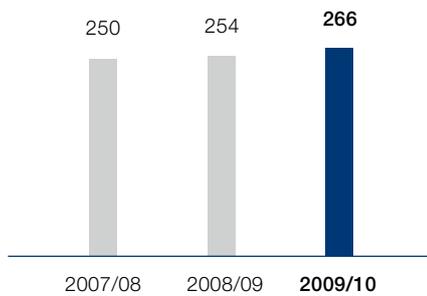
Voith's goal is to become just as rooted in its international markets as it is in Germany. A glance at our regional sales distribution confirms that we are on the right track to reach this goal: 25% of our sales are now achieved in Asia, 24% in America, 29% in Europe (excluding Germany), 20% are won in Germany, and 2% in the rest of the world.

3. Technical innovation through research and development

Voith's position in the world market is largely due to its innovative strength. Especially in economically difficult times, we invest in the research and development of new products – in recent years with over €200 million per year which is 5% of our sales. Examples of such development projects are the tidal power stations of Voith Hydro, the chemical technologies of Voith Paper, the service and maintenance of Voith Industrial Services wind farms, and the components for boosting engine efficiency such as the SteamTrac or the TurboCompound of Voith Turbo.

Research and development

in million €



Turning Dams into Power Stations

Generating energy with hydro power creates growth based on renewable resources – this alone is a positive thing within the scope of our sustainable operations. But when it is also possible to install new power stations on existing dams and locks, it becomes a plus for both the environment and economy on several levels.

Here, the US power station operator American Municipal Power Ohio is taking a new approach and is currently building four new hydro power stations on existing waterways and locks. As a result, the power supplier manages to generate growth from renewable energies without any additional impact on the environment. Voith Hydro in York, Pennsylvania, supplies the technical equipment for these power plants and has also grown thanks to these projects. To implement the four projects, Voith acquired an empty industrial building on the banks of the Ohio River in Monroe County, thereby creating 40 new jobs.

The new hydro power stations are located in the states of West Virginia, Indiana, Kentucky and Ohio. Voith Hydro supplies the technical equipment with an overall output

of 313 megawatts. The contract includes generators, turbines, automation technology and electronics. The first three projects at Willow Islands, Cannelton and Smithland have been fitted with eight turbines, producing a total of 208 megawatts. The fourth and largest of the power stations, at Mehl Dahl, can generate as much as 105 megawatts. In the meantime, Voith has already completed 85% of the engineering and 30% of the production for this contract. The Cannelton power station is expected to start service in 2014, and the Smithland and Mehl Dahl power stations are to follow a year later. Commissioning of the Willow Island power station is planned for 2016. These four power stations have already set a precedent and another five low-dam power station projects on the Ohio River are being planned, using existing basins and locks.

Profitable growth – now and in the future

Voith expects positive developments in all of its five key markets, driven primarily by increasing urbanization and mobility, as well as by a rising demand for renewable energies and eco-friendly as well as resource-saving production processes. With its plants, products and services, Voith is ready for the megatrends. Due to its product mix and its continuously rising efficiency, Voith expects to significantly improve its operational results and net income over the upcoming fiscal years. It is the declared aim of the Corporate Board of Management, the Supervisory Board and the shareholders, to hand Voith over to the next generation as a leading engineering company that is both strong and fit for the future.

3.2 Risk Management

Technical innovations, internationalization and growth – our success factors are also our risk areas. We define risk as a possible negative impact on an activity or an event. But if we know the probability and the consequences of these risks, we can guard ourselves against them and ideally turn risks into opportunities. As a protection and a measure of control, Voith has therefore set up a Group-wide risk management plan the elements of which are summarized in our risk management system.

The Voith Risk Management System

The Voith Risk Management System is decentralized. The responsibilities regarding differentiated risk profiles are clearly defined for all company levels. At the Group level, there is, for example, a performance risk officer, and Group-wide, we employ contractual risk officers and technical risk and quality officers. Contractual risk officers and technical risk and quality officers are embedded in all Group Divisions, companies and operating units.

Risk management is divided into four stages, consisting of: risk identification, risk analysis and assessment, risk control, as well as risk monitoring and reporting. Voith differentiates between two risk groups:

1. Corporate risk: this covers external risks, corporate controlling risks, financial risks and infrastructure risks
2. Performance risk: this includes contract risks and technical risks.

Within the scope of this Sustainability Report, risks that are directly linked to sustainability will be looked at more closely.

“The modification of energy systems is a worldwide necessity due to changing climate policies. Alongside its traditional forms of large and small hydro, hydro power, including ocean energies, can make a significant contribution to this field.”

Dr. Roland Münch, Member of the Corporate Board of Management

Sustainability-relevant risks at Voith

1. Corporate risk

Lack of qualified personnel

Highly qualified specialists and senior personnel are the basis of Voith's success, its products, its growth and its image. To retain our highly skilled employees, we proceed with foresight. With a broad spectrum of measures, such as training and education programs, international development plans, performance-related remuneration systems, family-friendly personnel politics and flexible working hours we offer an attractive working environment. Our traditionally low fluctuation rate confirms that we are taking the right approach (see Chapter 6).

Corruption

Trust and integrity are the basis of all activities at Voith. Any occurrence of corruption must be prevented. Voith directives strictly forbid corruption when dealing with third parties. To secure this goal, as well as to support and train our employees on the adherence to the Voith Code of Conduct, we have set up a compliance committee, as well as standardized procedures. In addition, we promote efforts to reduce and stop corruption worldwide, by encouraging integrity in international competition.

Environment

To avoid environmental risks, the production processes at Voith are subject to stringent corporate directives in terms of quality, risk, health and safety, as well as environmental protection. An integrated management system monitors the adherence to specified rules. Since fiscal 2009/10, eco-relevant data are systematically collected and evaluated. As a result, environmental risks can be identified at an early stage and relevant measures can be introduced (see Chapter 4).

2. Performance risk

Innovations

The innovative strength of Voith is also demonstrated by the nearly 400 patents registered by us every year. Innovations make us strong, but they are also a risk factor. To counteract

these risks, we rely on our research and development departments. Voith invests generously in the development of new technologies, systems and services. In this process, we also aim to minimize innovation risks in the first place whenever a product is introduced in the market.

Procurement

Our dealings with suppliers on the world's procurement markets carry risks on two fronts: supply shortfalls and the non-observation of environmental and social standards. We secure our deliveries with a number of measures: through a Group-wide risk management process which identifies delivery and insolvency risks early. For suppliers from whom we purchase integral parts for our business processes, we have also developed special fail-safe strategies. The system of "Dual Sourcing" for the supply of basic materials therefore eliminates our dependency on single suppliers.

The adherence to environmental and social standards by our suppliers is controlled by audits (see Chapter 5.2).

3.3 Compliance

Acting responsibly

Our business relations are founded on trust, reliability and fairness. This is only possible if the values and guidelines of the Voith Group are consistently respected and lived. In order to create a basis for value-oriented and responsible operations as well as to structure the cooperation between employees, customers, suppliers and business partners, Voith has specified a set of rules. These maxims were communicated as a business principle at Voith as early as 1927: "In the business world, one must be ethical, decent and honest. If a contracting party or a competitor behaves unfairly, this does not give us the right to deviate from this principle." What was expressed here in a few sentences, is now specified in a Group-wide applicable set of rules: the Voith Code of Conduct.

The Voith Code of Conduct

Building on our earlier Group directives and our culture of honesty and decency, Voith issued its own Code of Conduct in October 2009. This code governs our dealings with customers and business partners, and also our internal interactions. The Voith Code of Conduct is meant to put correctness, honesty and transparency at the center of our communications and all contractual relations. Its basis is the adherence to law and order, as well as all internal company regulations (compliance). The Voith Code of Conduct also offers clear orientation and is binding for all our employees as a worldwide applicable norm. Infringements are liable to sanctions.

The key elements of the Voith Code of Conduct are:

Fair competition

Voith adheres to the rules of fair competition. We do not accept any contracts that would force us to violate German or national law. At the same time Voith supports all efforts aimed at promoting and implementing a free market with open competition.

Agreements, cartels and waivers of competition

We do not enter into agreements with competitors that would represent an obstruction of competition. This includes the formation of cartels and waivers of competition.

Corruption and bribery

Voith does not tolerate corruption and bribery. Our internal risk management ensures that corruption and bribery do not stand a chance at Voith.

Offering and granting benefits

Voith makes sure that neither persons nor organizations receive favors. Offering and granting benefits, be it for economic or interpersonal reasons, is strictly prohibited at Voith.

Demanding and accepting benefits

Voith forbids its employees to demand personal benefits for themselves or closely associated persons or institutions. This applies to both material benefits and services.

Donations and sponsoring

Any donation must be transparent, and the recipient or the intended use must be known. Payments to private bank accounts are not permitted. Donations to political parties require the approval of the Board of Management.

Patents and intellectual property rights

The trade and patent secrets of the Voith Group must be observed. Voith also expects its employees to respect trade and patent secrets of third parties.

Selection of suppliers and service providers

It is not permitted to give undue preference to a supplier or impede a supplier's efforts to win a contract. Voith selects its suppliers and service providers on the basis of factual and transparent criteria.

The Voith Code of Conduct is available on the Internet in 18 languages and can be downloaded in PDF format: <http://www.voith.com/compliance.htm>.

The Compliance Committee

The Compliance Committee is the official body for introducing, coordinating and regularly reviewing the Voith Code of Conduct, as well as providing relevant training. The committee was founded in fiscal 2007/08 within the organization of the Voith Risk Management System and has been embedded in our corporate structure since then.

The Compliance Committee consists of the Corporate Office with the following members: Head of Corporate Office, Head of Corporate Law, Head of Corporate HR Management and Head of Company Audits. The Corporate Office reports directly to the Chairman of the Voith Corporate Board of Management. In addition to the organization of the Voith Risk Management, the chief financial officers (CFOs) are the respective compliance representatives in their units. As direct contacts, the CFOs or specifically appointed members of their Boards of Management are in charge of the implementation of the Code of Conduct in their respective area of responsibility. The compliance representatives are prepared for their tasks in two-day training courses.

Creating awareness

Each and every Voith employee is bound to act in compliance with the company values. To create a higher level of awareness for the significance of compliance and to integrate Voith values into our business procedures, Voith relies on the senior executives to act as role models. It is up to them to prevent infringements against the Code of Conduct.

First results

The response to the introduction of the Voith Code of Conduct has been positive. We can confirm that the awareness for compliance has risen. In the last fiscal year there were only a few infringements of the Voith Code of Conduct. These violations were immediately dealt with, rigorously prosecuted and adequately sanctioned. In the last fiscal year, there were no lawsuits due to anti-competitive conduct, cartel formation or monopolies.

“Our customer relations are based on trust, reliability and fairness.”

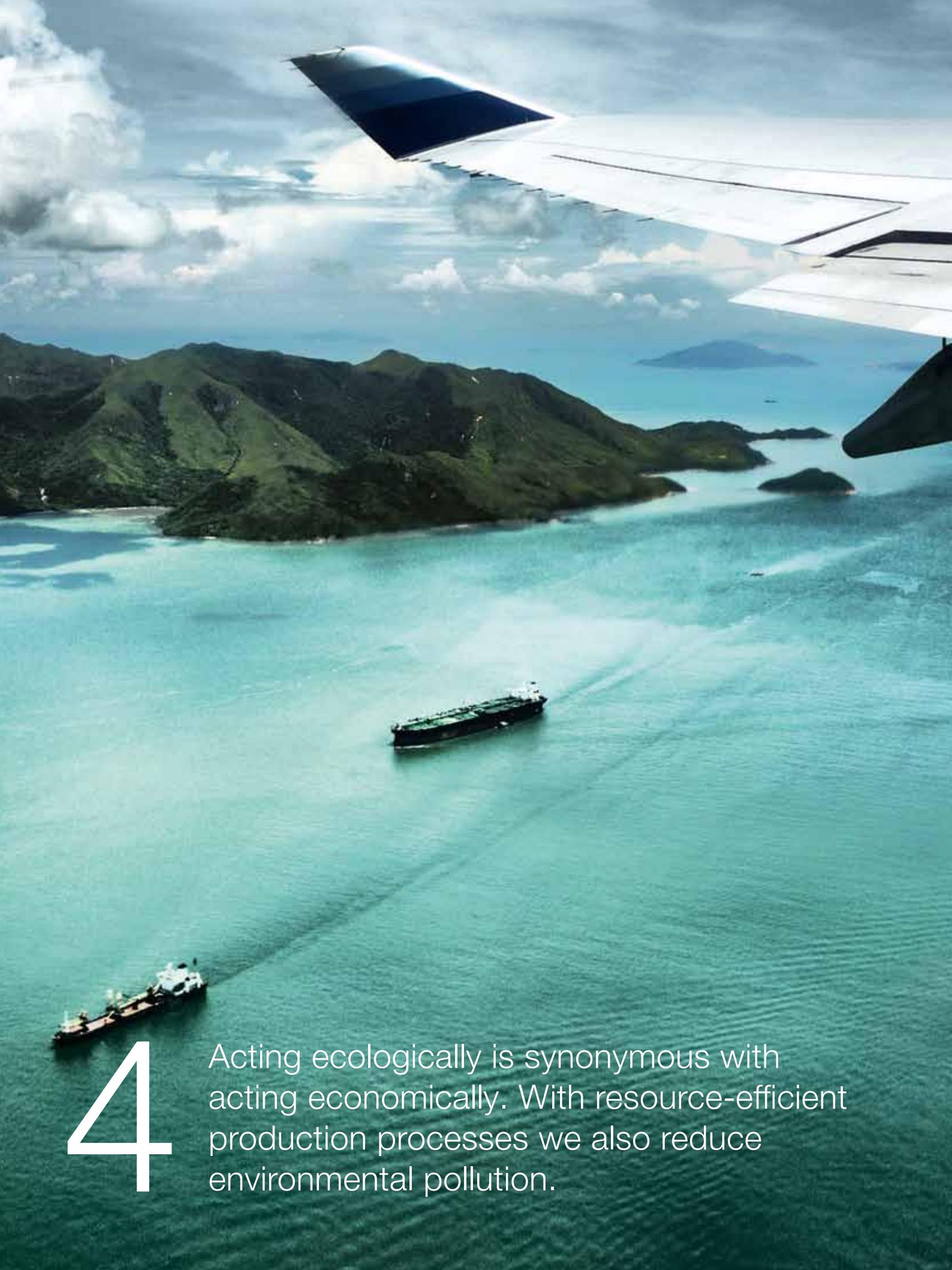
Martin Hennerici, Member of the Corporate Board of Management

To ensure that our senior executives and employees receive optimal support, we provide them with information and train them on important issues such as corruption, competitiveness and export control. We encourage our employees to report any violation against the Code of Conduct immediately. Contacts are senior managers, HR personnel and the members of the Compliance Committee. Once again, the most important prerequisite is trust. For this reason, Voith ensures that reporting employees do not have to fear repercussions because of their disclosure.

Our goals

Compliance and the prevention of corruption will always be a key concern for Voith. The successfully launched compliance initiative will be implemented further. It is intended that the personal training programs will be completed and that an e-Learning platform will be set up by September 2011.

In addition to the Group-wide implementation, Voith also aims at the certification of the Voith Compliance Management System. The certification procedure has already been initiated and will be continued in fiscal 2010/11.



4

Acting ecologically is synonymous with acting economically. With resource-efficient production processes we also reduce environmental pollution.

Responsibility for the Environment

Protecting the environment is a fundamental necessity. At the moment, Voith needs natural and sometimes also non-renewable raw materials to manufacture its products. Securing the future of the company and simultaneously protecting the environment is a central challenge for Voith. It represents the core of the company's sustainability strategies.

Eco-management integrated in the company

In the Voith Group, all production processes are performed on the basis of official Group directives for quality, risk, health and safety. The observation of these directives is monitored by our integrated management systems to ensure uniform, high-quality environmental standards for our production and products. The application and the effectiveness of the management systems are checked by internal and external audits for compliance with international standards.

The individual senior managers are responsible for regularly identifying direct and indirect environmental aspects and assessing their impact on our ecosystem. They are supported by our environment officers. Their key task is to investigate emissions on the basis of country-specific regulations and laws, to assess our energy and water consumption under efficiency aspects and to monitor our wastewater system, as well as our waste management.

The first Group Division to introduce the Ecological Business Management principle as a pilot project was Voith Paper. Inspired by the vision of a self-sufficient facility, specific technologies are applied, in order to utilize resources and energy as efficiently as possible and consequently generate added ecological and economic value (see Chapter 4.1).

Anyone who wants to improve, must make a personal effort

To reduce Voith's ecological footprint, we have identified three key improvement areas: CO₂ emissions, waste volumes and freshwater consumption.

The Corporate Board of Management has set concrete targets (basis fiscal year 2008/09):

CO₂ emissions

CO₂ emissions in relation to annual sales (t/€ million) will be reduced by 10% by fiscal 2015/16.

Waste

Waste in relation to annual sales (t/€ million) will be reduced by 10% by fiscal 2015/16.

Water

Freshwater consumption in relation to annual sales (m³/€ thousand) will be reduced by 5% by fiscal 2012/13.

4.1 Ecological Business Management

Acting ecologically is synonymous with acting economically

Saving resources rather than wasting them makes ecological and economic sense. To complement its certified eco-management, Voith has therefore developed and implemented the Ecological Business Management (EBM) program.

