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**INFORMATION SUPPLEMENTING
THE INTEGRATED ANNUAL REPORT 2014**
PUBLISHED ON 6 FEBRUARY 2015



PALFINGER

SUSTAINABILITY**Content**

Sustainability	4
Reporting according to GRI G4.....	5
1. Material aspects according to GRI	6
1.1 Sustainability in value creation.....	7
1.2 Fair business	10
1.2.1 Sustainability in the supply chain	10
1.2.2 Environmental protection in the supply chain.....	10
1.2.3 Labour practices in the supply chain.....	10
1.2.4 Impacts on society identified in the supply chain.....	11
1.2.5 Human rights in the supply chain.....	11
1.2.6 Monetary flows to stakeholders.....	12
1.2.7 Society.....	14
1.3 Eco-efficiency in production	15
1.3.1 Efficient use of raw materials.....	15
1.3.2 Energy efficiency	16
1.3.3 Climate protection	19
1.3.4 Hazardous waste	21
1.3.5 Ecological impact of PALFINGER products.....	24
1.4 Responsible employer	25
1.4.1 Employment trend at PALFINGER.....	25
1.4.2 Health and safety.....	29
1.4.3 Training and education	33
1.4.4 Communication with employees.....	34
1.4.5 Workplace community.....	34
1.4.6 Equal opportunity	34
1.4.7 Human rights.....	37
1.5 Sustainable products.....	39
1.5.1 User safety.....	39
1.5.2 Environmentally compatible products.....	41
2. Sustainability management.....	45
2.1 Materiality analysis	47
2.2 Stakeholder management	48
2.3 Management systems in use	51
2.4 Sustainability programme 2014/2015	53
3. Commitment and awards	61

4. Sustainability reports 63

5. Contact 64

6. ANNEX..... 65

 6.1 Material GRI-aspects in the value-creation chain..... 65

 6.2 Progress report for the UN global compact 70

To help the reader, both documents contain references:

 reference to a GRI indicator

 reference to a passage in the Integrated Annual Report 2014

 reference to a passage in the Information Supplementing the Integrated Annual Report 2014

 reference to detailed information on the Company's Website www.palfinger.ag

SUSTAINABILITY

Worldwide, PALFINGER stands for the most innovative, reliable and cost-effective lifting solutions for use on commercial vehicles and in the maritime field. With market know-how, technological skills and the commitment of its staff, PALFINGER enables its customers all over the world to be more successful. Sustainable operations, which are an integral part of PALFINGER's entrepreneurial responsibility, optimize the Company's products and processes and significantly contribute to its economic success.

As a grown family business, PALFINGER has been paying attention to issues such as sustainability or CSR (corporate social responsibility) for many years. Its first sustainability report was published for the years 2003/2004. But even before that time period, environmental management, social responsibility as an employer, and innovation for efficient products had contributed to PALFINGER's advancement to a multinational group. PALFINGER views sustainability as an interdisciplinary matter that has been genuinely incorporated into the various areas of the Company as a matter of course.

FAIR BUSINESS

Cost effectiveness is reflected in entrepreneurial thinking, the objective being to make a profit and achieve sustainable, profitable growth. It is not a matter of short-term profit optimization. For a company to be stable in the long term, sustainability is a must, particularly in economically challenging times.

Therefore, in addition to the traditional topics, priorities include the Code of Conduct for stakeholders, the prevention of corruption, Integrity Line and fair taxation.

RESPONSIBLE EMPLOYER

As an international Group pursuing a long-term growth strategy, PALFINGER is obliged to assume social responsibility, in particular towards its employees. There is no denying that the success achieved in the past few years would not have been possible without the commitment of these employees.

PALFINGER acts as a reliable partner and attractive employer and provides its employees with security, occupational health and safety, career prospects and PALiversity – the Group-wide project for the implementation of a holistic diversity strategy.

ENVIRONMENTAL PROTECTION

As a growing company with a strong base in its home region, it has always been in PALFINGER's own interest to use resources both sparingly and economically. Particularly with the plant in Lengau, Austria, PALFINGER has played a pioneering role in environmental protection. Increasing efficiency in production combines economic and ecological objectives. Thus, climate protection and resource management throughout the entire life cycle of the Group's products have been identified as material environmental aspects over the years.

Climate protection starts with the selection of the primary products, which have different energy intensities, and includes the efficient use of energy sources at PALFINGER locations. Furthermore, transports between PALFINGER sites as well as finished products in operation are also of relevance for the climate. The efficient use of materials like steel, the avoidance of hazardous substances, and the recyclability of as many materials as possible are all within the scope of resource management.

In recent years, PALFINGER has subscribed to several principles in the aforementioned three categories and they continue to be valid. They provide a good overview of the most important ecological and social issues and the related opportunities and risks arising for PALFINGER.

REPORTING ACCORDING TO GRI G4

As already done for the 2013 reporting period, PALFINGER has prepared an integrated annual report for the 2014 financial year. The Integrated Annual Report 2014 contains information on the economic, environmental and social performance of the Group, all of which is controlled by the management. The Report (integrated annual report and supplementary online information) has been prepared in accordance with the International Financial Reporting Standards (IFRS) as well as the G4 Sustainability Reporting Guidelines (“Core”) of the Global Reporting Initiative (GRI) and reviewed by an independent auditor.

The online information presented here is a supplement to the Integrated Annual Report 2014 and completes the disclosures required under the GRI. For the sake of clarity, all the standards (“Core”), aspects and indicators of the GRI that are of relevance to PALFINGER have been listed. Where information is provided in the 2014 Integrated Annual Report, references to the respective passage of the Report are included herein.

1. MATERIAL ASPECTS ACCORDING TO GRI

In accordance with the Guidelines of the Global Reporting Initiative, PALFINGER has divided the material aspects into the categories of sustainability in value creation, fair business, eco-efficiency in production, responsible employer and sustainable products.



GRI G4-19:
MATERIAL ASPECTS



SEE:
**SUSTAINABILITY IN VALUE
CREATION PP. 7 ET SEQ.,
FAIR BUSINESS PP. 10 ET
SEQ., ECO-EFFICIENCY IN
PRODUCTION PP. 15 ET
SEQ., RESPONSIBLE
EMPLOYER PP. 25 ET SEQ.,
SUSTAINABLE PRODUCTS
PP. 39 ET SEQ.,
MATERIALITY ANALYSIS
P. 47 AND MATERIAL GRI-
ASPECTS IN THE VALUE-
CREATION CHAIN PP. 65 ET
SEQ.**

1.1 SUSTAINABILITY IN VALUE CREATION



GRI G4-18:
IDENTIFYING RELEVANT TOPICS; GRI G4-20 AND G4-21 ASPECTS WITHIN AND OUTSIDE THE ORGANIZATION



INTEGRATED ANNUAL REPORT: SUPPLIERS AND PURCHASING PP. 36 ET SEQ.; VALUE-CREATION STRATEGY PP. 61 ET SEQ.



GRI G4-12:
DESCRIPTION OF SUPPLY CHAIN

At PALFINGER, value creation begins with the suppliers and ends with the end customers. The value creation chain comprises R&D product management, strategic purchasing, manufacturing and assembly, distribution, marketing, sales and mounting by the dealers, and after sales services. PALFINGER is working towards achieving a “global production footprint”, meaning that, in the future, procurement and value creation is intended to increasingly take place in the respective market regions. The PALFINGER Code of Conduct – primarily its ethical and environmental standards – is being observed in this connection.

The value-creation chain is illustrated in the Integrated Annual Report 2014.

Overview of the PALFINGER value-creation chain SUPPLY CHAIN

PALFINGER’s supply chain includes suppliers of energy, raw materials, components, services and facilities. They transport their goods or services to the PALFINGER sites, where they are processed and finished.

Regarding the suppliers of energy such as electricity, heat and fuel, increasing the share of renewable energy sources is the main priority. The objectives are to guarantee security of supply and to exclude the purchase of nuclear energy.

For the suppliers of raw materials, sustainability management concerns three main areas: the recycling of metals, the mining of ores and steel, and the production of aluminium. Metal recycling is beneficial for the environment because it reduces the consumption of natural resources and energy. When it comes to mining ores, attention needs to be paid to safeguarding human rights and preserving nature. However, this part of the supply chain is beyond PALFINGER’s control. Relevant criteria regarding metal production include CO₂ emissions during the production process and the impact on the products’ weight through the use of high-tension steel or the replacement of steel by aluminium. Eco-efficiency during product use could be enhanced by the development of alternative materials such as carbon.

In the field of externally purchased components such as hydraulic pumps and pipes, engines, electronic components or systems, the health and safety of the employees in production, environmental compatibility of the respective manufacturing process and of the product, and the observance of labour law provisions by the suppliers are on the agenda alongside product benefits such as, for instance, a lower deadweight. PALFINGER makes sure that, to the extent possible, the materials used are free from chrome VI and PVC. Biodegradable hydraulic oils and biodegradable lubricants also contribute to the products’ environmental friendliness and to health and safety in production.

The transport of raw materials and components forms the bridge between suppliers and internal value creation at PALFINGER: local sourcing and a smart transport mix guarantee low fuel consumption.

The environmental impact of office supplies is comparably low, but nevertheless it is a general policy in PALFINGER’s procurement to observe criteria such as buying regional products with the (Austrian) environmental seal, respecting human rights and buying products that are non-hazardous to health.

MATERIAL ASPECTS**ACCORDING TO GRI**

Plants and operating supplies are important factors of internal processes. When it comes to acquiring cutting, welding, coating, chipping, bending and testing plants, energy efficiency and the economical use of operating supplies and water are important, as are user safety and the avoidance of air and noise emissions for employees and local residents. Operating supplies such as paints – for the selection of which PALFINGER already applies the criteria of water solubility and freedom from heavy metals and chromate – as well as cooling agents, lubricants, and chemicals for electroplating have a direct impact on production and production processes at PALFINGER. Thus, leverage is gained not only by selecting the right suppliers; PALFINGER's observance of technical minimum standards when it comes to investments in plants and operating supplies also results in Group-wide benefits.

SUPPORTING AND OPERATIONAL PROCESSES AT PALFINGER

The most important manufacturing steps at PALFINGER comprise cutting, bending, chipping, welding and electroplating, but also painting and assembly. In all these areas, PALFINGER attaches great importance to energy efficiency, the regulated handling of waste cuttings and hazardous waste, and freedom from chrome VI. Efficiency is a priority, primarily when it comes to the use of water, electroplating sludge, and hydraulic agents and lubricants. Protection from air emissions, accident prevention and eye protection are key aspects in protecting the health of PALFINGER's employees at the respective production plants and the users of the products alike. In international practice, individual production stages such as cutting or the coating of components are sometimes outsourced. Wherever this is the case, standards in environmental protection and human resources must also be applied in cooperation with the outsourcing partners. The same applies to the handling of production wastes, their collection, storage and disposal.

In the context of supporting processes, PALFINGER pays particular attention to the following aspects: In the area of human resources, (further) training, diversity and equal opportunity (PALiversity), Living Wages (meaning fair wages enabling employees with lower incomes to achieve an acceptable standard of living), support in hardship cases, health and safety, but also proactive and dialogue-oriented communication and the inclusion of the employees in the Company's development and their representation are priorities. A significant interface to employees is corporate governance; business ethics and the prevention of corruption, as parts of the Code of Conduct, are contractually binding for all stakeholders. As far as the sustainability of buildings is concerned, there is substantial scope for improvement, particularly with a view to environmental protection. This refers primarily to the efficient use of energy at manufacturing, assembly and administration sites, the safe storage of hazardous substances and the responsible handling of contaminated sites in case any contaminations are identified on a site despite having conducted a thorough due diligence review prior to the acquisition. Key factors regarding the operation of the fleet and plant-internal logistics include health and safety, energy efficiency and mobility mix as well as energy procurement. Research and development is not limited to developing innovations that increase both the active and passive safety of the products. Ecodesign and the efficient use of raw materials also play an important role here. PALFINGER produces in the region for the region, and by doing so also aims to make a positive social impact. Accordingly, as a multinational company, PALFINGER not only supports regional development and employment through its core business, but also pays taxes in the countries where they accrue, supports regional initiatives and takes targeted measures to avoid any troublesome effects on persons in the vicinity wherever possible.

DOWNSTREAM PROCESS AT DEALERS

Whether by rail, by road or by water – transporting PALFINGER products and spare parts requires energy and fuel. For PALFINGER, a balanced and situation-oriented transport mix is important. There are two key pillars of sustainability for dealers: On the one hand, steel consumption when mounting PALFINGER products may be optimized, deliberately saving energy-intensive raw materials. On the other hand, information and communication at the interface to PALFINGER and to the user is vital as well. PALFINGER tries to promote joint learning in its global network of dealers, primarily by offering training courses on safety and environmental protection.

USE OF PALFINGER PRODUCTS BY END CUSTOMERS

PALFINGER products are used in various industries. Each and every application requires an equally high level of safety and environmental compatibility. Through regular product innovations, PALFINGER tries to make its products increasingly low maintenance, to extend their longevity and also to highlight the benefits of using alternative engines, such as the PALFINGER Hybrid, and energy efficiency when lifting and unloading loads. Due to the fact that PALFINGER products are frequently transported on vehicles, the reduction of weight is of great importance in order to ensure that the payload is restricted as little as possible and that fuel consumption is reduced on empty runs. Whether in construction, transport or traffic, respecting human rights is the basis for using any of the products. The trend is in the direction of re-using products in the second-hand area once they have completed their adequate lifecycles. For PALFINGER, it is particularly important that the products should be separable and recyclable after their product life has expired.

1.2 FAIR BUSINESS

1.2.1 SUSTAINABILITY IN THE SUPPLY CHAIN

Information on ecological and social aspects in the supply chain is available in the Integrated Annual Report 2014.

1.2.2 ENVIRONMENTAL PROTECTION IN THE SUPPLY CHAIN

GRI aspect: Supplier environmental assessment

Assessment of environmental protection in the supply chain

It is clearly observable that PALFINGER's focus on sustainability substantially increases awareness among suppliers. This is reflected in the supplier survey on commitment to environmental protection: The positive trends in response rates (92 per cent) and in the percentage of suppliers with good and excellent environmental commitment (64 per cent) have continued. It is also good to see that the number of suppliers with certified environmental management systems (Eco1) has increased. This reassures PALFINGER that sustainability topics have become integral parts of the companies and are being regularly audited and reviewed by experts.

In the 2014 reporting year, sustainability topics were also integrated in the tendering process and they are gradually being taken into consideration when procuring investment goods.

Ecological impacts in the supply chain

A description of ecological impacts is available in the "Overview of PALFINGER's value-creation chain" presented above.

1.2.3 LABOUR PRACTICES IN THE SUPPLY CHAIN

GRI aspect: Supplier assessment for labour practices

Assessment of labour practices in the supply chain

A description of the assessment of social labour practices in the course of supplier audits is available in the Integrated Annual Report.

Impacts on labour practices in the supply chain

All suppliers have to be aware that occupational health and safety, training and education, diversity and equal opportunity, responsibility for the environment, environmentally friendly products and production, as well as good communication with employees are central issues at PALFINGER. Depending on where in the world suppliers are located, these aspects are governed differently through laws and regulations.



INTEGRATED ANNUAL REPORT: SUPPLIERS AND PURCHASING – SUSTAINABILITY AMONG SUPPLIERS P. 38



INTEGRATED ANNUAL REPORT: VALUE-CREATION STRATEGY PP. 61 ET SEQ.



GRI G4-EN32: ENVIRONMENTAL ASSESSMENT IN THE SUPPLY CHAIN



GRI G4-EN33: ENVIRONMENTAL PROTECTION IN THE SUPPLY CHAIN



SEE: SUSTAINABILITY IN VALUE CREATION PP. 7 ET SEQ.



GRI G4-LA14: ASSESSMENT OF LABOUR PRACTICES IN THE SUPPLY CHAIN



INTEGRATED ANNUAL REPORT: SUPPLIERS AND PURCHASING – SUSTAINABILITY AMONG SUPPLIERS P. 38



GRI G4-LA 15: LABOUR PRACTICES IN THE SUPPLY CHAIN



**GRI G4-SO 9:
ASSESSMENT OF IMPACTS
ON SOCIETY IDENTIFIED IN
THE SUPPLY CHAIN**

1.2.4 IMPACTS ON SOCIETY IDENTIFIED IN THE SUPPLY CHAIN

Assessment of impacts on society identified in the supply chain

A description of the assessment of social labour practices in the course of supplier audits is available in the Integrated Annual Report.



**GRI G4-SO 10:
IMPACTS ON SOCIETY
IDENTIFIED IN THE SUPPLY
CHAIN**

Impacts on society identified in the supply chain

In the course of the internationalization strategy of the PALFINGER Group, the prevention of corruption as well as the active observance of human rights are the main challenges. Therefore, the main focus is on countries with lower statutory requirements, which, in the case of PALFINGER, primarily means various Asian countries.



**GRI G4-HR 10:
HUMAN RIGHTS
ASSESSMENT IN THE
SUPPLY CHAIN**

1.2.5 HUMAN RIGHTS IN THE SUPPLY CHAIN

Human rights assessment in the supply chain

A description of the assessment of human rights aspects in the course of supplier audits is available in the Integrated Annual Report.



**INTEGRATED
ANNUAL REPORT:
SUPPLIERS AND
PURCHASING –
SUSTAINABILITY AMONG
SUPPLIERS P. 38**

Impacts on human rights identified in the supply chain

The prohibition of child labour, forced labour and compulsory labour is a fundamental principle to which all suppliers of PALFINGER subscribe, in addition to committing themselves to environmental responsibility and proactive environmental protection by submitting to the Code of Conduct. So far, experience has shown that even the suppliers located in countries with higher risks in this respect are complying with these principles. In 2014, the supplier audit process was carried out using an audit questionnaire to which sustainability topics had been added. With a view to sustainability, no major differences between “information provided regarding environmentally relevant topics” and “audit samples taken on site” could be observed. Therefore, no claims in this connection were made by PALFINGER vis-à-vis its suppliers.



**GRI G4-HR 11:
HUMAN RIGHTS IN THE
SUPPLY CHAIN**

When it comes to the right to collective bargaining and the right of assembly, the situation is different. Various Asian suppliers are based in countries where these rights are indeed restricted. This is why PALFINGER pays particular attention to labour conditions and communication with employees. In 2015, PALFINGER plans to hold a training course for its auditors focusing on these civil-society components.



**SEE: IMPACTS ON
LABOUR PRACTICES IN THE
SUPPLY CHAIN P. 10**



**GRI G4-HR 1:
HUMAN RIGHTS IN
INVESTMENT
AGREEMENTS; G4-HR 2:
TOTAL HOURS OF
EMPLOYEE TRAINING ON
HUMAN RIGHTS; G4-HR 5:
CHILD LABOUR; G4-HR 6:
FORCED LABOUR**

MATERIAL ASPECTS
ACCORDING TO GRI

1.2.6 MONETARY FLOWS TO STAKEHOLDERS

GRI aspect: Economic performance

PALFINGER's success comes as a result of contributions from its many stakeholders. In turn, employees, suppliers, owners, public authorities and banks also participate in the income PALFINGER generates. Income comprises, first and foremost, revenue, but also income from other services, from leases and from the sale of assets, as well as interest income. This directly generated economic value rose from EUR 942,982 thousand in 2012 and EUR 984,768 thousand in 2013 to EUR 1,068,018 thousand in the 2014 reporting period. The positive development of the Company in terms of economic success also has a positive impact on its stakeholders.

Payments to suppliers account for the largest monetary flow and comprise various services: raw materials, parts and components, plants, operating supplies and energy.

The Company's second largest monetary flow is composed of the wages and salaries paid to employees. Due to the expansion of PALFINGER's production and the acquisition of new companies, an increase has been recorded in recent years in this field as well.

Payments to public authorities comprise taxes other than those on income, for example property tax, and income-based taxes such as corporation tax. In the chart below, the Group's tax expense is presented net of subsidies, which also include research and development grants. Over the past years, these payments have developed continuously, amounting to EUR 1,870 thousand in 2012, EUR 1,453 thousand in 2013 and EUR 925 thousand in 2014. To PALFINGER, making fair tax payments is part of its social responsibility. Details on PALFINGER's approach to taxes can be found in the Integrated Annual Report 2014.

Investments in public welfare remained relatively stable in the reporting period. In total, expenses for donations and sponsoring came to EUR 675 thousand in 2012, EUR 608 thousand in 2013 and EUR 567 thousand in the 2014 reporting period.

The difference between the income and the monetary flows to stakeholders represents the economic value retained as reported in the chart below. It should be noted that the economic value retained does not contain any income from amounts relating to companies consolidated at equity as they do not constitute monetary flows.

For details on the economic development of the Company, please refer to the Integrated Annual Report 2014.



