



Sustainability Report 2011



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Dear reader

Economic, social and environmental sustainability are pillars of the Rieter Group strategy. I am pleased to present Rieter's first comprehensive sustainability report, which takes full account both of qualitative and quantitative aspects. The 2011 Sustainability Report describes in detail our related activities and efforts, illustrates them with various graphics, and underpins all statements with key figures. This substantially enhances transparency.

Our sustainability activities are not however new by any means. Our values and principles oblige us to set ambitious economic targets and to take environmental and social responsibility. The Rieter sustainability strategy has formed an integral part of our business strategy for many years. This includes for example our environmental and safety mission statement that has been in force since 1997. Rieter has established Group-wide and at each location the necessary processes and procedures for standards compliance, control and monitoring. Internal and external experts regularly check the related measures.

Our management and employees ensure with great commitment that sustainability is practised at Rieter on an everyday basis. As a company founded more than 200 years ago, sustainable business ethics are a traditional obligation for Rieter. By upholding that tradition, we continue to create added value for all our stakeholders. This report documents against clear criteria how we meet our economic, environmental and social responsibilities. We shall continue to report in future on a regular basis.

Erwin Stoller
Executive Chairman



The Rieter Group

Rieter is a leading supplier on the world market for textile machinery and components used in short staple fiber spinning. Based in Winterthur (Switzerland), the company develops and manufactures systems, machinery and technology components used to convert natural and man-made fibers and their blends into yarns. Rieter is the only supplier worldwide to cover spinning preparation processes as well as all four final spinning processes currently established on the market. With 18 manufacturing locations in nine countries, the company employs a global workforce of some 4 700, about 28% of whom are based in Switzerland.

Rieter is a strong brand with a long tradition. Rieter's innovative momentum has been a powerful driving force for industrial progress ever since the company was established in 1795. Products and solutions are ideally tailored to its customers' needs and are increasingly also produced in customers' markets. With a global sales and service organization and strong presence in the emerging markets of China and India, Rieter fulfills important prerequisites for achieving future growth. For the benefit of shareholders, customers and employees, Rieter aspires to achieve sustained growth in enterprise value. With this in mind, Rieter aims continuously to increase sales and profitability, primarily through organic growth, but also through cooperation and acquisition. The company consists of two business groups: Spun Yarn Systems and Premium Textile Components.

Spun Yarn Systems

Spun Yarn Systems develops and manufactures machinery and systems used to convert natural and manmade fibers and their blends into yarns. The business group generated sales of 861.7 million CHF in the 2011 financial year and accounted for 81% of Rieter's total sales with 3 594 employees.

Premium Textile Components

Premium Textile Components provides technology components and service facilities both for spinning mills and for machinery manufacturers. The business group is represented on the market through four brands: Bräcker, Graf, Novibra and Suessen. In the year under review it employed a workforce of 1 075 and accounted for 199.1 million CHF (19%) of Rieter's total sales.

Sustainability strategy

Basis

Rieter's sustainability reporting is based on three pillars:



The Rieter environmental and safety principles cover the entire Group value-added chain. Rieter strives for the continuous improvement of environmental compatibility and energy efficiency throughout the value-added chain. Development and production processes and infrastructures are continuously monitored and optimized, giving priority to the development of eco-efficient products and services.

«The Rieter Values and Principles» reflect the Group's commitment not only to ambitious business goals, but also to environmental and social responsibility. Since 1997 Rieter has adhered to environmental and safety principles that form an integral component of the Group strategy. In addition to adopting a prudent attitude to the environment and natural resources, Rieter also includes risk management as well as the responsible leadership and development of personnel in this commitment. Accordingly, all Rieter's products and manufacturing processes must comply with strict environmental compatibility requirements and the highest safety standards for customers and employees as well as neighbors at its production sites.



Economic sustainability

The basic values governing the Rieter Group's business activities are summarized in three overriding goals:

Delight your customers

Enjoy your work

Fight for profits

Rieter is successful as a company if it satisfies its customers' expectations, if its employees are enthusiastic in their commitment, and if it generates long-term added value for its shareholders.