While certified eco-management focuses primarily on the adherence to norms and legislation, our Ecological Business Management aims to add economic value by considering ecological aspects in the areas of energy and resources. The main idea is to merge economy and ecology into one unit.

Strategic goal of Ecological Business Management

The overriding goal of EBM is to create a plant that can satisfy its own energy needs and constantly reuses resources. In short: a self-contained facility. To put this into practice, the production and the services of Voith are analyzed on the basis of sustainability criteria, new technologies are evaluated and pilot projects are initiated.

A vital factor here is to ensure a continuous internal transfer of knowledge, to optimally utilize special know-how through improvement and identification of savings potentials. Via communication tools such as intranet forums, current data on

energy and resource consumption, best-practice examples, checklists, input from experts as well as new findings, ideas and developments are provided on a company-wide level. In addition, there are regular workshops for EBM managers. Our development efforts also make sure that our products save resources and provide the best possible results once they have entered their utilization phase (see Chapter 5.1).

What are the individual practical steps?

EBM is involved in all phases of the product life cycle. Practically, this means:

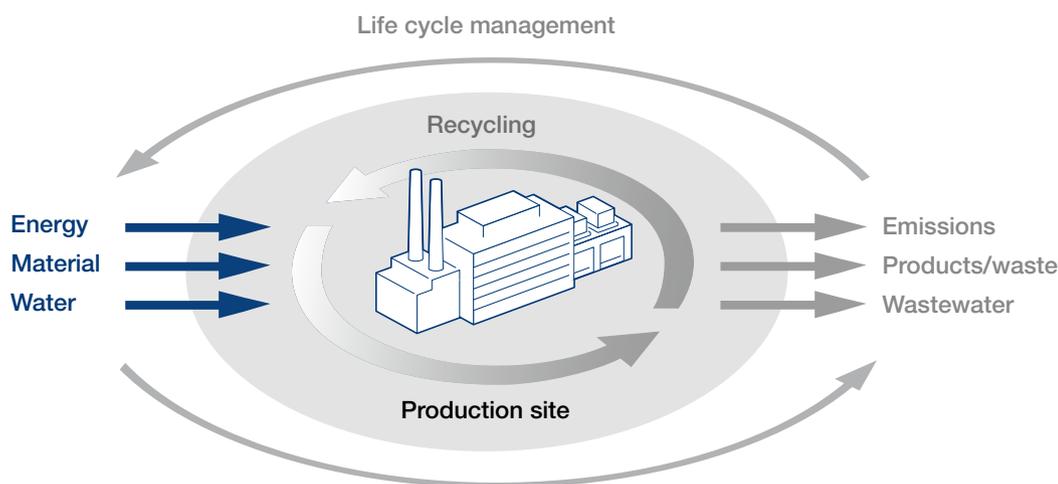
In the procurement process, standards have been or are being developed, according to which the raw material and energy suppliers are chosen. Our purchasing staff receives special training on energy and resource efficiency issues. Checklists also support the procurement process.

In the production phase, economy, energy and resource consumption are continuously examined and compared to our defined goals. In this process, new approaches and methods, for example sustainable balanced scorecards, are being tested and assessed.

We also perform life cycle assessments over the entire life span of important products. In this way, we are able to identify

Ecological Business Management

Eco-efficiency



optimization potentials. In addition we also advise our customers on how to prevent wasting resources and energy in their plants.

The energy balance of a product does not end with the production cycle. Waste disposal is another essential part of the ecological package. Voith is determined to increase its recycling statistics and to close material cycles.

In all phases, the EBM team carries out supplementary input-output analyses. In fiscal 2009/10 alone, 15 such analyses were performed at Voith Paper production sites.

Where does our Ecological Business Management currently stand?

At a number of locations, our EBM activities have already shown concrete results. In Kunshan, China, effective measures were taken: instead of operating heating and air-conditioning systems separately with oil and natural gas, both systems are now run with natural gas. This saves nearly 800 tonnes of CO₂ every year.

Another example: in Düren, Germany, press felts are produced. The energy for this process is now generated by heat coupling in our on-site power station. As a result, the consumption of natural gas was reduced by 30%. Additionally, 770 MWh of electricity were fed into the company's own power grid and total annual CO₂ emissions were cut by 620 tonnes.

In fiscal 2009/10, a project was started to improve waste recycling through sorting. In local analyses, the individual types of waste were examined by their material composition. Single-variety waste can generally be used for higher-grade recycling, which at the same time generates higher income.



Managing Energy Successfully

Voith Turbo in Crailsheim has drastically cut its CO₂ emissions. Last year, the savings equaled 1 200 tonnes of coal. This success was achieved by the local energy management team.

Voith Turbo in Crailsheim manufactures high-tech components for industrial plants. Test stands, paint shops and industrial washing machines are, of course, severe energy guzzlers. As early as 15 years ago, the existing electrical grid had reached its limits. At the same time, energy prices rose and made the industry aware of environmental issues. In Crailsheim, the engineer Eckard Beer was asked to examine the local energy supplies and to improve them. And not only the power grid was in need of modernization, the heating systems in the individual buildings were also no longer up to standard.

In 1996, through a modern power and heat generation system, the company took its first step into a new era. From then on, a gas-operated heating plant has supplied the factory and offices with heat. At the same time, energy from the power plant ran a generator to supply electricity for the air compressors. The next modernization

phase followed with the construction of five new production halls. Now, the ventilation systems of the new halls have integrated heat exchangers for heat recovery. In addition, the previously decentralized cooling units in the production plant were replaced by a central cooling unit. Today, the CO₂ emissions at Voith Crailsheim are 225 g/kWh – which is significantly lower than Germany's average of 518 g/kWh. Last year alone, Voith Turbo in Crailsheim was therefore able to reduce its CO₂ emissions by 40% or 3216 tonnes.

The success of the company's energy management is not only based on the application of modern technology. Controlling is equally important. For this purpose, Eckard Beer, Head of Environmental and Energy Management, provides senior executives with a database highlighting the consumption and savings potentials. But Beer also gives personal advice to his colleagues – another success factor.

Our goals

In fiscal 2010/11, the Ecological Business Management program will be successively adopted by all Group Divisions.

4.2 Material Efficiency and Resource Protection

Steel and plastics – these are the materials Voith needs in large quantities to manufacture its products: steel for machining and plant engineering, and plastics for consumer goods. As a manufacturing company, Voith is dependent on limited resources. And therefore resource protection and material efficiency have the highest priority.

We continuously examine all eco-relevant processes and develop strategies that allow us to minimize resource consumption as well as environmental impacts within the Voith Group.

Innovative ways to reduce waste and water

Voith is constantly looking for innovations to utilize resources more efficiently – in purchasing as well as our design and production departments. Our approach is: Preventing waste has priority over material recycling. Material recycling has priority over energy use, and energy use has priority over waste disposal.

Eco-management and Ecological Business Management are jointly working on concepts and solutions to improve our material and water efficiency, as well as the recycling and energy utilization statistics in production and administration. For this purpose, we are continuously monitoring technological developments and market trends. Once a technology is regarded as suitable, it is evaluated, tested in pilot projects at various locations and, if necessary, optimized, before we recommend it for general application at Voith.

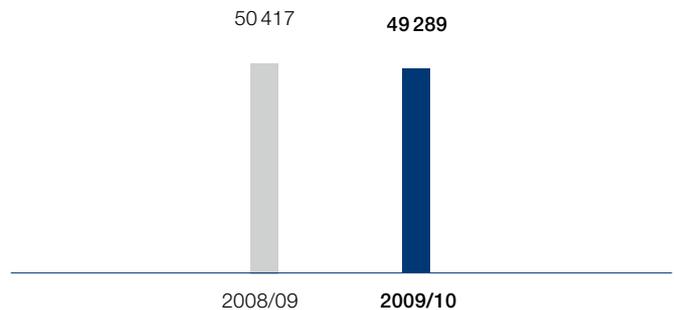
Less waste with rising production

To assess our waste volume, we have introduced the core indicator waste/sales – measured in t/€ million – as a comparable unit. In line with our motto “preventing waste comes before utilizing waste” our efforts start at the beginning of the added-value chain, and not the end.

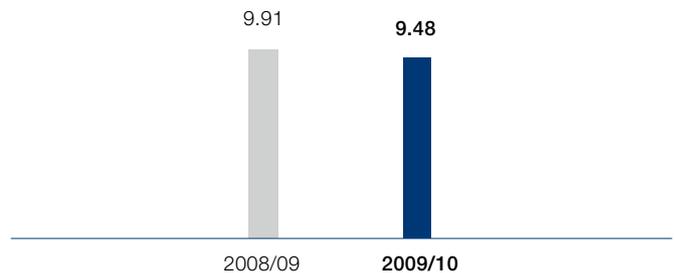
In fiscal 2009/10, our waste volume has dropped slightly compared to the previous year, while sales rose. For the core indicator waste/sales, this amounts to a reduction of 4.3%.

Waste volume

In t



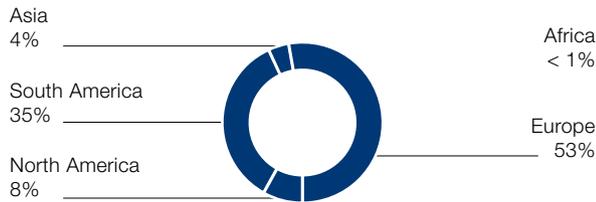
In t/€ million sales



The largest amounts of waste are generated at our production sites in Europe and South America. This is where our production locations are; in São Paulo we also operate a foundry. Machine production and especially foundry work inevitably produce high levels of heavy waste. Our plants in Asia and North America, on the other hand, manufacture consumer goods from plastics, thereby generating waste with a relatively low weight.

Waste volume – 2009/10 total 49 289 t

By region



Practical examples: how we reduce waste

Machine production sites are the most waste-intensive locations at Voith. To make realistic comparisons and deduce a systematic approach for improving the situation, Voith performs regular waste comparisons at selected sites. During these comparisons, quantities, classes, grades of sorting and prices are calculated and compared.

Haaksbergen, the Netherlands

Since 2008, the waste generated by individual processing steps has been continuously monitored and evaluated. The plant differentiates between single-grade and mixed plastic waste. A side effect of this clear separation is an improved position in the external recycling market. The primary goal is to reduce waste. And due to a simple measure, it was significantly reduced: the size of the yarn rolls was doubled and unavoidable filament wastes on the spools were halved.

Laakirchen, Austria

In Laakirchen, motor oil is processed via a bypass filter system. Dirt particles in the oil are filtered out, improving its purity. As a result, the service life of the motor oil is extended and the amount of waste oil is reduced.

Kunshan, China

All environmentally harmful materials needed for the production of consumer goods were systematically assessed and replaced wherever possible. The defined measures are thereby consistent with the motto “preventing waste comes before utilizing waste.”

Summerville, USA

The filaments produced in Summerville for paper machine clothing are nearly always shipped on reusable spools and

special pallets, when they are sent to other Voith locations for processing. Once the filaments have been used, the empty rolls are repacked on the pallets and returned to Summerville for reuse. This is a system which makes economical and ecological sense. Every year, the CO₂ footprint is reduced by about 700 tonnes.

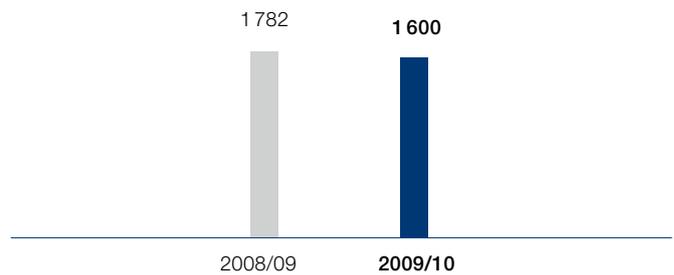
Every drop counts

Apart from reducing its waste volumes, Voith also intends to reduce its freshwater consumption and its wastewater output. The core indicator for the freshwater consumption/sales is measured in m³/€ thousand sales. In this context, freshwater is defined as the sum of water directly extracted from the supply network or from wells. Rain and geothermal water are not considered.

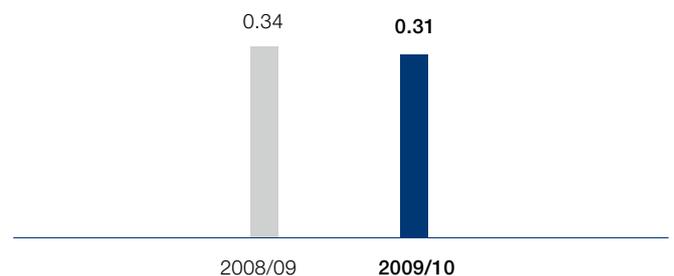
In fiscal 2009/10, the freshwater consumption dropped by about 182 000 m³ to approximately 1 600 000 m³, while sales rose and production capacities increased. The core indicator freshwater/sales fell by 8.8% and was 0.31 m³/€ thousand in 2009/10.

Water consumption

In thousand m³



In m³/€ thousand sales



Europe is the region with the highest freshwater consumption. It accounts for nearly 60% of the freshwater used by the Voith Group, worldwide. This is due to the large number of European production sites and three test paper machines in Heidenheim, Ravensburg and St. Pölten. Asia accounts for just under 20%. The reasons for this are, among others, a number of open water circuits in production plants. Measures for closing these circuits have been introduced. South America is responsible for about 15% of the freshwater consumption of Voith. A key factor is the foundry at São Paulo. All other regions only play a minor role in terms of freshwater consumption.

Water consumption – 2009/10 total 1 599 970 m³

By region



Practical examples: how we save water

Heidenheim, Germany

The cooling system of the IT center in Heidenheim was converted to an air-cooled water circuit. The project was completed in December 2009. Compared to the start of the project, about 240 000 m³ of freshwater can now be saved every year. During the last two fiscal years, three water-cooled compressors for pressurized air generation were replaced by air-cooled units. Due to these measures, the freshwater consumption could be reduced by another 90 000 m³ per year.

“Our technological aspirations are not only reflected in our products, but also in our resource-saving production.”

Bertram Staudenmaier, Member of the Corporate Board of Management

Krefeld, Germany

In Krefeld, the wet coating process has been changed to dry coating. The dry filtration reduces the waste volume by 20 tonnes of paint sludge every year. Nearly 2 200 liters of water treatment chemicals can now be saved. At the same time, the power consumption could be dropped by 120 MWh, and the water consumption by 20 m³ – another economic advantage.

São Paulo, Brazil

In São Paulo, Voith operates a water processing plant with a monthly capacity of about 11 000 m³. With this plant, the freshwater consumption can be significantly reduced, and industrial water can be used in other processes.

Hyderabad, India

In Hyderabad, Voith has been running a water processing plant since the end of 2008. Here, 12 000 liters of water are processed in a multistage filter system. The water is initially treated by air, filtered and finally chlorinated to kill germs.

Our goals

The Corporate Board of Management has set concrete, Group-wide goals to reduce the consumption of resources (base: fiscal year 2008/09):

Waste

Waste in relation to annual sales (t/€ million) will be reduced by 10% by fiscal 2015/16.

Water

Freshwater consumption in relation to annual sales (m³/€ thousand) will be reduced by 5% by fiscal 2012/13.

4.3 Energy Efficiency, Climate Protection, Emissions

Responsibility for the climate

Voith actively promotes climate protection and wants to make a contribution to combating climate change. It is our goal to reduce the CO₂ emissions of the Group, of our products and services, while simultaneously increasing the energy efficiency within the company. For this purpose we are constantly developing more efficient processes and technologies. Our goal is that every new or improved Voith product must be more energy-efficient than its predecessor. We are also looking for ways to integrate renewable energies even more than in the past.

On the way to the CO₂-free facility

Voith has a concept to get closer to the vision of an energy-independent and CO₂-free facility. On the production side, energy consumption and associated CO₂ emissions are recorded at their source. On this basis, potentials for increasing the energy efficiency and applying renewable energies are identified.

Database and definition

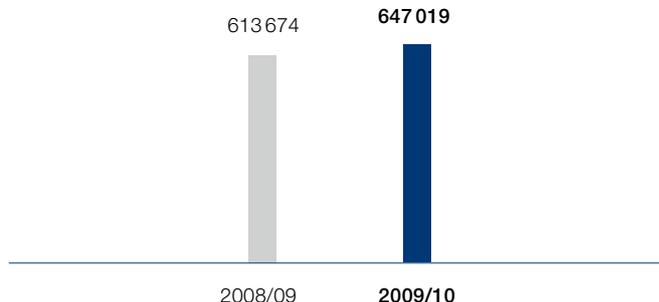
Voith regularly records both its direct and indirect energy consumption. The measured quantities are converted into their CO₂ equivalents and afterwards depicted as CO₂ emissions. Direct greenhouse gas emissions from welding, protective or other process gases are not included. In order to make CO₂ emissions comparable, a core indicator CO₂ emissions in tonnes per million euros sales (t/€ sales) has been created.

More energy, fewer emissions

In fiscal 2009/10, Voith consumed 647 GWh of energy worldwide. 239 GWh originated from direct energy, while 408 GWh stemmed from indirect energy. This resulted in CO₂ emissions of nearly 181 000 tonnes. This figure represents 48 500 tonnes of CO₂-direct emissions and 132 500 tonnes of CO₂-indirect emissions.