**GRI G4-EC 1:
 DIRECT ECONOMIC VALUE
 GENERATED AND
 DISTRIBUTED; G4-EC 4:
 FINANCIAL ASSISTANCE
 RECEIVED FROM
 GOVERNMENT**



**INTEGRATED
 ANNUAL REPORT: FAIR
 BUSINESS – TAXES AND
 SUBSIDIES P. 188**



**INTEGRATED
 ANNUAL REPORT:
 INNOVATION,
 INTERNATIONALIZATION
 AND FLEXIBILITY UNDER
 SUSTAINABILITY ASPECTS
 PP. 17 ET SEQ.**



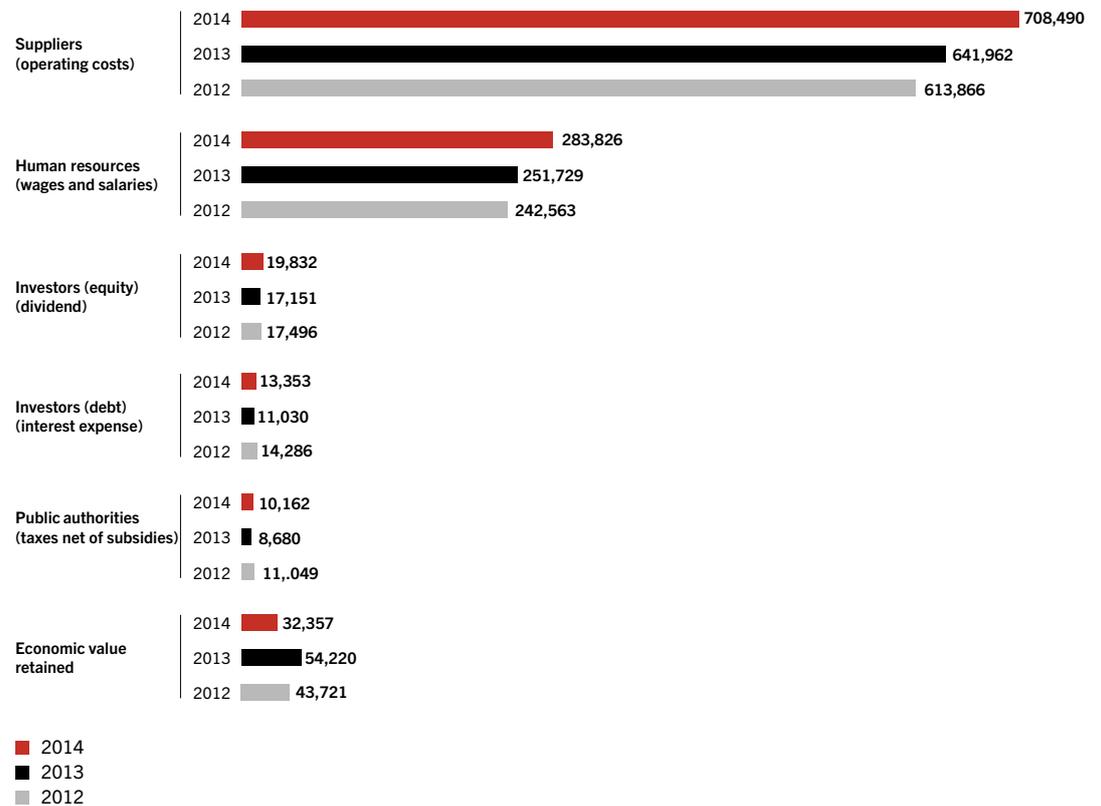
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**INTEGRATED
 ANNUAL REPORT:
 CONSOLIDATED FINANCIAL
 STATEMENTS FOR THE
 YEAR ENDED 31 DEC 2014
 PP. 84 ET SEQ.**

MONETARY FLOWS TO STAKEHOLDERS¹⁾ (EUR thousand)

Direct economic value generated and distributed



1) The presentation is in accordance with the definition of the sustainability reporting standard of the Global Reporting Initiative (GRI). The above are exclusively actual monetary flows derived from the income statement that have occurred in the respective year. This explains any differences that may exist with regard to the income statement presented in the Integrated Annual Report.

**MATERIAL ASPECTS
ACCORDING TO GRI**

GRI aspect: Indirect economic impacts

PALFINGER products for people and the environment

In Ghana, West Africa, PALFINGER plays a prominent role in a country-wide solar energy project for rural regions: Under the slogan “Using the daylight”, the Ghanaian government has launched a campaign for the electrification of mainly rural areas in that country. At the initiative of the Ghana Cocoa Board, a long-term project has been running since 2008 with the objective of establishing solar-powered street lighting and supplying households with solar energy. The first solar-powered streetlights were set up, using a PALFINGER loader crane, in a small farming village without electricity supply three hours away from Ghana’s capital Accra. In the western part of Ghana, which is approximately the size of Great Britain, 11,000 solar-powered streetlights have already been installed. The lamp posts are installed using a crane specifically adapted for this purpose at PALFINGER’s Mounting Competence Centre (MCC) in Austria. Apart from this loader crane, which, together with a load manipulator from the PALFINGER Equipment Centre, was customized for this application, the new truck also features a loading bed for transporting the lamp posts and solar light modules. The goal of the project is not only to improve safety but also to stimulate the labour market, trade and social life.

1.2.7 SOCIETY

GRI aspect: Anti-corruption

Anti-corruption policy, competition law and compliance with legislation: assessments, training programmes, incidents of corruption

A description of all PALFINGER activities regarding corporate ethics is available in the Integrated Annual Report.



**INTEGRATED
ANNUAL REPORT:
PALFINGER PRODUCTS FOR
PEOPLE AND THE
ENVIRONMENT P. 32**



**INTEGRATED
ANNUAL REPORT:
INNOVATION,
INTERNATIONALIZATION
AND FLEXIBILITY UNDER
SUSTAINABILITY ASPECTS
PP. 17–18**



**IWI-STUDY:
WWW.PALFINGER.AG/
/MEDIA/CORPORATE/SUSTA
INABILITY/REPORTS/IWI-
STUDY-2014.PDF?LA=EN**



**GRI G4-EC 8:
SIGNIFICANT INDIRECT
ECONOMIC IMPACTS,
INCLUDING THE EXTENT OF
IMPACT**



**INTEGRATED
ANNUAL REPORT:
STAKEHOLDER AND
INVESTOR RELATIONS PP.
23 ET SEQ.**



**GRI G4-SO 3:
OPERATIONS ASSESSED;
G4-SO 4: ANTI-
CORRUPTION
COMMUNICATION; G4-SO 5:
INCIDENTS OF
CORRUPTION; G4-SO 7:
COMPETITION LAW; G4-SO
8: SIGNIFICANT FINES**



**INTEGRATED
ANNUAL REPORT: FAIR
BUSINESS – INTERNAL
AUDITS, WELCOME
PACKAGE, COMPLIANCE
VIOLATIONS PP. 187–188**

1.3 ECO-EFFICIENCY IN PRODUCTION

1.3.1 EFFICIENT USE OF RAW MATERIALS

GRI aspect: Materials



GRI G4-EN 23:

WASTE

Steel and aluminium are the most frequently used raw materials at PALFINGER. The central indicator used to measure the development of the Company's efficiency in using raw materials at manufacturing sites is the optimization of waste cuttings. As a consequence, sites where mainly assembly work is done are not included in this indicator.

As in previous years, all Eastern European sites with relevant waste cuttings volumes managed to further improve their levels. Waste cuttings rates at the plant in Caussade, France, have also been decreasing steadily over the years. In Lengau, Austria, and Maribor, Slovenia, the change in product mix had a negative impact on this indicator. At the South American site in Caxias do Sul, Brazil, the continuation of strict internal monitoring has resulted in a further improvement. Every single deviation has been noted and analysed in a non-conformity report. However, the level of flexibility when stacking the moulded parts may be reduced by a future change in product mix. In Hanoi, Vietnam, waste cuttings figures varied greatly, the main reason being the fact that marine cranes are manufactured individually, which makes a standardized optimization of the processes impossible. The reduction of waste cuttings at the US site of Council Bluffs has been quite substantial in recent years which was made possible through a reorganization of moulded parts on the steel sheets in cooperation with the upstream stages of the supply chain. Based on this high level of achievement, figures could once again be optimized in the past year, albeit to a smaller extent. At the Russian sites, many components were supplied by European locations, resulting in a reduction in the volumes of scrap metal produced at the Ishimbay plant. In the future, a further reduction in waste cuttings is expected due to the use of new laser cutters.



INTEGRATED
ANNUAL REPORT: ECO-
EFFICIENCY IN
PRODUCTION – EFFICIENT
USE OF RAW MATERIALS
P. 66

In order to be able to estimate the costs saved due to lower waste cuttings rates, the steel volumes purchased at the main production sites in Caussade, Caxias do Sul – Madal, Cherven Brjag, Council Bluffs, Lengau and Maribor in 2011 and 2014 were compared to the waste cutting rates at those sites in the same periods. Since 2011, these sites have reduced waste cuttings by an average of 2.5 percentage points, corresponding to annual savings in the cost of steel amounting to approx. EUR 1.1 million.

MATERIAL ASPECTS
ACCORDING TO GRI

1.3.2 ENERGY EFFICIENCY

GRI aspect: Energy

Energy consumption at PALFINGER

Energy consumption by energy source	in MWh (PALFINGER total)	2014	2013	2012	2011
Fuels	Diesel	8,282,651	8,706,541	9,147,308	9,058,176
	Petrol	1,439,368	1,306,925	1,338,529	537,999
	Kerosene	3,274,542	2,983,142	3,168,000	0
Heat	Natural gas	56,409,730	57,700,687	53,932,524	52,095,763
	Propane	3,220,683	3,085,979	3,359,681	6,868,072
	Butane	749,092	665,643	742,665	707,871
	LPG	3,334,192	3,837,251	3,286,669	1,232,273
	Heating oil	1,460,006	1,842,418	1,628,798	1,904,486
Electricity	Electricity	73,629,296	65,289,295	53,663,086	50,691,269
Total		151,799,560	145,417,882	130,267,260	123,095,908

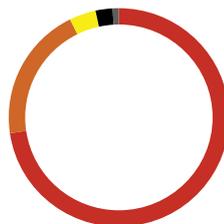
In the period under review, another year-on-year increase in PALINGER's total energy consumption was recorded. In previous years, the continuing increase was primarily due to the expansion of the manufacturing and assembly sites. As soon as a new location is acquired and has been part of the Group for a full financial year, it is also included in the Group-wide reporting on environmental issues, meaning that the energy volumes consumed there are also included in the total energy consumption. In 2013, this was the case, for instance, in Western Europe, where larger manufacturing sites (Lazuri in Romania and Modena in Italy) were added and consequently the need for energy became higher. In 2014, no new large manufacturing sites were included in the Group-wide energy reporting. The most significant increase in energy consumption was due to electric power utilization at the new site in Lazuri. However, this site showed a disproportionately high increase in production, and thus enhanced efficiency, as a result. The intensified heating requirements in North America due to the particularly cold winter were compensated by the lower energy requirements in Europe. The need for other energy sources such as propane and butane, as well as motor fuel, stagnated in 2014.



GRI G4-EN 3:
ENERGY CONSUMPTION
WITHIN THE
ORGANIZATION

ENERGY CONSUMPTION BY REGION IN 2014 (in per cent)

- 72.7% European Union
- 20.0% North America
- 3.9% CIS
- 2.5% Central and South America
- 0.9% Far East



The highest energy requirement in 2014 was in Western Europe, where it came to approx. 110 GWh, followed by the Northern American sites with 30 GWh. The sites in CIS ranked third with a consumption of approx. 5.9 GWh. South America and the Far East only play marginal roles when it comes to energy consumption



**GRI G4-EN 4:
ENERGY CONSUMPTION
OUTSIDE THE
ORGANIZATION**

Energy consumption outside the organization

Looking at the entire value-creation chain – from raw material production to the end of the product’s use – one can see that only a fraction of the energy consumed during a product’s lifetime is used during PALFINGER’s valuation-creation stages.

The production of steel and aluminium, the two raw materials most frequently used at PALFINGER, requires high levels of energy and CO₂. It is impossible for PALFINGER to influence these energy consumption levels. The amount of energy needed to produce steel, and the greenhouse gases emitted in that process, are considerable, exceeding those directly produced by PALFINGER by far. Energy consumption and emissions per tonne of steel vary depending on the alloying degree, the percentage of secondary steel, and the production region. To produce one tonne of chrome steel in the global market mix, an average of 18 MWh of energy is needed and 4.4 t CO₂ equivalents are released (Ecoinvent version 3.1, 2014). In a comparison of production in Europe and in the rest of the world, it can be seen that due to different methods and qualities of energy supply, energy consumption and the global warming potential per tonne of steel are lower in Europe, at 17.6 MWh and 4.1 t CO₂ equivalents, respectively; the figures for the rest of the world are 18.5 MWh energy consumption and 4.8 t CO₂ equivalents per tonne of steel.



**INTEGRATED
ANNUAL REPORT: ECO-
EFFICIENCY IN
PRODUCTION – EFFICIENT
USE OF RAW MATERIALS
P. 66**

Most of the energy consumption usually occurs during the long period of product use, as the products are mounted on vehicles and/or permanently transported on vehicles. The lower the product weight, the lower the total weight. As a result of PALFINGER’s payload optimization, which has always been a priority in product development, the customer benefits not only from fuel savings but also from an increase in vehicle load capacity. Another advantage is that emissions are reduced. When PALFINGER products are in operation and lifting loads, they also consume energy. In order to reduce energy consumption, costs and emissions for the customers, various environmental features have been developed. Due to the great number of products and the variety of uses of each individual product, it is not possible to indicate energy consumption during the products’ use in quantitative terms. However, the measures taken to increase product efficiency are described in the following.



**SEE: SUSTAINABLE
PRODUCTS PP. 39 ET SEQ.**

Energy efficiency

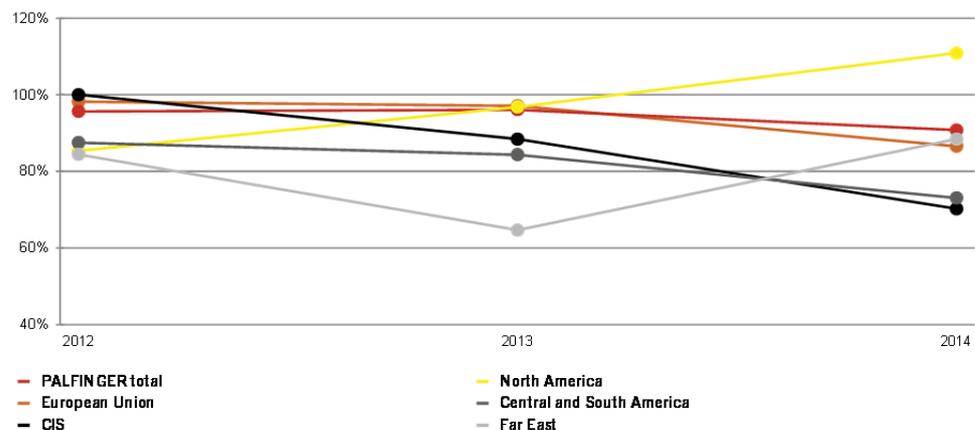


**GRI G4-EN 5:
ENERGY INTENSITY;
G4-EN 6: REDUCTION OF
ENERGY CONSUMPTION**



**INTEGRATED
ANNUAL REPORT: ECO-
EFFICIENCY IN
PRODUCTION – ENERGY
EFFICIENCY P. 68**

INDEX: REGIONAL ENERGY CONSUMPTION IN RELATION TO REVENUE¹⁾
(in per cent)



¹⁾ Volumes 2011 = 100%

MATERIAL ASPECTS**ACCORDING TO GRI**

All in all, Group-wide energy efficiency of production processes has improved significantly since 2011, fortunately in nearly all regions. Due to the revenue development and efficiency achieved at the sites in the European Union, South America and CIS, these regions have made the largest contributions to this positive overall result.

For the purpose of determining the efficiency indicator for the entire Group (and also for the purpose of aggregation on a regional level), the energy-efficiency rate of every single location was calculated based on local revenue. To this end, the aggregate energy input (i.e. electricity, room heat, process heat and fuels) was related to the revenue of the respective location. Given the broad product range and the steep growth achieved through acquisitions, the previously used calculation method based on output units generated at the individual sites was abandoned in order to make external comparison possible. A separate index was still calculated for each location. These comparable indices were then used to derive a mean value weighted by the energy consumption of the respective sites. On this basis, regional and Group-wide indices were calculated.

Consistent commitment to energy saving has proven its worth at PALFINGER's sites in the European Union: In 2014, energy was 9.3 per cent more efficiently used than in the base year 2011. However, fluctuations in capacity utilization in 2014, acquisitions of new sites and weather-related ups and downs have to be taken into consideration, rendering a direct comparison with previous years difficult. For instance, the unusually high temperatures from January to April 2014 reduced the demand for heating at the sites within the European Union. However, a substantial part of the efficiency gains at the EU sites can be traced back to the Facility Management project pursued. Under this project, sites with high energy consumption are analysed on a regular basis and optimized wherever necessary. In this context, PALFINGER's manual on energy saving was applied by internal and external experts and various measures were derived. In general, the focus at many production and assembly plants was on LED transition and on identifying leakages. Moreover, the individual sites defined the following priorities:

In Maribor, Slovenia, the boilers of the CDP paint shop and of the thermal post-combustion system were further optimized. In 2014, a paint shop for marine cranes was replaced – a step that is expected to bring about a noticeable long-term rise in energy efficiency. In addition, a new heating system was installed.

In Lengau, Austria, further steps to implement the building control system were taken. In Löbau, Germany, both the heating system and the lighting were optimized to meet the latest standards.

The inspection of the Eastern European sites by a process technician in 2014 in order to identify saving potentials revealed that the energy efficiency of these plants was at a satisfactory level. For instance, the amount of energy consumed for electroplating at Lazuri, Romania, was substantially lower than that used for comparable processes. Nevertheless, some saving potentials were identified and utilized: In Tenevo, Bulgaria, the insulation of the existing production buildings was replaced in 2014, resulting in a reduction of heat losses. In addition, numerous fluorescent tubes in administration and production were replaced by LED.

In South America, the focussed energy management pursued in recent years was continued, facilitating further improvements in energy efficiency. Moreover, diesel was increasingly replaced by LPG, resulting in substantially lower energy emissions. In the future, the amount of artificial light used in production is going to be reduced by increasing the utilization of daylight. A new training centre will use green buildings elements.

At the sites in North America, an internal energy audit was carried out, revealing that the energy level of buildings and plants is satisfactory. A bundle of smaller measures was identified and implemented. The rise in energy consumption was due to exceptionally low outdoor temperatures – both at the beginning and towards the end of the year – which stepped up the heating demand dramatically.

In Russia, PALFINGER achieved significant energy efficiency gains in 2014. There were several reasons for this development: optimized throughput times in production, new energy-efficient machinery, a shift in production mix due to the delivery of ready-made components, unusually high annual temperatures as well as a shift from electricity-powered to natural-gas-powered heating systems as well as to LED lighting. The completion of a new production hall in Ishimbay in 2015 will boost energy efficiency even further.

In PALFINGER's plants in Asia, energy efficiency was not an overriding priority in the period under review. The change in energy efficiency was caused by changes in production at the Hanoi site. The plants in China are state-of-the-art; changes in consumption were inevitable due to the increase in production and/or changes in the product mix.



**GRI G4-EN 7:
REDUCTIONS IN ENERGY
REQUIREMENTS OF
PRODUCTS**



**SEE: SUSTAINABLE
PRODUCTS PP. 39 ET SEQ.**

Reductions in energy requirements of PALFINGER products

Enhancements in the energy efficiency of PALFINGER products are described in the chapter "Sustainable products".

1.3.3 CLIMATE PROTECTION

GRI aspect: Emissions

Emissions in production with an impact on climate



**GRI G4-EN 15:
DIRECT GHG EMISSIONS
(SCOPE 1); G4-EN 16:
ENERGY INDIRECT GHG
EMISSIONS (SCOPE 2); G4-
EN 17: OTHER INDIRECT
GHG EMISSIONS (SCOPE 3)**

Greenhouse gas emissions

PALFINGER analyses all climate-relevant emissions that are caused by its own energy consumption. These emissions with an impact on climate are expressed in CO₂ equivalents. Scope 1 and scope 2 (as defined in the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development) were fully included, scope 3 only in part. This means that all direct emissions of PALFINGER plants from natural gas, diesel, LPG, butane, propane and other energy sources as well as their indirect pre-production emissions were included. In addition, all indirect emissions for electricity consumption, calculated on the basis of the energy mix of the respective national grids, were also included in the calculation. Scope 3 emissions from steel and aluminium production and emissions from the product use stage have not been included in the following tables:

Greenhouse gas emissions (in tonnes of CO ₂ equivalents)	2014	2013	2012	2011
Electricity	36,851,002	35,712,900	27,870,379	26,272,862
Heat (incl. process heat)	16,972,442	17,059,754	15,986,669	15,934,710
Fuels	4,116,653	4,009,678	4,208,341	3,108,569
Total	57,940,097	56,782,331	48,065,389	45,316,141

MATERIAL ASPECTS
ACCORDING TO GRI

Scope 1, 2 and 3 greenhouse gas emissions caused by energy consumption at PALFINGER (in tonnes of CO ₂ equivalents)		2014	2013	2012	2011
Scope 1	Electricity	0	0	0	0
	Heat (incl. process heat)	13,698	0	0	0
	Fuels	3,309	0	0	0
Scope 2	Electricity	32,973	0	0	0
	Heat (incl. process heat)	0	0	0	0
	Fuels	0	0	0	0
Scope 3	Electricity	3,878	0	0	0
	Heat (incl. process heat)	3,275	0	0	0
	Fuels	807	0	0	0
No distinction by scope	Electricity	0	35,713	27,870	26,273
	Heat (incl. process heat)	0	17,060	15,987	15,935
	Fuels	0	4,010	4,208	3,109
Total		57,940	56,782	48,065	45,316

1) As the distinction by scope was implemented in the 2014 reporting period, retrospective comparison is not yet possible.