Rieter is committed to creating value for all Group stakeholders. The sustainability strategy accordingly forms an integral part of the business strategy.

Investors

Rieter fosters open, transparent dialogue with investors. By presenting an exact and comprehensive picture of the corporate goals and financial development, our reporting strives for a fair evaluation of Rieter, thereby minimizing capital costs and bolstering our reputational positioning on the finance market. In addition to semi-annual financial reporting, the Group regularly attends banking and investor conferences and meets with Swiss and foreign fund managers and financial analysts. Once annually Rieter holds a media and financial analyst conference to explain background information, technological innovations and medium to long term development prospects in the textile machinery and components business.

Rieter currently has more than 7300 registered shareholders in numerous countries worldwide. The major shareholders (with more than 3% holding) are listed on the Rieter website at <http://www.rieter.com/en/rieter/investor-relations/largest-shareholders/>. As far as known to the company, four shareholders held more than 3% of Rieter Holding Ltd. shares as per 31 December 2011.

Customers

Rieter's business activities are consistently aligned to the needs and requirements of customers.

Customer loyalty and satisfaction are a decisive success factor for Rieter. We strive for long-term customer partnerships based on mutual trust and respect.

With innovative technologies, dependable products and excellent services, Rieter successfully provides customers with solutions that enable their success in turn. Our comprehensive production process expertise from fiber to yarn and along the entire textile value-added chain is an important competitive advantage thereby. We continuously develop our products together with our customers to improve and optimize their benefit, and support them throughout the product lifetime with our comprehensive customer service.



Suppliers

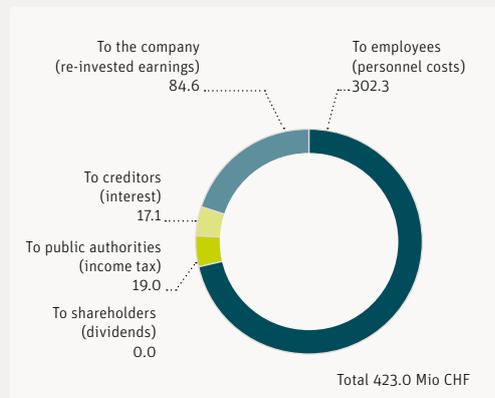
In partnership with our suppliers, we strive to continuously optimize the quality and costing of bought-in materials and components. We attach great importance to proactive innovation support from our suppliers, and we respect our partners' intellectual property rights. We strive for long-term cooperation characterized by mutual respect and joint commitment to addressing economic challenges. And we expect all our suppliers to comply with our code of conduct.

Value-added calculation

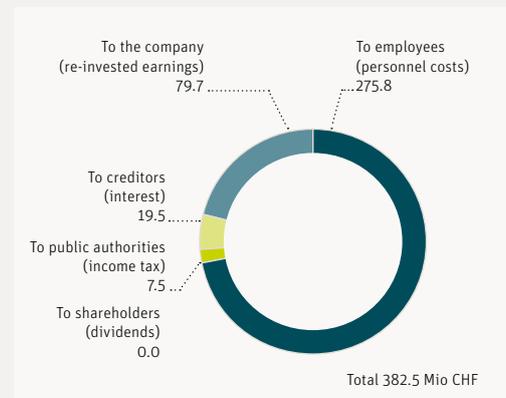
The value added statement for Rieter shows the Group's business performance minus advance payments by third parties. It is calculated from EBIT plus personnel costs and financial income. These diagrams shows how our value-added is distributed among stakeholders:

In 2011 Rieter generated value-added to the amount of 423.0 million CHF. As in the previous year, more than 70% thereof was distributed to employees in the form of remuneration and social benefit contributions. About 20% of value-added remained with the company to strengthen the equity base. The remainder was accounted for by local taxes at our Group company locations and by interest payments to our creditors, in particular our bondholders.