Energy consumption

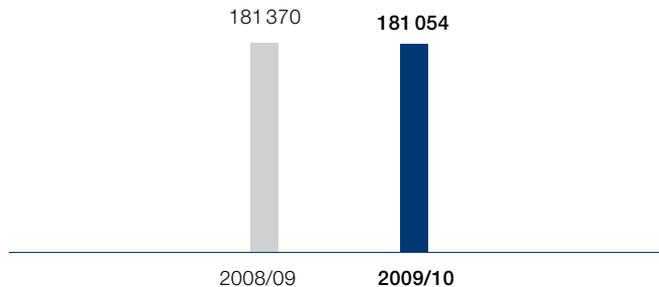
In MWh



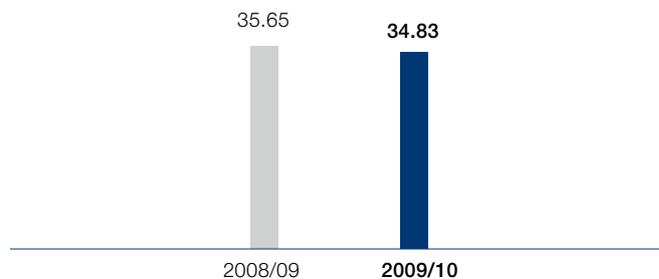
Despite the expansion of our production capacities and growing sales, the absolute energy consumption rose by only 6.4% compared to the previous year. Due to increasing sales, the effective CO₂ emissions over the same period therefore dropped by 2.3%.

CO₂ emissions

In t

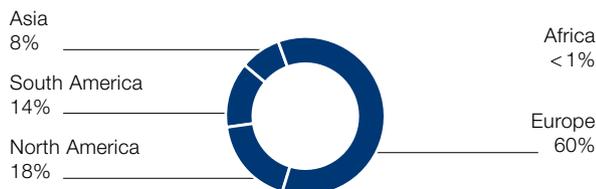


In t/€ million sales



Energy consumption – 2009/10 total 647 019 MWh

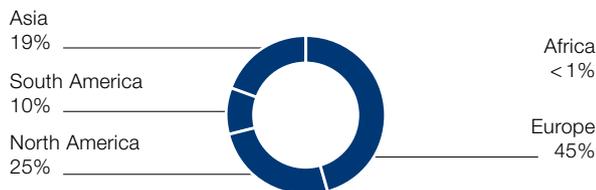
By region



The regional distribution of CO₂ emissions shows that nearly half of them were released in Europe. This is due to the high number of Voith locations in Europe, which also have a broad range of manufacturing. North America accounted for a quarter of all emissions, closely followed by Asia with a share of 19%. South America generated 10%.

CO₂ emissions – 2009/10 total 181 054 t

By region



Challenges

The main culprits of energy consumption are heating systems in Europe and the northern part of the USA. Another factor is the demand for heat processing, for example for melting steel in the São Paulo foundry or for thermal fixation during the production of press felts.

In terms of electricity consumption, Voith has defined lighting, ventilation and air-conditioning, as well as the standby func-

tion of machines as a general factor. On the production side, machine tools, paper machines for special technical papers, looms and test stands are particularly power-intensive.

The example of the São Paulo foundry shows the impact of the real net output ratio on CO₂ emissions. Due to in-house production, the CO₂ emissions and their associated output ratios at Voith are disproportionately higher than with purchased parts. At the same time, the company saves on transport and related emissions by direct on-site recycling.

Concrete measures and first milestones

Based on eight selected locations in Europe and Asia, the following examples show which individual projects have already been successfully implemented:

Heidenheim, Düren, Crailsheim and Kiel, Germany

Electricity and heat are generated with high efficiency and low emissions through electricity and heat couplings. In Heidenheim, this is done on a large scale in a gas and steam power station. In Düren, Crailsheim and Kiel, Voith uses combined power plants on a smaller scale.

Krefeld, Germany

To reduce energy consumption for factory heating, Krefeld has installed new high-speed roller doors. The result is less heat loss. Additionally, fans were fitted below the roofs in high production halls to return rising heat back to the ground level.

Garching, Germany

In Garching, the lighting systems were converted to T5lamp technology with electronic timers. As a result, the energy consumption for light has halved. In two buildings, the heating systems were modernized. Industrial water is largely heated by waste heat from compressors. Ceramic inserts in boilers achieve energy savings of 10 to 15%. Modern insulation concepts were also applied during the modernization of the roof. The old wired glass panes were changed to modern, fully insulated glass.

Kunshan, China

The production facilities in Kunshan are heated and cooled by geothermal energy. Voith Paper Rolls has operated a geo-

thermal plant here for two years. Current expansion measures also plan to use geothermal energy for heating and cooling of other buildings.

St. Pölten, Austria

By changing the oil filters for the deep-drilling machines, St. Pölten succeeded in reducing the output from 24 kW to 10.8 kW. This led to annual savings of 80 000 kWh.

Our goals

The Corporate Board of Management has set concrete targets for the reduction of CO₂ emissions (base: fiscal 2008/09):

CO₂ emissions based on annual sales (t/€ million) will be reduced by 10% by fiscal 2015/16.

Eco-Check for Hydro power Stations

In a case study, Voith has for the first time examined the greenhouse gas emissions of a hydro power station across its entire service life cycle – from construction to decommissioning.

With the help of a life cycle assessment (LCA), Voith wanted to know more about the emissions balance of greenhouse gases from hydro power stations – an increasingly important issue in the industry. Additionally, the company wanted to find out how its hydro power components could be produced in a more eco-friendly manner in the future. The study was to be carried out by the environmental engineer Dr. Jürgen Schuol.

The job turned out to be a truly Sisyphean task. “It was sometimes extremely difficult to get reliable data,” explains Schuol. While there was sufficient information about the Voith components, getting data about parts or production processes from other companies proved to be quite difficult. “Whoever wants to set up such a life cycle analysis for an entire hydro power station, should ideally work with a partner company right from the start,” recommends the environmental expert.

But Schuol still managed to prepare a conclusive case study. As it turned out, the buildings were the source of the

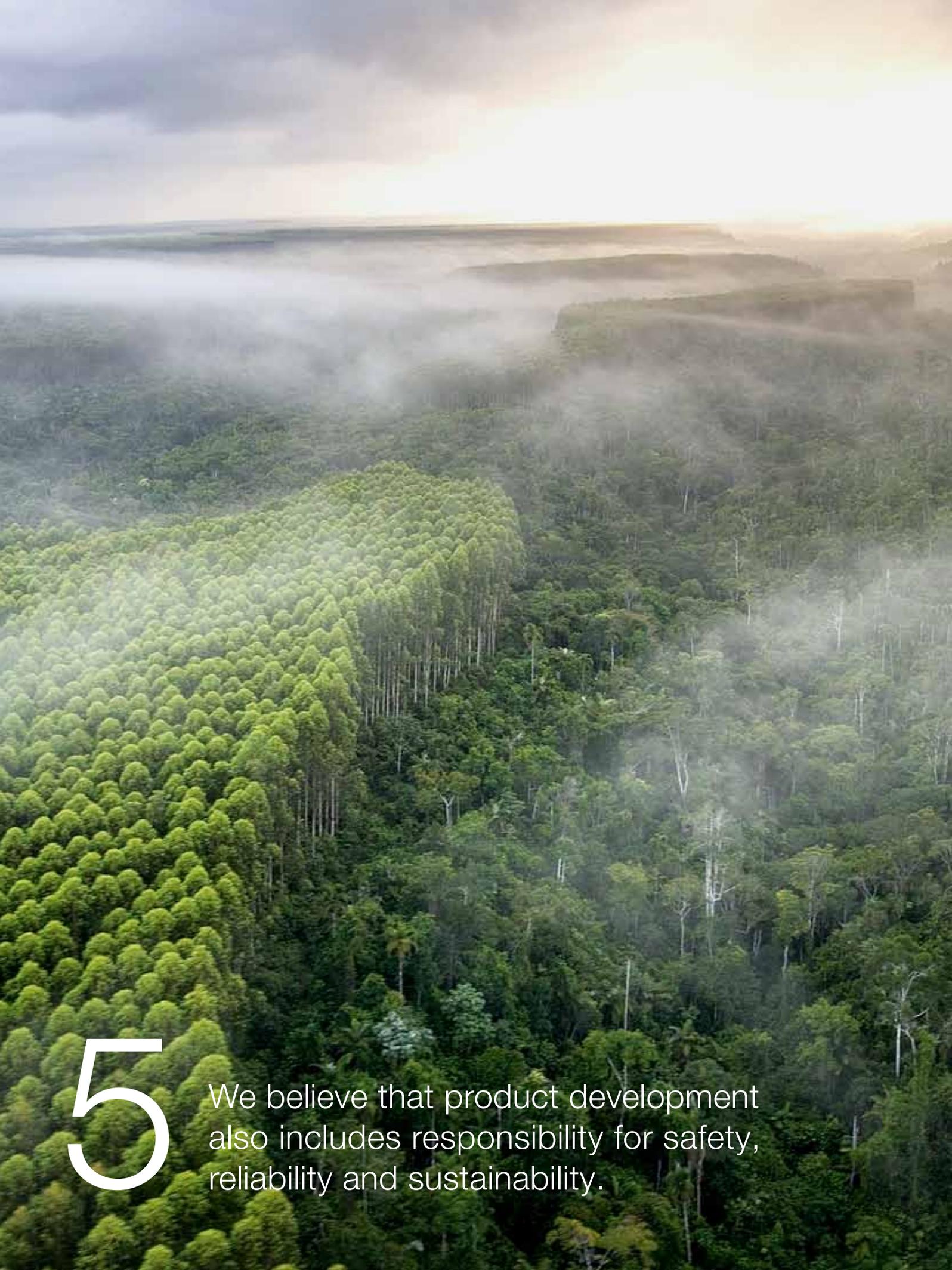


highest emissions of greenhouse gases. “This is understandable,” states the hydro power specialist, “because their key materials, concrete and steel, constitute the largest masses.” As a matter of fact, the masses and the clear categorization of the materials are decisive for the best possible result.

In comparison, the classic Voith components only leave a relatively small CO₂ footprint. “There is not much that can be improved,” says Schuol. Another fact is that our components are

largely made from excellently reusable materials. “This reduces the life cycle emissions of a turbine or a generator by more than 50%,” added the engineer.

The exemplary analysis has been converted into a modular generic model that can be used for analyzing and evaluating similar cases – but much faster and with less complexity in the future. Schuol states: “We are now ready, and can tell interested parties, with high precision, how high the greenhouse gas emissions of hydro power stations are.”



5

We believe that product development also includes responsibility for safety, reliability and sustainability.

Product Responsibility

Thinking about tomorrow – today: Voith products offer high quality, innovation and reliability as well as safety. And this self-concept is also our motivation to act responsibly and with foresight. For Voith, product development has always gone hand in hand with product responsibility. Here, our three key considerations are: pursuing a product strategy that takes future market trends into account; establishing a supply chain that is transparent and based on good partnerships with the suppliers; as well as ensuring consistent, high product quality that simultaneously guarantees maximum safety.

Many Voith products are designed for decades of trouble-free service. This is one of the reasons why our customers regard us as a dependable partner, with whom they can cooperate closely for many years. We have earned this trust by continuity and reliability, coupled with a high degree of innovation.

Long-lasting products with a future

Long-term product strategies will ensure that our portfolio meets the demands of the markets, also in years to come. Taking responsibility therefore means: thinking about tomorrow – today. This is why we are intensively looking at future developments which are geared towards the requirements of megatrends. Voith therefore develops solutions that make a vital contribution to the reduction of resource utilization. We campaign for the use of alternative and regenerative energy. Special emphasis is given to products that exploit previously underused ocean energies (wave and tidal current energies). Against the background of the megatrend urbanization and the increasing demand for mobility, Voith also concentrates on products which support new transportation concepts. With a diversified and attractive product portfolio, Voith is well-positioned for the future.

Sustainability in our supply chain

Our sustainability drive also ensures that our social and environmental standards are adhered to – not only by us as a Group but also by our suppliers. The Voith General Delivery Conditions therefore have a special clause on sustainability. At the same time we are in the process of introducing a supplier management system, which takes sustainability criteria in the supply chain into account – at both the Group Division and local level.

Reliable and safe

Our core promise to our customers is: Engineered reliability. The Voith safety concept is the basis of our reliability guarantee. Competent and experienced employees, clear-cut goals, processes and development methods, specified criteria when commissioning a plant or a product and maximum customer support – these are the main factors for guaranteeing constant, high product quality and safety in light of our global product presence and strong diversification.

5.1 Future-Oriented Portfolio

Changing markets need products that evolve

The megatrends of urbanization, mobility, resource scarcity and climate change pose enormous challenges for the global economy. Companies are therefore adapting to these changes and paying increased attention to eco-friendly approaches and products, as well as changing market requirements.

Strategic product development

Voith relies on a diversified and sustainable product portfolio. We develop technologies and services to make wind and water suitable for generating electricity and thus contribute to the utilization of CO₂-free energy. We work continuously on improving the efficiency of our products and on a more effective use of resources in our production processes. Voith's goal is to include the criterion "Product Energy Efficiency" into its development processes and into a technical risk assessment checklist by 2011/12. This means that in the future each and every newly developed product is expected to make a contribution towards higher efficiency, either by itself or as part of the customer's system.

Voith performs life cycle analyses for selected products to gain a comprehensive picture of their entire service life. As a result we are able to detect environmental risks at an early stage and obtain data, on the basis of which we can develop

innovations. At the same time, these findings support our eco-management system to control national and international limits and standards.

New concepts for the protection of resources

The Integrated EcoMill

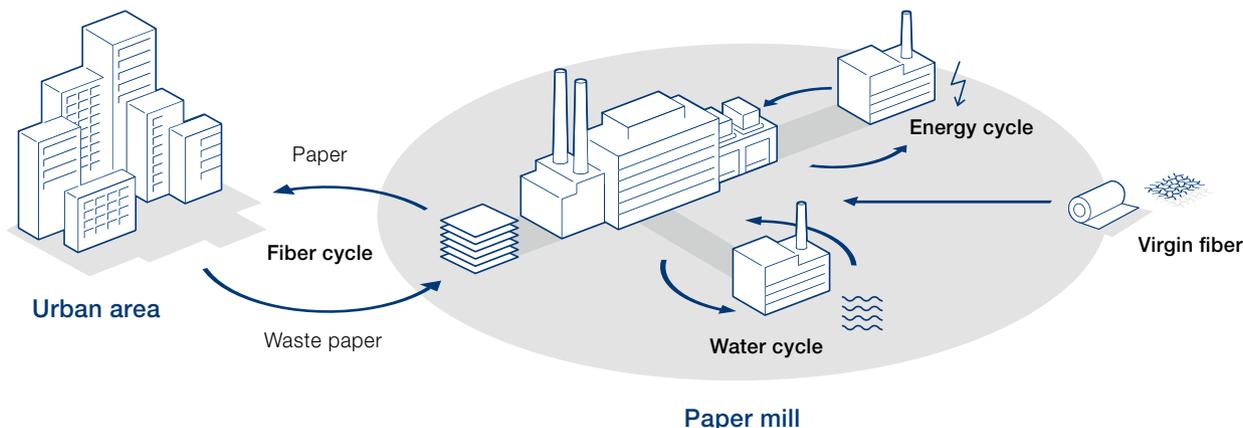
To maximize the recycling of raw materials in paper production, Voith has developed the Integrated EcoMill concept. In this concept, most raw material and energy cycles are closed. The graphic shows how this works. Used water is reprocessed, production heat is converted into steam and energy, and the collected wastepaper is used as raw material for the production of new paper. The production cycle therefore hardly needs any new resources.

Closing material cycles not only saves raw materials but also utilizes synergetic effects. An example is the increased utilization of recycled paper, which simultaneously reduces energy consumption, because processing virgin fiber is much more energy-intensive than preparing stock from wastepaper.

This concept presumes that paper mills can be built near urban areas which is why the plant concept is called an "urban mill." Here, paper is produced where it is needed most, saving transportation, energy and overhead. At the same time, the wastepaper accumulated in cities no longer needs

The urban mill cycles

An intelligent concept for ecology and economy



to be transported across long distances. It is more or less collected at the doorstep of the paper mill. These plant concepts not only protect the environment but also dramatically reduce investment and operating and logistics costs.

Voith – a pioneer in hydro power

The Voith portfolio for conventional hydro power stations ranges from small machines to equipping the world's largest plants. Voith continually improves even the high efficiency of

hydro power stations – which is particularly important for large facilities, where even the tiniest improvement can represent an enormous power generation potential. Today, the output of such large hydro power plants is just under 1 000 megawatts.

Our product portfolio also includes purely eco-solutions: fish-friendly turbine designs, ventilators that improve the oxygen levels of water, as well as oil-free bearings. For energy generation from oceans, Voith even developed a special bearing lubricated by seawater – an absolutely unique product.

New Focus in Research and Development

Worldwide paper consumption has doubled in recent years and is currently at 400 million tonnes per year. In the industrial nation of Germany, per-capita paper consumption is at just under 250 kilograms per year, while in the emerging market of China, it is still only 70 kilograms. This comparison shows the high growth potential of the paper industry.

