



The Strength Within Responsibility

Corporate Social Responsibility Report



About Hexcel

2016 Sales by Market

Hexcel is a leader in advanced composites technology, a leading producer of carbon fiber, and the world leader in honeycomb manufacturing for the commercial aerospace industry.

We support our customers in commercial aerospace, space and defense, and industrial markets to make products using lighter yet stronger materials. Lighter means less fuel is needed and less fuel consumption means less impact on our global environment.

- 2016 total revenue: \$2 billion
- More than 6,300 employees globally
- 19 manufacturing locations in North America, Europe and Asia
- Customers, suppliers, distributors and other partners around the world

16%

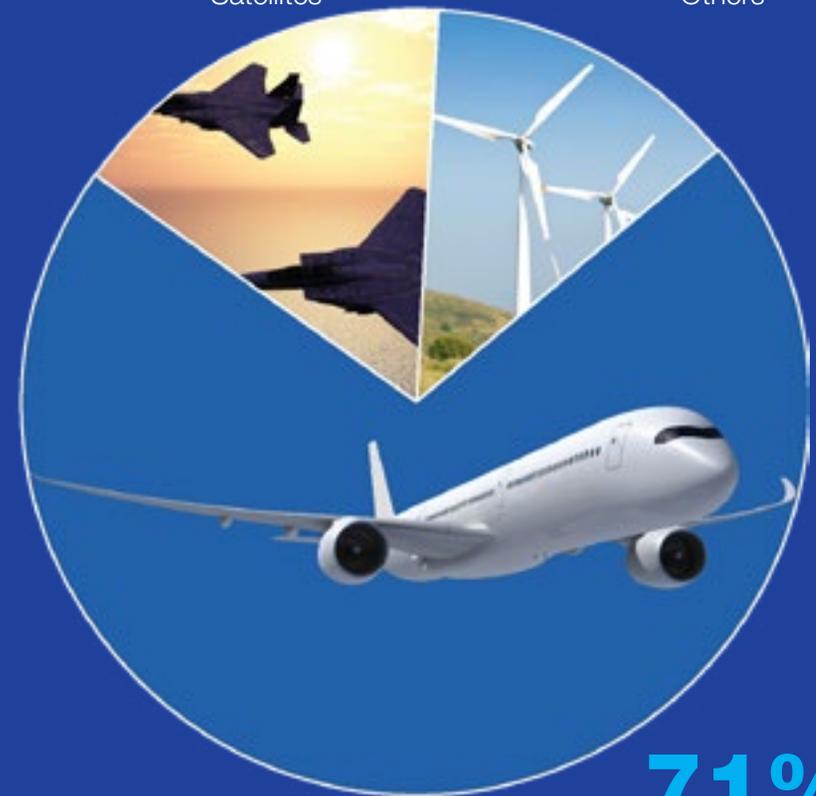
SPACE & DEFENSE

Rotorcraft
Military Aircraft
Launch Vehicles
Satellites

13%

INDUSTRIAL

Wind Energy
Automotive
Recreation
Others



71%

AEROSPACE

Airbus and Boeing
Engines/Nacelles
Regional/Business

A MESSAGE FROM NICK STANAGE

Chairman, CEO and President

Hexcel is committed to actively managing a strong health and safety effort throughout the company, and to operating all of our facilities worldwide responsibly.

We believe that our good name and reputation are fundamental to the continued success of our business. So we accept the challenge to think and work responsibly, to be mindful of the effect our operations and processes have within the manufacturing sites and offices where we work and on the communities in which we do business.

In this report, we share with you the management processes we've developed and the work we've done toward achieving our goal of superior performance in our health, safety and environmental efforts. While our managers are accountable for health, safety and environmental direction and performance in their respective areas, we believe it is a responsibility shared by every employee.

We are committed to:

- Meeting all applicable environmental laws and regulations.
- Designing, constructing and operating our facilities in a manner that minimizes the impact of our operations on the environment.

- Providing ongoing education and training so that we are prepared to deal with day-to-day environmental responsibilities as well as environmental emergencies.