Taking into account the various greenhouse gas intensities of the various forms of energy, the development of the climate-relevant emissions was parallel to that of energy consumption throughout. All in all, PALFINGER produced approx. 57,900 tonnes of CO₂ equivalents in 2014 (2013: approx. 56,800 tonnes).

The greenhouse gas emissions presented here, which were caused by the energy consumption during production at the PALFINGER plants, only account for a small part of total emissions with an impact on climate. Emissions in the upstream supply chain have a much stronger impact, in particular when it comes to steel – the material used to produce the majority of PALFINGER’s products. As the energy requirements of steel production are high, so is its greenhouse gas intensity. Taking into consideration the fact that PALFINGER buys primarily European steel, the scope 3 greenhouse gases caused by steel may be estimated to be approx. 330,000 tonnes of CO₂ equivalents. They are thus around six times as high as the climate-relevant emissions caused by the energy consumption at PALFINGER’s sites. From an ecological point of view, the efficient use of raw materials is, therefore, also an important contribution to sustainable development. A detailed description of the underlying CO₂ emission factors for steel is available in the chapter “Energy consumption outside the organization”.

It may be assumed that the CO₂ emissions caused when using PALFINGER products are also multiple times higher than those emissions caused by the PALFINGER plants. However, given the broad product range and the various uses of the individual products, no quantitative estimate of impacts on climate during product use can be made.



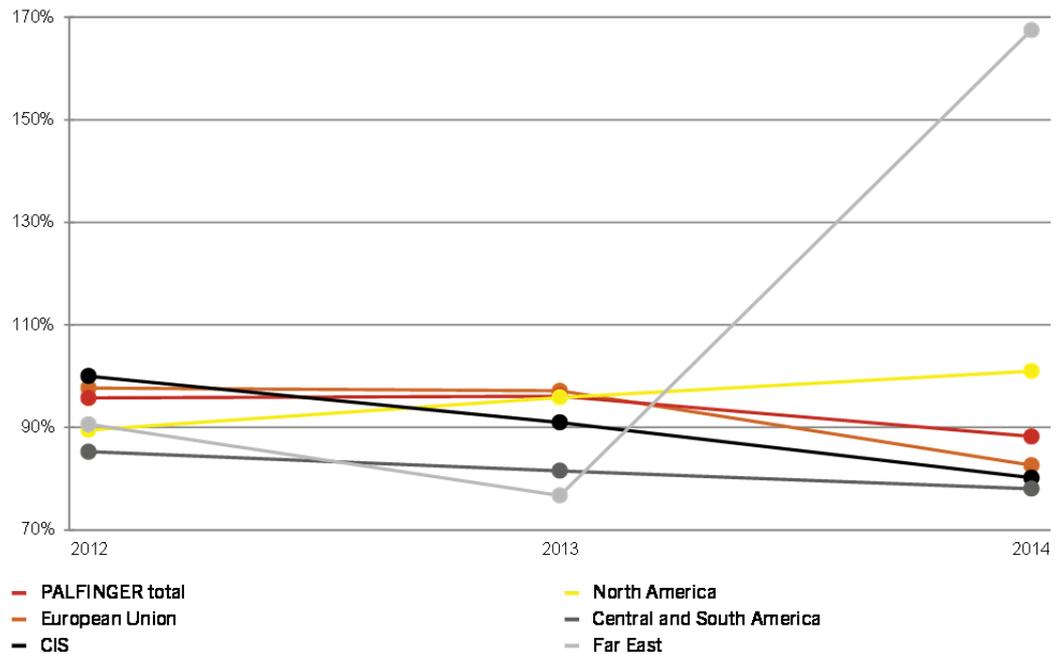
**SEE: ENERGY
CONSUMPTION OUTSIDE
THE ORGANIZATION P. 17**

Specific greenhouse gas emissions



GRI G4-EN 18:
GREENHOUSE GAS (GHG)
EMISSIONS INTENSITY; G4-
EN 19: REDUCTION OF
GREENHOUSE GAS (GHG)
EMISSIONS

INDEX: REGIONAL GREENHOUSE GAS EMISSIONS IN RELATION TO REVENUE¹⁾ (in per cent)



1) Volumes 2011 = 100%

The energy efficiency of the PALFINGER plants showed a slightly positive development, and the greenhouse gas intensity of production in proportion to revenue decreased as well compared to 2013. This reduction was made possible by the improvement in energy efficiency. The measurement parameter was an index with a 2011 base, which was calculated analogously to the energy efficiency index.

1.3.4 HAZARDOUS WASTE

GRI aspect: Effluents and waste

Reduction of hazardous waste

Metal accounts for the lion's share of recyclable materials collected and waste incurred at PALFINGER plants. In order to keep the volume as low as possible, the waste cuttings rate has been improved systematically and continuously. Steel scrap has been reported on indirectly under waste cuttings. Information on this topic is available in the Integrated Annual Report 2014.

Apart from scrap metal from waste cuttings, hazardous waste is an essential factor when it comes to environmental protection. Good progress has been made in this respect at the Group's sites.

The largest volume of hazardous waste – listed according to quantities – is produced at the plants Maribor in Slovenia, Lengau in Austria, Tenevo in Bulgaria, Ishimbay in Russia, Caxias do Sul in Brazil, and Lazuri in Romania. Hazardous waste includes, among other things, electroplating sludge, waste from paint shops, lubricants and coolants. At the Asian sites there are no processes generating large quantities of hazardous



GRI G4-EN 23:
WASTE



INTEGRATED
ANNUAL REPORT: ECO-
EFFICIENCY IN
PRODUCTION – EFFICIENT
USE OF RAW MATERIALS
P. 66 AND HAZARDOUS
WASTE PP. 67–68

MATERIAL ASPECTS**ACCORDING TO GRI**

waste. The small quantities of waste oil produced in Shenzhen, China, are collected and sold to a local recycling company.

Maribor was once again the site where more than one third of the hazardous waste of the entire PALFINGER Group was generated. Whereas in 2013 a total of 933 tonnes of hazardous waste were produced by all production units of the site's various business areas, in 2014 the figure was approx. 960 tonnes.

In Lengau, the volume of hazardous waste was decreased considerably from 638 tonnes (2013) to 520 tonnes (2014). Hazardous waste in relation to the site's revenue was reduced by approx. 19 per cent as well.

In Tenevo, the quantities of hazardous waste generated rose from 259 tonnes (2013) to 280 tonnes (2014), but production volumes increased as well. Intensity related to the respective production volume decreased.

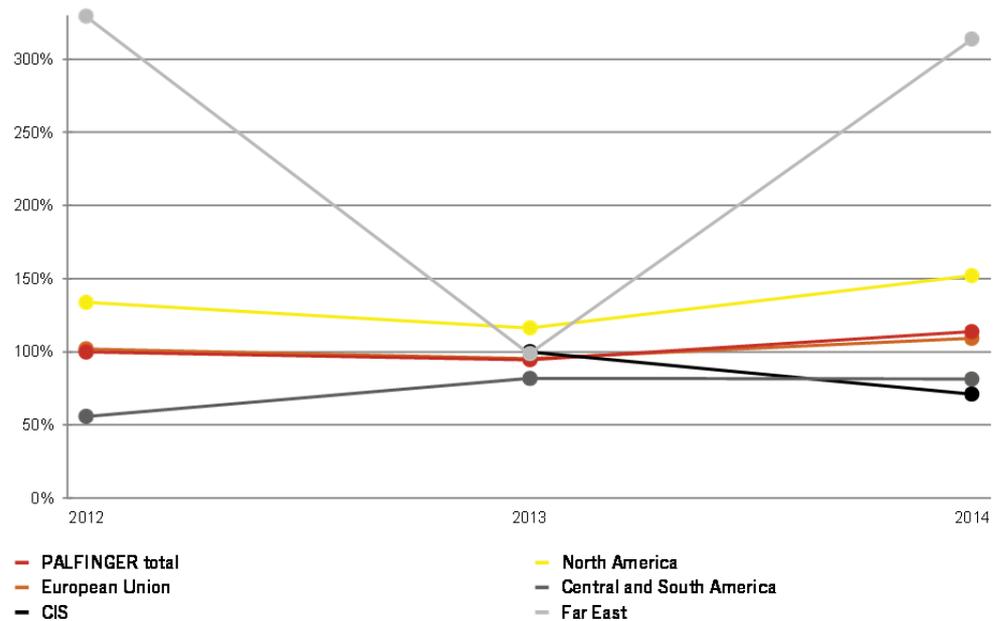
In the CIS region, hazardous waste is generated primarily at the Ishimbay plant in Russia. A volume of 172 tonnes of residual substances from the painting process was generated in 2014 and properly disposed of. As this site was included in PALFINGER's environmental data management only recently, no development over time has been observed yet.

In Caxias do Sul, Brazil, the volume of hazardous waste was reduced in 2014. This was the result of the site's changeover to a higher-quality colour mix that requires less paint. In 2014, 176 tonnes had to be disposed of (2013: 200 tonnes).

The site in Lazuri, Romania, operates an electroplating plant. As capacity utilization of this plant rose, the hazardous waste volumes increased from 23 tonnes (2013) to 159 tonnes (2014).

Hazardous waste, in tonnes (PALFINGER total and by region)	2014	2013	2012	2011
European Union	2,116.82	2,072.44	2,139.09	2,085.35
Far East	85.03	54.08	3.90	0.90
CIS	57.20	60.80	0.00	0.00
Central and South America	175.51	199.62	126.72	201.30
North America	25.33	13.48	13.65	9.30
PALFINGER total	2,459.90	2,400.42	2,283.36	2,296.85

After the absolute amount of hazardous waste had decreased from 2011 to 2012, 2013 and 2014 saw an increase in volumes. Plants established for many years continued to decrease their waste volumes considerably, but the reduction achieved was lower than the waste added in 2013 by the new sites in Lazuri, Romania, and Ishimbay, Russia.

INDEX: REGIONAL INTENSITIES OF HAZARDOUS WASTE IN RELATION TO REVENUE¹⁾
(in per cent)

1) Volumes 2011 =100%

Throughout the Group, the intensities of hazardous waste, i.e. quantities of hazardous waste in proportion to the respective revenue, have decreased noticeably since 2011. Practically all regions generating relevant waste volumes have contributed to this result. The two peaks recorded in 2012 and 2014 referred to regions with relatively low total volumes of hazardous waste (North America and Far East). In these regions, the quality of the retrospective data (2012 and 2013) could not be guaranteed, which explains the divergence. Due to the relatively small volumes, this regional result had only a marginal impact on the Group-wide figure.

Use of water-soluble paints

Switching to water-soluble paints is an efficient way of reducing hazardous waste. By doing so, the solvents formerly in use are replaced by non-hazardous substances. In 2014, the use of water-soluble paints decreased slightly, while the volume of solvent-based paints used remained constant. At the new Russian sites extremely low temperatures during the winter render the use of water-soluble paints impossible.

Purchase volumes of paint at PALFINGER (in tonnes)	2014	2013	2012
Volume of water-soluble paints	189	206	200
Volume of solvent-based paints	11	11	11
PALFINGER total	199	217	210

**MATERIAL ASPECTS
ACCORDING TO GRI**

1.3.5 ECOLOGICAL IMPACT OF PALFINGER PRODUCTS

GRI aspect: Products and services

Measures to mitigate environmental impacts of products

Material developments in the field of environmental compatibility of products are described in the chapter "Sustainable products".



**GRI G4-EN 27:
MITIGATION OF
ENVIRONMENTAL IMPACTS
OF PRODUCTS**



**INTEGRATED
ANNUAL REPORT:
RESEARCH, DEVELOPMENT
AND INNOVATION – SAFE
AND EFFICIENT PRODUCTS
P. 59**



**SEE:
ENVIRONMENTALLY
COMPATIBLE PRODUCTS
PP. 41–42**

1.4 RESPONSIBLE EMPLOYER

GRI sub-category: Labour practices and decent work

1.4.1 EMPLOYMENT TREND AT PALFINGER

GRI aspect: Employment



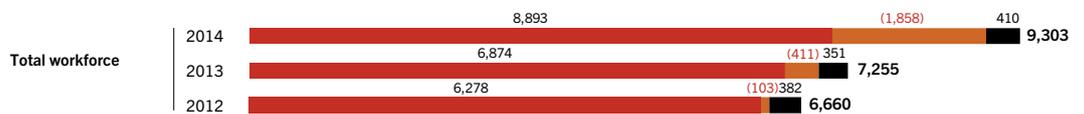
**GRI G4-10:
EMPLOYMENT PROFILE;
G4-LA 1: TOTAL NUMBER OF
EMPLOYEES AND
EMPLOYEE TURNOVER**



**INTEGRATED
ANNUAL REPORT: HUMAN
RESOURCES PP. 70–71**

Total number of employees

EMPLOYMENT TREND (PALFINGER total)

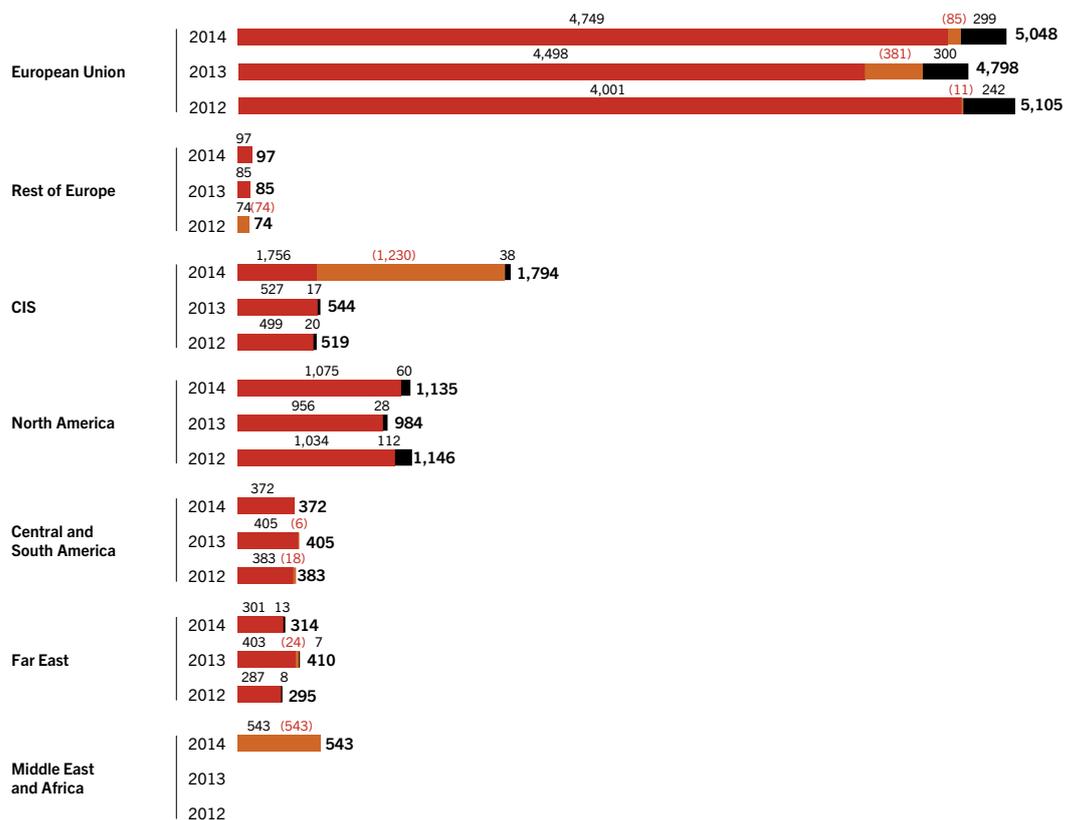


- Core workforce¹⁾
- (of which staff at new sites²⁾)
- Temporary workers³⁾
- PALFINGER total**

1) Headcounts as at 31 Dec. including staff at new sites
 2) Number of employees, who joined through new entities in the respective year.
 3) Temporary workers expressed as FTEs, not as headcounts. (One FTE counts as one employee.)
 They are presented irrespective of the date on which the site hiring them was founded.

Employees by region

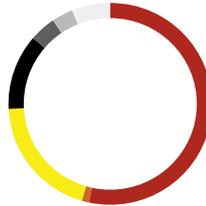
EMPLOYMENT TREND (by region)



**MATERIAL ASPECTS
ACCORDING TO GRI**

EMPLOYEES BY REGION¹⁾

- 53.4% European Union
- 1.1% Rest of Europe
- 19.7% CIS
- 12.1% North America
- 4.2% Central and South America
- 3.4% Far East
- 6.1% Middle East and Africa



1) Headcounts as of 31 Dec.

In 2014, as in previous years, the number of employees of the PALFINGER Group increased. The respective figures remained stable in the companies that have been part of the PALFINGER Group for a long time. The increase in staff numbers was caused primarily by the acquisitions made. In the following, the regional trends are described in detail.

EUROPEAN UNION

All in all, the employment situation in the European Union remained stable.

REST OF EUROPE

In the European countries that are not members of the European Union, a moderate increase in the total workforce was observed, primarily at the site in Bergen, Norway.

CIS

During the reporting period, the number of employees in the CIS countries rose significantly due to the acquisition of an interest in PM-Group Lifting Machines. At the INMAN company, it was possible to increase the output due to the higher efficiency of the staff. As the production facilities at INMAN are being rebuilt and this involves the potential expansion of operations, an increase in staff numbers is expected for 2015.

NORTH AMERICA

In North America, following a reduction in 2013, employee numbers were on the rise again in 2014.

CENTRAL AND SOUTH AMERICA

In Central and South America, the good capacity utilization led to slightly rising staff numbers in 2013. In 2014, however, the payroll had to be reduced due to the difficult local economic situation.

FAR EAST

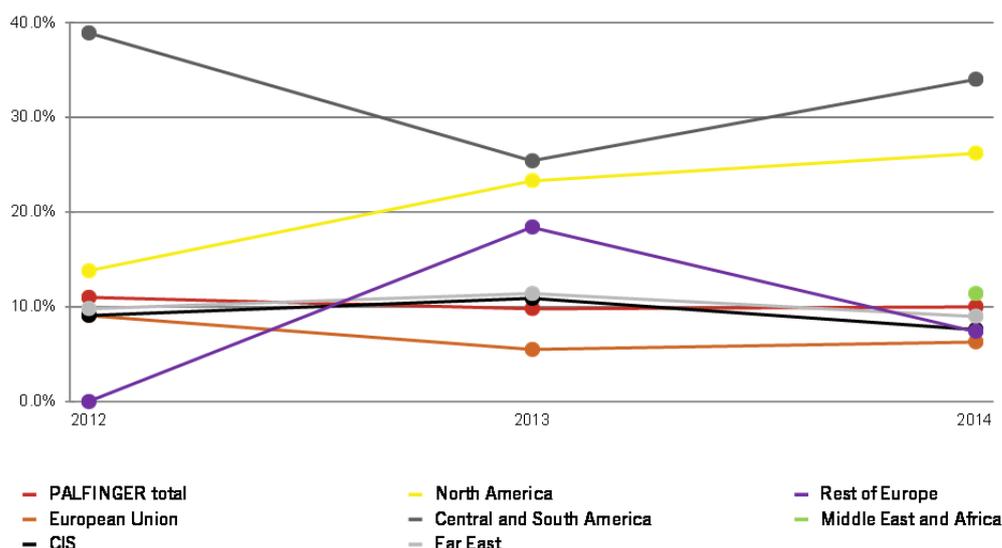
Asia showed dynamic employment development. The acquisition of a new site in Korea resulted in a moderate headcount increase.

MIDDLE EAST AND AFRICA

As a result of the acquisition of the business unit Megarme in the Middle East, the region's workforce rose to 543.

Employee turnover

EMPLOYEE TURNOVER RATE (PALFINGER total and by region) Employee turnover in per cent



Employee turnover rate by gender	2014	2013
Women	11.8%	11.2%
Men	10.0%	10.6%
PALFINGER total ¹⁾	10.0%	9.8%

1) Depending on the report boundaries, employee turnover was reported by gender or as a total figure. As a consequence, detailed figures differ from the overall employee turnover rate.

In the 2014 reporting period, the employee turnover rate was 10.0 per cent, i.e. a slight increase following a quite substantial decline in 2013. Group-wide staff turnover is still at a generally low level.