Experts have dealt intensively with the question of how the growing raw material demand can be satisfied through the increased use of recycled fiber – which is also familiar territory for Voith Paper. Voith has developed and continuously improved paper mills for decades: “We have the technology for making high-quality paper from wastepaper,” explains Dr. Thomas Wurster, Vice President New Technologies. In 2009, Voith Paper redefined its goals for technical innovations. Until then, the maxim was that paper machines must always be faster and wider than previous models. However, today research and development are governed by sustainability criteria. More efficient utilization of fiber, noticeable reductions in energy consumption from fossil fuels, for example oil and coal, as well as closed water cycles, are the goals of our current development projects. This new strategy is backed by hard facts: if the paper industry suc-



ceeds in increasing the share of recycled fiber worldwide from its current 50% to 70% – a level that has already been reached in Germany – then the rising demand over the next decade can be met without additional virgin fiber. Plus, recycled fibers even offer added benefits. Although they have to be processed, they are much cheaper than virgin fiber. This is a powerful

argument in the paper industry, because fiber represents the lion's share of a paper mill's production costs. The energy balance of recycled fibers is also impressive. If the share of recycled fiber rises from 50% to 70%, the energy consumption actually drops by 25%. In this way, Voith is on the right track to achieving its second development goal: reducing energy costs by a half.

Technologies for harnessing ocean energies

1. Wave power plants

With the Limpet wave power plant on the coast of the Scottish Isle of Islay, Voith to date operates the only wave power plant that has been feeding electricity into the grid for more than ten years. In cooperation with the Stuttgart and Siegen universities, the efficiency of the equipment was significantly increased. In 2010, the availability of the Limpet power plant was at 98%. Further wave energy projects are now under construction or in the planning stage. For Mutriku, the first Spanish wave power plant, which will be connected to the grid in 2011, Voith supplied all technical equipment. Together with a partner, Voith also developed today's largest wave power plant just off the Scottish coast, on the Isle of Lewis, with an output of four megawatts.

2. Tidal current power plants

Similar to wave power plants, tidal current power plants are a relatively new technology. The World Energy Council anticipates that in the future the energy of high and low tides can cover up to 15% of the worldwide electricity demand. For the world's largest tidal current power plant, the Seaturtle Tidal Park near Jeollanan-do in Korea, Voith developed a tidal current turbine with an output of 110 kilowatts. In spring 2011, this pilot turbine entered service and is now being thoroughly tested. This will be followed by developments for a large commercial tidal current power station. The power plant has been designed for a nominal output of 200 megawatts. In parallel, Voith is developing a one megawatt tidal current power plant. It is to be tested at the European Marine Energy Center (EMEC) on the Orkney Islands in 2012.

Voith – world market leader for efficient drive technology

Voith supplies drive components to the industry, marine, rail and road markets. The development activities for Voith drive technology focus on improved energy utilization, higher efficiency and the expanded use of regenerative energy. It is our goal to create sustainable benefits by continuously improving the economy and performance of our technologies.

1. Energy generation: WinDrive

Wind power stations rotate according to the prevailing wind speed, i.e. they have no constant speed. For power grid operations, this variable rotor speed therefore has to be converted to a constant grid frequency. With WinDrive, Voith has

created a dynamically variable system as an alternative to frequency inverters. Depending on the wind speed, WinDrive adjusts the rotor to reach its highest efficiency. At the same time, it converts the variable rotor speed into a constant generator speed for power grid operation. WinDrive achieves high efficiencies, is relatively light and saves space. Both aspects reduce costs for wind farm operators.

2. Fuel savings: SteamTrac

SteamTrac is a system with a piston expander as its central component. It increases the efficiency of combustion engines by 4 to 12%. Via heat exchangers, superheated steam from the exhaust of a combustion engine is directed to SteamTrac. SteamTrac then generates additional mechanical energy, which is fed directly into the driveline.

With the application of SteamTrac in three power stations, it has now been proven that this product is also suitable for continuous operation. The output of the gas engines in these combined-cycle power stations rose by approximately 20 kilowatts without burning extra biogas. This corresponds to an efficiency increase of nearly 8%. SteamTrac was also installed in a pusher barge for iron ore and coal. Projected over a year, the fuel consumption of the engine was reduced by 40 000 liters of diesel which amounts to a drop in CO₂ emissions of 106 tonnes. Since March 2010, another SteamTrac has undergone testing in a rail vehicle, creating an additional output power of 20 kilowatts. A more compact, lighter piston expander with a fuel reduction of approximately 6% for trucks is also under development.

Safe and eco-friendly:

Voith Retarder and Voith Aquatarder

Voith Retarders are hydrodynamic braking systems for use in buses and trucks. They make a vital safety contribution by keeping the temperatures of a vehicle's main brakes down and protect them from wear. This reduces operating costs. At the same time, brake dust emissions are also considerably reduced – an argument for the environment. The classic retarder runs with special oils, but Voith Turbo has now launched a new retarder type that can be operated with the cooling fluid of the vehicle: the Voith Aquatarder. The Aquatarder not only works without oil, it also does not need the stainless steel heat exchanger for dissipating heat from the oil to the cooling water. Although initially only a requirement for cars, Voith has gradually tested and introduced replacement

materials for the chrome VI-coated parts of the retarder since 2003. By 2008, chrome VI-coated parts were no longer used in Voith Retarders, and future developments will also be produced without chrome VI.

Voith – into the future with a stronger service portfolio

Voith is also gearing up its service portfolio to be well-positioned for the future. The Services Division has been reorganized and will consist of four divisions: Automotive, Energy-Petro-Chemicals, Industries and Engineering Services. This new organization reflects the specific requirements of our customers, who will benefit from fewer interfaces, higher industrial expertise and worldwide quality standards.

The Automotive and Energy-Petro-Chemicals divisions offer customized solutions for the automobile and processing industries. With our subsidiary DIW, our Industries division provides comprehensive regional services for the operation and administration of industrial sites in Germany and Austria, as well as Central and Eastern Europe. Finally, the Engineering Services division offers contract engineering for the aeronautics industry and for rail vehicle manufacturers.

“Our focus in research and development is on new products and systems with ecological improvements and clear-cut economic advantages.”

Dr. Hans-Peter Sollinger, Member of the Corporate Board of Management

5.2 Supply Chain

Cooperating as Partners

As a supplier of production plants, products and services, Voith purchases goods and services from all continents. We have set up a worldwide network of suppliers, and our business relations with these companies are characterized by trust, fairness and reliability.

Purchasing at Voith is divided into Corporate Strategic Purchasing (CSP) and Divisional Strategic Purchasing (DSP). These purchasing units determine the strategic approach. In order to homogenize services, set standards and allow our suppliers to access all Group Divisions, we operate with centrally controlled Corporate Framework Agreements.

Procurement policy

Purchasing at Voith is based on three principles:

1. We cooperate with qualified and motivated suppliers on a basis of mutual trust as a fair, reliable and innovative partner.
2. We ensure the adherence to our Compliance Regulations through cross-functional awareness and transparent purchasing decisions.

3. As managers of external value creation we constantly aim for operational excellence.

Social, ecological and economical aspects are all equally important when we select a supplier. A purchasing decision must take into account that resource-saving processes and supply chains are ensured. Voith cooperates exclusively with suppliers that adhere to our environmental and social standards as well as orienting themselves on our Voith values.

Purchasing in a Global World

In fiscal 2009/10, Voith purchased goods and services worth €2.9 billion from nearly 30 000 suppliers. Although we categorically aim at building and maintaining long-term relationships with our suppliers, our strong project business cannot prevent a certain degree of fluctuation. Voith buys two-thirds of its products from Germany and other European countries. With 19% of the purchasing volume, South America is the second most important purchasing region.

Sales and purchasing volumes by region – 2009/10

Sales



Purchasing volume



Current developments show that Asia and especially China are becoming increasingly important market partners. Voith must therefore ensure early enough that our existing network of Chinese suppliers is expanded further. Worldwide purchasing presents opportunities, but also inherent risks. Through the globalization of the procurement markets, the added-value chain becomes more complex. In order to ensure the quality and the origin of a product, transparency must be created and the observation of environmental as well as social standards must be assured. This requires regular audits.

Environmental and social standards

The requirements on our suppliers to observe our environmental and social standards are specified in our “General Conditions of Purchase” (AEB) and the Voith Code of Conduct (see Chapter 3). As an integral part of any contract they represent the standards to be followed by our suppliers. Regarding compliance, environmental protection and social standards, the Voith AEB’s conditions explicitly state that Voith suppliers must observe all legal regulations on environmental protection and labor laws. It is also stipulated that bribery and corruption are not tolerated, and neither are child or forced labor.

The Voith supplier management system

In fiscal 2009/10, Voith has made significant improvements to its supplier management system. This optimization is meant to facilitate the selection of new suppliers – also in terms of social and environmental standards. Another goal is to better control the implementation of Voith regulations and to support our suppliers where necessary. The supplier management system operates at Voith under the project name “Supplier-Management@Voith” and is based on an integrated software solution allowing our buyers a 360° view of their suppliers. In a database, buyers can obtain online information on existing and potential suppliers. Within the Voith Group, this portal ensures high data quality as well the global availability of business, product and capacity data from our suppliers.

Registration of new suppliers

Since fiscal 2009/10, companies applying to become suppliers for Voith have to register via a supplier portal. Through a questionnaire, essential basic data on issues such as sustainability and compliance are collected. On the basis of this self-assessment Voith examines whether the minimum requirements regarding environmental and social standards are being fulfilled. The certificates uploaded into the portal by the suppliers are then verified by our environmental and quality management systems. Applications from suppliers that are unable to present the required certificates are declined. If there is a recognizable willingness to improve their environmental performance, Voith supports the respective supplier in this process (see Supplier Development).

The final approval of a supplier is subject to a quality audit. In addition, the company must also complete a corporate sustainability questionnaire with standardized questions.

Assessment of active suppliers

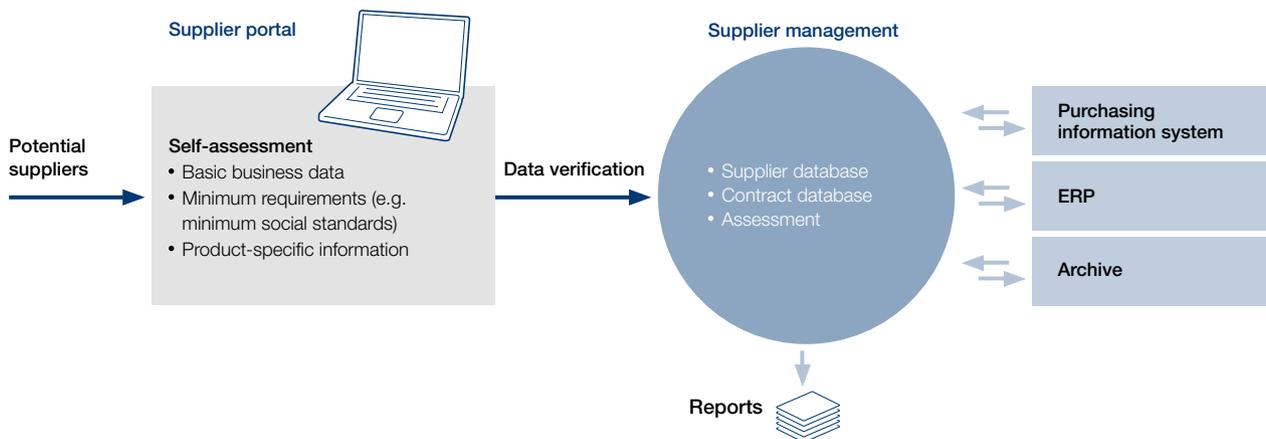
A central building block of SupplierManagement@Voith is the regular monitoring of active suppliers. All Voith suppliers are assessed by several criteria. In this way, the quality of the business relationship and the performance of a partner is evaluated on the basis of clearly defined assessments.

These assessments are carried out with an established set of standards that are adapted to the requirements of the individual Group Divisions. A set of criteria consists of four factors: quality, logistics, commercial and technology. Our assessments do not just focused on price, quality and delivery reliability, but they also concentrate on financial stability, quality of cooperation and reliability. The effectiveness and depth of the quality, environmental and occupational health and safety system is also of great importance. Information is supplied through various internationally recognized certificates such as ISO 9001, OHSAS 18001 and ISO 14001, and also by site inspections. We differentiate between supplier visits and on-site inspections, as well as incoming goods inspection as well as audits by our quality and safety department.

Our markets and the requirements of our customers are highly diverse. For this reason, the individual Group Divisions have sovereignty over the type and the extent of these audits. Standardized audit forms are used to simplify this process. In 2010, a process for uniform audits was started with the objective of setting up a permanent supplier classification including the exclusion of suppliers that do not conform with our corporate sustainability directives (blacklisting). This process applies to all Group Divisions.

Supplier management

Supplier portal and database allow a 360° view and control of suppliers



In the end, the results of the supplier assessment are analyzed to identify their potential and weaknesses. The assessment ends with the rating of each individual supplier in six categories.

**Supplier development:
identifying and promoting potentials**

We would like to encourage our suppliers to think outside the box. At Voith, cooperating as partners also means supporting our suppliers in their further development. Our supplier assessment system offers an ideal basis for this. By direct know-how transfers we provide our suppliers with an opportunity to learn new production methods and qualify for further tasks (see graphic). Our experiences with this system have been quite positive, especially in Asia. Voith employees from our quality, safety and monitoring departments are regularly on site and look after the Asian suppliers during the product manufacturing phase. In this way, we can also ensure that environmental and social standards are met.

**Non-compliance:
what happens if Voith regulations are not observed?**

Despite all efforts it can occasionally happen that individual suppliers do not comply with our standards. In this case it is important to understand the reasons for this non-compliance and then jointly look for ways of achieving the required minimum standards step by step. Our supplier development system applies here, too. The business relationship ceases only if there is no improvement within a certain period, despite several notifications and warnings. In this case, the supplier is blacklisted.

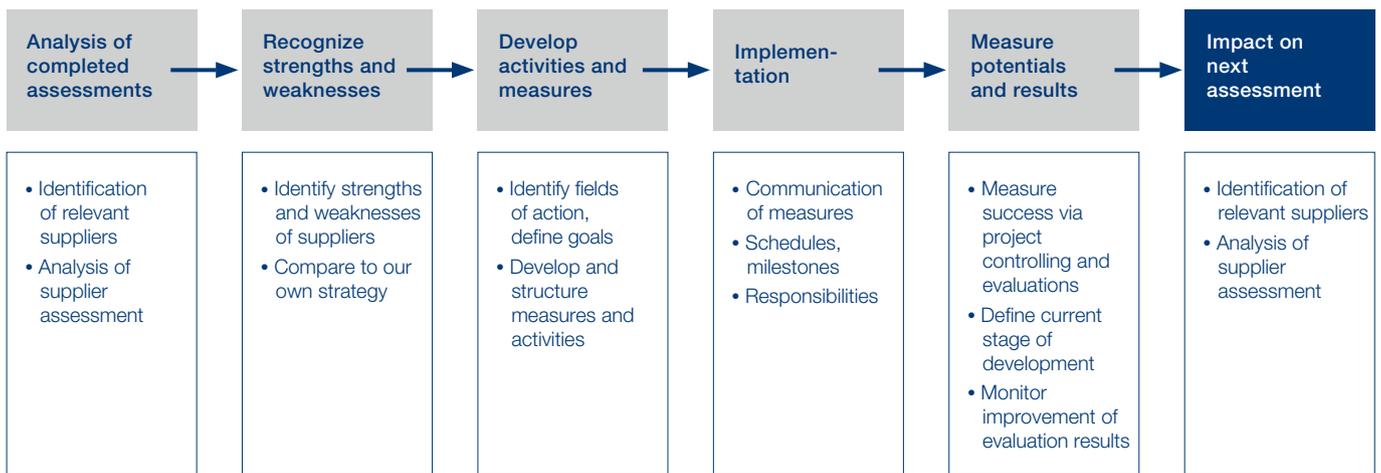
Dialogue and training

Voith promotes the direct dialogue with its suppliers. We hold special suppliers’ seminars to inform our partners about organizational changes and new requirements. These seminars have the purpose of training our suppliers and increasing their awareness for the observation of environmental and social standards.

In April 2011 Voith held a suppliers’ seminar under the heading “Going to China with Voith” where business partners were informed about the future plans of the company. The event

Supplier development

Phases of supplier development



showcased opportunities for suppliers to accompany Voith to China and consequently capitalize on the Voith strategy.

We also count on the dialogue with other companies. We are members of the Registered Association for Materials Management, Purchasing and Logistics (BME/AMMPL) and advocate the cross-sector development of corporate sustainability and compliance aspects for supplier management.

Product category concept

Since fiscal 2008/09 we have applied specific product categories. In doing so, we specify the minimum corporate sustainability standards for all important product categories and define our preferred suppliers – on corporate and on Group Division levels. Especially when large orders are about to be placed, sustainability criteria are explicitly applied and used as vital decision factors.

Our goals

Supplier evaluation/supply chain management

During the evaluation of suppliers, sustainability aspects become an integral part of the process. By fiscal 2011/12, a concept for the incorporation of social and ecological questions will have been developed and implemented. Two years later (in fiscal 2014/15), the implementation will have progressed so far that 80% of all Voith suppliers will be registered and evaluated by fiscal 2015/16. The evaluation of half of all Voith suppliers will be completed by fiscal 2012/13.