Our teams collaborate constantly with customers to develop the most technologically advanced and innovative products in the marketplace, helping them to meet goals such as reducing carbon emissions or creating renewable energy sources. We make products using lighter weight materials – such as carbon fiber, honeycomb and engineered core – that result in less fuel consumption and therefore less environmental impact without sacrificing toughness, strength or durability.

One of our values is working with uncompromised integrity on behalf of our stockholders, customers and employees. We strive to be good citizens in the communities in which we live and work, and we take our values and our challenge to do the right thing seriously. We look forward to sharing with you our progress against these commitments.



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Our Values

We strive to be an industry leader and a responsible steward of resources—both human and natural. These values guide our actions, reflect our culture, and drive our performance.

RESPONSIBILITY

We work with uncompromised integrity on behalf of our stockholders, employees and customers. We strive to be good citizens in the communities in which we live and work.

ONE HEXCEL

We thrive on the contributions each person brings to the Company by valuing diversity, developing talent, fostering teamwork, and rewarding success.

INNOVATION

We embrace the curiosity to explore ideas, the passion to challenge the impossible, and the conviction to succeed beyond expectations.

ACCOUNTABILITY

We are accountable—to customers, stockholders, the community, suppliers and to ourselves—for achieving superior performance by expecting excellence in everything we do.



We strive to be good citizens in the communities in which we live and work.

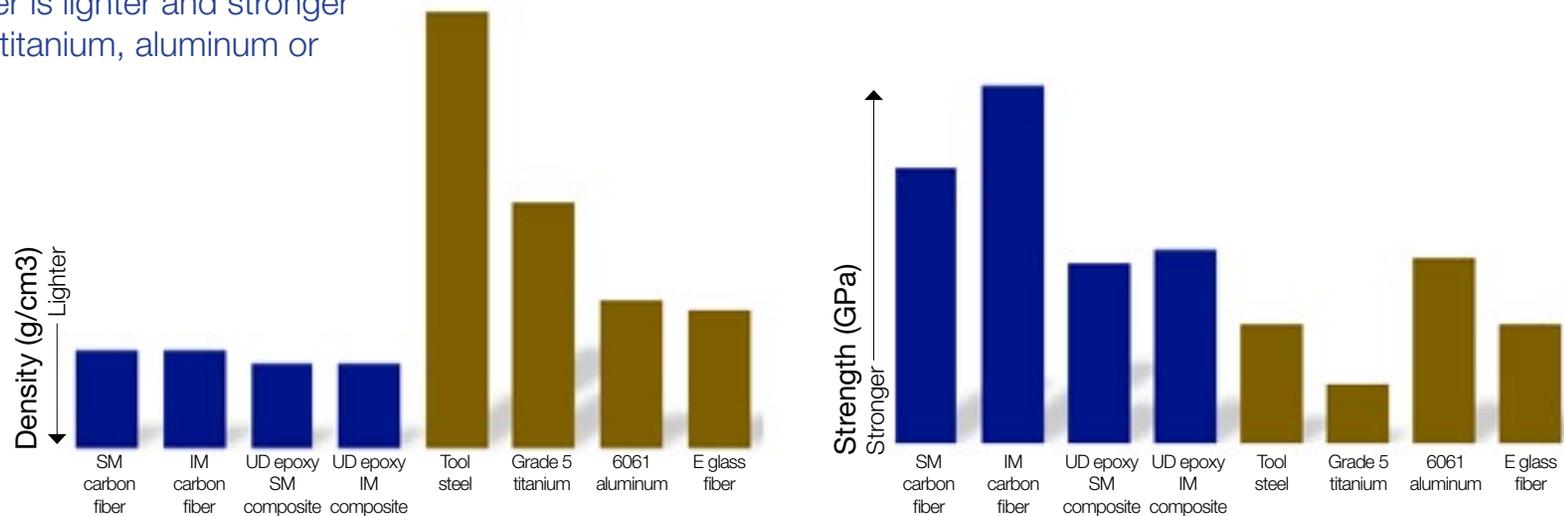
Our Products

Our products are used by customers to save weight, which reduces fuel consumption and helps to reduce carbon emissions. Some of our products reduce noise pollution while others help to produce clean and renewable energy.

