

Environmental protection and occupational health and safety at VSM AG

VSM has its own department for environmental protection and occupational health and safety. It is the responsibility of this department to ensure

- that all relevant laws and regulations are being met reliably and
- that efforts for improvements are continuously being made.

For this purpose, the department closely cooperates with external and internal experts and relevant authorities. In order to make sure that the people working in this department have the necessary knowledge and skills in this field, training measures are carried out. There is a clear assignment of duties so that every person is fully aware of their responsibilities.

Background are the following activities:

1. All production equipment is constantly upgraded so that it responds to the most recent technical requirements, regarding environmental and safety issues. The use of modern technology goes along with minimizing the amount of emissions and state-of-the-art exhaust purification equipment guarantees that emissions are reliably kept within the permitted limit values.
2. The maintenance strategy maximises equipment availability and minimises machine downtime.
3. Measures aiming at a more efficient use of both raw materials and energy are carried out regularly. This not only reduces the amount of raw materials and energies being used. It also reduces the quantity of waste material to be disposed of.

Status checks and decision-making:

1. A committee for occupational health and safety has been set up to deal with all issues concerning occupational health and safety. Regular meetings which, as a rule, take place four times a year focus on the main areas of concern for immediate action and decide which measures should be taken after visiting the production facilities concerned. The committee for occupational health and safety is supported by the company medical service of VSM AG.

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2. A working party with permanent members is in charge of improvements concerning environmental issues. They are supported by external experts. This working party presents and discusses not only the required standards, but also the latest technological and legal developments and establishes necessary measures to be taken.
3. Both, the committee for occupational safety and the above mentioned working party, report to the Managing Board. In addition, an annual report on waste management is submitted to the Managing Board, which also covers the measures taken to reduce the amount of waste produced.
4. Furthermore, there are regular inspections of the production facilities by independent consultants who review the environmental security and occupational health and safety measures in place. These experts not only examine documents but check the condition of the production plants as well. They visit the facilities to make sure that all applicable rules and regulations are being observed. The results of the audit are then submitted to the Managing Board in the form of a written report, which may also contain suggestions for further improvements, if necessary.

Conclusions:

1. All inspections required by law are being carried out. If any deviations are detected corrective actions are started without delay. These inspections include regular emission measurements. The relevant part of these measurements is made accessible to the public and transmitted to the authorities on-line. There is a close co-operation with the relevant authorities. All legal obligations are comprehensively met.
2. Thanks to modern manufacturing techniques and effective maintenance measures as well as continuous improvements in energy efficiency and an efficient material usage in connection with waste reduction efforts, natural resources are conserved and the energy consumption as well as the waste production minimized.

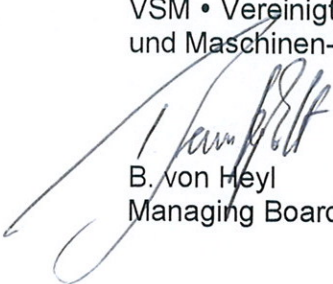
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3. Regular meetings of competent committees ensure further programmes are conducted to achieve improvements of the environmental care and occupational health and safety. Measures agreed on are planned and implemented, using the principles of project management. The necessary budgets are allocated.
4. By direct reporting to the Managing Board and regular audits of the production facilities by external experts the status of the company's environmental care and occupational health and safety are controlled.

We are sure that with all these regulations and measures in place we not only reliably and comprehensively meet all given requirements, but are in addition able to achieve continuous improvements concerning environmental care as well as occupational health and safety.

Hanover, June 2007

VSM • Vereinigte Schmirgel-
und Maschinen-Fabriken AG



B. von Heyl
Managing Board