Data acquisition

Voith is working on a qualitative increase of its purchasing data. To obtain a better overview of the most important materials to be procured, a material score has been set up for plastics and coating materials, semi-finished products and electronics. By 2015 a 95% degree of coverage will have been achieved. An improvement of our database is expected as early as 2012/13. The ultimate goal is a coverage of 80%.

Supplier assessment

To ensure maximum supplier quality, the number of assessed suppliers will rise steadily. For fiscal 2010/11 we intend to purchase 80% of our goods and services from assessed suppliers. In fiscal 2009/10, the percentage was 60%. In a semi-

annual report, the assessment results are discussed by the steering committee “Purchasing” at the Group level, and new goals are defined for future business years.

Audits

Last December we started a new process for uniform supplier audits, applicable to all Group Divisions. Audits and on-site inspections are to be carried out more frequently.

Voith Supplier Award

Five years ago, Voith Hydro in São Paulo presented its first “Voith Supplier Award.” This initiative will now be introduced across the entire Voith Group. From 2012 on, all Voith suppliers will be included and may receive the “Voith Supplier Award” for outstanding services.

5.3 Product Safety

Our promise: Engineered reliability.

Companies that buy technology from Voith trust in the reliability and long service life of our products. Be it power stations, refineries, paper machines, mines or transport, delivery of an entire plant or just a partial system: Voith customers expect that our technology is precise, durable, robust and absolutely safe. This promise to our customers is expressed in our slogan: “Voith – Engineered reliability.”

The basis for our reliability is provided by our safety concept. The safety concept for engineering products is supported by four pillars:

1. Competent and experienced employees

The competence and experience of the workforce, both at Voith and also at our customers, is one of the four factors that make a vital contribution to the safety of our products. Our main concern is the continuous training of all those involved.

How can we make the knowledge about various product areas accessible to everyone? And how can we promote an exchange among our employees? These are questions that constantly face us. Voith Turbo has, for example, set up a uniform document release and administration system for stand-

ards, norms, process descriptions, operating instructions and work sheets on a joint platform. This database now contains 11 000 active documents.

Voith Industrial Services, too, utilizes Web-based systems for know-how sharing and transfer. The internal systems "HelloWiki" and "Imaginatics" turned out to be very useful for the workforce and have high user numbers.

Voith also relies on training and further education. In the last business year, Voith Paper held its first International Experts Seminar. Representatives from all locations were invited to a seminar on the Russian GOST norms. Owing to the long-standing internationality of its business, Voith Hydro has routinely conducted a staff exchange program for many years, especially for engineers. Young and capable engineers can improve their qualifications in half- and full-year courses at the Brunnenmühle test laboratory in Heidenheim. There are also trainee programs that can be completed at two or three different locations and of course overseas.

2. Clear-cut development processes

Integrated management systems ensure the observation of general and industrial or business-specific standards in areas such as process organization, quality, risk management, occupational health and safety as well as environmental protection. This applies to all Group Divisions. The adherence to these standards is monitored and certified by internal and external audits. The management systems are subject to regular updates and relevant optimization. In the business division "Rail", Voith Turbo has, for example, introduced the quality management system IRIS Revision 2 during the period under review. At Voith Industrial Services, the Automotive division introduced a transition from the VDA6.1 norm to the ISO-TS 16949 standard, and the first product areas have already been certified. Not too long ago, Voith Hydro obtained combined certification for the three norms ISO 9001 (quality), ISO 14001 (environmental protection) and OHSAS (health and safety) for all locations on the basis of uniform directives and regulations via so-called matrix certifications.

Process-oriented handbooks exist in all Group Divisions. In so-called "loops," the Blue Book at Voith Hydro describes all processes from engineering and procurement, through manufacturing and project management to commissioning, which

have to be correctly completed to ensure maximum quality for products and customer relations.

As part of the new risk management, a comprehensive system was introduced across the entire Group. The risk management system prescribes the processes for high-risk decisions. Detailed checklists ensure the uniform handling and observation of all regulations. The system is directly coupled with the order processing program.

The development process also contains various methods for ensuring product safety. These are largely based on the principles of the Failure Mode and Effects Analysis (FMEA), used for systematically recording, evaluating and documenting failure risks. Its implementation is an integral part of the development process. Individual measures are defined via calculations and application-oriented simulations, and they are validated by relevant test programs. In this context, experiences and norms are employed in equal measures. Voith Hydro has, for example, defined special engineering rules for product safety in its own safety policy across the entire life cycle of a product. In training courses, employees and sometimes also customers are continuously updated on the latest developments.

If it cannot be avoided altogether, the use of harmful substances is to be reduced to a minimum. This applies both to the production process and the product. The handling of hazardous substances is regulated, among others, by REACH, the EU regulation on chemicals, and also in country and customer-specific hazardous substances lists.

Voith has stopped using chrome VI for all retarders. In hydrodynamic couplings and in the Aquatarder, cooling water is used instead of oil. Should this not be possible – for example in the Voith Schneider Propeller – biodegradable lubricants and grease are chosen. Voith Industrial Services must ensure at all times that Voith products operate only with substances that do not interfere with the customer processes.

3. Criteria for commissioning

Voith products are subject to stringent inspection criteria. International and regional norms must be observed, sometimes also industrial or customer-specific norms. Regional and/or international norms apply, for example, for paper machines since CE conformity prescribes a CE responsibility manage-

ment system with CE representatives at every location. For our applications in Chinese high-speed trains, ISO 17025 type tests are carried out. Industrial or customer-specific norms also apply to the Gravita locomotive, which received its official approval from the Federal Railway Authority (EBA) during the period under review. It is not unusual that installation inspections or commissioning procedures are carried out jointly by Voith and the customer.

The inspection requires comprehensive documentation including detailed information on machine safety, and the commissioning is accompanied by staff training programs for the customer. Voith Paper provides, for example, relevant information in technical documents on the basis of the ma-

chine regulations 2006/42/EG. Voith Hydro does the same and hands out operating and assembly instructions as well as detailed manuals for its plants.

4. Product-specific utilization

We also develop innovative technical components for retrofits of older plants to achieve improved energy and resource efficiency. In this way, rising demands can be met without the need for a completely new plant. The modernized plant can then be operated safely for many years or decades with considerably increased output and performance levels.

“Never let a customer down” – this is both our motto and the guiding principle for our employees when dealing with our customers.

ATMOS: Economical and Eco-Friendly

Who can imagine life without them? Strong and absorbent, soft and gentle, printed with patterns, fashionably designed or kept in pristine white – they accompany us throughout the day: tissue papers such as cosmetic wipes, toilet paper and napkins.

Tissue is part of our everyday life. The USA was the first country where it obtained mass product status. Here, in the 1960s, numerous processes were developed for making a wide range of tissue qualities – often coupled with the use of large quantities of natural resources. At that time nobody was interested in environmental issues such as fiber or energy consumption. But now, living standards have increased worldwide. More and more people buy more and more tissue products. In 2008, 28 million tonnes were used; twenty years ago it was just 13 million tonnes.

In 2004, engineers at Voith Paper in São Paulo set out to develop technological improvements. Their goal was to

produce various tissue qualities with less energy and a higher share of recycled fiber, and they succeeded. In 2007, Voith launched ATMOS – a new drying and compression process. Even premium tissue paper can now be produced with recycled fiber using less energy and at lower investment costs. The development was a success, because the engineers were able to build on decades of experience in plant engineering and also on the in-house knowledge of their colleagues from the press felt and drying wire production teams. With ATMOS, Voith has created an integrated solution that is not only resource-saving but also more economical than conventional processes: a true win-win situation.





6

Occupational health and safety is our number one priority. This is why we have embedded it in our corporate objectives.

Responsibility for Our Employees

Voith is a fair and attractive employer with high-performance expectations. Qualified, motivated and loyal employees are the basis for ongoing innovation and competitiveness. It is our goal to preserve the productivity of our workforce and simultaneously remain a valued employer for new, highly-skilled applicants.

Challenges of a global market

Voith can stand up to the competition on international markets and still continue to grow. To do this, we need highly qualified and productive employees. To meet our growth targets, we need more employees than ever before. Our focus is therefore on high-quality training for our young talents within Voith, as well as on the continuous education of the workforce and the recruitment of new staff. To achieve our goals, it is vital that we create a passion for Voith among our employees to assure their loyalty for many years. This applies in good as well as difficult times. Especially in periods of economic decline it is essential to keep our employees and their know-how. In recent years, this is an area where we have been very successful.

Challenges as a global player

As a globally active company we are faced with three major challenges: markets, products and demography.

Cultural differences and market-specific requirements

We are active in our core markets all over the world. A factor for our commercial success is the ability to incorporate cultural differences and meet the highly diverse demands that are made on us from a wide range of cultures.

Experience and know-how

Our technologies and projects are sophisticated as well as complex. Handling them requires comprehensive knowledge and long-standing experience. For this reason, older employees who have been worked for Voith for a long time and have often obtained their qualifications and training with us, are particularly valuable.

Demographic change

Demographic trends are the framework of our personnel policies. But these trends can vary significantly in the foreign countries where many of our operations are based. We therefore develop specific concepts that are adapted to individual national situations.

6.1 Long-Term Employment – Lifelong Learning

Voith pays great attention to having a balanced mix in our workforce. Long-term employees and newcomers inspire one another and provide an impulse that is enriching and needed by the company. And we are proud of our long-term employees. Complex processes, which occur in all Group Divisions, can only be mastered reliably and with our high quality standards, because employees in senior positions with years of experience are involved in these projects. Throughout our long company history we have always succeeded in retaining our key personnel over long periods. Employees who have worked for Voith all their lives are not unusual. Our staff's average period of employment in the product sector is 15.4 years in Europe, and 14.2 years in North America. In third place lies South America with an average period of 8.2 years, in Asia we have meanwhile reached 7.1 years. At certain locations in Europe, the time some of our employees have spent with us is even longer. At our head office in Heidenheim and in nearby Crailsheim, the average period is 20 years. As might be expected, employment periods in the service sector are somewhat shorter. The average time in Europe is 4.0, in North America 3.2, in South America 0.9 and in Asia 1.9 years.

In fiscal 2009/10, the Group-wide fluctuation rate was 1.8%. We are particularly proud of the fact that fluctuation in Shanghai amounts to only 4.2%.

Competent and competitive

At the end of its 144th year of business, Voith employed 40 986 people. Despite the severe economic crisis in 2008 and 2009, Voith managed to retain many highly skilled and dedicated employees, thereby alleviating the impact of the crisis for many individuals. Our employee representatives, with whom the management has been working on a basis of fairness and partnership for many years, made a vital contribution to this achievement. Inevitable adjustment measures in some core areas were largely implemented by lateral transfers to other Group Divisions.

Number of employees

	Annual average		Key date	
	2009/10	2008/09	2010-09-30	2009-09-30
Industrial workers	23 268	24 981	23 781	23 850
Commercial staff	15 934	15 311	15 973	15 479
	39 202	40 292	39 754	39 329
Apprentices and interns	1 232	1 196	1 232	1 196
	40 434	41 488	40 986	40 525

Number of employees by region

	Annual average		Key date	
	2009/10	2008/09	2010-09-30	2009-09-30
Germany	16 643	17 628	16 776	16 790
Other EU countries	7 270	8 070	7 387	7 691
America	11 361	10 861	11 500	11 004
Asia	3 738	3 542	3 901	3 647
Others	190	191	190	197
	39 202	40 292	39 754	39 329

“Giving young people sound vocational training has always been a commitment and responsibility for Voith.”

Dr. Hubert Lienhard, President and CEO

Over 1 000 apprentices and trainees

A company like Voith knows that commercial success depends on the qualifications of its skilled personnel. In 2010, Voith was able to celebrate a centennial: 100 years of organized vocational training in Heidenheim. During the recent recession, Voith maintained the number and the quality of its apprenticeships as well as trainee programs at exactly the same level. By the end of fiscal 2009/10, a total of 1 232 apprentices and students (previous year: 1 196) were employed at Voith's German locations. Once again, the number of trainees significantly exceeded the company's own needs.

We are convinced that sound vocational training is a must, but it should never mean the end of professional learning. This is why we expect all of our employees to engage in continuing education programs. Here, Voith offers a choice of internal training programs, for example the Project Management Institute, a facility for the development of specialized careers. For the further training of senior executives, we also founded the Voith Academy as early as 1999. And, of course, we cooperate closely with external educational institutions.

The quality of training and further education at Voith has been verified by two German quality management standards. In October 2009, Voith was certified to DIN EN ISO 9001:2008, and also to AZWV (Recognition and Authorization Regulation of the German Ministry of Economy and Technology/BMWi) standards.

Continuous education – learning for life

Employee development is an integral part of our personnel policy. Being well trained not only means having a solid vocational education, but also seizing opportunities to continuously refresh and expand our existing knowledge. Equally important is the systematic improvement of social skills and so-called key qualifications.

Voith expects and promotes advanced vocational training and lifelong learning in various forms within the Group, the Group Divisions and at its other locations. This includes training plans for all employees, targeted development as part of succession planning, as well as technical seminars and training for the improvement of key qualifications.

On our Web site www.voith.com you can download our German-language brochure “100 Jahre Ausbildung – Investitionen in die Zukunft” in PDF format.

6.2 Employee and Management Development

The Voith Leadership Concept

The relationship between managers and employees is the heart of our leadership philosophy. We expect our managers to ensure a humane and fair working atmosphere in their teams. The significance of this leadership philosophy is laid down in competence guidelines that apply to the Group level. A suitable structure for the implementation of this philosophy has been created in the Voith Leadership Concept. This concept is essentially based on two instruments: Goal Agreements and Employee Dialogues. We are continuously working on the improvement of our leadership quality through worldwide, uniform training programs and quality assurance measures.

“Our company needs employees who are prepared to assume responsibility.”

Dr. Hanns Voith (1885–1971)

Our goals

Our goal is to implement the Voith Leadership Concept by 2015. From then on, all senior managers and HR executives will be obliged to complete annual Employee Dialogues and Goal Agreements with their staff.

6.3 Diversity and Equal Opportunities

We attach great importance to equal rights and equal treatment of all employees: men and women, people of all nationalities, young and old. We consider the interaction of people of all ages to be an enrichment of our corporate culture. And this also applies to the cultural diversity of our workforce. We regard the ethnic diversity of our employees on all hierarchical levels to be an advantage in international competition. Our “Senior Management Circle” currently includes ten nationalities.

Diversity as a competitive advantage

To fully utilize our potential in growth markets such as China and India, we must offer more local products, i.e. tailor-made solutions for local needs and specific requirements in individual countries. Such products can only be developed and produced on-site, with local managers and experts. In 10 to 15 years, we would like to feel just at home in these countries as we feel in Germany. We also hope to use this approach in other countries.

Our goals

Voith wants to promote employee diversity further. On the one hand, we aim to achieve this by sensitizing our senior managers in a continuous process to issues such as ethnic diversity and equal opportunities. And on the other hand, by providing intercultural training programs. The number of local senior managers is to be increased in all cultural groups.

Voith and women

“The engineering industry is traditionally a male domain” – although this statement has now become a cliché, it used to be true for many years. Voith welcomes this development, because the company has set itself ambitious goals. In comparison with its peers, Voith wants to be a leading employer of women in management positions. This is also the declared goal of the Voith Corporate Board of Management.

More than a fifth of all employees at Voith are women and their share in the overall workforce is currently at 22.1%. On the key date of September 30, 2010, Voith had 9815 female employees. In the Voith Management Circle, this percentage

is significantly lower. Only four of our 88 top executives were women in fiscal 2009/10. This corresponds to 4.5%.

Our goals

Increasing the number of women employees is a core strategy. Voith is starting a project to define the key indicators for gender distribution. For this purpose, current processes in our personnel work are being analyzed, evaluated and modified. The target range for the percentages of women employees will be defined by areas and integrated into the Goal Agreements of our HR executives. By autumn 2015, the number of women in our senior management is to be increased to 10%.

From Ball Boy to General Manager

“I used to stand on the sidelines of the soccer field with just one goal: I wanted to become a soccer player! And now I am a trainer in the Champions League,” is how the passionate football fan Dogan Keles describes his career at Voith industrial Services.

Twenty-five years ago, the 46-year-old General Manager and Branch Manager started out as a member of the temporary staff at DIW Instandhaltung in Heidenheim. Under his management, the branch office enjoyed rapid growth and developed into an independent subsidiary with record sales. In the last business year, Keles and his workforce of 530 achieved an outstanding sales result of over €8 million.

Dogan Keles moved from Turkey to Germany with his parents at the age of seven. As a young man, he completed an apprenticeship as a retailer. But he soon realized that this profession offered few real prospects. Moving on to the engineering industry, he additionally started working in the temporary staff of DIW: every Saturday, Keles cleaned equipment in the Voith

foundry on behalf of DIW – a job that is not exactly a stepping stone for a management career. So, how does he explain his professional success? “Two factors were decisive: my ambition and the backing of my superiors,” says Keles. The company supported him and sent him on training and management courses: business administration, law, communications, rhetoric and language studies in England were all part of the program.