Hexcel is a leading global producer of advanced composites, serving commercial aerospace, space and defense, and industrial markets. The company is a leader in the production of carbon fiber, woven and specialty reinforcements, prepregs and other fiber-reinforced systems, honeycombs and composite structures. Hexcel has the most qualified positions on aerospace programs of any composites manufacturer.

The lightweight, adaptable nature of our materials makes products lighter, stronger and more durable. Therefore, our overall impact on the global environment is closely linked with our customers and their efforts to make products with a reduced impact on the environment. Whether the goal is to reduce fuel consumption or engine noise . . . or to enable alternative energy sources such as wind turbines to be more efficient . . . Hexcel composites are a vital component in the process.

Carbon fiber is lighter and stronger than steel, titanium, aluminum or glass fiber



SM = Standard Modulus
IM = Intermediate Modulus
UD = Unidirectional

Each new generation of commercial aircraft has used increasing quantities of advanced composites to replace metals and reduce weight for more fuel-efficient aircraft with lower CO₂ emissions.

Hexcel makes composite products that lead to lighter, more fuel-efficient commercial aircraft than was possible in the past. Every ton of fuel saved means more than 3 tons of CO₂ avoided.¹ Moreover, composite-based parts are corrosion resistant and stronger, leading to longer-life and increased safety and performance.

The Growing Use of Advanced Composites

Both Airbus and Boeing began to make extensive use of composites and other advanced materials for producing large commercial aircraft more than three decades ago with the Airbus 310 and Boeing 767. Since then:

- The airframe of Boeing's 777 aircraft, which entered service in 1995, is approximately 11% composite materials.

- The Airbus A380, which was first delivered in 2007, has approximately 23% composite content by weight.
- The Boeing 787, which entered into service in September 2011, has a content of about 50% composite materials by weight. The 787 Dreamliner family reduces fuel use and CO₂ emissions by 20-25 percent compared with airplanes it replaces.²
- The Airbus A350 XWB, which has a composite content of more than 50% by weight, was first delivered to launch customer Qatar Airways in December 2014. Hexcel carbon fiber, prepreg, honeycomb and engineered core are a significant part of the composite content. The aircraft is 25% more fuel efficient than current generation aircraft, thereby similarly reducing carbon emissions.³

Customer Aircraft Program							
Hexcel Product Family	B747-8	Legacy B777	B787	B737 MAX	A380	A350 XWB	A320neo
Prepregs and reinforcements for primary structure							
Prepregs and infusion for secondary structure							
Prepregs for engines and nacelles							
Engineered products							
Honeycomb							
Acousti-Cap® honeycomb							

 Contains Hexcel Composites

1 www.a350xwb.com/eco-efficiency

2 "Boeing Supports ICAO Aircraft CO2 Emissions Standard," Boeing, February 8, 2016

3 "Responsibility Made by Airbus Group," Airbus Group 2014.



The primary building blocks for composite materials begin with carbon fiber, such as Hexcel HexTow®. Carbon fiber is lighter and stronger than steel, titanium, aluminum or glass fiber.

Carbon Fiber

The primary building blocks for carbon fiber composite materials begin with Hexcel HexTow® carbon fiber. It's the preferred carbon fiber for the world's most advanced aerospace and industrial applications. Hexcel manufactures a broad range of high performance carbon fibers for both aerospace and industrial applications and is the leading carbon fiber supplier to U.S. military applications.

Fabrics, Multiaxials and Specialty Reinforcements

HexForce® fabrics, HiMax™ and HiTape™ are reinforcements that give products stiffness and strength. They are made from a variety of fibers including carbon, glass, aramid and other high strength polymers, quartz, ceramic and other specialty fibers. These reinforcements are used in the production of prepregs and other matrix materials used in primary and secondary structural aerospace applications such as wings, horizontal and vertical stabilizer components, fairings, radomes and engine fan blades and cases and engine nacelles, as well as overhead storage bins and other interior components. Our reinforcements are also used in the manufacture of a variety of industrial and recreational products such as wind energy turbine blades, automotive components, oil exploration and production equipment, boats, surfboards, skis and other sporting goods equipment.