In general, employee turnover continued to decrease at the European sites, reaching a very low level. But the fact that due to this low rate of personnel changes fewer positions need to be filled has not rendered recruiting efforts unnecessary. This concerns, for instance, regions marked by dynamic economies with stiff competition when it comes to finding qualified labour, such as Norway. But recruiting is equally important in peripheral regions with less dynamic economies that are faced with the problem of skilled young people leaving the region, such as, for instance, the Eastern European production sites.

Finding qualified young staff in the labour market proved to be highly challenging for PALFINGER in North America as well. Therefore, PALFINGER has stepped up its presence at career fairs in recent years in order to present the career opportunities available within the Group to talents at the earliest stage possible. In the USA, enhanced selection in the recruiting process also facilitated a reduction in employee turnover during the probation period. At the Russian production site in Ishimbay, the peripheral location of the plant makes intensive recruitment measures necessary. Local management offers attractive overall packages to make the Company an interesting employer for better-qualified staff from larger cities as well. In spite of the high number of employees over 56 years of age and a high number of retirements, staff turnover has decreased in Russia.

MATERIAL ASPECTS

ACCORDING TO GRI

The uncertain economic situation in South America has resulted in an increase in employee turnover of 8.5 per cent in 2014.

For Asian standards, employee turnover was at a low rate, as strong loyalty of employees is not a typical feature of the Asian culture. Nevertheless, rates increased at the sites of Chennai in India and Shenzhen in China, as staff had to be laid off there.

As a rule, there is no disguised employment and no seasonal employee turnover at PALFINGER. In general, the rate of seasonal employee turnover and/or movement of labour after the Chinese New Year tends to be substantially lower as compared to the beginning of the millennium: PALFINGER Shenzhen did not lose a single employee in connection with the Chinese New Year celebrations during the last three years. As a general rule, PALFINGER employees are permanently employed; fixed-term employment contracts beyond the probationary period are not a common practice. The vast majority of employees work for PALFINGER on a full-time basis.

1.4.2 HEALTH AND SAFETY

GRI aspect: Occupational health and safety



SEE: GENERATIONS
P. 35

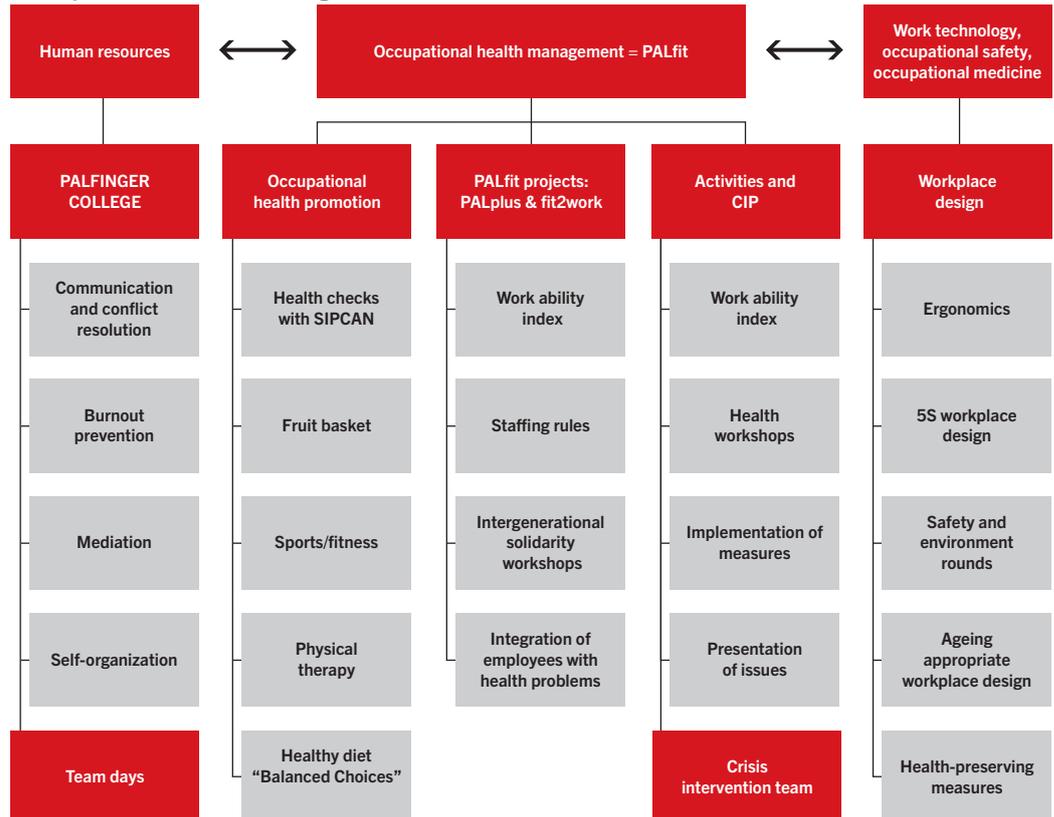


GRI G4-LA 5:
OCCUPATIONAL HEALTH
AND SAFETY
PROGRAMMES; G4-LA 8:
HEALTH AND SAFETY
TOPICS COVERED IN
FORMAL AGREEMENTS
WITH TRADE UNIONS



INTEGRATED
ANNUAL REPORT: HEALTH
AND SAFETY PP. 74–75

Occupational health management



PALFINGER is committed to launching, supporting and implementing health-promoting initiatives that go beyond statutory requirements at each site. The involvement of employees and the inclusion of their own initiatives are substantial factors of this programme across sites. PALFINGER creates the framework conditions and provides the resources for occupational health promotion through PALfit.

PALfit comprises three initiatives that go hand in hand: human resources, occupational health management (PALfit), and work technology, occupational medicine and occupational safety. PALfit is coordinated by the occupational health management (OHM) of the Company's headquarters. In addition, PALfit support teams have been installed at the individual locations. These teams operate on behalf of PALfit during five working hours a week and take over the individual planning and implementation of measures at the respective sites. For the time being, PALfit support teams have been set up at the following sites: Salzburg, Lengau, Köstendorf, Elsbethen, Ainring, Krefeld, Löbau and Maribor. PALfit generates measures of various kinds (see illustration), facilitates the necessary individuality and flexibility and is thus able to take into account the specific needs of the different sites. In 2014, Ganderkesee and Delnice became actively involved with PALfit initiatives for the first time, laying the foundation for the introduction of PALfit at these sites. Consistent organic and inorganic growth as well as the ongoing restructuring of the individual companies in order to increase efficiency have proven to be major challenges in rolling out the PALfit programme.

MATERIAL ASPECTS**ACCORDING TO GRI****LATEST INNOVATIONS MADE IN 2014 AND DEVELOPMENTS PLANNED FOR 2015**

Another priority was the fit2work project in Austria: fit2work management consulting, which is based on the Act on Occupational Health and Safety, is an initiative supported by the Federal Ministry of Labour, Social Affairs and Consumer Protection (BMASK), the Austrian Workers' Compensation Board (AUVA), the Social Security Administration (PVA), the local health insurance funds (GKK), the Federal Social Welfare Office and the Austrian Public Employment Service (AMS). Starting at the end of 2014, fit2work management consulting is to support the (re)integration of employees with health restrictions into productive jobs within the Company. Under the fit2work programme, an early warning system was established using the ABI Plus™ (ABI stands for work ability index) questionnaire to assess the work ability of groups of employees (at least 15 persons). Based on the results of this survey, measures are implemented, allowing staff with health restrictions to remain longer in productive positions within the Company. PALFINGER plans to apply the findings and measures from the fit2work survey and from the statutorily required evaluation of the psychological strain on employees, which was carried out at the Salzburg, Lengau and Köstendorf sites, to the Austrian locations (e.g. regarding noise pollution) and then also to other sites, including international ones. In the reporting period, the findings were evaluated and properly communicated to executives and employees. On their basis, the first specific workshops aimed at efficiently catering to essential needs have been devised and integration officers for the individual sites have been trained. They support the existing crisis intervention team and are the trusted contact persons for employees when it comes to showing them potential for integration. The site in Elsbethen will start its participation in fit2work in spring 2015. The long-term goal is for all sites to share the same basic requirements for favourable working conditions. Early detection of an imminent incapacity to work makes it possible to support the persons concerned from an early stage onwards. The objective is to integrate all findings from the PALplus programme (return-to-work discussions, workplace design, etc.) with those of the fit2work programme, document them and communicate them internally throughout the Group. Not only is this expected to have a positive impact on employee retention, it is also intended as a countermeasure against sick leaves and early termination of employment in the form of so-called golden handshakes.

Lost days, occupational safety and prevention of accidents

The safety of its employees is extremely important to PALFINGER. The Group's accident prevention efforts have proven effective. Staff absence due to industrial accidents has decreased notably in recent years. In 2013, it came to 0.18 per cent of regular working time, whereas in 2014 the figure decreased to 0.11 per cent. Between 2006 and 2014, no PALFINGER employee suffered a fatal accident on the job.

EUROPEAN UNION

Even though safety standards are extremely high in the European Union, staff absence caused by industrial accidents was lowered even further, from 0.36 per cent in 2013 to 0.21 per cent of regular working time in 2014. By way of comparison: In 2013, the industry's average rate in Austria was 0.30 per cent of regular working time (source AUVA). It may thus be assumed that accident prevention at PALFINGER was clearly above the benchmark in 2014. In addition, the number of days lost due to sickness, which had already been at a low level, were reduced further. For instance, at the Bulgarian site in Cherven Brjag, sick leave went down substantially. The fact that the number of days lost due to sickness and employee turnover are on the decline indicates that health conditions at the site have improved and employee satisfaction is growing.

CIS

No industrial accident occurred in this region in the reporting period. PALFINGER invested in new machinery meeting highest safety standards, and in the future more safety training sessions will be offered.

NORTH AMERICA

Safety is a huge priority in North America. There are monthly meetings of the safety committee and accident prevention guidelines. The trade unions and health insurance companies have been involved in measures to enhance accident prevention. As a consequence of the high safety level in place, contributions to accident insurance are low. New staff members are given a health check prior to taking up their work for PALFINGER.



**GRI 4-LA 6:
INDUSTRIAL ACCIDENTS,
OCCUPATIONAL DISEASES
AND LOST DAYS**



**INTEGRATED
ANNUAL REPORT: HUMAN
RESOURCES – HEALTH AND
SAFETY PP. 74–75**

CENTRAL AND SOUTH AMERICA

In South America, the number of accidents is getting smaller from year to year. This is primarily due to the increase in safety training measures, in particular for new staff, and higher safety standards of the machines.

By regional comparison, the sum total of sick-leave days is very low. Nevertheless, PALFINGER intends to lower the rate even further by continuing to enhance the working conditions.

FAR EAST

In Asia, PALFINGER has been paying increased attention to safety equipment and has created specific incentives to this end. No accidents were recorded in 2014. Under the PALfit programme, more and more focus was placed on a healthy diet and physical activity at the Shenzhen and Singapore sites. In India, PALFINGER offers its employees and their families free health insurance and free vaccinations.

MATERIAL ASPECTS
ACCORDING TO GRI

Staff absence due to accidents, sick leave and other causes

Staff absence due to accidents, sick leave and other causes in per cent of regular working time		2014	2013	2012
European Union	Accidents	0.21%	0.36%	0.36%
European Union	Sick leave and other causes	6.93%	6.08%	7.09%
Rest of Europe	Accidents	0.00%	0.00%	0.00%
Rest of Europe	Sick leave and other causes	2.60%	2.10%	0.00%
CIS	Accidents	0.00%	0.00%	0.00%
CIS	Sick leave and other causes	5.79%	4.51%	2.84%
North America	Accidents	0.07%	0.03%	0.19%
North America	Sick leave and other causes	5.02%	1.56%	0.51%
Central and South America	Accidents	0.19%	0.34%	0.24%
Central and South America	Sick leave and other causes	2.81%	2.46%	3.08%
Far East	Accidents	0.00%	0.05%	0.25%
Far East	Sick leave and other causes	4.35%	3.94%	4.56%
Middle East and Africa	Accidents	0.10%	-	-
Middle East and Africa	Sick leave and other causes	-	-	-
PALFINGER total	Accidents	0.11%	0.18%	0.20%
PALFINGER total	Sick leave and other causes	4.19%	3.62%	3.89%

Even though employees at sites in China, India and North America are entitled to fewer than three weeks of paid holiday, some of them, for financial reasons, do not want to consume all of their entire holiday time. There are also individual regulations in place providing for days off on religious/cultural holidays. In Council Bluffs, USA, and in Chennai, India, the employees have a certain fixed contingent of sick-leave days at their disposal, which – similar to a day of holiday time – they can use without having to present a medical certificate.

Workers with high incidence or risk of diseases

In general, it has to be stated that health issues in the European Union are increasingly dominated by psychological problems such as burnout and stress. In Austria, an analysis of the situation regarding psychological strain in the workplace was carried out. At the production sites, the focus is on preventing physical strain. Primarily the lifting of loads, indoor emissions and noise pollution have been identified as the most important health hazards. Some plants are aware of process-related health risks caused by electroplating and painting and have taken preventive measures to counteract such risks. Initiatives to promote ergonomics have been launched primarily at sales and administrative locations.



GRI 4-LA 7:
WORKERS WITH HIGH
INCIDENCE OR RISK OF
DISEASES

1.4.3 TRAINING AND EDUCATION

GRI aspect: Training and education

Skilled labour

In the period under review, various training programmes were further developed at the individual PALFINGER sites. Cross-region executive and management training courses were attended by 103 participants from 10 nations.

Training hours per employee	2014	2013	2012
European Union	10.1	11.0	9.2
Rest of Europe	3.2	8.8	0.0
CIS	15.2	9.6	13.9
North America	2.8	2.0	1.1
Central and South America	21.8	42.1	12.0
Far East	11.8	8.3	1.2
Middle East and Africa	30.0	-	-
PALFINGER total	12.0	11.9	8.5

Scope of training at the individual sites

EUROPEAN UNION

At the Austrian sites, the PALFINGER College has become a well-established institution over the years. This training and development programme is essentially based on the transfer of knowledge by internal experts, supplemented by courses and seminars held by external experts. Languages and intercultural training are going to be even bigger priorities in the future.

CIS

In Russia, the main training priorities are still language courses and sales training sessions. The number of training courses in Russia is expected to increase in 2015 due to the new production sites.

NORTH AMERICA

Training activities in North America were reduced, given that the sites are currently undergoing a stabilization process.

CENTRAL AND SOUTH AMERICA

In the previous year, due to the fact that the number of employees grew considerably, many training events were held. This year, recruitment was nearly zero and therefore the number of training courses was lower as well. In the future, investments are to be made primarily in the field of leadership training.

Since 2011, a skills matrix has been in place for each employee at the site in Caxias do Sul, Brazil, to facilitate greater transparency in training for each individual staff member. Thanks to the great variety of skills, employees may be deployed in a more flexible manner. Specifically in the production-related area, this facilitated a job rotation scheme. All in all, these measures have increased the loyalty of employees to the Company.

FAR EAST

In 2014, language courses and product training sessions were once again offered in Asia. However, no uniform training concept has been put in place yet.



GRI G4-LA 9: HOURS OF TRAINING PER EMPLOYEE; G4-LA 10: PROGRAMMES FOR SKILLS MANAGEMENT



INTEGRATED ANNUAL REPORT: SKILLED LABOUR PP. 73–74

**MATERIAL ASPECTS
ACCORDING TO GRI**

1.4.4 COMMUNICATION WITH EMPLOYEES

PALFINGER is convinced that a strong feedback system is essential in achieving an excellent organizational climate, which is why feedback is being integrated into continuous processes.

1.4.5 WORKPLACE COMMUNITY

Some sites offer activities to enhance the social environment for the staff at the workplace. Under the PALfit health programme, various sports activities are organized; on family days employees may give their relatives a tour of the premises. At the North American plants, social committees have been set up. These committees are managed and operated by representatives from various departments. They get together and organize social events such as family days, barbecues or contests. These programmes allow employees to exchange ideas informally, and they are also a welcome change from everyday business. They encourage collaborative action and help create a sense of togetherness amongst co-workers, just to name a few of the benefits.

1.4.6 EQUAL OPPORTUNITY

GRI aspect: Diversity and equal opportunity

With a view to securing future viability, the Group-wide PALiversity initiative was launched in 2014 in order to ensure the international development of the Company when it comes to dealing with cultural differences. As a first step, the PALFINGER Group's global top management met to define the diversity groups within the Group and to devise the necessary measures. Expressing its commitment to the initiative, the Management Board declared PALiversity a Group-wide project under PALFINGER's strategic corporate planning until 2019.

On this basis, at an international Human Resources Meeting in July, the findings were analysed and additional questions and ideas were discussed. More precisely, five sub-projects (International Mobility, Talent Management, Recruiting, Corporate Culture and Working Conditions) were derived and interdisciplinary international teams were nominated. In order to guarantee the highest level of diversity within the teams as well, the nominees comprised staff members from various areas, positions, etc. In addition to the teams, a PALiversity Committee was set up. It is in charge of coordinating the teams, encourages the exchange of synergies, provides new incentives and ideas, and reports to the CEO in his capacity as project initiator. The objectives are to have each team deal with the PALiversity aspects and/or its sub-aspects, to encourage interactive exchange and to prepare specific measures and targets. By doing all this, PALiversity is to become a part of PALFINGER's corporate culture on a long-term basis.



**GRI G4-LA 11:
EMPLOYEES RECEIVING
REGULAR REVIEWS**



**INTEGRATED
ANNUAL REPORT:
ATTRACTIVE JOBS FOR
EMPLOYEES WITH
RESPONSIBILITY
P. 72**



GRI G4-LA 12:
DIVERSITY AND EQUAL
OPPORTUNITY



INTEGRATED
ANNUAL REPORT:
GOVERNING BODIES OF
THE COMPANY AND
METHOD OF OPERATION OF
THE MANAGEMENT BOARD
AND SUPERVISORY BOARD
PURSUANT TO SEC. 243B
PARA. 2 OF THE BUSINESS
CODE PP. 182 ET SEQ.

Generations

Percentage of employees aged 56+ (by region)	2014	2013	2012
European Union	8.7%	8.6%	4.6%
Rest of Europe	3.1%	4.6%	6.5%
CIS	15.7%	15.4%	17.4%
North America	18.2%	17.4%	17.0%
Central and South America	3.7%	3.7%	3.7%
Far East	2.3%	1.4%	0.9%
Middle East and Africa	0.6%	-	-
PALFINGER total	9.7%	9.0%	6.4%

The average age structure within the PALFINGER Group has changed over the past few years primarily in connection with the new sites. In general, a slight increase in employment rates of staff aged 56 and over was recorded as compared with previous years.

EUROPEAN UNION

Sites like Löbau and Cherven Brjag are faced with the problem of more and more young people leaving the regions. Initiatives addressed to this age group are being taken to counter this trend. The older employees in Cherven Brjag have a great deal of knowledge about metal production that needs to be preserved and passed on.

CIS

In Russia, there is a high percentage of employees over the age of 56, and it can be expected that one out of five employees in production will retire within the next years. The construction of new production halls with new machines is expected to raise the number of young staff. However, discrimination against older employees must be avoided; they must be given the opportunity to learn how to operate the new machinery. In administration, there is an observable trend towards older employees' training their successors on their own initiative. This is a sign of strong identification with the Company.

NORTH AMERICA

In the USA, employees are increasingly working until the age of 70. It is difficult for the Company to find young employees for work in production, as the USA has become a services-based society. Therefore, PALFINGER is increasing the presence of the PALFINGER brand in the labour market.

A high percentage of the sales force is over 56 years old. These experienced employees, who have numerous contacts, are highly appreciated and are given the opportunity to work from home one or two days a week.

CENTRAL AND SOUTH AMERICA

In South America, the PALFINGER team is extremely young as a consequence of last year's recruitment efforts. However, the number of middle-aged staff members will increase in the future.

FAR EAST

Generation management is not an issue in China or India as the average age of employees is, as a rule, much lower than in Europe. The Chinese age pyramid will make generation management a relevant issue approximately one generation later than in Western Europe.

MATERIAL ASPECTS
ACCORDING TO GRI

Gender

Percentage of women in management positions	2014	2013	2012
European Union	12.1%	12.1%	12.3%
Rest of Europe	7.7%	0.0%	0.0%
CIS	35.9%	20.5%	16.9%
North America	9.5%	12.0%	16.4%
Central and South America	17.9%	14.3%	13.0%
Far East	7.1%	12.5%	3.8%
Middle East and Africa	13.0%	-	-
PALFINGER total	16.7%	12.8%	12.5%

The low percentage of women employees at PALFINGER is typical for the industry. Between 2013 and 2014, the percentage of women in management positions rose substantially by 3.9 percentage points and is now 16.7 per cent. At the Russian sites, the percentage of women is highest in executive positions in administration, where it increased further in 2014. In South America, the percentage is also at a comparatively high level.

At the sites in St. Petersburg, Cherven Brjag, Tenevo and Caussade, the share of women in executive positions exceeds 25 per cent. The Cadelbosco site is particularly noteworthy, boasting nearly 45 per cent.