His professional turning point was an offer to establish the first subsidiary of Voith Industrial Services in Turkey. In 2005, Keles went to Istanbul as the General Manager, set up networks for over three years, recruited 280 employees and acquired renowned industrial customers. But the financial and economic crisis in 2008 placed a temporary hold

on future investments. In 2009, Dogan Keles and his family returned to Heidenheim, where he was able to return to his previous position as Branch Manager. His former employees and customers welcomed him back with open arms.



6.4 Demographic Change: Challenge and Opportunity

Demographic change takes on a different shape in each individual country. Voith reacts to this with individual action programs and initiatives. In countries such as India and Brazil, the emphasis is mainly on winning young talents for the organization and to train them for future tasks at Voith. In countries like Germany, where the demographic change is clear, the establishment and expansion of measures for health care, promotion and knowledge management are in the foreground. At the same time, the company concentrates on recruiting highly qualified employees.

In order to analyze the situation and create suitable corrective measures, the Voith Group has launched a worldwide demography project: as a first step, detailed age structure analyses are prepared in all Group companies. With the help of a so-called "Demogra-Fit" test, which can be accessed on the Internet by HR and senior executives, all locations assess their demographic stability and introduce concrete personnel measures.

Our goals

Through its analytical approach, Voith is able to react appropriately to the challenges of demographic change. Each unit is fully informed about the age structure of its workforce and targeted measures can be defined on this basis. Today, Voith is in the process of further developing this field.

Cooperation with universities and colleges

Numerous collaborations and international personnel recruitment activities at universities all over the world ensure that students get to know Voith early on, and choose Voith as their employer. The recruitment of management trainees at Voith is a matter for our senior executives: each member of the Corporate Board of Management and the Executive Team, the first hierarchical level directly below this Board of Management, has assumed a sponsorship for at least one university or technical college in Germany, in order to promote Voith as an attractive employer.

Work-life balance

Many young people would like to find a healthy balance between their job and family. In Heidenheim, Voith has been supporting working mothers since 2002 with its own day-care program, the "Kindervilla." To offer daycare facilities to more young families, we will more than double the number of spaces available to children. Together with Paul Hartmann AG and the town of Heidenheim, Voith will also support the establishment of a nursery. By 2012, we will be able to offer our employees and their families 110 spaces for children between the ages of one to ten.

We also employ a wide variety of flexible work options for all of our employees. For example, combinations of working from home and working in the office are possible.

6.5 Occupational Health and Safety

A priority: occupational health and safety

Occupational health and safety is firmly embedded in our corporate objectives, because it is a key priority worldwide. To optimize our health and safety plans we have developed and launched a comprehensive management system. We set targets for our board members, which are passed on to senior executives in their local units.

Launching an awareness campaign

Most accidents are caused by risky behavior. To sustainably reduce the number of work accidents over the long run, all employees must be trained to act safely. Therefore, Voith has developed guidelines and launched a campaign to make our employees aware of the importance of occupational safety.

Occupational safety is a management task

How can work accidents be prevented? This is a simple yet central question, which was dealt with in great detail by the Voith Board of Management and senior executives when they developed a new management system in the summer of 2009. One thing was clear from the outset: the senior managers are ultimately responsible for safety in the workplace. The Board of Management therefore declared the reduction of accidents to be a target issue for its senior executives. This task has to be performed and implemented by the senior managers. All Voith employees who are in charge of personnel are comprehensively informed, sensitized and trained. In return, they pass on their knowledge to their employees and instruct them on being more safety-conscious.

The seven principles for safety-conscious behavior at Voith are:

- 1 All accidents can be prevented
 - 2 The senior executives are responsible for the prevention of accidents
 - 3 Working safely is a requirement in the workplace
 - 4 The senior executives must involve all employees
 - 5 All work must be safe
 - 6 Management will monitor occupational safety through audits
 - 7 All employees will receive occupational health and safety training
-

Corporate Safety Management at Voith

In the summer of 2009, the Voith Board of Management launched a uniform occupational health and safety system. It will be implemented at all production sites of the Voith Group by 2011. Implementation, roll-out and controlling are the responsibility of our Corporate Safety Management. The two major cornerstones of the management system are the establishment of accident investigations and the development of an internal audit system to recognize and eliminate potential risks at an early stage, before accidents can happen.

Active accident prevention through systematic procedures

Every accident is to be recorded and immediately reported to the responsible senior manager. Serious incidents must also be reported to the Board of Management within 24 hours. The accident is then systematically investigated by a team consisting of those affected, the senior manager and safety experts. This is followed by a detailed incident report. The results and any ensuing rules or measures are to be clearly communicated to all employees.

In addition to location-based audits, a Group-wide Corporate Health, Safety and Environment Audit System has been introduced, to be performed by the Group. The system is used to see if the introduced measures are taking effect at selected locations and how they can be improved. The audits focus on a detailed analysis of the following points:

- Safety Organization
- Objectives and Programs
- Safety Training
- Standards
- Incident Investigation
- Safety Audits
- Management Commitment
- Management Accountability
- Communication
- Contractor Management

Implementation

Achieving better safety through improved communication is a focal point for implementing our safety management system. Studies have shown that impersonal announcements, for example postings on notice boards, are not powerful enough to raise the awareness of risks and on-the-job safety. Voith strongly encourages daily dialogue between HR executives and employees, especially those in the workshops, about safety issues. This exchange should provide guidance, information and total involvement in safety management.

Since the roll-out of our occupational health and safety management system, the Boards of Management and senior managers have received relevant training. One year after the introductory phase, all employees will also have attended seminars on occupational safety and been actively involved in the communication of accidents and safety measures.

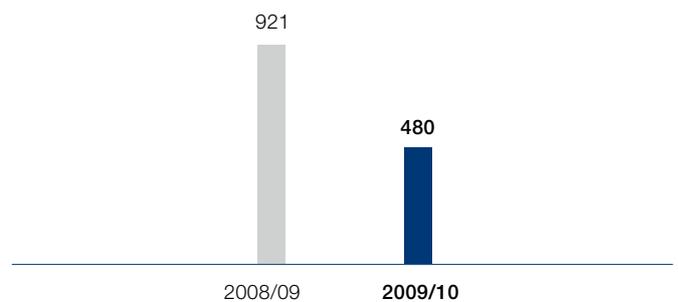
Our long-term goal is that the Voith Group will not only set targets, but also communicate them and control their observance. An important step in this direction is the validation of data. For this purpose, we generate accident statistics from all locations and identify relevant key figures. The results are reported to management and, in abbreviated form, to our employees. In addition we also hold symposiums on occupational health and safety, where best-practice examples from recent Health, Safety and Environment Audits are presented and discussed.

First results: significant drop in accident frequency

Over the last four years, the number of industrial accidents at Voith showed a significant drop. While there were still 22.8 work accidents per 1 million working hours in fiscal 2006/07, this figure was reduced to 13.8 two years later. In fiscal 2009/10, the roll-out year of our new occupational health and safety management system, accident frequency declined

even further to 6.7 per 1 million working hours. The number of work accidents has therefore been cut by more than a half within one year. This demonstrates that the new measures are paying off. Yet we are still not satisfied: in fiscal 2010/11, the number of accidents per 1 million working hours is to be reduced to below 5 and, in the midterm, to less than 2.

Work accidents



Safety Starts in the Head

Work accidents should never happen! But the fact is: employees do get injured. This is a situation, however, that Voith refuses to accept. As a result, we launched a campaign for safety in the workplace five years ago, whose impact can be clearly seen: the number of accidents has dropped.



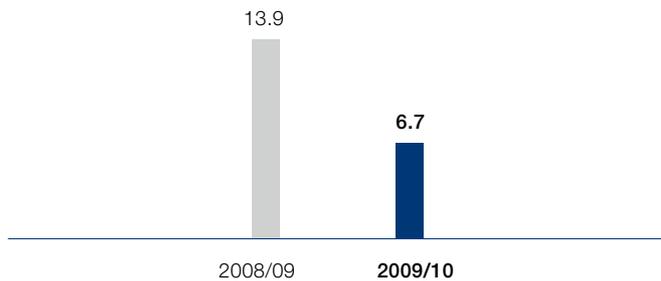
Responsibility for occupational safety cannot be delegated. It simply does not work. Mauro Pires, Manager Occupational Health and Safety at Voith São Paulo, explains why: “Brazilian legislation dictates that we employ safety engineers and safety technicians. While our politicians meant well, they achieved just the opposite. Many senior executives no longer felt responsible for health and safety. They thought it was somebody else’s job.” Thankfully, the

management in São Paulo recognized this dilemma and, three years ago, they conducted the first staff survey on the safety attitude of senior executives. Afterwards, a Voith-specific awareness training program was developed and the results of the survey were incorporated in the program.

Employees become involved In Brazil, the campaign for improved safety started in the foundry, a notoriously rough

Frequency rate

Accidents per 1 million working hours



Health promotion

Voith has set itself the goal of promoting the health and well-being of its employees. The relevant steps taken by our individual locations may vary greatly, however, due to differences in legal and social conditions which are often inevitable.

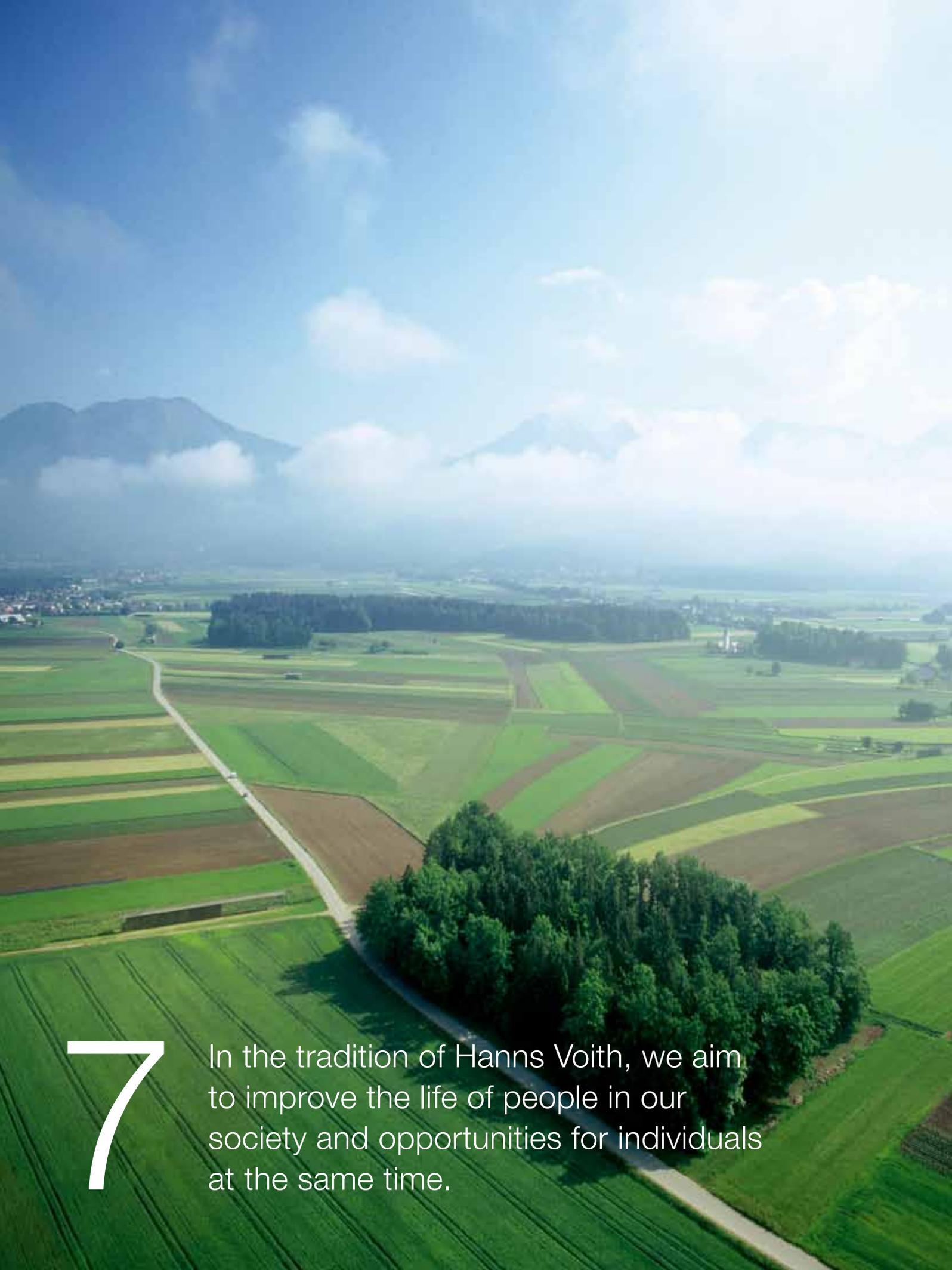
As a global player we are faced by the task of defining a standard that is adequate and workable in all countries. We regard it as vital to develop an integrated approach and not react with isolated or one-sided measures. A long-term, sustainable impact can only be achieved by an integrated approach. We therefore aim at devising an initial concept that can be applied to Voith as a whole. On this basis, we will develop a holistic strategy that takes individual requirements into account and is then gradually implemented throughout the Group. In order to assess the ensuing added value we will set up a specific rating system. The implementation will be completed by 2015.

and hazardous environment. The training sessions were accompanied by modifications inside the facility: the lighting was improved and traffic lanes as well as walkways were clearly marked, because a clearly marked work area promotes greater safety. The secret of the campaign's success was the deliberate involvement of all employees. Because they are the ones who know from experience where dangers are lurking and how unsafe behavior starts. In numerous training courses and workshops, the employees were asked to express their ideas and suggestions. Since then, they have been keenly interested in improving their working environment. In daily meetings with the senior managers they examine working processes by asking: How

can flammable substances be stored safely? Would it be helpful to have warning signs for shut-off valves? What must be observed when ladders are set up? These may seem to be minor concerns, but seen as a whole their total results produce dramatic effects. "What really counts," says Corporate Safety Engineer Ulrich Weiße, "is that safety is now a daily issue. Over the last six years, we've only had one accident per year, on average. Today, safety information and communications are an ongoing process."

Families join in The campaign was also accompanied by organized events: São Paulo has, for example, an entire week dedicated to safety. The program includes informative presentations, accompanied by entertainment elements

such as music and theatre performances. In this way, all senses are addressed, with long-lasting effects on everyone's attitude. A special feature is the involvement of the employees' families. It started three years ago with a painting competition for the staff's children. The theme was: My parent's workplace is safe! In their paintings, children of all ages showed what they knew about risks and safety measures at the workplace of their fathers or mothers. The idea behind the competition was to help families talk about accident risks and prevention. If the children are worried, so the ulterior motive, parents become extra safety-conscious. In the meantime, the painting competition has become a regular part of the annual calendar of events at Voith São Paulo.



7

In the tradition of Hanns Voith, we aim to improve the life of people in our society and opportunities for individuals at the same time.

Corporate Citizenship

Entrepreneurial success includes a social responsibility. This has been the credo of the Voith family from day one. Apart from looking after their customers, the Voith family has always cared deeply about the well-being of their employees and takes its responsibility towards society very seriously. A vital contribution to the social commitment of the company was made by Dr. Hanns Voith (1885–1971), who headed the company for nearly 60 years.

Establishing a large-scale company with humanistic values was the declared goal of Dr. Hanns Voith. In order to institutionalize a social commitment at Voith, he set up the non-profit and independent Hanns Voith Foundation in 1953. Voith GmbH is still bound by the humanistic tradition of its founding family. Together with the Hanns Voith Foundation and Fundação Voith established in Brazil in 2004, the company sponsors educational, scientific and training projects, as well as sports, arts, cultural and social events.

7.1 Social Commitment

In the course of its global expansion, Voith has carried its humanistic approach throughout the world. When Voith's first non-European location was founded in São Paulo in 1964, social commitment was one of the natural elements of the new company.

Organized commitment

To achieve a healthy balance, corporate financial criteria were set for the funding and selection of aid as well as sponsorship projects: the guiding value for allocating our sponsorship budget is: 30 to 40% is for schools, training and science, about 20 to 25% is for social projects and 15 to 20% each is for sport and culture.

Depending on the amount of the financial donation, the payments must be approved by a senior management unit. This might be the management of the respective subsidiary, the management of a Group Division or, as a final instance, the Shareholders' Committee. These senior management units report to the head of the Corporate Office semi-annually.

“As a company, we regard ourselves as a responsible member of society. This applies wherever Voith is at home – worldwide.”

Dr. Hubert Lienhard, President and CEO

Voith's nonprofit foundations are financed by income from their foundation capital. Fundação Voith also receives money from financial contributions from local Voith subsidiaries. The foundation's Board of management and the foundation council decide on the use of allocations to the Hanns Voith Foundation.

Sponsorship criteria

Sponsorship suitability is examined on the basis of various criteria. On the one hand, a project must focus on schools, education, social affairs, sport or culture. On the other hand, a project must also benefit the local community or increase the attractiveness of the Voith location to the local population. There should also be an association with Voith as a company. Irrespective of these rules, Voith also helps in urgent humanitarian emergencies, for example after the serious earthquake in Haiti in 2009 and India's flooding disaster in 2010. A final and overriding criterion for all projects and aid is that Voith must be convinced of the recipient's integrity.

7.2 Commitment to Culture, Education and Sport

In the tradition of Dr. Hanns Voith, the ultimate goal of Voith GmbH, the Hanns Voith Foundation and Fundação Voith is to improve the life of people in society, as well as opportunities for individuals.