Value-added calculation in million CHF, 2011



Value-added calculation in million CHF, 2010





Social sustainability

Personnel policy

Employees

Rieter's success is founded on the know-how and commitment, flexibility and loyalty of its employees. We support them by providing appropriate workplaces and equipment, and with widely diversified future development possibilities. We train our follow-up management staff internally, and try to fill as many executive positions as possible with our own people. Our systematic global succession planning assures management continuity while at the same time offering attractive career prospects.

Rieter offers suitably graded, challenging assignments in a diversified working environment that is truly international and multicultural, in conjunction with a market-oriented, performance-based remuneration policy. Personnel costs are a major component of the Rieter income statement.

In order to identify talent, Rieter continued in 2011 to develop and improve the performance management process introduced a few years ago. This forms the basis for our succession planning and training schedules.

Leadership

We encourage entrepreneurial attitudes and action at all levels, and delegate authority with responsibility to lower hierarchical levels in order to increase flexibility. We place confidence in our employees and in return expect them to adhere to agreements and show a willingness to engage in the comprehensive exchange of information. We call for exemplary conduct, especially by executive employees.

We encourage teamwork with clearly defined accountability. We recognize our employees' potential and ensure that they are employed in the right place. In this way we create a working atmosphere in which employees display commitment to our company and our customers.

Responsibility

Rieter is committed to sustainable development and therefore to social responsibility. Both at the global level and also in the local environment of our different locations, we do our utmost to promote positive teamwork between the authorities and employee representatives.

Equal opportunity, fair play and integrity, in conjunction with tolerance and respect, are important principles for us. We reject any form of discrimination.

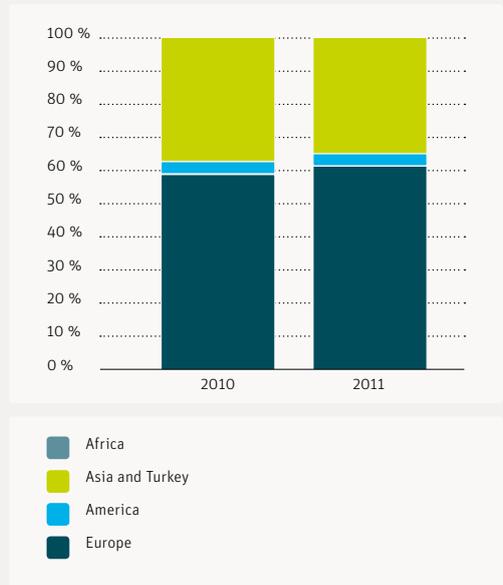
To underpin these principles, Rieter again launched various initiatives and programs during the year under review. In this connection the executive committee together with the business group management teams developed and introduced a leadership code of conduct known as «i-commit».



Workforce and geographical distribution

Per year-end 2011 Rieter had 4'695 full-time employees (excluding temporary staff) world-wide. Employee figures in Europe rose slightly (from 59% in 2010 to 61% in 2011). There was also a slight increase in absolute figures to 36% in Asia, most of whom (98%) are employed in China and India.

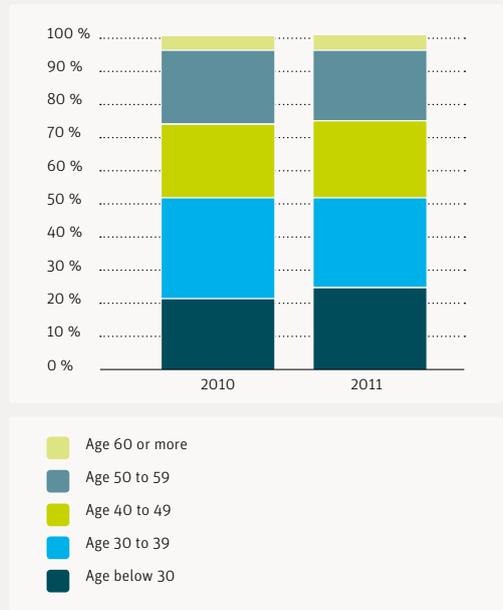
Geographical distribution



Age distribution

The Rieter workforce is equally distributed by age. Due to the large number of Rieter apprentices, employees aged less than 30 are well represented at 25% of the total workforce. The age distribution hardly changed in 2011 compared with prior year. Only the 30 to 39 year age group declined slightly, from 31% to 27%.