The development of the percentage of women in management positions was least positive in North America and Asia. Given the demographic situation, it is difficult for women to gain a foothold in this industry, even though this would be welcomed.

Employees with disabilities

PALFINGER wants to offer its staff members with special needs a meaningful occupation and integration into the Company's teams. The Eastern European sites employ many people with disabilities, whereas in Austria PALFINGER falls short of the stipulated employment quota of 3 per cent and therefore has to pay penalties. In Brazil, in contrast, the employment quota is about the same and is actually exceeded.

In the future, the percentage of employees with disabilities is to be raised through several initiatives. Plans include, for instance, job advertisements specifically addressed to people with disabilities.



GRI G4-LA 12:
DIVERSITY AND EQUAL
OPPORTUNITY



INTEGRATED
ANNUAL REPORT:
GOVERNING BODIES OF
THE COMPANY AND
METHOD OF OPERATION OF
THE MANAGEMENT BOARD
AND SUPERVISORY BOARD
PURSUANT TO SEC. 243B
PARA. 2 OF THE BUSINESS
CODE PP. 182 ET SEQ.



GRI G4-LA 12:
DIVERSITY AND EQUAL
OPPORTUNITY

1.4.7 HUMAN RIGHTS

GRI sub-category: Human rights

GRI aspect: Investment



GRI G4-11:

**NUMBER OF EMPLOYEES
COVERED BY COLLECTIVE
BARGAINING**

**AGREEMENTS; G4-HR 4:
OPERATIONS WHERE THE
RIGHT TO EXERCISE THE
FREEDOM OF ASSEMBLY
MAY BE AT RISK**

Freedom of assembly

PALFINGER is committed to active communications across all levels and the internal organization of bodies for the representation of employees and works councils and rejects any kind of repression of the freedom of assembly. Based on the Group's values, which also encompass an open-door policy, PALFINGER attaches great importance to enabling active exchange at all times and to treating the articulated needs of its staff members with respect. As a matter of principle, freedom of assembly and employee representation are legal options at all of PALFINGER's sites, provided that this freedom is permitted by law in the country concerned.

The only exceptions are the Asian plants in Shenzhen, Hanoi and Singapore, where the law only provides for this freedom to a limited extent. At the moment, there is no organized employee representation at the plant in Shenzhen. In China, employees of companies with a workforce of more than 25 have the legal right to organize themselves. This organization must, however, be a member of the ACFTU (All-China Federation of Trade Unions), which means that it may be controlled by the Communist Party of China via the ACFTU. According to Amnesty International, freedom of expression, freedom of association and freedom of assembly are considerably restricted in Vietnam. Currently, PALFINGER's sites in the affected countries are comparatively small, which is why their communication hierarchies are still flat. The low employee turnover rates at the Company's Asian sites give evidence of the fact that remuneration terms and other labour conditions are well-accepted.

Basically, 62 per cent of all PALFINGER employees are governed by collective bargaining agreement. In addition to the open-door policy pursued by PALFINGER at all its sites, which means that employees are given the opportunity, at all times, to speak their minds and communicate across hierarchies, specific voluntary social benefits and initiatives are offered at many PALFINGER sites.

Pay level

In general, the good salary progression for all PALFINGER employees is worth mentioning. It is a matter of course that overtime hours are remunerated, either by the hour or as a lump sum. PALFINGER also tries to keep the number of temporary workers (31 Dec 2014: 410) as low as possible.

**MATERIAL ASPECTS
ACCORDING TO GRI**

PALFINGER has not only incorporated the principle that in good times employees should have a share in the Company's profit, but also attaches great importance to ensuring that all employees receive a guaranteed minimum income. For that reason, the Living Wages project was started in 2012. Making a comparison between the lowest incomes of employees and the costs of living, however, turned out to be a more complex task than expected. Not all the regions where PALFINGER is located have submitted reliable and interpretable data. Therefore, PALFINGER commissioned a scientific study in 2012 to find an adequate method for computing living wages. The results became available in 2013 and were first applied at the site in Tenevo, Bulgaria.

Human rights aspects regarding the use of products

Even though PALFINGER does not manufacture any military products, the Company's cranes, container handling systems, tail lifts and truck mounted forklifts are nevertheless in demand from the military and in civil defence applications. Cranes, for example, are used by military engineers in bridge construction. PALFINGER's BM Crayler truck mounted forklift is used for transporting water containers, food and materials, in some cases operated via remote control. Product applications for military and civil defence applications do not constitute a strategic business area of PALFINGER. As a matter of principle, no special product designs are made for the defence industry.

PALFINGER does not produce any weapons. At EUR 650,000 revenue from the sale of products for military purposes was modest in 2014, having remained constant in proportion to total revenue for several reporting periods. PALFINGER observes all embargos imposed by the EU or the international community.

Human rights: Investment, employee training and other aspects

At PALFINGER sites, there is no risk of child labour or forced labour. A description of human rights aspects in investment agreements is available in the Integrated Annual Report. PALFINGER plans to organize training courses on human rights topics for auditors of suppliers in 2015.



GRI G4-8: MARKETS



**INTEGRATED
ANNUAL REPORT:
INDUSTRY REVIEW
PP. 30 ET SEQ., CUSTOMER
AND DEALER NETWORK
PP. 34 ET SEQ.,
PERFORMANCE BY
SEGMENT PP. 77 ET SEQ.**



**SEE: HUMAN RIGHTS
P. 11**



**GRI G4-HR 1:
HUMAN RIGHTS IN
INVESTMENT
AGREEMENTS; G4-HR 2:
TOTAL HOURS OF
EMPLOYEE TRAINING ON
HUMAN RIGHTS; G4-HR 5:
CHILD LABOUR; G4-HR 6:
FORCED LABOUR**



**INTEGRATED
ANNUAL REPORT:
STRATEGY AND VALUE
MANAGEMENT
P. 15**

1.5 SUSTAINABLE PRODUCTS

GRI sub-category: Product responsibility

1.5.1 USER SAFETY

GRI aspect: Customer health and safety



GRI G4-PR 1:
PRODUCTS FOR WHICH
HEALTH AND SAFETY
IMPACTS ARE ASSESSED;
G4-PR 2: INCIDENTS OF
NON-COMPLIANCE WITH
SAFETY PROVISIONS; G4-
PR 3: PRODUCT
INFORMATION

Safety assessment, product labelling

PALFINGER products are among the market leaders when it comes to combining ease of use with utmost safety. In the reporting period, there were basically no changes made in safety standards. All of PALFINGER's products are sold on the international market in accordance with the relevant standards applicable in each country. In Europe, the EN12999:2011 standard and the Machinery Directive 2006/42/EC are relevant for loader cranes. What counts, however, is that PALFINGER complies with these safety standards in a user-friendly manner. Otherwise, users might regard the safety features as a restriction, which in turn could tempt them to deactivate such features.

The future requirements arising from the revision of the standard EN 280 (2015) have already been taken into account in the ongoing construction of new products. The early integration of the standard is supported by PALFINGER's participation in the technical committee CEN/TC 98/WG, and specifically in North America, by the certification of all PSC crane operators starting in January 2017. (All operators working with cranes that have a lifting power of more than 2,000 pounds (907.18 kg) must be certified by an external certification body.) All information is documented for the user in the technical documents.

In the sector of tail lifts, PALFINGER is involved in the work of the technical committee CEN/TC 98/WG 4 on the revision of the relevant standard EN 1756-1, including new safety requirements, through MBB and RATCLIFF representatives. In addition, a change was effected in 2014 concerning the rules on rear underrun protection systems. As of 1 November 2014, the existing EEC Directive regarding type approval of rear protective devices was replaced by the new Regulation UN/ECE R58. All PALFINGER tail lifts in line with the CE standard are produced in accordance with this new EC Regulation and labelled accordingly.

100 per cent of PALFINGER's products are assessed as to their health and safety impacts, and any potential for improvement is continuously being realized. In the period under review, no knowledge was received of any legal proceedings with a value in dispute of more than EUR 20,000 or any compliance-relevant public cases in which regulations or a voluntary code of conduct as regards product assessments relating to their health and safety impacts were violated. A description is available in the Integrated Annual Report 2014.



INTEGRATED
ANNUAL REPORT:
PRODUCT SAFETY AND
ACCIDENT PREVENTION
P. 59

Incidents relating to product safety

Information on incidents relating to product safety can be found in the Integrated Annual Report.



GRI G4-PR 5:
SURVEY MEASURING
CUSTOMER SATISFACTION

Customer satisfaction

For information on the findings from the customer survey carried out in 2014, please see the Integrated Annual Report.



INTEGRATED
ANNUAL REPORT:
CUSTOMER AND DEALER
NETWORK P. 34

Innovation and use of safety features

PALFINGER products offer a broad range of safety features and safety concepts that help prevent accidents and promote the safe use of products. At the beginning of 2014, the PALcom P7 radio remote control was launched. It is based on in-house development and was implemented as a tailor-made solution for the operation of loader cranes. With its colour display using transfective technology, control ergonomics and intelligent battery charging management, it has set new standards in ergonomics, safety and product lifetime.

MATERIAL ASPECTS**ACCORDING TO GRI**

At the end of September, the P-Fold assistance system, which makes the folding and unfolding of the crane much easier for the operator, was presented at the IAA Commercial Vehicles trade show. This assistance system can be activated by the crane operator via the menu of the PALcom P7 remote control. The new P-fold system can also be combined with the innovative RTC (Rope Tension Control) system, which was launched in 2013. Both systems have reduced the crane setup time to a minimum. The safety features PALcom P7 and RTC have come to be highly appreciated by the market.

Special overload protection systems for rope winches and optional overload indicators for the entire stiff boom crane series constitute a simple initiative to enhance the security of PALFINGER's product range. In order to extend the service life of PALFINGER's products, they have to undergo certain tests, such as fatigue tests, at the development stage prior to their launch.

The current EN 280 workman basket standard prescribes strict safety requirements for cranes and mobile working platforms. The European standard EN 280 regards a passenger hoist as a mobile working platform. In order to be able to meet this strict standard, all models of the SH series can already be ordered ex works as EN 280 workman basket cranes. In addition, PALFINGER offers automatic set-up leveling of workman baskets and additional safety devices.

The newly developed hydraulic hooks can be combined with PALFINGER's cranes to offer maximum safety. They allow for shorter working times through the safe release of loads in exposed places and thus lower CO₂ and NO_x emissions.

Starting in 2015, HPSC (High Performance Stability Control) is scheduled to be available as an option for timber and recycling cranes. This intelligent stability control system offers maximum comfort and safety during crane operations where space is restricted. It may be used in densely built-up areas and in flowing traffic. The operator can also read off the current status at any time on the clearly laid-out display on the operator's console or on the display of the radio remote control.

In North America, an integrated stability control system (ISCS) was developed for PSC and PAL Pro Mechanic Trucks packages to ensure stability in special applications. In accordance with the new OSHA safety regulations and the ASME industrial standard, a user must be fixed to a certain anchor point when working at a height of more than 3 ft. For this purpose, a special working basket was developed that is directly adjusted to meet the needs of the PSC product. Additionally, the basket was also fitted with an emergency lowering function allowing the operator to arrive safely on the ground in the event of a technical failure. This PALFINGER solution has been widely received by the market.

PALFINGER takes the increasing demand for additional safety elements when using tail lifts into account in many different ways. In addition to the comprehensive opportunities afforded by MBB CONTROL (CAN-Bus) technology, such as directly linking the camera systems to the tail lift controls, MBB PALFINGER developed and launched a new series of safety railings in various designs in 2014. Moreover, the anti-slip, noise-reducing synthetic coating of the platform, available as an optional feature for all platform types, has become even more effective due to the use of new materials.

In launch & recovery systems, priority was given in 2014 to a feature that avoids the uncontrolled compensation of wave movements. Next year, the focus will be placed on enhancing off-load lowering operations. The feedback obtained from end customers has been highly positive.

PALFINGER Boats, too, has invested a great deal of energy in a new range of daughter craft / workboats over the past few years. A high bowside gives the crew a much greater feeling of safety, as they are surrounded by solid sides instead of a small railing. The new bow also optimizes stability at high speed and keeps rescue boats steadier in the water. A platform added at the stern makes it easier to bring survivors on board.

In the business unit Marine Cranes, risks of accidents incurred during maintenance operations have been lowered by ensuring the sufficient supply of the lubrication points with oil or grease due to the further development of the central lubrication system. The development of rope winches with a constant tension significantly improves safety in offshore lifting operations.

In the hookloader sector, PALFINGER launched two new skiploader models in 2014. The first of these is the new "Armlock" skiploader, which is equipped with an innovative way of securing the container on the truck. This new system also allows for high tipping operations, thus making it possible to empty a skip bin into a bigger container in a very safe and efficient way. With conventional skiploaders, such high tipping operations are either not possible at all or only with very ineffective and unsafe chain or winch systems. The second skiploader model is characterized by a hydraulic container clamping system integrated into the skiploader platform according to the standard DIN 30723. All new skiploader models are coated according to our POP (PALFINGER Origin Protection) concept and mounted according to our SAM (Secured Advanced Mounting) concept. POP guarantees the use of high-quality, environmentally friendly paint and surface protection products. This is complemented by the SAM concept, which allows for installation onto the truck without any cutting, drilling or welding. In addition, the SAM concept guarantees that every installation conforms with the respective truck manufacturer guidelines. The new skiploader models are also equipped with our new PAD (Pro Active Drive) control system, which was further developed so that it now also allows for a radio remote control option. A significant issue for the future is regular exchange with PALFINGER's dealers. A first step was taken, for example, in North America with the first annual PSC and PAL Pro sales and service manager training seminar held in Council Bluffs. This meeting is to be followed up by long-term, continuous cooperation with dealers and network partners.

1.5.2 ENVIRONMENTALLY COMPATIBLE PRODUCTS



**GRI G4-EN 4:
ENERGY CONSUMPTION
OUTSIDE THE
ORGANIZATION; G4-EN 27:
MITIGATION OF
ENVIRONMENTAL IMPACTS
OF PRODUCTS**

OPTIMIZING THE RATIO BETWEEN DEAD WEIGHT AND LIFTING POWER

Through innovations, the dead weight/lifting power ratio has been continuously improved in new products. The use of lighter materials to reduce weight will be further promoted. In the reporting period, the weight of PALFINGER's additional stabilizers was optimized. The use of high-tension steel reduces the dead weight of the vehicle; also, the aluminium tanks of the cranes lower the dead weight while increasing the payload. PALFINGER is therefore in a position to offer environmentally compatible one-stop-shop solutions.

In timber and recycling cranes, a new crane series using engineering thermoplastics will be introduced in 2015. This series offers a high seat, the so-called Master-Drive with an optional EPSHOOD protection hood that features a multi-function arm rest, hydraulically piloted joysticks and horizontal and vertical springs. The new crane pillar mounting in an oil bath is low in maintenance, thus saving maintenance expenses. Extended service intervals also improve efficiency.

Due to continuous market demand in North America for additional payload, the PAL Pro 43 model underwent a weight reduction project that reduced the overall weight by 10 per cent. New hydraulic winches for service cranes, which increase pound/speed ratios, were also tested and released to the market.

In addition, new PALFINGER service bodies were launched, thereby reducing the overall weight by up to 11 per cent compared to previous products while at the same time increasing the product's stability. These results were achieved through the use of high-strength materials and optimized designs.

OPTIMIZATION OF BODIES – DEVELOPMENTS IN 2014/2015 – INDIRECT NOVELTIES / COOPERATION WITH DEALERS

Optimum hydraulic connections prevent defects in truck bodies. The focus in all new product developments is on the interface with other PALFINGER products (e.g. truck bodies and cranes or pick-up lifts).

MATERIAL ASPECTS**ACCORDING TO GRI**

In North America the range of PAL Pro factory-installed options was increased, giving dealers the option of ordering additional installed accessories, which reduces installation time at the dealers. All products were also updated and adapted to the latest truck chassis models, thereby allowing for quick bolt-on solutions without the dealers' having to modify the standard model.

In Launch & Recovery Systems, PALFINGER will attempt to improve relations with its dealers in 2015 by granting them exclusive authorizations to provide services.

Energy consumption during product use

While conventional loader cranes always rely on a built-in internal combustion engine to build up sufficient pressure in hydraulics to perform, the environmentally friendly PALFINGER Hybrid engine pump series does not produce any emissions or noise. If necessary, the operator can switch between motor drive and electrohydraulic drive on the control box in order to operate the crane in noise-sensitive and pollution-sensitive places such as residential areas or in enclosed spaces. This means not only huge savings in CO₂ and NO_x emissions, but an even more comfortable workplace for the crane operator. In 2014, PALFINGER received the Award of the Province of Upper Austria for the Environment and Sustainability for its hybrid aggregates; the jury made specific mention of the unbroken innovative power of PALFINGER.

In the world's only tail lift produced in series without any hydraulic components, MBB C 1000 E, an electricity recovery rate of 63% was confirmed after the introduction of a new electronic power section. This model also boasts extremely low maintenance costs due to the lack of hydraulic components.

The new MBB TRAINLIFT TRV 1000 for passengers with reduced mobility is fully electrically powered. This substantially simplifies, for example, the licensing process in accordance with the applicable fire protection rules for rail vehicles. In North America, the most important new features were implemented in 2014. The innovative EVF system will be launched in early 2015. EVF stands for Electric Variable Flow and is a new technology designed to generate only the hydraulic energy required to perform the requested crane function. It significantly decreases energy consumption and heat generation, increases the length of work phases, improves controllability and decreases noise during operation. Due to the fact that the noise development of the EVF power unit is directly related to the movement speed of the equipment, constant feedback is provided to the operator about the operating status of the crane.

Integration with stand-alone power units in PSC and PAL Pro cranes has been enhanced by a new and growing technology that allows for equipment operation even after the truck engine has been shut down.

A great deal has been achieved in the field of alternative fuels in North America: Due to customer requests and the increasing demand for natural-gas-powered vehicles, several service bodies and a few platforms have been modified for use with CNG tanks.

The intelligent battery charger of the PALcom remote control was designed with a refresh function, substantially boosting battery life. During operation, a battery life of up to 12 hours is reached. Should that be insufficient, the intelligent charger concept allows for a quick charging of the back-up battery with no detrimental effects.

To reduce the operating power of the diesel engines of the vehicles carrying the cranes, PALFINGER uses an electronic load-sensing system that generates, in a fully automated manner, only enough hydraulic oil and hydraulic pressure as is really necessary for the operation at hand. The diesel engine is thereby prevented from producing an excess of hydraulic energy that is subsequently eliminated through hydraulic cooling. Launch & recovery systems will increasingly use this technology in 2015 as well.



**GRI G4-EN 7:
REDUCTIONS IN ENERGY
REQUIREMENTS OF
PRODUCTS**

Reduction of expenditures for maintenance and service

The new compact-crane mounting kit for 3.5-tonne vehicles introduces new assembly and mounting options. By avoiding the use of a payload-reducing auxiliary frame and additional welding and drilling on the chassis, it is now possible to lessen the mounting time by about one third in comparison to other crane models, which in turn reduces costs. The kit is powered by either an electro-hydraulic pump unit or a hydraulic pump with a magnetic coupling, driven by the engine's V-belt. With this new compact-crane mounting kit, PALFINGER makes it possible for cost-conscious operators of light commercial vehicles to continue to enjoy the PALFINGER quality they are accustomed to.

The completely overhauled L-crane model series boasts not only familiar features such as a 440° slewing angle and an excellent loading height, but also technical innovations such as slewing gear mounted in an oil bath, internally routed hoses and an ergonomically optimized top seat with new joystick control. The oil bath ensures permanent lubrication, making maintenance for lubrication purposes superfluous and reducing friction to a minimum. In timber and recycling cranes, as well, the crane pillar in an oil bath reduces maintenance.

In North America, the use of low-maintenance composite bushings on pickup lifts was reduced, resulting in lower maintenance costs, since lubrication is no longer required. At PALFINGER Boats, the greatest priority in 2014 was on the development of a larger engine compartment that allows the engineer easy access while the boat is in the harbour. Also the development of low-maintenance slewing gear has had a positive effect on maintenance, costs, risk of failure, and savings in the use of materials. At PALFINGER Platforms, central lubrication was developed as an assistance feature, giving the lessor the opportunity to lubricate the inner and outer slide blocks of the lower boom. Wear and tear, as well as downtime caused by maintenance, have thus been minimized.

Reduction of hazardous substances

(e.g. biodegradable hydraulic oil, elimination of chrome VI, PVC)

Biodegradable hydraulic oil is based on synthetic esters and, in comparison to conventional hydraulic oil, produces a significantly lower burden on the environment should the hydraulic system of a product happen to leak. Upon the customer's request, also wind cranes can be delivered with biodegradable oil, which almost completely eliminates the risk of environmental contamination. Another contribution to environmental protection can be made by regularly servicing oil by filtration. In this case, it is no longer necessary to do an oil change, which avoids pollution through disposal. Another positive effect is generated by the substantial reduction of maintenance costs and downtime. With a total of more than 1,600 wind cranes delivered, PALFINGER has made a significant contribution to the successful implementation of the energy turnaround. Moreover, the new winch system, which consumes substantially less oil, causes minimum pollution to the sea in case of damage. Also access platforms can be operated with biodegradable oil.