Prepregs

HexPly® prepregs are specially formulated resin matrix systems that are reinforced with man-made fibers such as carbon, glass and aramid. HexPly® is the ultimate composite material because during its manufacture, it becomes a solid structural material that is highly durable, temperature resistant, exceptionally stiff and extremely lightweight. Aircraft engine systems have evolved to include so many major composite components that carbon fiber epoxy prepreg parts account for typically half the volume of the entire nacelle structure. Our unique capability to make toughened epoxy resin and fiber matrix systems has enabled composite fan blades to be in production on the B777, B747-8 and B787 for years.

Hexcel HexPly® carbon fiber/epoxy prepreg is used to manufacture all composite primary structures of the A350 XWB aircraft, including the fuselage panels, keel beam, wing and the empennage (stabilizing surfaces at the tail of an aircraft). The A350 XWB is the first Airbus aircraft with a structure that is more than 50% advanced composite materials, making a huge contribution to the weight-saving, performance and fuel efficiency of the aircraft. The A350 XWB is setting a new standard of efficiency in its class, with 25% lower fuel consumption compared with its current aluminum long-range competitors.

In addition, the A320neo benefits from fuel-saving sharklet wingtip devices that are manufactured using Hexcel HexPly® carbon fiber/epoxy prepreg. The sharklets reduce fuel burn, increase payload range and improve take-off performance. Wingtip devices can reduce CO₂ emissions by up to 6%.

Hexcel's carbon fiber reinforced polymer (CFRP) technology is used in the BMW 7 series to help make the BMW 7 series lighter, reducing fuel consumption and CO₂ emissions. Hexcel supplies BMW with preforms

made of unidirectional carbon prepreg set in various orientations and combined with adhesive. The prepreg is made from Hexcel's HexPly® resin system that cures in just two minutes for fast and efficient processing. Hexcel's CFRP solutions are used in standalone and hybrid applications to help not only lighten cars which contributes to overall CO₂ reductions, but also help to improve performance and safety through increased strength and durability.



Composite wingtip devices – such as those made with Hexcel composites – can reduce CO₂ emissions by up to 6%.

Source: International Air Transport Association (ATA)

Honeycomb

Hexcel was the first company in the U.S. to manufacture expanded aerospace grade honeycomb on a commercial scale.

HexWeb® honeycomb is a lightweight, cellular structure generally composed of a sheet of nested hexagonal cells that provides a highly efficient energy absorber. When sandwiched between composite or metallic facing skins, honeycomb significantly increases the stiffness of the structure while adding very little weight. It is produced from a number of raw products including aluminum, fiberglass, non-flammable aramid papers, aramid fiber and other specialty materials.

Reducing Noise Pollution

In February 2013, the International Civil Aviation Organization (ICAO) Committee on Aviation Environmental Protection (CAEP) agreed to a new global noise reduction standard to reduce aviation noise and emissions impacts. Hexcel Acousti-Cap® has been proven to reduce jet engine noise more effectively than any competing system and has been specified on the Boeing 747-8, 787 and 737 MAX nacelles. With Acousti-Cap®, a non-metallic permeable cap material is embedded into honeycomb core that is used in aircraft engine nacelles to dramatically reduce noise during takeoff and landing without adding a structural weight penalty.



Award-winning HexWeb® Acousti-Cap® is Hexcel's broadband sound-reducing honeycomb – enabling engine designers to reduce the noise from takeoffs and landings yet without adding significant weight to the aircraft. It is used by Boeing on GE and Rolls Royce engines to save weight and reduce engine noise by up to 30%.

Operations and Processes

Process Safety Management

Process Safety Management (PSM) is an integrated management system that combines technology, engineering, operations, maintenance and safety to achieve optimal production with no interruptions, incidents or deviations. It has been a part of Hexcel's ongoing safety processes for decades and is part of our plan to manage overall risk in our production facilities.