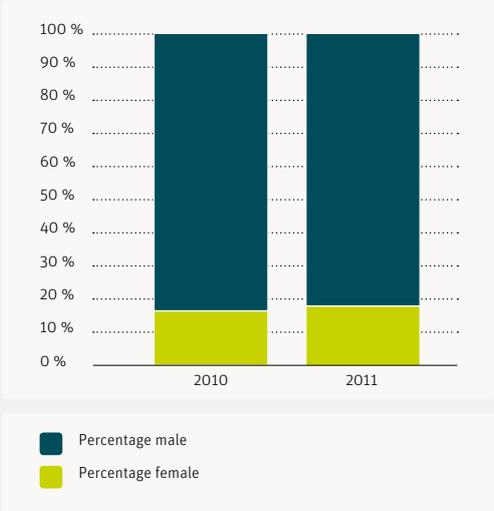
Age distribution



Percentage of female employees

The percentage of female employees rose in 2011 to 18% from 17% in prior year.

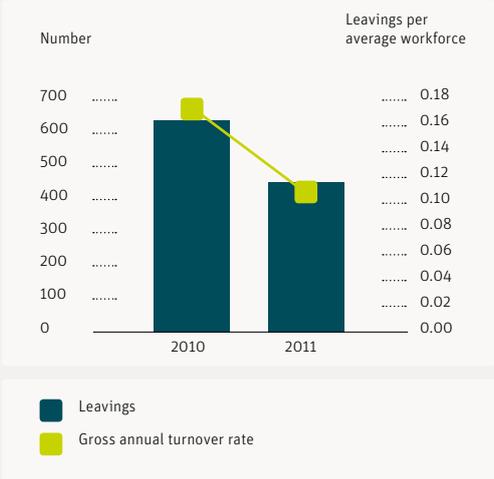
Percentage of female employees



Turnover

The Rieter workforce fluctuation rate varies widely from year to year. This is due not only to the distinct market cycles affecting the textile industry, but also to the big differences in regional fluctuation rates. The fluctuation rate for 2011 was 37% less than in 2010. In 2011 about 450 employees left the company, either due both to layoffs or to voluntary departures.

Turnover



Social sustainability

Education and training

Education and training

Employee education and training is very important for Rieter. The experience and know-how required of employees in this sector of industry to assure Rieter's future success can only be acquired to a limited extent in Western Europe. That is why we invest not only in Europe, but also in China and India, in continuous training and development for our employees and management personnel.

Vocational training

In order to uphold in future our high reputation for Rieter product quality, we invest intensively in vocational training. This commitment covers various professions and locations in different countries worldwide.

Trainees in Switzerland can already acquire entrepreneurial experience and know-how in the Rieter apprentices' firm Creative Solutions, which celebrates its tenth anniversary in 2012. They also help to organize annual training courses whose impact extends far outside the company. Rieter is increasingly offering young employees assignments also in China and India, where they can round off their training by gaining first-hand experience in these large Rieter markets.

In China Rieter launched during the year under review an initiative for establishing a course, similar to an apprenticeship in Switzerland, which will ensure the sustainable training of production and assembly employees.

In India about ten employees successfully concluded the VET (Vocational Education and Training) concept in 2011. The Swiss Federal Office for Vocational Training and Technology and the Swiss-Indian Chamber of Commerce initiated this concept with the proactive participation of Rieter. In 2012 the VET concept will be continued and further developed.