Higher sponsorship funding in fiscal 2009/10

In the last fiscal year, approximately €1 905 million was spent on sponsorship projects. Voith GmbH contributed €1 059 million, the Hanns Voith Foundation €0.535 million and Fundação Voith €0.321 million. This corresponds to an increase of 16% compared to fiscal 2008/09.

The graphic shows that the allocation of sponsorship aid in fiscal 2009/10 complied almost perfectly with our target criteria.

Sponsorship aid – 2009/10 total €1 905 million

By projects



Examples of current projects

Over the past decades, Voith has supported a number of projects for schools, education and science, as well as social undertakings, sports or cultural events. Here is a selection from the last two fiscal years that characterizes the social commitment at Voith:

1. Schools, education and science

Promoting the education and training of young people was always a special concern of Dr. Hanns Voith. And it is a commitment that we share. So far, Voith has endowed three professorships at German universities. One for engineering and materials technology at Aalen University (2003), one for hydro power at Stuttgart University in cooperation with EnBW Baden Württemberg AG (2008), and one for automation in module process technologies for paper and plastics at Munich University (2009).

At Vienna University, Voith has also donated a pump turbine model for the hydrodynamic laboratory and finances two positions for scientific assistants. In the USA, Voith is a member of the Industry Advisory Council (EIAC) of York College in Pennsylvania. And in Asia, Voith is a cooperation partner of Nanjing Forestry University, where Voith has provided a grant, sponsors lecturers and cooperates in joint projects. The Voith foundations also offer grants in Germany and Brazil.

Offering Young People a Start and Opening Perspectives

Not all young people are prepared for a thorough vocational education. For such cases, Voith has established a special college, where they have an opportunity to gain practical work experience and improve their general knowledge.

Special vocational colleges are usually supported by charities. But there are exceptions. Voith is one of these exceptions and the only industrial company in Baden-Württemberg that sponsors such a facility: the Hanns Voith Sonderfachschule (special vocational college). About 40 young women and men attend the school every year, where they are instructed by ten trainers and teachers. Since 1972, 1 233 young people have completed these preparatory classes at Voith.

These teenagers can choose from four different fields: woodworking, metalworking, retail services and construction technology. A typical feature of the Hanns Voith College is the close combination of theory and practice. A classic component is the “Assembly Box project.” It starts with the calculation of material requirements. These figures are then sent to the workshop and students work out what materials are needed, e.g. wooden panels, hinges, handles and paint. The assembly box is then produced on behalf of the HR Department for Voith employees’ anniversaries, and it is a joint project for students from all fields: wooden parts have to be sawn out and glued together, metal handles and hinges must be mounted. And afterwards the box is painted blue and filled with goodies. Through this project, young people get to know working processes and production sequences, plus they can practice team-

work and improve their key qualifications, which are a must in the working world – just like discipline, tidiness and punctuality. “Quite a few people regard us as a rather strict college,” remarks Voith trainer Manfred Rupp, which is exactly where the college’s success lies. It operates by the same set of rules as the company. The students receive Voith working clothes, they have to observe safety regulations and working

hours. Unexcused absences are not tolerated, so nobody gets away with truancy in the Voith college. “Our trainees learn to assume responsibility for their actions and develop their skills in the community,” which is social education trainer Tilman Walter’s explanation of the high success rate. Over 80% of all participants are offered an apprenticeship after one year. A result that is unparalleled in the industry.



Together with eight other companies, Voith founded the “Knowledge Factory” in 2005 – an initiative that now includes 70 companies supporting school education at German industrial locations. In addition, Voith sponsors worldwide school partnerships: in Austria as part of the TopTechnik program, in the USA within the “Adopt-a-School” program (for example at West Monroe High School) and in São Paulo through a cooperation with the Escola Estadual Conjunto Habitacional Voith and the Friedrich von Voith School.

Providing all young people with a good start in professional life – this is the goal that we pursue through our vocational training plans. Since 1972, Voith has prepared up to fifty youths with learning difficulties and no proper school qualifications every year and enables them to get their official graduation certificates. Fundação Voith in Brazil is equally committed through its Formare program. We also collaborate with the AHK-Chien Shiung Vocational Training Center just northwest of Shanghai, where 50 mechanical/electronic engineers and 50 toolmakers are trained every year, and Voith offers its workshops for practical training.

2. Social commitment

In 2009 and 2010, Voith provided emergency aid for the victims of the earthquake in Haiti, the typhoon in the Philippines, the flood disaster in India and the earthquakes in Sumatra and Indonesia.

Voith also regularly contributes to social projects in Africa, South America and Asia. The company supports, for example, the African Putco Foundation in fighting poverty in South Africa. We have also repeatedly sponsored the “Dis-Chem Ride for Sight,” a bicycle race which supports research on the eye disease retinitis pigmentosa. Here, Voith employees supported the organizers with a catering station during the race. Every year, Fundação Voith holds an “Environment Week.” The target group are pupils whose eco-awareness is to be raised and strengthened.

In order to promote the exchange between cultures, since 2003 we have offered two grants in Asia and South America for the school exchange program “AFS Interkulturelle Begegnungen e.V.”

3. Sport

Voith sponsors the Heidenheim fencing center and the Heidenheim baseball team “Heidenheim Heideköpfe.” The Heidenheim fencing team is among the world’s best, and the baseball players can look back on successful German championships in the 2009 season. We also support a number of local sports clubs and competitions worldwide, in order to promote sport for all.

4. Culture

Voith sponsors classical music at the highest level. Apart from our worldwide commitments, we support the Heidenheim Opera Festival, the Voith Orchestra, the Bach Academy as well as the Kapfenburg Castle Music Academy and Cultural Center. The company also champions the active contact of young people through music. Voith has been supporting the youth department of the Crailsheim Municipal Orchestra for many years. In 2009, Voith founded a music school for children and young people, the Bach Orchestra in São Paulo.

In the world of art, Voith is involved in the Sculptors’ Symposium in Heidenheim. Apart from making financial donations we offer the artists our workshop facilities for creating their sculptures. During the Special Olympics in St. Pölten, Voith made a similar contribution. The sculptures for the campaign “Merk.Male” were also created in Voith workshops. In addition, we donate money to the Austrian Papermaking Museum and the Heidenheim Art Museum.

Our goals

For fiscal 2010/11 we plan to raise the awareness for the activities of the Hanns Voith Foundation through increased publicity. As demonstrated in recent projects, we are keenly interested in introducing children to technology and natural sciences at an early age. In fiscal 2010/11 we plan to integrate our sponsorship of kindergartens and schools in Heidenheim into a so-called “Zukunftsakademie” (Academy of the Future). This facility was established by the town of Heidenheim. The Voith Foundation in Brazil is working on a concept to find out how sport sponsorships can be integrated in its activities. And in the future, the Voith Group, the Hanns Voith Foundation and the Fundação Voith will continue to honor their active social commitments.

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Glossary

A

Audit

Procedure to monitor the management system. The audit is performed by a specially trained internal or external auditor.

B

Benchmark(ing)

A comparison with a reference value for analytic purposes.

BRIC States

Acronym of the initial letters of the states Brazil, Russia, India and China.

C

CFO

Chief Financial Officer. Term for commercial executive vice president or financial director.

CO₂

Carbon dioxide is an important greenhouse gas and a natural ingredient of air.

Code of Conduct

International term for behavioral rules that can or must be observed in various situations or contexts.

Cogeneration

Term for the generation of electricity and usable heat energy.

Combined-Cycle Power Plant

A combined-cycle power plant (CCPP) is a plant for generating electricity and heat, employing the cogeneration principle.

Compliance

Term for the adherence to laws and regulations, but also to voluntary behavioral codes within a company.

CS

Corporate Sustainability

D

Demographic Change

Term describing how changing age structures in a society can impact other areas of life.

E

EBM

Ecological Business Management (EBM). Describes the efforts of Voith to create added ecological value by looking at the ecological aspects of how we use energy and resources.

Eco-Balance

See Life Cycle Assessment

Eco-Footprint

An eco-footprint is the amount of earth surface required to maintain a certain lifestyle or activity. An ecological footprint can be calculated for the world population as a whole, but is also used for measuring the ecological impact of individual countries or organizations.

Efficiency

Term for the relationship between power input and output.

Emissions

General term for the release of pollutants into the environment. These may be solid, liquid or gaseous substances, including heat, noise or vibrations escaping from factories or technical processes.

End-of-Pipe

Term for additional environmental measures. Damage to the environment is alleviated by additional measures, while the actual production processes remain unchanged.

Energy Efficiency

Describes how well energy is used. Achieving a result with the lowest possible amount of energy produces the highest energy efficiency.

Energy Flow Analysis

Examines the ecological and economic impact of how and where energy is used.

G

Geothermal Water

Refers to water which is heated by underground springs.

GRI

An acronym for the Global Reporting Initiative which is an institution for the development of sustainability reporting guidelines.

H

HR

Human Resources (HR). Term refers to employees or personnel, their skills and knowledge.

ILO

International Labor Organization (ILO) is a special organization of the United Nations, which works on conventions and recommendations for UN member states.

Input-Output Analysis

Compares the use of natural resources, energy and other materials in production processes with the resulting levels of emissions (waste, wastewater, airborne pollutants).

ISO

International organization for standardization, working on worldwide applicable norms (9001, 14001, etc.).

K

Key Performance Indicators (KPI)

Refers to important, measurable values which indicate progress toward specific goals.

L

Life Cycle Assessment

Also called an eco-balance. A systematic analysis of the total environmental impact of products during their entire life span (production, utilization and disposal, as well as preparatory and subsequent processes).

M

Material Efficiency

Describes the degree of utilization of applied materials. Achieving a target with the lowest possible consumption of materials equals maximum material efficiency.

Materiality Analysis

Term for a procedure by which the stakeholder groups and subject areas relevant to an organization are identified and categorized in order of relevance.

Matrix Certification

During a certification audit, individual locations of a company are inspected and considered to be representative of the entire company.

O

OECD Guidelines

The OECD guidelines for multinational groups are a code of conduct for companies.

OHSAS 18001

Occupational Health and Safety Assessment Systems is a worldwide applicable norm for industrial health and safety management.

R

REACH

The EU regulation for Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) dated June 1, 2007 which controls approval of chemicals.

R&D

Research and Development. Covers all aspects of basic scientific and application-oriented research.

S

Stakeholders

Affected groups with which a company has a direct or indirect relationship through its business activities. Covers customers, employees, suppliers, politics, science and the social environment.

Sustainable Balanced Scorecard

Term for a management tool with which a company can integrate the three sustainability dimensions (economy, ecology, social affairs) for the implementation of its strategies. The ultimate goal is an improvement of all three dimensions.

V

Vertical Range of Manufacture

Within the added-value chain, this term describes the share of in-house production for the manufacture of an end product.

Added-Value Chain

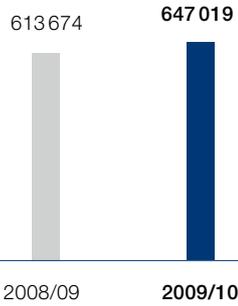
A management concept describing a company as a chain of processes and activities. Through these activities, value is added and resources are utilized.

Facts & Figures

Environmental Data

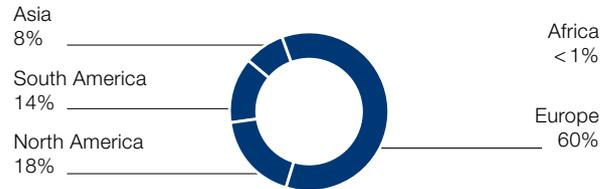
Energy consumption

In MWh



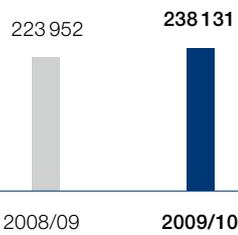
Energy consumption – 2009/10

By region



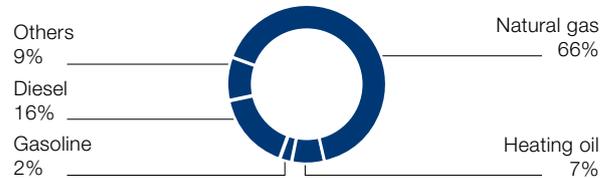
Direct energy consumption

Non-renewable energy in MWh

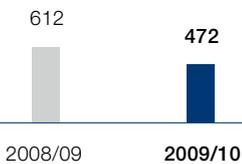


Direct energy consumption – 2009/10

Non-renewable energy



Renewable energy in MWh



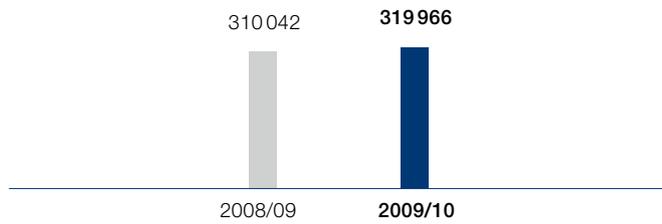
Renewable energy



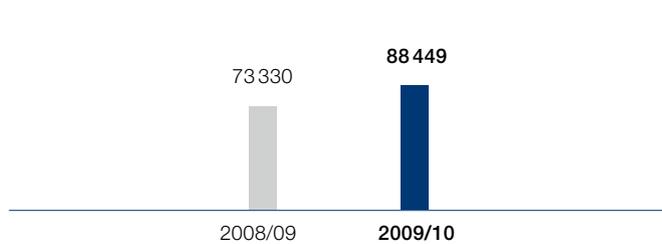
The facts and data published in this report refer to Voith GmbH as a whole with its Group Divisions Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo. This information covers approximately 85% of all sales and/or 87% of the added value generated by the Group. Exceptions, such as location-related figures or sector-specific activities, are marked accordingly.