Through process safety management, we analyze the technology, engineering and design of a production process to reduce the risk of significant interruptions, injuries, fires, spills and other unwanted events. This risk reduction is achieved through improvements to process design, maintenance and operations.

Hexcel has trained managers and process engineers globally in the techniques needed to optimize our production, quality, efficiency and safety processes.

Contractor Safety

Hexcel recognizes that contractors are an important and vital part of our workforce. The goal of our contractor safety program is to ensure that Hexcel facilities select competent contractors, set clear EHS performance expectations, and monitor the contract work while it is being performed. Hexcel's Health and Safety Management System requires all Hexcel facilities to maintain a written contractor safety program. The program elements include pre-qualification, induction and training, and performance assessment and reporting. Hexcel tracks and investigates contractor safety incidents and injuries. Contractor injury

rates and summaries of contractor incidents are included in internal safety reports.

Positive Safety Interactions

It is Hexcel's goal to create a caring culture where employees look out for one another. A Positive Safety Interaction (PSI) is a supportive safety conversation between managers/professionals and production employees at the stations where our operators and technicians work and routinely face safety risks. PSIs are about actively caring and regularly taking action to promote the safety, health, and well being of others.



Hexcel and the A350 XWB

Hexcel composites are helping the A350 XWB achieve a 25% improvement in fuel efficiency and reduce exterior noise levels*. Hexcel HexPly® carbon fiber/epoxy prepreg is used to manufacture all composite primary structures of the aircraft, including the fuselage panels, keel beam, wing and the empennage.

Hexcel's content on each A350 XWB includes carbon fiber, resin film, prepreg, honeycomb and engineered core. Contributing to A350 XWB performance are Rolls-Royce Trent XWB engines, which have the lowest carbon emissions of any widebody powerplant and are made using HexPly® prepreg.



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Hexcel and the A320neo

The A320neo makes extensive use of Hexcel weight-saving composites to help it achieve up to 20% lower fuel burn per seat compared with the previous generation.* In addition to the HexPly® carbon fiber prepreps and HexWeb® honeycomb, the A320neo benefits from fuel-efficient wing tip sharklets made from Hexcel HexPly® prepreg.

*Responsibility Made by Airbus Group. Airbus Group 2014.



Hexcel and the Boeing 787 Dreamliner

The Boeing 787 Dreamliner is 50 percent composite by weight with a majority of the primary structure made of composite materials, which helps reduce fuel consumption and carbon emissions by 20-25%** and creates quieter takeoffs and landings.

The B787 entered into service in September 2011 with Hexcel composite content on board. Hexcel's carbon fiber, structural prepregs, reinforcing fabrics, honeycomb core and engineered parts are used in many applications throughout the 787, particularly in the plane's engines and nacelles, interiors and secondary structures. The HexMC® low density, high strength composite window frame (made by Nordam) results in almost a 50% weight savings over a traditional aluminum frame, as well as offering superior damage tolerance.

The B787 features high-performance Hexcel Acousti-Cap® in the engine inlet structure. It enables superior acoustic shielding performance, making the B787 a significantly more quiet airplane without adding additional weight.

** <http://www.boeing.com/commercial/787/by-design/#/advanced-composite-use>

The Boeing 737 MAX and the LEAP-1B Engine

Hexcel HexTow® carbon fiber is used to manufacture the LEAP-1B engine fan blades and containment cases, powering the Boeing 737 MAX. The 737 MAX will deliver unprecedented fuel efficiency in the single-aisle market, reducing fuel use and carbon dioxide emissions by 20 percent compared with the original Next-Generation 737.*

The engine nacelles have an acoustic inner barrel that is manufactured by Boeing from Hexcel's engineered core and benefits from Hexcel Acousti-Cap® technology in which a permeable cap material is individually embedded into each honeycomb cell to create an acoustic septum. This technology is a leading contributor to noise reduction without adding weight.