Use of biodegradable and conventional hydraulic oil (in tonnes)	2014	2013	2012
Conventional hydraulic oil	1,116	924	889
Biodegradable hydraulic oil	76	64	50
PALFINGER total	1,192	988	939

MATERIAL ASPECTS

ACCORDING TO GRI

The use of a new guide block technology in knuckle boom cranes reduces the maintenance need of cranes and also increases environmental compatibility, as the extension boom systems only have to be greased once at the beginning of product use and the substance used is fully biodegradable.

In the case of hydraulic screw connections and standard mounting parts, PALFINGER uses chrome-VI-free products.

Water-soluble paints and the avoidance of solvents are other issues being addressed by PALFINGER's environmental management system. The use of a water-based interior paint on PAL Pro body compartments was introduced; this is not only environmentally friendly but also enhances the product quality. Additional activities and measures are being tested as to their feasibility.



GRI G4-34:
GOVERNANCE STRUCTURE
AND GOVERNANCE BODIES,
SUSTAINABILITY
COMMITTEES; G4-35:
GOVERNANCE STRUCTURE
OF THE ORGANIZATION



GRI G4-35:
INTEGRATED
ANNUAL REPORT:
CORPORATE GOVERNANCE
REPORT PP. 181 ET SEQ.



GRI G4-36: ROLE
AND RESPONSIBILITY OF
THE HIGHEST
GOVERNANCE BODY;
G4-37: DIALOGUE WITH
CIVIL SOCIETY

2. SUSTAINABILITY MANAGEMENT

Sustainability management

In order to systematize the road towards a more sustainable future PALFINGER operates a professional sustainability management system at the Group level. It is of utmost importance that the top management regard sustainability as a strategic priority. Sustainability is an integral part of the management's governance commitment.

Governance and sustainability

Sustainability management, including the establishment of the relevant external networks, falls within the responsibility of the CEO. At PALFINGER, the sustainability officer is part of the Corporate Communications, Investor Relations & Sustainability Management team and reports directly and indirectly, through the head of Corporate Communications, to the Management Board. She is also in charge of stakeholder communications.

Together with top management representatives, the Management Board prepares the strategy, policies and values of the Company in its regular executive team meetings. The sustainability programme is also drafted in these meetings and then adopted by the Management Board as a whole at two-year intervals.

Currently, no special CSR criteria are applied when selecting the members of the Management Board and the Supervisory Board. The Palfinger family, as the main owner, and the members of the Supervisory Board delegated by the Works Council guarantee that the Supervisory Board pays attention to aspects of social responsibility. In 2014, the Supervisory Board was briefed, for the first time, on environmental and social priorities. Neither an independent assessment of sustainability governance nor a sustainability-related remuneration system has been introduced.

The results of the materiality analysis regarding ecological, social and ethical topics, which form the basis for sustainability reporting, are released by the CEO. In the course of the preparation of the integrated annual report, the performance of the core indicators as well as relevant developments are communicated to the Management Board so that they can be taken into account in the sustainability programme.

SUSTAINABILITY MANAGEMENT

Based on the materiality analysis first made in 2013 and the stakeholder survey included in that process, key environmental and social performance indicators were gathered by means of a software-based central reporting system. In July 2014, the results were then graphically assessed and critically scrutinized in cooperation with the management teams of the respective areas. Trends were derived, measures reviewed and existing regional initiatives discussed. The progress made in implementing the measures laid down in the 2014 sustainability programme was discussed, and, wherever necessary, additional measures were included in the current programme for 2014/2015. Moreover, the measures laid down in the current programme were developed further in cooperation with the respective departments before the programme was eventually adopted by the Management Board.

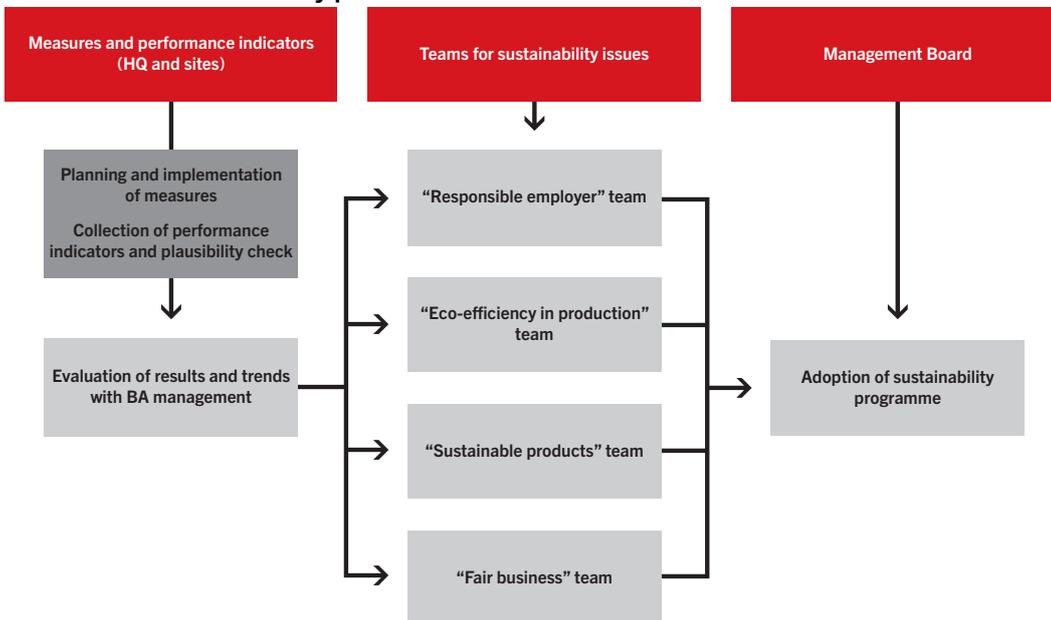


**GRI G4-34:
GOVERNANCE STRUCTURE
AND GOVERNANCE BODIES,
SUSTAINABILITY
COMMITTEES**



**GRI G4-35:
GOVERNANCE STRUCTURE
OF THE ORGANIZATION;
G4-36: ROLE AND
RESPONSIBILITY OF THE
HIGHEST GOVERNANCE
BODY**

PALFINGER's sustainability process



2.1 MATERIALITY ANALYSIS

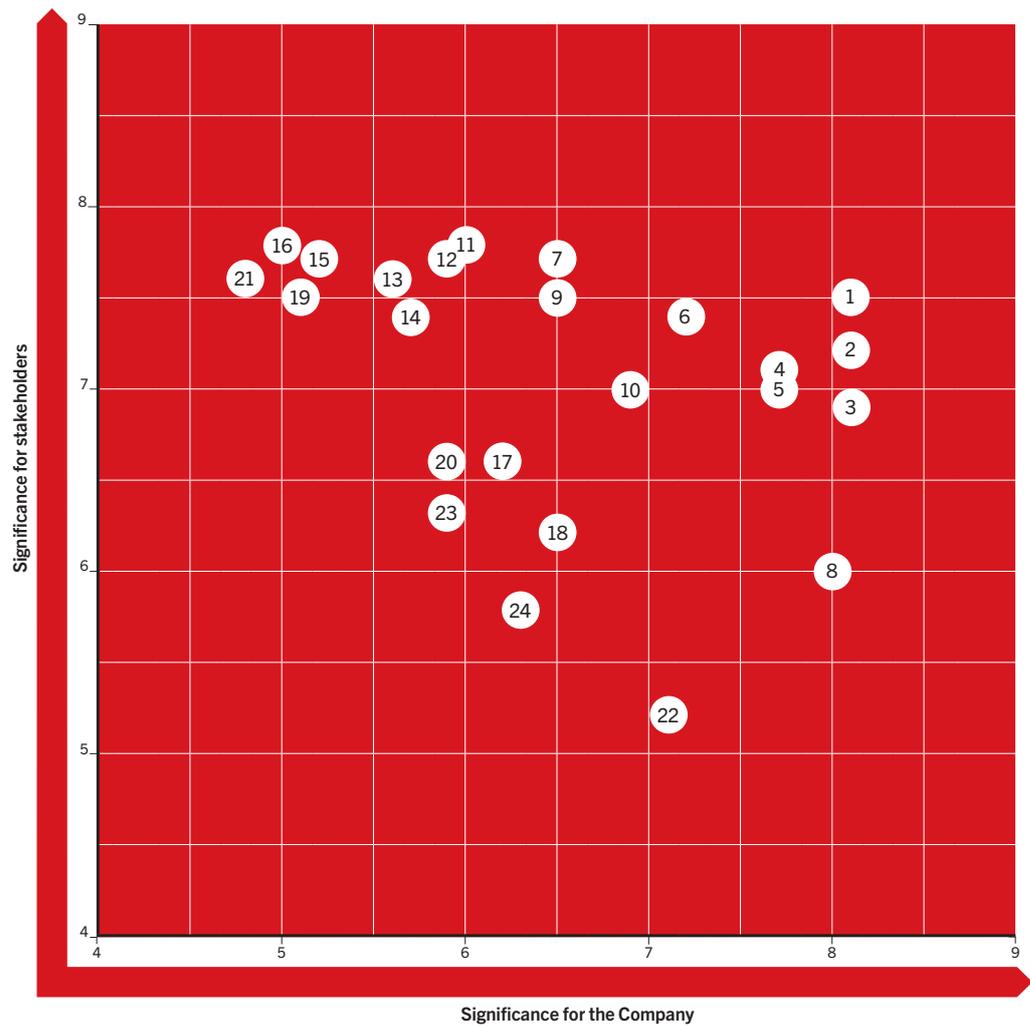


GRI 4-18:
DEFINING THE REPORT
CONTENT; G4-19:
MATERIAL ASPECTS; G4-20:
BOUNDARY WITHIN THE
ORGANIZATION FOR EACH
MATERIAL ASPECT; G4-21:
BOUNDARY OUTSIDE THE
ORGANIZATION FOR EACH
MATERIAL ASPECT; G4-23:
CHANGES IN THE SCOPE
AND ASPECT BOUNDARIES



SEE: MATERIAL GRI
ASPECTS IN THE VALUE-
CREATION CHAIN
PP. 65 ET SEQ.

The current materiality matrix, based on the comprehensive multi-stage process in place since mid-2013, is presented in the following:



- | | |
|---|--|
| 1 Customer satisfaction | 13 Independence of the Supervisory Board |
| 2 Research and development | 14 Diversity and equal opportunity |
| 3 Product quality | 15 Code of Conduct |
| 4 Education and training | 16 Avoiding discharge of hazardous substances |
| 5 Product safety | 17 Sustainability in the supply chain |
| 6 Demand for raw materials | 18 Optimum lifecycle costs |
| 7 Compliance with legislation | 19 Fair pay |
| 8 Products for ecological and social purposes | 20 Energy efficiency |
| 9 Occupational health and safety | 21 Transparent remuneration of top management |
| 10 Viability of the business model | 22 Efficient and environmentally friendly products |
| 11 Avoiding waste | 23 Communication with employees |
| 12 Corporate ethics and competition law | 24 Attractive employer |

2.2 STAKEHOLDER MANAGEMENT

To PALFINGER, sustainability management also means exchanging ideas with stakeholders regarding any effects, requirements and developments that are relevant to sustainability, as well as learning together. Based on this principle, the stakeholder analysis developed in 2013 was, for the first time, integrated in central workshops and discussed with various teams within the scope of the PALversity strategy in 2014.



Description of stakeholders

PALFINGER places great emphasis on responsible communications, focusing on entrepreneurial spirit, respect and learning in line with PALFINGER's values. The major stakeholders as well as PALFINGER's continuous communication with them, following a normative-critical approach, as well as stakeholder engagement are briefly described in the following.

By means of an online stakeholder survey, PALFINGER asked the listed stakeholders in 2013 to state their requirements and expectations and combined its own central topics with those raised by the stakeholders in order to be able to act accordingly in the future. The most important issues included the following:

- At its sites, PALFINGER should avoid waste and potentially hazardous substances or ensure their safe storage and disposal.
- PALFINGER should protect its employees against accidents and promote their health.
- PALFINGER's products should be distinguished by utmost safety; the prevention of accidents during use should go beyond statutory requirements.
- PALFINGER should openly inform customers, suppliers and employees and engage them in the development of the Company.

An analysis of the stakeholders' interest in and influence on the Company was carried out. On the basis of this analysis, the most important stakeholders were identified, and are listed in the following.



INTEGRATED ANNUAL REPORT: STRATEGIC OBJECTIVES FOR THE PERIOD UNTIL 2017 PP. 19–20, MATERIALITY ANALYSIS PP. 191 ET SEQ., SUSTAINABILITY REPORT PROFILES AND BOUNDARIES PP. 194 ET SEQ.



SEE: MATERIAL GRASPECTS IN THE VALUE-CREATION CHAIN PP. 65 ET SEQ.



GRI G4-24: LIST OF STAKEHOLDERS; G4-25: SELECTION OF STAKEHOLDERS; G4-26: STAKEHOLDER ENGAGEMENT; G4-27: RESULTS OF STAKEHOLDER ENGAGEMENT



INTEGRATED ANNUAL REPORT: HUMAN RESOURCES PP. 70 ET SEQ.



**INTEGRATED
ANNUAL REPORT:
HUMAN RESOURCES
PP. 70 ET SEQ.**

HUMAN RESOURCES AND WORKS COUNCILS

The core success factor of PALFINGER is its staff of well-trained and highly motivated employees, who make a significant contribution towards the achievement of the Group's goals. As a consequence, PALFINGER strives to offer existing as well as potential employees attractive jobs. PALFINGER's corporate culture is conducive to a high level of self-responsibility and provides the employees with broad opportunities to contribute their own ideas to the continuous improvement process and to take part in adequate training measures. Means of communications include, apart from the regular appraisal interviews, the Intranet, the corporate blog and the staff magazine – the PALFINGER INTERNATIONAL NEWSLETTER (PIN) – which, due to great demand, is now published three times a year in eleven languages. The international Green Initiative campaign for raising and enhancing awareness was rolled out internationally at the end of 2013 and communicated again in mid-2014. Its objective is to achieve environmental protection and energy savings through small measures that can easily be implemented during working hours. As PALFINGER regards the personal exchange of experience as particularly influential in this connection, the focus is on direct, authentic communication and high-quality social interaction among the staff. Friends and family of the employees are also integrated, for instance on the occasion of family days. A continuous exchange with the Works Council, which is involved in all important matters, is guaranteed.



**SEE:
COMMUNICATION WITH
EMPLOYEES PP. 34–35**



**SEE: OCCUPATIONAL
HEALTH MANAGEMENT
PP. 29–30**

SUPPLIERS AND PARTNERS

PALFINGER maintains long-term relations with its suppliers, which contributes to continuously increasing the development of components and thus the competitiveness of its products. This objective is supported by quality assurance agreements entered into with around 150 strategic suppliers. The quality of the Group's supplier relations is enhanced by including ecological and social issues as well as corruption prevention. This helps reduce, at an early stage, any reputational risks and default risks that might be caused, for instance, by suppliers' failure to comply with environmental requirements.

Every two years, an international supplier meeting is held to further improve the suppliers' involvement. On these occasions, current topics and planned developments are presented and discussed. This targeted integration measure and the critical discourse have substantially contributed to the positive feedback regarding sustainability aspects and have been enhancing awareness for the importance of social responsibility.



**INTEGRATED
ANNUAL REPORT:
SUPPLIERS AND
PURCHASING –
SUSTAINABILITY AMONG
SUPPLIERS P. 38**

CUSTOMERS AND DEALER NETWORK

PALFINGER products are distributed in more than 130 countries all over the world, primarily through some 200 independent dealers and the Group's distribution companies. Together with approx. 5,000 service centres, this forms a comprehensive network for the end customers. Dealers, who are the prime link to the Group's end customers, are thus PALFINGER's most important group of customers. Active dealer engagement is promoted at the annual dealer conferences. Communication with dealers takes place in the form of dialogue and reflective discourse and is the responsibility of the individual departments concerned.



**INTEGRATED
ANNUAL REPORT:
CUSTOMER AND DEALER
NETWORK PP. 34–35**

INVESTORS

PALFINGER attaches great importance to giving the Group's investors continuous and transparent information; this is particularly important in an uncertain environment in which the economy and the stock exchanges are marked by high volatilities.



**INTEGRATED
ANNUAL REPORT:
STAKEHOLDER AND
INVESTOR RELATIONS
PP. 24 ET SEQ.**

In the period under review, the Management Board and IR team of PALFINGER AG attended many investors' conferences. Moreover, personal conversations were held with stakeholders, also on the occasion of sustainability events such as the German CSR Forum in Ludwigsburg near Stuttgart or the Ethics Forum in St. Georgen am Längsee, Austria. Sustainability matters are communicated via newsletters and press releases. Dynamic two-way communication, also at Supervisory Board meetings, makes it possible for investors to voice their needs and suggestions and for PALFINGER to implement them.

LOCAL ENVIRONMENTS

PALFINGER positions itself as a reliable partner and an attractive employer in the respective regions through responsible action, thus making a sustainable contribution to society through its business activities and social commitment.

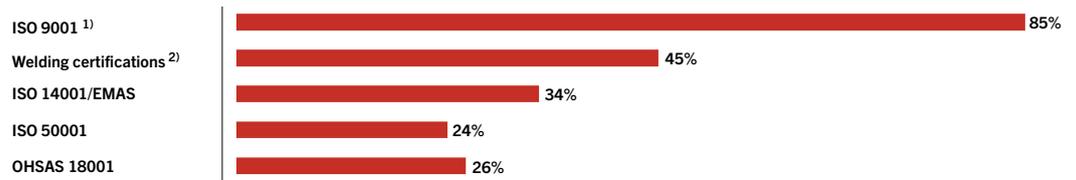
In a first step, an adequate dealer and sales network is built up in new markets. Only when demand for products has reached a certain level in a country or an area does PALFINGER start to consider creating value locally – starting with assembly and later proceeding to assembly and manufacturing. As a consequence, an increasing amount of business is given to local suppliers and partners. The objective of this strategy is to cater to different customer requirements by providing products adjusted to local needs and to optimize costs in an international environment. Moreover, this “natural hedge” minimizes dependence on foreign-exchange fluctuations.

Dialogue with sponsoring partners is transparent, situational and takes place on an equal footing. Local decision-makers communicate directly, always adhering to the four-eyes principle. Primary communication measures also include first-rate media relations and participation in and/or the hosting of events.

2.3 MANAGEMENT SYSTEMS IN USE

MANAGEMENT SYSTEMS IN USE AT PALFINGER SITES

(in per cent of headcount)



1) as well as other similar quality management standards

2) According to the following certifications: ZL EN729, EN3834-2, Schweiß-ZL GL, BS 4872 or EN287 issued to individuals; at American sites certification by TSSA, ASTM A36, A514 T1 or HNSI/AWS D1.1 issued to individuals.

Continuously enhancing the management of quality, environmental and safety aspects and energy, in particular at the level of the manufacturing and assembly sites, is a key priority at PALFINGER. External certifications may be obtained to this end, but they are not a must. As a result of the extensive acquisition efforts pursued in recent years, the percentage of ISO certifications has been declining. Approx. 85 per cent of all employees work at sites with an ISO 9001 quality management system in place.

PALFINGER's quality standards for welding processes are equally high, which is why approx. 45 per cent of all employees work at sites that have obtained country-specific welding certificates.

Many aspects of the quality management system are also relevant for environmental protection. In contrast to quality management systems, relatively few employees (34 per cent) work at plants that have been certified under ISO 14001. In any case, upon introduction of the environmental protection guideline, all PALFINGER sites will meet at least the minimum criteria required for an environmental management system. The Lengau and Köstendorf sites in Austria recently obtained re-certification under ISO 50001 – energy management as well. At the site in Tenevo, Bulgaria, ISO 14001 and ISO 50001 certifications were successfully added to the existing certification according to ISO 9001. Every business unit is responsible for establishing its management system as well as additional systems (certified welding system, environmental management, etc.) in line with local requirements. The parameters that have been laid down for the system (responsibility, process, evaluation, etc.) determine the form of the management of the system. Moreover, Group-wide quality management guidelines define the settlement of warranty payments, Group-wide minimum standards for quality, warranty cases and warranty expenses.