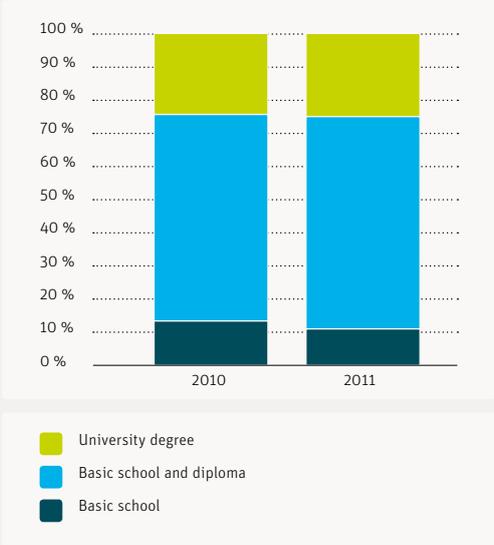
Advanced training (personnel development)

In connection with the Rieter Group separation and focus on the textile machinery business, Rieter's development programs for employees and management were revised and realigned to suit the company's new requirements. Concepts for three different management levels were developed thereby. The focus for 2011/12 is on the lowest management level, a target group with substantial training needs particularly in the growth markets of China and India. For all employees Rieter offered an extensive range of internal and external training possibilities in 2011 covering all areas and jobs within the Rieter organization. During 2011 the Project Implementation Acceleration course was held twice. These globally organized project management courses are indispensable for sustainably and consistently implementing the specific methods used by Rieter. In 2011 we also launched our global Operational Excellence program, whose goal is to significantly improve manufacturing flexibility, productivity and efficiency while at the same time increasing transparency.

Education

Currently 89% of Rieter staff hold a diploma or a university degree. The number of employees who do not hold a diploma or a university degree reduced in 2011 compared with the previous year.

Education



Training time

Average training time per staff member increased to four days in 2011 from three days in 2010. The majority of courses were held with Rieter employees working in Asian countries. Additionally, on-the-job courses were held which are not normally included in this figure.

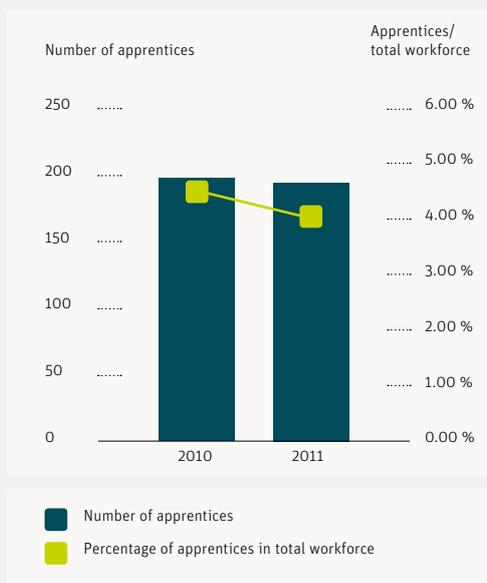
Training



Number of apprentices and trainees

Apprenticeships are a long-standing Rieter tradition, with a relatively large number of apprentices since many years. In 2011 the 192 apprentices accounted for 4% of the Rieter workforce, as against 197 in 2010. Most apprentices are currently being trained in Switzerland and Germany. The introduced educational programs in China and India (refer to page 18) are not yet included in these figures.

Apprentices



Social sustainability

Occupational health and safety

Occupational safety

The Rieter training courses in occupational safety continued in 2011. The measures taken to improve accident prevention, risk awareness and occupational safety have proved effective: there has been a further reduction in the number of accidents involving lost working days.

Risk audits

Ever since 2003 Rieter has had a well-established risk control audit system covering all locations worldwide. Apart from industrial property risk insurance such as fire and natural hazards, business interruption, occupational safety and environmental risks are also analyzed and recommendations made accordingly. In this connection the corporate risk and insurance management team holds regular audits together with an external partner, and monitors the implementation of recommendations. Additionally, in-house training courses were held to propagate the respective know-how in India and China.

Rieter EHS minimal procedure requirements

Rieter has compiled clearly defined «Environment, Health and Safety minimal procedure requirements» that have been communicated for some years to the respective Environment, Health and Safety managers. To check for compliance with these requirements, regular self-assessments are held and analyzed.

Certified management systems

As already in 2010, all Rieter plants except one were certified in 2011 to ISO 9001. In 2011, 91% of the Rieter workforce were employed at an ISO 9001 certified plant. Since two plants (in India and the Czech Republic) were sold in 2011, the number of certified plants reduced in absolute figures.