*The Boeing Company, 2016 Environmental Report



Safety Summits

Four years ago, Hexcel manufacturing sites began hosting Safety Summits—day-long meetings during which employees and leaders focus on identifying the key areas for improving the facility's safety performance. Today, Safety Summits have been conducted at every Hexcel Manufacturing and R&T facility worldwide. These summits are preceded by an employee survey to gauge the status of the facility's safety culture and benchmark ourselves versus organizations with best in class safety performance. A broad cross-section of employees from corporate leadership to technicians participate to review and assess the facility's current safety systems and culture, and develop improvement plans. The plans are integrated into the facility's EHS strategy and tracked by leadership. We continue to conduct follow up Safety Summits at least every two years and re-conduct employee surveys to gauge progress and update the EHS strategy.

A Safer Workplace Supports a Better World

The employees at Hexcel Les Avenières (France) have developed a way to improve safety at the plant while making a positive difference in the community.

An employee-led health and safety committee developed a process that encourages colleagues to bring to the attention of their managers any potentially unsafe work situations they discover. For every report submitted, the plant develops a corrective action plan and the company sets aside funds used to make annual donations to local charitable organizations.

As a result, risk factors have been significantly reduced and work incidents have decreased, while cash has been donated over the past two years to support community causes. The program has been so effective that other Hexcel locations have adopted the idea, including our Hexcel Duxford (U.K.) site.

EHS Champions

We believe that to achieve world-class performance, we need a culture where everyone has responsibility for our overall success. That's why environment, health and safety is considered as a responsibility for each one of us – not just a few. We encourage our employees to constantly find, communicate and address opportunities for improvement. Our EHS champions provide opportunities for all employees to lead a specific EHS project or initiative during a calendar year, as part of that person's overall work objectives. The program accelerates EHS performance improvement while providing employees with an opportunity to increase their knowledge and expertise.

Safety Awards

Each year, Hexcel recognizes a few manufacturing sites that have achieved exceptional safety performance over the past year. Winners of the Hexcel Safety Excellence Awards are announced each January. To be in this elite group, a site must achieve its injury rate target for the year and demonstrate outstanding progress implementing active and preventive safety programs. This includes global, as well as local initiatives, that have a significant impact in improving safety performance.



Safety Risk Assessments

In 2015, a new risk assessment procedure was introduced to increase employee and contractor involvement in creating a safer work environment. The Safety Risk Assessment is a structured process to quantify risk, evaluate existing risk controls and determine if additional controls are required. The process is carried out by dedicated risk assessment personnel with involvement from managers, supervisors, operators and maintenance employees. In addition to reducing overall risk, the program inspires employees to report misses and near misses and has improved work instructions, helped eliminate unsafe practices, and improved employee hazard recognition skills.

The four-step assessment includes (1) documenting work processes, (2) evaluating risk for each process, which includes photographing the processes and interviewing employees,

(3) implementing process improvements, and (4) encouraging continuous feedback through daily safety meetings and improved communications.

Chemical Usage

There are chemical use laws in virtually every country in which Hexcel does business. We maintain an ongoing awareness of all laws that relate to any of our raw materials to ensure compliance. Hexcel works to reduce or eliminate the use of raw materials that may present unusual risk to human health or the environment. Hexcel has an active program to review the chemicals used in its processes and, through well-vetted material and process engineering projects, selects the most environmentally friendly chemical alternatives when possible.



A Cleaner, Safer Way to Deliver Chemicals

Hexcel Decatur (Alabama) completed the installation of a rail line for delivering acrylonitrile to the plant. One rail car can carry four times as much chemical as one tanker truck, reducing fuel consumption and carbon emissions. In addition, the rail line – which can accommodate two rail cars at the same time – reduces the number of chemical-carrying trucks on the highway, increasing safety for all drivers.

Hexcel Safety Performance

Our total recordable injury rate and our lost-time injury rate remain significantly lower than the average for all industries including similar types of manufacturing companies.*

Between 2011-16, Hexcel improved its safety performance by reducing its total accident rate by 27% and its lost-time accident rate by 24%.