SUSTAINABILITY MANAGEMENT

Certifications			Quality	Environment	Safety		
Company	Site or registered office	Headcount	ISO 9001 ¹⁾	Welding certificates ²⁾	ISO 14001/EMAS	ISO 50001	OHSAS 18001
Palfinger GmbH	Ainring (DE)	151	1	1			
Palfinger Ned-Deck B.V.	Barneveld (NL)	73	1				
Palfinger Platforms GmbH	Löbau (DE)	190	1				
Palfinger Gru Idrauliche S.r.l.	Cadelbosco di Sopra (IT)	69	1				
Guima Palfinger S.A.S.	Caussade (FR)	202	1		1		1
Madal Palfinger S.A.	Caxias do Sul (BR)	315	1				
Palfinger Liftgates, LLC	Cerritos (US)	74					
Palfinger Produktionstechnik Bulgaria EOOD	Cherven Brjag (BG)	422	1	1			
Omaha Standard, LLC	Council Bluffs (US)	368					
Palfinger Proizvodna Tehnologija Hrvatska d.o.o.	Delnice (HR)	82	1	1			
Epsilon Kran GmbH.	Elsbethen (AT)	87	1				
MBB Palfinger GmbH	Ganderkese (DE)	231	1	1			
Ned-Deck Marine Vietnam Co. Ltd.	Hanoi (VN)	74	1				
Palfinger Boats B.V.	Harderwijk (NL)	24	1				
Palfinger Boats Vietnam Co. Ltd.	Hung Yen (VN)	44	1				
INMAN ZAO	Ishimbay / Salavat (RU)	469	1				
Palfinger Marine- und Beteiligungs-GmbH	Salzburg (AT)	48					
Palfinger Platforms GmbH	Krefeld (DE)	128	1	1			
Nimet Srl	Lazuri (RO)	413	1		1		1
Palfinger Europe GmbH	Lengau (AT)	600	1	1	1	1	1
Palfinger Europe GmbH	Köstendorf (AT)	321	1		1	1	1
Palfinger Marine d.o.o., Maribor	Maribor (SI)	74	1				
Palfinger Proizvodnja d.o.o.	Maribor (SI)	440	1	1			
Palfinger Platforms Italy s.r.l.	Modena (IT)	14	1				
Palfinger, Inc.	Niagara Falls (CA)	74					
Palfinger Dreggen Korea, Limited	Sacheon (KR)	39	1	1	1		1
PALFINGER AG	Salzburg (AT)	196					
Palfinger Platforms GmbH	Seifhennersdorf (DE)	50	1	1			
Palfinger (Shenzhen) Ltd.	Shenzhen (CN)	75	1	1			
Palfinger Produktionstechnik Bulgaria EOOD	Tenevo (BG)	534	1	1	1	1	
PalFleet Truck Equipment Company, LLC	Tiffin (US)	73					
Omaha Standard, LLC	Trenton (US)	74					
Ratcliff Palfinger Ltd.	Welwyn Garden City (GB)	127	1				
Total headcount		6,155	5,248	2,752	2,109	1,455	1,575
Percentage of headcount using certificate			85%	45%	34%	24%	26%

1) as well as other similar quality management standards

2) According to the following certifications: ZL EN729, EN3834-2, Schweiß-ZL GL, BS 4872 or EN287 issued to individuals; at American sites certification by TSSA, ASTM A36, A514 T1 or HNSI/AWS D1.1 issued to individuals.

2.4 SUSTAINABILITY PROGRAMME 2014/2015

PALFINGER learns from experience: Since the one-year sustainability programme did not bring the desired success, the decision was made to retroactively establish a two-year framework for the implementation of the measures defined for the reporting period 2014. Due to the large number of acquisitions made in recent years, the current sustainability programme contains no targets based on performance indicators apart from the quantitative environmental objects that were defined for the first time in the reporting period. Instead, priority has been given to processing the cultural transition and building up stringent data and information systems.

The following table lists all the measures that form PALFINGER's sustainability programme for 2014/2015. In addition, it provides an overview of the current status of implementation of the measures announced by PALFINGER in the Integrated Annual Report 2013 (highlighted in grey).

SUSTAINABLE PRODUCTS

Product quality, customer satisfaction	Status
App for service partner search	Completed/ Deferred
This service is already available in Germany and France. An extension of this app to PALFINGER England isn't planned for 2015.	
Research and development, product safety	Status
Automated crane movements	Ongoing Process
This safety mechanism is to be pursued also in 2015, both in research and development and in implementation.	
Safety systems SRC and RTC	Ongoing Process
Synchronized Rope Control (SRC) and the cable winch solution Rope Tension Control (RTC), both of which are already available on the market, are a priority in research and development as well as in implementation in 2015.	
PALcom 7	Ongoing Process
PALcom 7 is equipped with additional safety features such as a tilting sensor and an acceleration sensor. These are to be followed up on internally in the future as well. Starting in 2015, HPSC is scheduled to be launched as an option for timber and recycling cranes.	
Product information, fair marketing	Status
Web 2 Print	Completed
Following the launch of Media Asset Management in 2013, all previous analogue product information is now being provided digitally.	
Online product configurator	Completed
This ordering tool for dealers and end customers is intended to help reduce the number of product brochures, following the model of the automotive industry.	
Products for ecological and social purposes	Status
New website: environmentally friendly and safe products	In preparation
A general description of all PALFINGER products has already been made, and is now to be supplemented by a presentation of their environmental and safety advantages. For capacity reasons, this will occur in 2015.	

SUSTAINABILITY MANAGEMENT

HUMAN RESOURCES

Economic and social security: remuneration and freedom of assembly	Status
Boosting of local management teams	Ongoing Process
The focus on strengthening local management continues to be a measure pursued by PALFINGER to reinforce intercultural skills.	
Continuation of Living Wages project	In preparation
PALFINGER is committed to being a responsible employer and is integrating this project as a priority to be dealt with by the PALiversity project team "Working Conditions". In doing so, PALFINGER defines one priority country per year in terms of improvement measures. On the basis of the findings from 2013, awareness will be raised in all targeted local management teams Group-wide in the future, and the specific percentages (benchmark figures relating to market baskets, etc.) will be reported, in confidence, to the local management in question for review. Thus a gradual improvement in the pay level of the PALFINGER Group is to be achieved successively year by year.	
Group-wide communication regarding freedom of association	Ongoing Process
PALFINGER is committed to active communications across all levels and to the internal organization of bodies for the representation of employees and works councils, and rejects any kind of repression of the freedom of assembly. Based on the Group's values, which also encompass an open-door policy, PALFINGER attaches great importance to enabling active exchange at all times and to treating the articulated needs of its staff members with respect.	
Occupational health and safety	Status
Uniform global definition of accidents and uniform reporting	Ongoing Process
In addition to absence periods, individual accidents will also be reported Group-wide in accordance with a uniform definition regarding severity. This will contribute to local continuous improvement processes.	
Group-wide minimum standards for occupational health and safety	In preparation
PALFINGER acknowledges the significance of decent working conditions all over the world and is integrating this project as a priority to be dealt with by the PALiversity project team "Working Conditions". The first important step is to maintain transparency regarding local working conditions at the manufacturing and assembly sites all over the world. As soon as the final version of the Group-wide analysis – the prerequisite for fundamental improvements – is available, relevant best-practice examples are to be presented to local management teams step by step and yearly improvements are to be achieved by pursuing annual priorities.	
Local officers for health and safety	Ongoing Process
Each regional management team is to ensure that local officers promote health initiatives (e.g. PALfit) and safety. The firm establishment of the principle of supporting health and safety by encouraging employee participation is to be a key part of this. Health circles with employees from various fields will be set up to stimulate a continuous improvement process in all PALFINGER companies. This approach will be gradually promoted in all PALFINGER companies, where it will also be advertised and presented time and again.	
Expansion of PALfit	In preparation
The occupational health management scheme PALfit is to be expanded to the sites in Ganderkesee (Germany) and Delnice (Croatia). A far-reaching internal restructuring process has taken place at these sites; first talks have already been held and the results communicated to the sites.	
Assessment of mental stress	Completed
Together with the fit2work project, the first surveys were carried out in Salzburg, Lengau and Köstendorf. Currently, measures are being prepared in the individual employee workshops. The "Health and Safety" document is to provide ideas for PALFINGER's health and safety standards.	
First aid training	In preparation
This is to be offered at the PALFINGER College in Austria.	
"Healthy leadership"	In preparation
Industrial psychologists (focus: crisis communication) will give presentations to raise employees' awareness; as a follow-up, measures will now be implemented. The Austrian project is to be expanded to the Krefeld site (Germany).	
Kick-off "fit2work" at the Lengau site	Completed
The results have been presented to the managers and employees at the Salzburg and Lengau sites. Now integration officers are being trained at every site in accordance with the project. These officers are to support the crisis intervention team as ombudspersons and act as contacts for employees to show them any opportunities for integration. The training seminar took place in Salzburg at the end of 2014.	

Training and education	Status
Introduction of Group-wide staff reviews talks for indirectly productive	In preparation
This measure is to be reinforced within the Company in the current reporting period.	
HR review 2014	Completed
There has been a review of top management with regard to several criteria (e.g. values, flexibility, technical know-how).	
Continuation of the HR review	
In the medium term, the HR review is to be rolled out to lower management levels as well.	
Employer branding	In preparation
The promotion of employer branding, for example through the increased use of social media, is to be a priority in 2015.	
Minimum standards for exit interviews	In preparation
Well-structured exit interviews are to be conducted with employees leaving the Company.	
Coaching for executives	In preparation
The further establishment of coaching programmes for executives and the active communication of the availability of these programmes are to be a priority in 2015/2016 as well.	
Environment in the PALFINGER House of Values	Completed
Respect for the environment is a significant concern of PALFINGER. Therefore, this concept has been included in the House of Values and communicated to all employees.	
Diversity and equal opportunity	Status
Women in executive training	Ongoing Process
In order to raise the percentage of women executives in the Group, a special focus will be placed on women when selecting candidates for internal executive training courses. The percentage of women attending the training seminars that took place in the period under review (GLP, CLP, Business Excellence) was significantly higher than in previous years. Continuing emphasis is to be placed on this measure.	
HR marketing for women	Ongoing Process
More women are to be recruited for technical positions at PALFINGER. HR marketing will focus on communicating the good opportunities for women at PALFINGER – for both apprenticeship and management positions. Continuing emphasis is to be placed on this measure.	
Raising the percentage of employees with disabilities	Ongoing Process
In the future, various measures will again be taken to raise the percentage of employees with disabilities, e.g. better communication of equal opportunities and a more intensive policy of inclusion. In the future, HR management will continue to carry out analyses concerning the employment of staff with disabilities. In this regard, PALFINGER also relies on external expert support. This aspect is to be increasingly taken into account in advertisements for open positions. Internal as well as external awareness raising is a priority in this regard.	
Stepping up internal communication on diversity commitment	Ongoing Process
Based on the Management Board's commitment, the benefits of diversity are to be more strongly communicated within the Group, also within the scope of the Group-wide PALiversity project.	
Expansion of the Diversity Circle	Deferred
Instead of the Diversity Circle, the Group-wide exchange of opinion takes place via the PALiversity project.	
Promotion of women	Ongoing Process
This factor is to be especially considered in general staffing decisions (executive as well as non-executive positions); in this regard, resorting to new recruiting channels will prove helpful. Basically, a higher percentage of women employees is to be mainly promoted in executive programmes (GLP).	
Cooperation projects promoting diversity	Completed
In 2014, PALFINGER participated in several networking events relating to diversity, and will continue to do so in the future.	
Business class flights	Completed
Regardless of their employment level, all employees may fly business class on flights longer than six hours.	

SUSTAINABILITY MANAGEMENT

Launch of the PALiversity project "Corporate Culture"

The objective pursued by this project is to obtain a holistic overview of PALFINGER's existing corporate culture, to strengthen the concept of "leadership by example" and to install a Corporate Culture Board, which will discuss relevant concerns addressed by the Group and develop additional strategies and initiatives.

Launch of the PALiversity project "Recruiting"

All employees are to be given access to the social-media platforms Xing and LinkedIn in 2015. In addition, a recruiting tool is to be implemented in the medium term.

Launch of the PALiversity project "International Mobility"

Starting in 2015, an international exchange programme is to be installed: 10 talented employees from the business areas may transfer to PALFINGER's headquarters for a certain period of time, bringing their own culture to Austria and at the same time embracing Austria's culture. This will facilitate an exchange of corporate functions to and from the business areas. In addition, a value-oriented strategy development is to be initiated for mobility programmes.

Launch of the PALiversity project "Working Conditions"

Starting from 2015, follow-up measures will be implemented under the projects on Living Wages, freedom of assembly, occupational safety and environmental protection guideline. These measures are described above under the aspects of "Diversity and equal opportunity" and "Economic and social security: remuneration and freedom of assembly".

Launch of the PALiversity project "Talent Management"

PALFINGER intends to generate Group-wide awareness for talent management. Afterwards, corporate targets are to be defined and the necessary HR requirements for a relevant tool are to be gathered and evaluated.

ENVIRONMENT

PALFINGER has set itself the goal of improving energy efficiency and reducing hazardous waste by 1.8 percentage points every year starting in 2015. In addition, as a long-term objective, PALFINGER intends to have the attainment of sustainability benchmarks agreed upon as a criterion for variable salary components within the entire Group.

Energy efficiency and climate protection	Status
Lighthouse projects for energy efficiency	Completed
In Austria and Eastern Europe, where the energy-efficiency Facility Management initiative has already been launched, further lighthouse projects will be established, e.g. establishment of energy management systems, development of building control systems for detailed control over energy consumption, use of LED lighting.	
Continuation of lighthouse projects for energy efficiency	
PALFINGER will continue to place a focus on eco-efficiency in production and facility management: Efforts to enhance energy efficiency will be initiated for new, in particular large, and hence energy-intensive, sites upon their inclusion in the PALFINGER Group.	
Continuation of lighthouse projects for energy efficiency	Completed
Energy-efficiency competences at an educational level corresponding to that of a European Energy Manager will be developed. A PALFINGER energy saving manual will support the Group-wide implementation of measures.	
Best-practice pool of energy efficiency	In preparation
Information on measures that have been successfully implemented will be electronically exchanged between the local responsible officers in order to speed up the Group-wide establishment of energy efficiency measures. Communication via SharePoint will continue to be promoted in the current reporting period.	
Local environmental protection officers	In preparation
Every regional management ensures that local officers promote energy efficiency and environmental protection. Teams at all companies control a continuous improvement process. Due to organic as well as inorganic growth, this is regarded as an ongoing measure.	
Introduction of the Group-wide environmental guideline	Completed
The Group guideline drafted in 2013 is to be implemented; the enlarged pool of ideas on PALFINGER's SharePoint will reinforce communication of this guideline.	
On-site consultation within the Facility Management programme at the following sites	Completed
Additional lighthouse projects will be established at the sites in Lengau, Maribor, Omaha, Löbau, Guima and Ganderkesee. In this process, measures will be derived and a network established at the PALFINGER SharePoint between the plants to facilitate a best-practice transfer.	
Optimization of travel costs	In preparation
Within the Lean Administration project, video conferencing systems are to be increasingly used throughout the Group to help further reduce travel costs and their effects. The optimization of travel costs is seen as an ongoing process.	
Green building concept for new building in South America	Completed
Green-building standards have been established for the construction of a training centre in Sao Paulo.	
Energy cooperation with Sany Heavy Industry	In preparation
After the relocation of the production site to Rudong has been completed in China, a workshop will be held on energy efficiency as a follow-up to the successful workshop held in August 2013.	
Implementation of energy management system in Bulgaria	Completed
In the summer of 2014, a simple energy management system will be implemented at the two Bulgarian sites of Cherven Brjag and Tenevo; specific savings measures will be derived. The Romanian site in Lazuri will also be examined with this in mind.	
Energy Efficiency Act	
For PALFINGER's Austrian sites, measures have already been taken in order to prepare for the mandatory application of a uniform Energy Efficiency Act throughout the EU starting in 2015. For the sites in other European countries, an evaluation of the respective national implementation requirements and deadlines is to take place. In this connection, PALFINGER also advocates the promotion of environmental management systems.	
Promotion of sustainable projects	Ongoing Process
Measures for the benefit of energy saving and sustainability often do not reach the amortization periods customary within the Group. In order to still be able to make investments in reasonable sustainability initiatives, longer amortization periods are, however, accepted. The promotion of sustainable projects is regarded as an ongoing process.	
Observance of efficiency standards in the new production hall in Ishimbay, Russia	
The completion of the new production hall in Ishimbay in 2015 is to substantially raise energy efficiency once again, due to the application of state-of-the-art technology standards.	

SUSTAINABILITY MANAGEMENT

Group-wide awareness raising for environmental commitment at PALFINGER by continued promotion of the energy saving manual, the Green Initiative and the environmental guideline	Completed
Communication efforts are to strengthen awareness within the Group in its offices and in production; all internal and external means of communication are being actively integrated into this measure. Communications for this purpose are directed in particular towards plant managers and personnel in charge of reporting. Group-wide awareness raising is regarded as an ongoing process.	

SUSTAINABLE AND FAIR BUSINESS OPERATIONS

Corporate ethics and corruption prevention	Status
Training in corporate ethics for new employees	Deferred
PALFINGER wants to create a better awareness for corporate ethics through the Group-wide PALiversity project. The primary focus is on the integration of the new companies in Russia and China.	
Round table on corporate ethics	In preparation
Creating greater awareness for corporate ethics as a fundamental pillar of PALFINGER's Code of Conduct is to be promoted in 2015 through a Group-wide communication measure as well as through the Group-wide PALiversity project. Inclusion of this issue in the updated welcome packages as well as a stronger presence in the internal communication channel Yammer will make their contributions accordingly.	
Integration of sustainability management into risk management	Completed
The identification of ecological and social opportunities, risks and impacts was made in 2014. Comprehensive know-how gained from this workshop is to be included in the risk matrix in purchasing as well as in the current risk process. This aspect is also to be incorporated into strategic corporate planning as a central topic.	
Sustainability in the supply chain	Status
Investment guideline	Completed
Significant sustainability aspects (technical minimum standards for investments in electroplating plants, paint shops and other plants) were added to the Group purchasing guideline.	
Expansion of the supplier audit checklist	Completed
The ecological requirements relating to electroplating plants and paint shops as specified in the investment guideline are to be included in the supplier audit checklist and become a part of supplier assessment.	
Follow-up to training on sustainable procurement	In preparation
This training course is a follow-up to the successful seminar held in August 2013. Its aim is to raise awareness for the Code of Conduct and to provide an opportunity for an exchange of experience regarding previous supplier audits relating to ecological and social aspects. For time reasons, it has been postponed to 2015.	

CSR

Sustainability management	Status
Certified environmental management systems at additional sites	In preparation
Environmental management systems certified under ISO 14001 will be introduced at the sites in Elsbethen (Austria). In late 2014, the Tenevo site in Bulgaria received its first ISO 14001 certification.	
Group conference for environmental and health officers	In preparation
All local officers for the environment, health and safety will exchange their experience and ideas. Objective: team building, answering questions on reporting systems and system boundaries, exchange of best practices. The Group conference 2015 is on the agenda, with the objective of creating a common sustainability culture at PALFINGER, sharpening definitions, optimizing reporting and facilitating an exchange of experience among personnel in charge of reporting.	
Continuous improvement of data quality	Ongoing Process
On the basis of the introduction of SAP_HR and internal quarterly reporting of environmental data as well as the in-house review of invoices and documents relating to environmental matters, processes are to be continuously optimized.	
Assessment of potentials for quantitative objectives and planning in environmental and HR matters	Ongoing Process
To achieve targeted control of all sustainability-relevant entrepreneurial aspects and to improve Group-wide sustainability performance, quantitative goals are to be pursued for the first time.	
Targeted stakeholder communication	In preparation
For time reasons, the planned workshop to identify and involve PALFINGER's stakeholder groups will be held in 2015. Based on this workshop, measures for the specific control of communication strategies will be developed.	
Carbon Disclosure project	In preparation
The aim of this initiative is the software-based integration of sustainability data.	
Changeover to provider mix in reporting	
In the next two reporting years, a gradual changeover from country-specific GHG emissions to the local mix of providers is to be effected.	
Distinguishing scope 1, 2, 3	Completed
PALFINGER currently uses a divergent presentation of conversion factors for the individual scopes and also includes scope 3. This is to be corrected in order to allow for a direct comparison of CO ₂ emissions with those of other companies.	

SOCIETY

Social commitment	Status
No donations to party-affiliated organizations	Completed
In the course of the internal re-allocation of sponsoring responsibilities, the principle of not making any donations either to political parties or to party-affiliated or other political organizations will be incorporated into the marketing guideline and the communication guideline. In social sponsoring, the focus will be on socially disadvantaged children and adolescents.	
Continuity in donation and sponsoring partners	Completed
In order to keep the support of donation and sponsoring partners as long-term as possible, in 2014 a special focus will be placed on the review of measures to increase continuity.	

KEY

In preparation

Measures from the sustainability programme 2014 were re-defined in the course of review and/or processing, after which they were reincorporated into the current programme and their status was communicated in a transparent manner. Due to the changeover to annual reporting as required by the integrated annual report and the establishment of strict data and information systems, every measure requires an extended period of time for authentic processing.

Ongoing Process

These measures relate to a long-term, strategic initiative and are implemented step by step within the scope of a continuous improvement process.

Deferred

For internal reasons, these measures have been deferred or replaced by more target-oriented measures.

Completed

These measures have been successfully implemented internally and do not require any follow-up measures, unless explicitly indicated.

Sections marked in grey

The sections marked in grey indicate measures from the Integrated Annual Report 2013.

3. COMMITMENT AND AWARDS



GRI G4-15: SELF-COMMITMENT TO VOLUNTARY INITIATIVES; G4-16: ACTIVE MEMBERSHIPS



SEE: PROGRESS REPORT FOR THE UN GLOBAL COMPACT PP. 70 ET SEQ.