	2010	2011
ISO 9001 (locations)	17	15
% workforce	95 %	91 %
ISO 14001 (locations)	2	1

One Rieter plant is furthermore certified to ISO 14001. Rieter does not plan to certify all plants to ISO 14001 and OSHAS 18001, but nevertheless manages them according to these standards. Among other measures, this is also ensured by conducting in-house risk assessments.

Occupational accidents and accident rate

In 2010 and 2011 specific work safety training courses were held. In 2011 the number of occupational accidents with lost days per million working hours was reduced by 7%. Also the accident rate (number of occupational accidents per 1000 employees) was 6% lower in 2011 than in 2010.

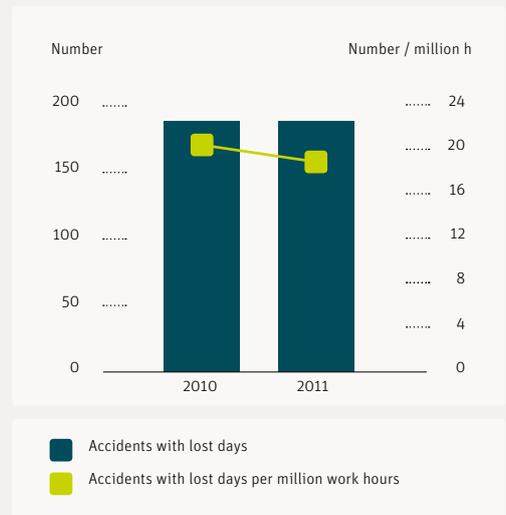
Number of occupational fatalities

Rieter recorded no occupational fatalities in 2010 and 2011.

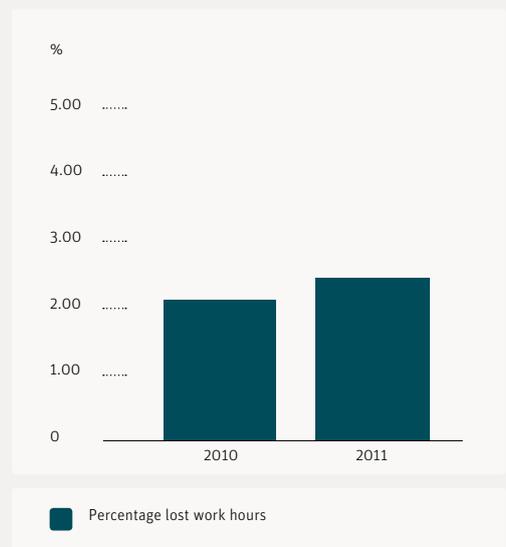
Absentee rate due to occupational accidents or sickness

In 2011 the absentee rate due to occupational accidents or sickness was 2.46% of total work hours, 11% higher than in 2010.

Occupational accidents



Absence hours due to occupational accidents or sickness



Social sustainability

Social responsibility

Occupational health management

Rieter launched various occupational health care initiatives during the year under review, and is continuously taking short-term, medium-term and long-term measures to promote employee health and wellbeing at the workplace.

Absence monitoring has been standardized and in May 2011 a system-supported absence management plan was introduced. Training courses were held to improve managers' awareness of their role and responsibility in mitigating work-related accidents.

Occupational health care is also an aspect of the in-house training program that was extended in 2011 to include Health and Welfare. This focuses on factors influencing health and performance, such as stress or addiction handling, work-life balance, and presenteeism. The program also covers retirement preparation and social security information. The aim is to institutionalize training courses on selected themes.

Rieter has always taken its social responsibility very seriously, both toward employees and toward their local communities worldwide. In Switzerland Rieter meets this commitment through the Johann Jacob Rieter foundation in support of art and culture, education and charitable causes.

Cooperation with employee representatives worldwide is fundamentally important to Rieter. In Europe this cooperation is with the European Works Council, and in each individual country directly with the respective employee representatives and trade unions. In Switzerland Rieter belongs to the Swissmem industry association. The employees work under the respective collective labor agreement.