OUR HEALTH AND SAFETY COMMITMENT

Hexcel is committed to an effective health and safety effort throughout the Corporation. While every employee shares in the responsibility for health and safety, it is management that must provide the direction, accountability and resources for this effort to be successful.

Our Health and Safety Goals are:

- Eliminating workplace injuries
- Protecting employee health from workplace exposures
- Preventing process safety incidents
- Complying with health and safety regulations
- Protecting Hexcel property from accidental loss
- Promoting the safe use of Hexcel products

Achieving these goals is an important measure of performance and requires the commitment of every employee. As Hexcel faces the challenges of growth and change during a period of significant expansion, we continue to emphasize prevention efforts.

- At the center of Hexcel's approach to health and safety is a supportive process to assure effectiveness in every operation:
- A health and safety management system
- Periodic system evaluations
- A strong health and safety organization
- Communication of safety performance information
- Recognition for superior safety achievement

CERTIFICATIONS

Every Hexcel manufacturing plant has achieved ISO 9001 certification for quality management systems. We pursue additional certifications when we have a business reason or customer reason for doing so.

ISO 9001

Burlington, Washington*
Casa Grande, Arizona*
Dagneux, France*
Decatur, Alabama
Dublin, California
Duxford, U.K.*
Illescas, Spain*
Kent, Washington*
Les Avenières, France*
Leicester, U.K.
Nantes, France*
Neumarkt, Austria**
Parla, Spain*
Pottsville, Pennsylvania*
Salt Lake City, Utah*
Seguin, Texas*
Stade, Germany*
Tianjin, China
Welkenraedt, Belgium*
Windsor, Colorado

OHSAS 18001

Dagneux, France
Nantes, France
Neumarkt, Austria
Leicester, U.K.
Les Avenières, France
Tianjin, China

ISO 14001

Dagneux, France
Nantes, France
Duxford, U.K.
Stade, Germany
Leicester, U.K.
Les Avenières, France
Neumarkt, Austria
Parla, Spain
Salt Lake City, Utah
Tianjin, China

NADCAP

Burlington, Washington
Dagneux, France
Nantes, France
Duxford, U.K.
Stade, Germany
Kent, Washington
Leicester, U.K.
Pottsville, Pennsylvania
Salt Lake City, Utah
Welkenraedt, Belgium

*Also AS 9100C, EN 9100 or JISQ 9100 certified

**Also ISO/TS 16949:2009 certified

Understanding Certifications

ISO 9001 defines a quality management system focused on meeting customer expectations and delivering customer satisfaction. The standard helps companies achieve consistent results and continually improve their processes.

AS 9100C (North America), **EN 9100** (Europe) and **JISQ 9100** (Japan) is the internationally recognized quality system standard specific to the aerospace industry. Based on ISO 9000 requirements, AS 9100 puts a particular focus on quality, safety and technology in all disciplines throughout the aerospace industry, and along the entire supply chain.

OHSAS 18001 is an Occupation Health and Safety Assessment Series for health and safety management systems. It is intended to help organizations control occupational health and safety risks.

The **ISO 14001** Environment Management System (EMS) standard is an internationally recognized environmental management standard which was first published in 1996. It is a systematic framework to manage the immediate and long term environmental impacts of an organization's products, services and processes.

NADCAP (the National Aerospace and Defense Contractors Accreditation Program) is a global cooperative accreditation program for aerospace engineering, defense and related industries providing a cost-effective consensus approach to special processes and products and continual improvement.

Our Actions

Solid Waste and Recycling

We believe that the first step toward managing solid waste is to reduce or eliminate the potential for it even before manufacturing begins by working closely with our customers to optimize product design in ways that will minimize waste.

Up to 40% of the solid and hazardous waste we do generate is recycled, reused or reclaimed. Although both carbon fiber and honeycomb waste are lightweight, they can occupy substantial volume in a landfill. So, our carbon fiber waste is sent to third party partners to be milled, chopped and repurposed into new products. Honeycomb core waste is shredded by third parties to reduce its volume and also repurposed for other applications.