As a matter of principle, PALFINGER assumes an active role in shaping standards and guidelines, including those for products, and also through its memberships in various associations. For many years now, the Company has been a member of the Austrian Working Group for Corporate Governance.

PALFINGER has been included in the Austrian Sustainability Index (VÖNIX) ever since this share index was established by VBV Pensionskasse. It is a capitalization-weighted price index of Austrian stock-listed companies that are leaders in social and environmental achievements. The owner of VÖNIX is VINIS Gesellschaft für nachhaltigen Vermögensaufbau und Innovation m.b.H., while responsibility for the sustainability analysis lies with Mag. Friesenbichler Unternehmensberatung; daily calculation is done by Wiener Börse AG. PALFINGER is also listed as an above-average stock in sustainable funds according to the FER SRI AG Ratio.

As a Climate Alliance enterprise, PALFINGER is committed to protecting the environment. In 2014, this initiative was re-validated at the Austrian sites in Elsbethen, Salzburg and Köstendorf by Umweltservice Salzburg. The results are absolutely clear: each site has proven the successful implementation of the energy-efficiency measures specified in 2009.

For many years, PALFINGER has cooperated with local educational organizations and institutes and is a long-standing partner of AMREF and ICEP – the Institute of Cooperation for Development Projects – as well as its corporAID initiative. Moreover, PALFINGER is a member of the Austrian CSR network respACT. Since 2000, PALFINGER has been an ordinary member in the Cercle Investor Relations Austria (C.I.R.A.) and has played an active and participatory role in this voluntary interest group of publicly-traded companies. Moreover, PALFINGER is one of the voluntary members of the Public Relations Association of Austria (PRVA).

PALFINGER AG is committed to embracing and supporting the ten principles of the UN Global Compact and thus undertakes to adhere to the UNGC's core values in the areas of human rights, labour conditions, the environment and anti-corruption. PALFINGER's Code of Conduct contains precise rules that are in accordance with the UNGC. The ten principles of the UNGC determine the dealings of PALFINGER AG with its internal and external stakeholders. The progress report for the UN Global Compact is available at the end of this web report.

Awards

Sustainability is a core element of the strategy pursued by the PALFINGER Group and has been fostered with full conviction for many years. Therefore, the Company is all the more pleased that its sustainability management has been consciously perceived by external stakeholders as well. The significance of benchmarks, external statements and awards should not be underestimated in this connection, as they are an excellent indicator for a company's holistic performance and promote the motivation and commitment to continuous improvement within a company.

COMMITMENT AND AWARDS

In the 2014 financial year, PALFINGER received numerous awards: The Salzburger Wirtschaftspreis (Salzburg business prize) for “Company of the Year” was awarded to PALFINGER in the first half of 2014. The jury made special mention of PALFINGER’s sustainable entrepreneurial success and the outstanding performance in the previous year. In addition, PALFINGER Hybrid, the zero-emission motor pump, was nominated for the national Energy Globe. In the second half of 2014, this pump unit received the Award of the Province of Upper Austria for the Environment and Sustainability. Also, the first integrated annual report prepared in accordance with the standards of IFRS, GRI G4 and SASB was both nationally and internationally honoured for the completeness, significance, transparency and precision of its content by receiving an APRA (Austrian Public Reporting Award). Among all the awards for integrated reporting, PALFINGER’s achievement of first place in the Austrian Sustainability Reporting Award (ASRA) in the category “Integrated Reports” as well as overall winner of all categories are particularly deserving of mention. The qualification of the PALFINGER Group’s sites in Salzburg, Köstendorf and Elsbethen as Climate Alliance enterprises was once again revalidated in 2014. Moreover, PALFINGER was again able to measure its performance against the vönix rating of 2014; the Company’s constant, positive performance in this context as well as the award of the GREEN BRAND Austria seal 2014/2015 and the Award for Ecological Sustainability confirm that PALFINGER is on the right track.

4. SUSTAINABILITY REPORTS



WWW.PALFINGER.AG/EN/SUSTAINABILITY



WWW.PALFINGER.AG/EN/NEWSROOM/FINANCIAL-REPORTS



WWW.PALFINGER.AG/EN/NEWSROOM/SUSTAINABILITY-REPORTS

The PALFINGER sustainability reports are made available to all interested parties on PALFINGER's website. Since the 2013 reporting year, PALFINGER has been reporting its key economic, environmental and social aspects in an integrated manner. The integrated annual reports are available at the Company's website as well.

5. CONTACT

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Minimal arithmetic differences may arise from the application of commercial rounding to individual items and percentages in this Report.

The English translation of the PALFINGER Report is for convenience. Only the German text is binding.

This Integrated Annual Report contains forward-looking statements made on the basis of all information available at the date of its preparation. Forward-looking statements are usually identified by the use of terminology such as “expect”, “plan”, “estimate”, “believe”, etc. Actual outcomes and results may be different from those predicted. Moreover, in individual cases, changes in non-financial performance indicators of previous years may result from the application of stricter control loops for the purpose of improving data quality.

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No liability is assumed for any typographical or printing errors.



**GRI G4-31:
CONTACT TO
SUSTAINABILITY
MANAGEMENT**



**INTEGRATED
ANNUAL REPORT: GENERAL
INFORMATION IBC P. 213**

6. ANNEX

6.1 MATERIAL GRI ASPECTS IN THE VALUE-CREATION CHAIN

The statement of reconciliation shows which sustainability aspects of the Global Reporting Initiative PALFINGER has defined as being material, and the stages within the value-creation chain at which their effects are felt. The material topics are ranked according to the overall relevance attributed to them by the PALFINGER management and external stakeholders in 2013/2014. The list includes the 24 highest-ranking topics of the materiality matrix. No changes in the scope and boundaries of reporting as compared to the previous reports were made.

ANNEX

Material topics	Short description of contents	Stage of the value-creation chain			Material aspect acc. to GRI	GRI KPI (specific standard disclosure acc. to GRI)	Intensity of reporting
		Supply chain	Within the Company	Product use			
Customer satisfaction	Customer satisfaction should be accorded highest priority at PALFINGER.				Product and service labelling	Survey measuring customer satisfaction (PR 5)	Qualitative description of measurement of satisfaction and survey results
Research and development	PALFINGER should continue to invest in research and development.				No GRI aspect available	No GRI indicator available	Qualitative description of research and development
Product quality	The products should be made to last and be low in maintenance.		Manufacturing and assembly sites		No GRI aspect available	No GRI indicator available	Qualitative description of product innovations for quality enhancement
Training and education	PALFINGER should invest in the further training of its employees.				Training and education	Hours of training per employee (LA9), Programmes for skills management (LA 10), Employees receiving regular reviews (LA 11), Anti-corruption communication	Quantitative indicator and qualitative description of the training programme
Product safety	PALFINGER's products should be distinguished by utmost safety.				Customer health and safety	Products for which health and safety impacts are assessed (PR 1), Incidents of non-compliance with safety provisions (PR 2)	Quantitative presentation of accidents, if any, and description of safety innovations for products
Demand for raw materials	In production, PALFINGER should use raw materials efficiently.		Manufacturing and assembly sites	Dealers for mounting operations	Materials	Materials used by weight (EN 1)	Quantitative presentation of waste cuttings
Compliance with legal provisions	PALFINGER should comply with legal provisions.				Compliance	Significant fines (SO 8), Incidents of non-compliance with safety provisions (PR 2)	Presentation of violations, if any, and compliance management

Material topics	Short description of contents	Supply chain	Within the Company	Product use	Material aspect acc. to GRI	GRI KPI (specific standard disclosure acc. to GRI)	Intensity of reporting	
Products for ecological and social purposes	PALFINGER should strive for successful product innovations for use in the environmental and social fields, e.g. cranes for wind energy plants and access systems for people with disabilities.					No GRI aspect available	No GRI indicator available	Qualitative description of product innovations, quantitative presentation of market share
Occupational health and safety	PALFINGER should protect its employees against accidents and promote their health.				Occupational health and safety	Occupational health and safety programmes (LA 5), Industrial accidents, occupational diseases and lost days (LA 6)	Quantitative presentation of accidents and employee absence in Company's own production process and description of initiatives	
Viability of the business model	PALFINGER should see to it that its business model remains viable in the long term.				Economic performance	Direct economic value generated and distributed (EC 1), Financial assistance received from government (EC 4)	Presentation in the context of the management report, risk management, economic performance, description of organizational profile	
Avoiding waste	At its sites, PALFINGER should avoid waste and potentially hazardous substances or ensure their safe storage and disposal.		Manufacturing and assembly sites		Total weight of waste by type and disposal method	Total weight of waste (EN 23)	Presentation of waste cuttings rate and development of hazardous waste	
Corporate ethics and competition law	PALFINGER should act in an ethically correct manner: comply with competition law, avoid corruption, pay taxes as required.			Dealers	Ethics and integrity	Code of Conduct Operations assessed (SO 3); Anti-corruption communication (SO 4); Incidents of corruption (SO 5); Competition law (SO 7)	Presentation of violations, if any, and description of initiatives regarding corporate ethics	
Independence of the Supervisory Board	The Company should be governed properly – for instance by ensuring the independence of the Supervisory Board.				Governance	Governance structure and governance bodies, sustainability committees (G4-34), Role and responsibility of the highest governance body (G4-36), Dialogue with civil society (G4-37)	Reporting in the corporate governance report	

ANNEX

Material topics	Short description of contents	Supply chain	Within the Company	Product use	Material aspect acc. to GRI	GRI KPI (specific standard disclosure acc. to GRI)	Intensity of reporting
Diversity and equal opportunity	PALFINGER should offer all employees the same opportunities – irrespective of age, gender and personal background.				Diversity and equal opportunity	Diversity and equal opportunity (LA 12)	Quantitative presentation of the percentage of women, generations and employees with disabilities and qualitative presentation of initiatives taken
Code of Conduct	PALFINGER should commit itself to clear values and objectives and act accordingly.			Dealers	Ethics and integrity	Code of Conduct	Qualitative description
Avoiding discharge of hazardous substances	No hazardous waste or substances from production should be discharged into the environment. There should not be any discharge of hazardous substances during product use.		Manufacturing and assembly sites		No GRI aspect available	No GRI indicator available	Description of the status quo of electroplating and paint shops, description of product innovations for the substitution of hazardous substances
Sustainability in the supply chain	PALFINGER should take an interest in whether suppliers pay attention to environmental protection and social responsibility. PALFINGER should give preference to suppliers who show commitment in these fields.				Investments, Supplier human rights assessment, supplier assessment for labour practices and supplier environmental assessment	Human rights in the supply chain (HR 11), Occupational health and safety in the supply chain (LA14, LA 15), Environmental protection in the supply chain (EN 32, EN 33); Impacts on society identified in the supply chain (SO 9, SO 10)	Number of supplier assessments and their results

Material topics	Short description of contents	Supply chain	Within the Company	Product use	Material aspect acc. to GRI	GRI KPI (specific standard disclosure acc. to GRI)	Intensity of reporting
Optimum lifecycle costs	Measured over their life cycles, PALFINGER products should be the most economical solution available.				No GRI aspect available	No GRI indicator available	Qualitative description
Fair remuneration	PALFINGER should offer fair remuneration to all its employees within the Group.				No GRI aspect available	No GRI indicator available	Qualitative description of Living Wages and wage level
Energy efficiency	PALFINGER should optimize energy consumption in production continuously, thus reducing costs and emissions.		Manufacturing and assembly sites		Energy	Materials used by weight (EN 1), Energy consumption and intensity (EN 3-7)	Qualitative description
Transparent remuneration of the top management	PALFINGER should disclose how the top management team is remunerated.				No GRI aspect available	Remuneration policy and performance criteria for top management (G4-51), Determination of remuneration (G4-52)	Description in the course of the corporate governance report
Efficient and environmentally friendly products	PALFINGER products and truck-bodies should be low in weight. The products should stand out due to their low need for energy and operating supplies when in operation. Hazardous substances should be avoided, for instance by the use of halogen-free cables or components without chrome VI coatings. Operating supplies such as hydraulic oils or lubricants should have minimal environmental impact. It should be easy to recycle the products at the end of their lifecycles.				Products and services	Mitigation of environmental impacts of products (EN 27)	Qualitative description of product innovations, quantitative presentation of percentage of biodegradable hydraulic oil
Communication with employees	Every employee should be informed about major corporate developments. Communication with and among employees should take place at an elevated international level and be characterized by the corporate values of respect, entrepreneurial spirit and learning.				No GRI aspect available	No GRI indicator available	Qualitative description under Communication with employees
Attractive employer	PALFINGER should attract the best employees in the labour market and keep employee turnover low.				Employment, Supplier assessment for labour practices	Total number of employees and employee turnover (LA 1)	Qualitative description

6.2 PROGRESS REPORT FOR THE UN GLOBAL COMPACT

Since 2013, PALFINGER has supported the UN Global Compact, the world’s largest initiative on CSR and sustainable development. With its accession to the UN Global Compact (UNGC), PALFINGER has committed itself to embracing and supporting its ten principles and undertakes to make all efforts to implement them to the best of its abilities.

“In the following reporting period, PALFINGER will continue its support of the Global Compact and renew the ongoing obligation of the Company to the initiative and its principles.” Herbert Ortner, CEO of PALFINGER AG

The Global Reporting Initiative Index contains all material GRI indicators that are in accordance with the principles of the UNGC. The environmental aspects of water, biodiversity, compliance, transport, overall and environmental grievance mechanisms, and the aspects of labour/management relations, non-discrimination, local communities as well as public policy are not reported because they are classified as being of no material relevance.

Human rights

Principle 1:

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

Principle 2:

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

Under its Code of Conduct (at www.palfinger.ag/en/sustainability), PALFINGER is committed to embracing and supporting human rights and asks all its stakeholders for the same commitment. PALFINGER has set itself the targets of global, sustainable, profitable growth and social responsibility.

Measures and indicators

- Human rights in investment agreements:
A description of PALFINGER’s activities with regard to human rights in investment agreements is contained in the Integrated Annual Report 2014.
- Human rights in the supply chain:
PALFINGER supports the protection of human rights on the part of its strategic suppliers.
- Human rights regarding the use of products:
For a description of where and how PALFINGER’s products are used and the relevant indicators and measures, please go to the “Human Rights” chapter on page 37 of this document.



**GRI G4-HR 1:
HUMAN RIGHTS IN
INVESTMENT AGREEMENTS**



**GRI G4-LA 14; G4-
LA 15: OCCUPATIONAL
HEALTH AND SAFETY AND
LABOUR PRACTICES IN THE
SUPPLY CHAIN**



**GRI G4-HR 1:
HUMAN RIGHTS IN
INVESTMENT
AGREEMENTS; GRI G4-HR
11: HUMAN RIGHTS IN THE
SUPPLY CHAIN**



**INTEGRATED
ANNUAL REPORT:
STRATEGY AND VALUE
MANAGEMENT
PP. 14 ET SEQ.**



**INTEGRATED
ANNUAL REPORT:
CUSTOMERS AND
SUPPLIERS: PP. 34 ET SEQ.**



**SEE: HUMAN RIGHTS
P. 11 AND PP. 37–38**



**GRI 4-10, G4-11:
NUMBER OF EMPLOYEES
COVERED BY COLLECTIVE
BARGAINING AGREEMENTS**



**GRI 4-LA 14; G4-
LA 15: OCCUPATIONAL
HEALTH AND SAFETY AND
LABOUR PRACTICES IN THE
SUPPLY CHAIN; GRI 4-HR
4: OPERATIONS WHERE THE
RIGHT TO EXERCISE THE
FREEDOM OF ASSEMBLY
MAY BE AT RISK**



**GRI 4-HR11:
HUMAN RIGHTS IN THE
SUPPLY CHAIN**



**GRI 4-LA 12:
DIVERSITY AND EQUAL
OPPORTUNITY, G4-LA 14:
OCCUPATIONAL HEALTH
AND SAFETY IN THE
SUPPLY CHAIN, G4-LA 15:
LABOUR PRACTICES IN THE
SUPPLY CHAIN**

Labour

Principle 3:

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

PALFINGER is committed to active communications across all levels and to the internal organization of bodies for the representation of employees and works councils, and rejects any kind of repression of the freedom of assembly. Based on the Group's values, which also encompass an open-door policy, PALFINGER attaches great importance to enabling active exchange at all times and to treating the articulated needs of its staff members with respect. Details on the legal situation at the Asian sites and the measures taken in order to safeguard these rights are presented in the "Human Rights" chapter on page 37 of this document.

Principle 4:

the elimination of all forms of forced and compulsory labour,

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

Principle 5:

the effective abolition of child labour; and

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

Principle 6:

the elimination of discrimination in respect of employment and occupation.

Under its Code of Conduct, PALFINGER is committed to embracing and supporting the elimination of discrimination: Discrimination against employees, in any form, is not permitted. This applies to discrimination, for example, on the basis of sex, skin colour, disability, union membership, political convictions, national origin, religion, age or sexual orientation.

Measures and indicators:

- Freedom of association and collective bargaining:
An overview of the principle of freedom of association and collective bargaining as well as the divergence in legislation at the PALFINGER Group's Asian sites may be found in the "Human Rights" chapter on page 37 of this document.
- Labour standards in the supply chain:
Efforts taken to integrate labour standards at PALFINGER's strategic suppliers as well as the relevant indicators and measures may be found in the Integrated Annual Report 2014. Equal opportunity and prevention of discrimination of own staff: PALFINGER is committed to the issues of equal opportunity and diversity. This is also reflected in the Group-wide PALiversity initiative. For the relevant indicators and measures, please see the Integrated Annual Report 2014.

ANNEX

Environmental protection

Principle 7:

Businesses should support a precautionary approach to environmental challenges;

Under its Code of Conduct, PALFINGER is committed to embracing and supporting environmental responsibility: The stakeholders follow the precautionary principle when dealing with environmental problems, institute initiatives to increase environmental responsibility, and promote the development and dissemination of environmentally friendly technologies.

Principle 8:

undertake initiatives to promote greater environmental responsibility; and

Under its Code of Conduct, PALFINGER is committed to embracing and supporting environmentally friendly production: The stakeholders ensure appropriate environmental protection in all phases of production. This includes a proactive approach in order to prevent or minimize the effects of accidents that could have a negative impact on the environment.

Principle 9:

encourage the development and diffusion of environmentally friendly technologies.



**GRI G4-14:
PRECAUTIONARY
PRINCIPLE**



**GRI G4-EN 1, 3, 4, 5,
6, 7, 15, 16, 17, 23, 32, 33:
ENVIRONMENTAL**



**GRI G4-HR11:
HUMAN RIGHTS IN THE
SUPPLY CHAIN**



**G4-LA 14:
OCCUPATIONAL HEALTH
AND SAFETY IN THE
SUPPLY CHAIN, G4-LA 15:
LABOUR PRACTICES IN THE
SUPPLY CHAIN**

 **INTEGRATED
ANNUAL REPORT: VALUE
CREATION STRATEGY
PP. 62 ET SEQ.**

 **SEE: ECO-
EFFICIENCY IN
PRODUCTION
PP. 15 ET SEQ.**

 **GRI G4-EN 27:
MITIGATION OF
ENVIRONMENTAL IMPACTS
OF PRODUCTS**

 **SEE: SUSTAINABLE
PRODUCTS PP. 39 ET SEQ.**

 **INTEGRATED
ANNUAL REPORT:
PALFINGER PRODUCTS FOR
PEOPLE AND THE
ENVIRONMENT P. 33**

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

Measures and indicators

- Eco-efficiency in production:
PALFINGER continuously optimizes its own production. For more details, please see the Integrated Annual Report 2014 and the chapter “Eco-efficiency in production” on page 15 of this document.
- Environmentally friendly PALFINGER products:
Product innovations use new, environmentally friendly technologies. They reduce potentially hazardous substances as well as the consumption of resources and energy during use. More details may be found in the chapter “Environmentally compatible products” on page 41 of this document.
- Products used for ecological and social purposes:
PALFINGER’s products support industries in the fields of renewable energy and recycling. An overview may be found in the Integrated Annual Report 2014.

 **SEE: HUMAN RIGHTS
PP. 37–38**

 **INTEGRATED
ANNUAL REPORT:
CUSTOMERS AND
SUPPLIERS PP. 34 ET SEQ.**

 **INTEGRATED
ANNUAL REPORT: HUMAN
RESOURCES, DIVERSITY
PP. 75–76**



GRI G4-56, G4-57,
G4-58: CODE OF CONDUCT,
INTERNAL AND EXTERNAL
MECHANISMS ON
COMPLIANCE AND
INTEGRITY, REPORTING
CONCERNS ABOUT
INTEGRITY



GRI G4-SO 3, 4, 5:
OPERATIONS ASSESSED,
ANTI-CORRUPTION



INTEGRATED
ANNUAL REPORT: FAIR
BUSINESS PP. 187–188

Anti-corruption

Principle 10:

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

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

Measures and indicators

- Details on corporate ethics and corruption prevention may be found in the Integrated Annual Report 2014.

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