For Rieter as a globally active company it is important to implement and enforce the legal and ethical obligation standards worldwide. To this purpose Rieter has developed a code of conduct in business relationships that is binding for all Rieter employees at all levels and in all countries. To ensure their familiarity and compliance with this code of conduct, regular training courses and tests are held.

The Occupational Health Management monitors on an everyday basis compliance with the governance principals to promote mutual respect, encouragement and trust.

Environmental sustainability

Product development

Rieter attaches great importance to the conservation of resources. Not only does Rieter make every effort thereby to reduce production process energy consumption, but also to continuously optimize its spinning machinery, components and their operation so that customers likewise consume less resources. Minimal environmental pollution, more efficient power generation, greatest possible savings in electricity consumption, optimal utilization of raw materials – Rieter recognized all these sustainability factors decades ago and takes full account of them in product development, focusing on the entire lifecycle.

Rieter is the only supplier worldwide to cover spinning preparation processes as well as all four final spinning processes currently established on the market. This competence along the entire value-added chain enables Rieter to energy-optimize all processes and machinery settings according to individual customer needs.

External reporting

Since 2007 the Rieter Group participates in the Carbon Disclosure Project (CDP), an international survey of greenhouse gas relevant company data. One of its aims is to reduce greenhouse gas emissions worldwide.

All relevant information for sustainable corporate management is registered in the Rieter SEED database (Social, Economic and Environmental Data) and evaluated each year also to assess the Group's sustainability performance as basis for this report.

Environmental data

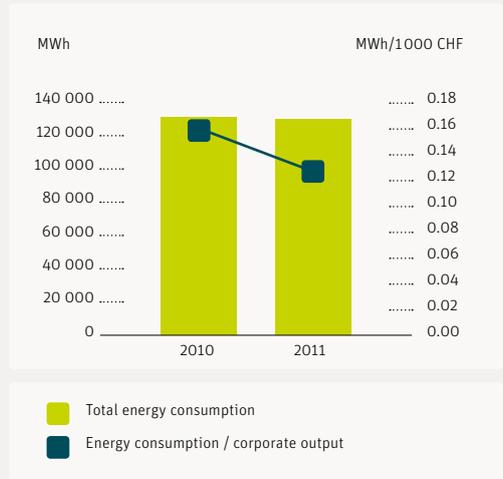
The main environmentally relevant facts and figures on Rieter's worldwide activities are set out below. They refer to 2010 and 2011 in order to show the development trend. Due to separation of the two divisions Rieter Textile Systems and Rieter Automotive Systems in May 2011, this data only applies to Rieter Textile Systems for both years to facilitate comparison.



Energy consumption

Rieter continuously strives to reduce energy consumption of production processes. Overall energy consumption by Rieter reduced slightly in 2011 to 131 000 MWh. Energy consumption in terms of corporate output declined by 20% to 0.13 MWh/1000 CHF.

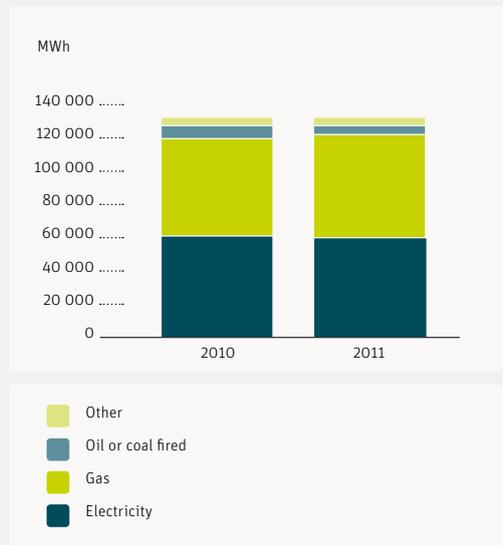
Energy consumption



Energy mix

Rieter's most important energy media, electricity and gas, accounted for 95% of total energy consumption in 2011.