Indirect energy consumption

Non-renewable energy in MWh

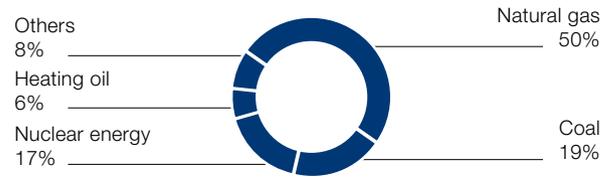


Renewable energy in MWh



Indirect energy consumption – 2009/10

Non-renewable energy

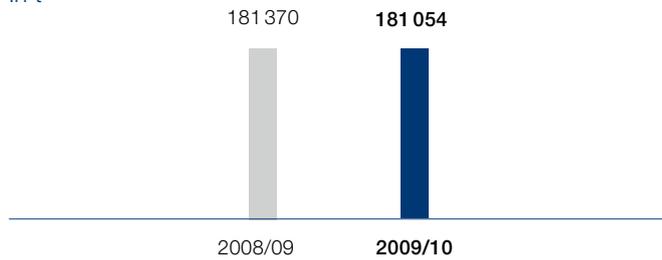


Renewable energy

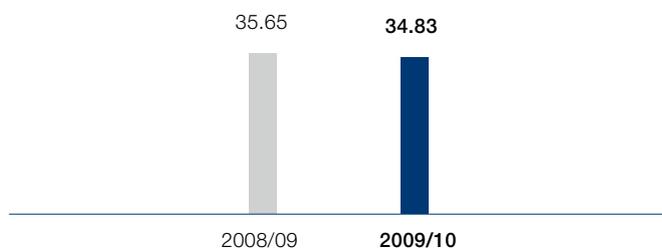


CO₂ emissions

In t

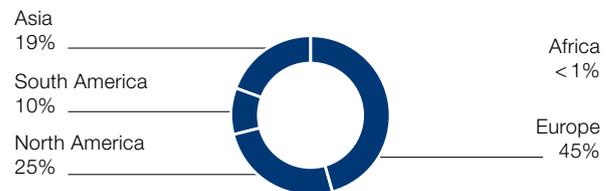


In t/€ million sales



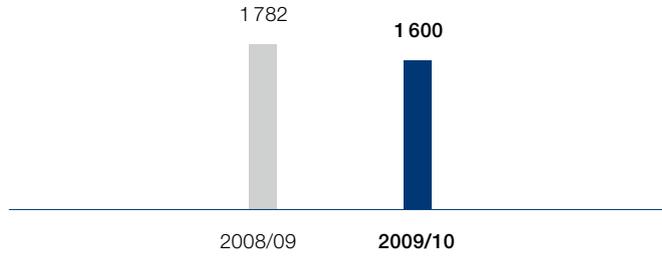
CO₂ emissions – 2009/10

By region

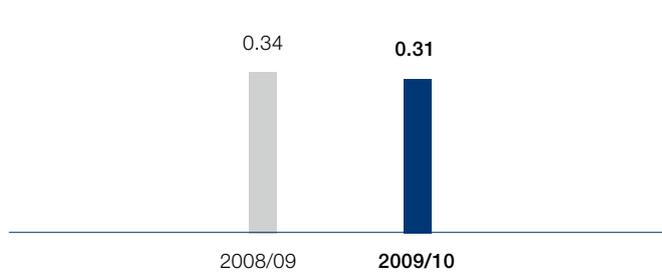


Water consumption

In thousand m³

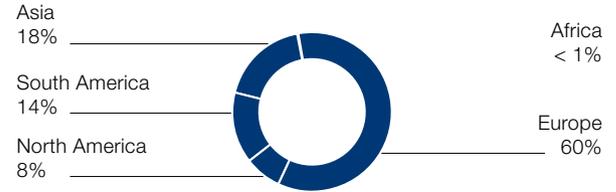


In m³/€ thousand sales



Water consumption – 2009/10

By region

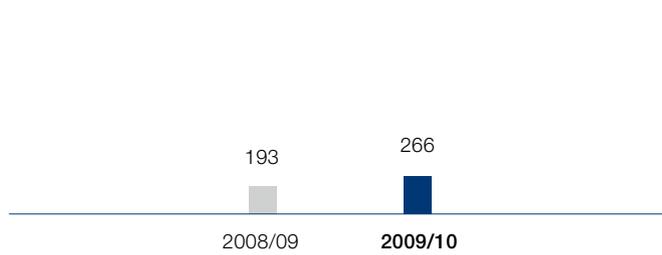


By source

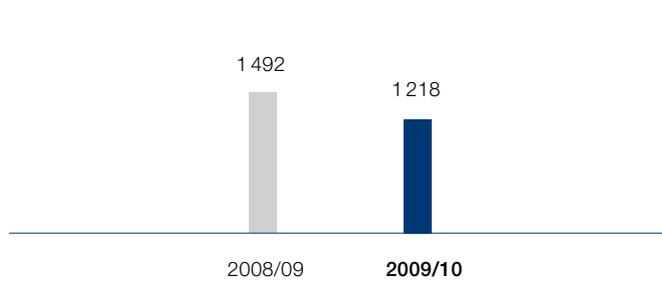


Wastewater discharge

Treated wastewater in thousand m³



Untreated wastewater in thousand m³



Wastewater – 2009/10

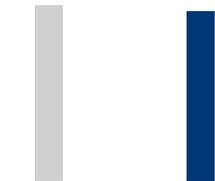
By discharge from



Waste volume

In t

50 417 49 289



2008/09 2009/10

In t/€million sales

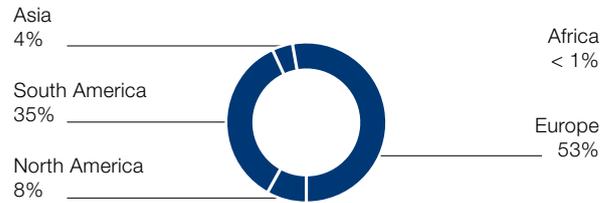
9.91 9.48



2008/09 2009/10

Waste volume – 2009/10

By region



Waste

Hazardous waste in t

16 533 14 898



2008/09 2009/10

Non-hazardous waste in t

33 884 34 391



2008/09 2009/10

Waste by disposal from – 2009/10

Hazardous waste

Disposed 82% Recycled 18%



Non-hazardous waste

Disposed 15% Recycled 85%



Goals

Summary

Action Areas and Strategic Goals	Measures	Deadlines
Sustainable Business Management		
Expansion of sustainability management	Definition of additional key indicators	FY 2010/11
	Definition of measures for implementing sustainability	
	Involving employees in the process through training	
	Systematic integration of stakeholder dialogues	
	Extending the scope of the sustainability database	
	Establishing Group-wide eco-standards	
	Developing Group Directives (sustainability management)	
Including "Sustainability" in the agenda of the Voith Advisory Committee ("Beirat")		
Sustainable Profitable Growth		
Ensuring and improving compliance and anti-corruption measures	Implementation of current training program	09/2011
	Implementation of eLearning platform	FY 2010/11
	Certification of Voith Compliance Management System	
Responsibility for the Environment		
Waste in relation to annual sales (t/€ million) will be reduced by 10%* by fiscal 2015/16	Utilization of recyclable materials	FY 2015/16
	Direct recycling within Voith	
	Developing additional measures	
By fiscal 2012/13, freshwater consumption in relation to annual sales (m³/€ thousand) will be reduced by 5%.	Closing water cycles (via reuse and recycling)	FY 2012/13
	Developing additional measures	
CO ₂ emissions in relation to annual sales (t/€ million) will be reduced by 10% by fiscal 2015/16	Develop a Group Directive for the modification and construction of energy-efficient buildings	FY 2015/16
	Utilization of renewable energies	
	Conversion to low-emission energy carriers (e.g. natural gas and power mixes which generate lower emissions)	
Promoting ecological business management in all Group Divisions		FY 2010/2011
Product Responsibility		
Increasing "product energy efficiency"	Including product energy efficiency as a separate criterion in the development process and technical risk checklist	2011/12
Ensuring the observance of environmental and social standards in Voith supply chains	Developing a concept for integrating social and ecological issues when assessing suppliers	FY 2011/12
	Assessing 50% of our suppliers with respect to social and ecological criteria	FY 2012/13
	Assessing 80% of our suppliers with respect to social and ecological criteria	FY 2014/15
	Increasing the share of goods and services supplied by assessed suppliers to 80%	FY 2010/11
Improving data quality	Creating a material rating for 80% to 95% of our purchased materials	80% by FY 2012/13 95% by 2015
Awarding outstanding suppliers by using the Voith Supplier Award throughout the entire Voith Group	Including all suppliers (previously, the Voith Supplier Award was only presented by Voith Hydro in São Paulo)	2012

* Base FY 2008/09

Action Areas and Strategic Goals	Measures	Deadlines
Responsibility for the Employees		
Promoting staff diversity within the company	Improving the awareness of senior executives (through intercultural training programs) Increasing the number of foreign senior executives from all cultural groups Developing additional measures	Ongoing
Increasing the number of women in senior management positions from the current 4.5% to 10%	Defining key indicators for gender distribution Analysis, assessment and modification of HR processes Setting quotas for women by divisions Creating goal agreements with HR executives Developing additional measures	Autumn 2015
Implementing the Voith Leadership Concept	Completing annual Employee Dialogues and Goal Agreement Dialogues for each employee with his/her senior manager	2015
Promoting a work-life balance	Doubling the number of children in Heidenheim's daycare facility to 110 Developing additional measures	2012 Ongoing
Reducing work accidents per 1 million working hours to less than 5 (in the medium term to less than 2)	Implementing a uniform occupational health and safety management system Setting up an accident investigation program Developing an internal audit system for early recognition and elimination of risks Generating accident statistics for all locations and defining key statistics Conducting symposiums on occupational health and safety	2011
Establishing a worldwide health management system	Continuous monitoring of age structure development within the Group Setting up a statistical system for occupational health management Developing a holistic concept for occupational health management	2015
Corporate Citizenship		
Increasing PR activities for Hanns Voith Foundation	Intensifying public relations	FY 2010/11
Integrating sponsorships of kindergartens and schools in Heidenheim within the "Zukunftsakademie" (Academy of the Future)		FY 2010/11
Promoting sport in Brazil	Developing a Fundação Voith concept for including sports in its activities	FY 2010/11

GRI Index

Organization and Reporting Profile	Comments	Reference
1. Strategy and Analysis		
1.1 Statement of the Corporate Board of Management		● SR see p. 4-5
1.2 Impact of business operations, as well as risks and opportunities		● SR see p. 20-21; AR see p. 96-101
2. Organization Profile		
2.1 Name of organization		● SR see p. 7
2.2 Major brands, products and services		● SR see p. 8-9
2.3 Operational structure		● SR see p. 8-9
2.4 Headquarters location		● SR see p. 7
2.5 Countries of operation		● SR see p. 7, 9; AR see p. 65
2.6 Ownership structure and legal form		● SR see p. 8
2.7 Markets served		● SR see p. 8-9
2.8 Scale of the organization		● SR see p. 8-9; AR see p. 72-73, 69, 88, 110-114
2.9 Significant changes regarding size, structure or ownership	No significant changes	● See comment
2.10 Awards received		● AR see p. 83
3. Report parameters		
3.1 Reporting period		● SR chapter "The Report"
3.2 Date of most recent report	This is the first Sustainability Report of Voith GmbH (there were also no Sustainability Reports while the company traded as Voith AG)	● SR chapter "The Report" and comment
3.3 Reporting cycle		● SR chapter "The Report"
3.4 Contact for questions regarding this report		● See imprint
3.5 Process for defining report contents		● SR chapter "The Report"
3.6 Report scope		● SR chapter "The Report"
3.7 Limitation on report scope		● SR chapter "The Report"
3.8 Reporting basis		● SR chapter "The Report"
3.9 Methods of data collection and basis of calculations		● SR chapter "The Report", p. 31
3.10 New descriptions and information	Irrelevant indicator, as this is the first Sustainability Report of Voith GmbH	● See comment
3.11 Changed reporting parameters compared to previous years	Irrelevant indicator, as this is the first Sustainability Report of Voith GmbH	● See comment
3.12 GRI Index		● SR see p. 70-72
3.13 External verification of report	An external verification is not intended	● See comment
4. Corporate Governance, Responsibilities and Commitment		
4.1 Governance structure of the organization	Voith is 100 % owned by the Voith family and therefore not obliged to provide comprehensive reports	● SR see p. 8, 13-14; AR see p. 58-61, 62-63, comment
4.2 Independence of chairman of the most senior management body		● SR see p. 8
4.3 Number of independent members in most senior management body	Irrelevant indicator, as Voith has a Supervisory Board	● AR see p. 62-63, comment
4.4 Codetermination of employees and shareholders	Voith has a labor council and is family-owned	● AR see p. 62-63, comment
4.5 Relationship between remuneration of Management Board and sustainability performance of the organization		○
4.6 Mechanisms for avoiding conflict of interests		● SR see p. 21-23
4.7 Expertise of members of most senior managing body in economics, environmental and social affairs		● SR see p. 13-14
4.8 Corporate philosophy, code of conduct and sustainability principles		● SR see p. 11, 13-15, 21-23
4.9 Examination of sustainability performance by most senior managing body		● SR see p. 14
4.10 Assessment of performance of most senior managing body regarding sustainability		○ SR see p. 13-14
4.11 Consideration of precautionary principle	By monitoring the product life cycle and the entire added value chain, risks are identified early and can be eliminated	● SR see p. 5, 13, 26, 36, comment
4.12 Support of external economic, ecological and social activities		○ SR see p. 15, 43, 60
4.13 Memberships in associations and lobby groups		● SR see p. 15, 43
4.14 Involved stakeholder groups		● SR see p. 14
4.15 Basis for selection of stakeholders		● SR chapter "The Report"
4.16 Approach towards stakeholder engagement		○ SR see p. 14, 15
4.17 Key topics of stakeholders		○ SR chapter "The Report"

Management Approach and Performance Indicators	Comment	Reference
Economy		
Management approach		● SR see p. 17-23; AR see p. 108
EC1 Directly generated and distributed commercial value		● AR see p. 108-114
EC2 Financial impact of climate change		● SR see p. 18
EC3 Company's benefit plan obligations		● AR see p. 138
EC4 Financial assistance received from government		● AR see p. 128
EC5 Relation of standard starting salary and local minimum wage		○
EC6 Business policies and practices, proportion of expenditure for local suppliers		● SR see p. 40
EC7 Recruitment of local employees and share in management positions		● SR see p. 50
EC8 Development and impact of investments for public welfare		● SR see p. 57-60
EC9 Indirect economic impact		○
Environmental Protection		
Management approach		● SR see p. 25-33
EN1 Materials applied		● SR see p. 28
EN2 Share of recycled materials		○
EN3 Direct energy consumption		● SR see p. 31, 64
EN4 Indirect energy consumption		● SR see p. 31, 65
EN5 Energy savings		● SR see p. 27, 32-33
EN6 Energy-efficient products and services		● SR see p. 36-39
EN7 Initiatives towards reduction of energy consumption		● SR see p. 32-33
EN8 Water consumption		● SR see p. 29-30, 66
EN9 Water sources affected by water consumption		○
EN10 Recovered and recycled wastewater		● SR see p. 30
EN11 Land use in protected areas		○
EN12 Impact of products and services on protected areas or areas with high biodiversity		○
EN13 Protected and restored natural habitats		○
EN14 Strategies and management of impact on biodiversity		○
EN15 Endangered species at business locations		○
EN16 Direct and indirect greenhouse gas emissions		● SR see p. 31
EN17 Other relevant greenhouse gas emissions		○
EN18 Initiatives towards reduction of greenhouse gases and actual results		● SR see p. 27, 32-33
EN19 Emissions of ozone-depleting substances		○
EN20 NO _x , SO ₂ and other significant emissions		○
EN21 Total wastewater discharge		● SR see p. 66
EN22 Volume of waste by type and removal method		● SR see p. 28, 67
EN23 Significant release of harmful emissions	During the fiscal year there were no accidents in production, warehousing or transport, where harmful emissions were actively released or might have been released	● See comment
EN24 Transported, imported, exported and treated hazardous waste		○
EN25 Impact of wastewater discharge on biodiversity		○
EN26 Measures towards reduction of environmental impact of products		● SR see p. 36-39
EN27 Share of products for which packaging materials are taken back	Indicator not relevant for Voith, as products require only very little packaging	● See comment
EN28 Significant fines and sanctions for non-compliance with environmental laws		○
EN29 Environmental impact due to transport of products, materials and employees		○
EN30 Expenditure and investments for environmental protection		○
Employees		
Management approach		● SR see p. 47-55
LA1 Entire workforce by employment status and region		● SR see p. 48
LA2 Staff fluctuation		● SR see p. 48
LA3 Benefits that are only granted to full-time employees		○
LA4 Number of employees governed by collective agreements		○
LA5 Reporting deadline regarding significant operational changes		○

Management Approach and Performance Indicators	Comment	Reference
LA6 Number of employees represented in industrial safety committees	50-75 % of the worldwide workforce are actively involved in industrial health and safety via committees consisting of equal numbers of employees and safety experts	○ See comment
LA7 Injuries, occupational diseases, absenteeism and number of work-related fatalities		● SR see p. 54-55
LA8 Health care, advice and training		● SR see p. 55
LA9 Industrial health and safety agreements with unions		○
LA10 Training and further education programs		● SR see p. 49-50, 59
LA11 Knowledge management and lifelong learning		● SR see p. 43, 48, 52
LA12 Performance assessment and development planning		● SR see p. 50
LA13 Diversity of employees and managing bodies		● SR see p. 50-51
LA14 Relationship between salaries of men and women	The basic salary for men and women is the same	● See comment
Human Rights		
Management approach		● SR see p. 39-43
HR1 Human rights aspects of investment contracts		● SR see p. 39-43
HR2 Review of key suppliers for possible violation of human rights		● SR see p. 39-42
HR3 Staff training on human rights issues		○
HR4 Incidents of discrimination and measures taken	Incidents not published to protect employees	● See comment
HR5 Business activities that endanger freedom of association and collective bargaining	Voith disapproves of any restriction of legal interest representation. This is a binding rule for all employees in the Voith Code of Conduct	● See comment
HR6 Business activities involving the risk of child labor	During the reporting period there were no cases of child labor at Voith or its suppliers. Voith does see risks in production areas. However, due to the required high levels of qualification, child labor can nevertheless be excluded. The Voith Code of Conduct categorically forbids any form of child or forced labor	● See comment
HR7 Business activities involving the risk of forced labor		○
HR8 Training of security personnel for human rights issues that are relevant for business activities		○
HR9 Incidents of violation involving rights of indigenous people		○
Society		
Management approach		● SR see p. 57-60
SO1 Impact of business activities on communities or regions		● SR see p. 57-60; AR see p. 52
SO2 Business divisions investigated for corruption risks	The correct implementation of the compliance structures is part of the routine corporate audit	● SR see p. 21-22; see comment
SO3 Employee training regarding anti-corruption	In fiscal 2009/10, 200 senior executives and 208 compliance representative were trained. Through these trainers, a total of 10,859 additional people were trained worldwide	● SR see p. 23; see comment
SO4 Incidents of corruption and measures taken		● SR see p. 23
SO5 Political position and participation in public opinion-forming and lobbying		○
SO6 Donations to parties and politicians		○
SO7 Complaints due to anti-competitive behavior	During the reporting period there were no complaints due to anti-competitive behavior	● SR see p. 23; see comment
SO8 Fines due to infringement of legal provisions		○
Product Responsibility		
Management approach		● SR see p. 35-45
PR1 Examined life cycle stages regarding health and product safety		● SR see p. 26, 33, 36
PR2 Incidents of non-compliance with regulations concerning health and safety of products		○
PR3 Legal obligation to provide information on products and services		○
PR4 Non-compliance with legal and voluntary obligations to provide information on products and services		○
PR5 Survey of customer satisfaction		● SR see p. 14
PR6 Adherence to laws, standards and voluntary codes of conduct regarding advertising		○
PR7 Non-compliance with legal and voluntary obligations regarding advertising		○
PR8 Justified data protection complaints		○
PR9 Significant fines due to non-compliance with laws and regulations regarding acquisition and use of products	Not reported due to internal regulations	○

● = fulfilled ○ = partly fulfilled ○ = not fulfilled Light gray = additional indicators SR = Sustainability Report 2010 AR = Annual Report 2009/2010

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Eco-Friendly Production

During the production of this Voith Sustainability Report, all CO₂ emissions for printing and processing were calculated. By investing in an environmental project based on the gold standard, in the future the same amount of CO₂ will be recycled – thereby creating a neutral CO₂ footprint for this Voith Sustainability Report.



The recycled paper RecySatin used for this Voith Sustainability Report 2010 is produced in compliance with the international FSC standard. It consists of 80% recycled fiber and was produced on a Voith paper machine.



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