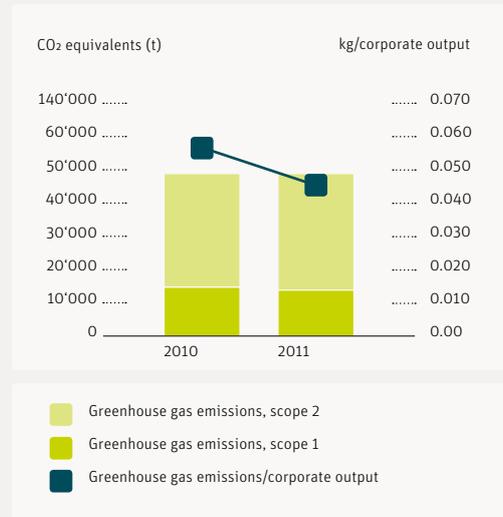
Energy source mix



Greenhouse gas emissions

Rieter’s greenhouse gas emissions in metric tons of CO₂ equivalents comprise emissions directly from Rieter production plants, either from fuel combustion (scope 1 emissions) or from electricity generation by power utilities in countries where Rieter is active (scope 2 emissions). In 2011 absolute CO₂ emission figures remained practically unchanged, while emissions in terms of corporate output declined by 19%.

Greenhouse gas emissions



Acidification (SOX equivalents)

Absolute SOX emission figures in 2011 were 47% less than in 2010. SOX emissions in terms of corporate output were even 57% less. In particular the change in absolute figures is attributable to the sale of two production plants in 2011.

Acidification



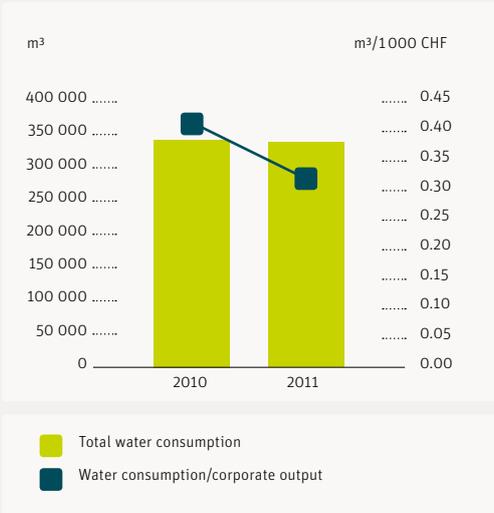


Water consumption

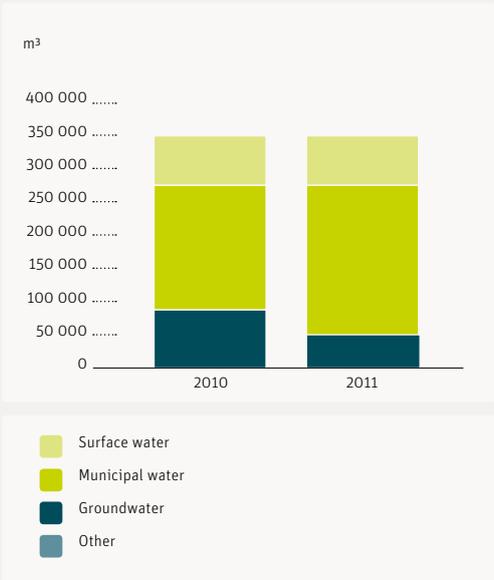
Absolute water consumption figures for 2011 amounted to 345'000 m³, almost as high as in 2010. Water consumption in terms of corporate output declined by 20% in 2011, and water consumption per employee by 7%. Water is mainly consumed by Rieter for cooling or for sanitation and cleaning purposes. Wherever possible, closed loop systems are used in order to minimize water consumption.

Most of the water used is taken from municipal supplies (64%); the combined surface and groundwater component amounted to 36% in 2011.

Water consumption



Water consumption by source



Waste disposal and recycling

The absolute waste figures at Rieter locations increased by 22% in 2011, mainly due to the steep rise in production output. Waste figures in terms of corporate output declined by just over 1% to 11.70 kg/1000 CHF. 87% of waste is recycled externally.

Waste disposal and recycling



All statements in this report which do not refer to historical facts are forecasts for the future which offer no guarantee whatsoever with respect to future performance; they embody risks and uncertainties which include – but are not confined to – future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors which are outside the company's control.

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