All Hexcel sites look for additional ways to recycle paper, aluminum and plastic as a normal business practice. In most cases, this has resulted in significant reductions of waste going to landfills as well as opportunities to recover costs. For example, at Hexcel Salt Lake City (Utah), 25% more material – a total of 7.18 million pounds of cardboard, paper, plastic and metal – was recycled in 2015 than in the previous year.

Reuse Initiatives and Development

In 2016, Hexcel made a strategic investment in Carbon Conversions Incorporated (CCI), creating a partnership between Hexcel and CCI, a recognized leader in carbon fiber recycling and repurposing.

CCI reclaims carbon fiber from dry, wet, and cured structures and incorporates reclaimed carbon fibers in advanced materials that are used to make new, high-performance components. Working collaboratively, Hexcel and CCI will further advance aerospace and industrial applications for reclaimed carbon fiber, enabling the widespread commercial adoption of high-performance, recycled carbon fiber reinforced products and extending their lifecycle.

Through this partnership, Hexcel has an ideal opportunity to create a full lifecycle solution never before realized in our industry. It adds significant value for customers who want to incorporate recycled product into new, high performing aerospace and industrial applications.

In addition, process and product developments initiated in collaboration with aerospace and industrial customers are starting to provide very positive results. For example, uncured prepreg by-product is reused for making new high-performance products, reducing environmental impact by at least 40% when compared with virgin sourced products.

EMISSIONS

- **CO₂** Hexcel tracks greenhouse gas emissions and has active programs in place to reduce its carbon footprint. For example, its “Energy Tigers” program (see page 19) has resulted in significant reductions in energy consumption and associated carbon emissions. In addition, whenever we build new or expand existing operations, we invest in the latest available technology to help reduce and control emissions.
- **Air and Water Emissions** Hexcel has deployed state-of-the-art emissions controls at its manufacturing sites worldwide. For example, our newest carbon fiber lines in Illescas, Spain, Salt Lake City, Utah, and Roussillon, France use the latest technologies to reduce emissions of particulate matter and other air pollutants.
- **HCN** Hydrogen cyanide (HCN) is a byproduct of the fiber carbonization process and, as a result of our leading position in carbon fiber production, we are considered a large HCN emitter in the U.S. We are pleased that a U.S. EPA inspection conducted in July 2016 found no compliance issues. We continue not only to meet our regulatory and permit obligations, but we continually monitor these emissions as a part of our ongoing responsible business practices. Hexcel remains well within regulatory requirements.



Carbon fiber is growing in popularity in the manufacture of wind turbine blades, especially as they are designed to be longer in length to generate even more power. Wind energy is a clean, renewable energy source. It is expected to supply 35% of U.S. electricity by the year 2050. On average, wind generation will avoid roughly 1,300 pounds of CO₂ for every megawatt hour (MWh) of wind generation.

Sources: Wind Vision: A New Era of Wind Power In the United States, U.S. Department of Energy, March 2015; American Wind Energy Association



Hexcel has active programs in place to reduce solid waste, recycle more waste materials, use and reclaim process water, and track, manage and reduce energy consumption and air and water emissions.

WATER AND ENERGY

Water Usage

At Hexcel Decatur (Alabama) where we make carbon fiber precursor – which is a water-intensive process – water reuse and reclamation programs have resulted in a 30% reduction in water consumption. In addition, water from our carbon fiber lines at Hexcel Salt Lake City (Utah) – which is rich in nitrogen for grass fertilizer – is reclaimed and used for irrigation at a local golf course.

Energy Saving Initiatives

All new sites are required to consider LED lighting as a primary lighting alternative, and many facilities have LED lighting projects underway to retrofit older lighting systems with LED systems where it makes sense to do so.

At Hexcel Tianjin (China), lighting was upgraded to more energy-efficient LED lighting. As a result, illumination was increased by almost 50 percent, and yearly power consumption was reduced by more than 64%, saving energy costs each year. The plant was awarded a grant by the local government in recognition of energy savings.

At Hexcel Salt Lake City (Utah), natural gas consumption on four of our fiber lines was reduced by 9% a year by optimizing the air flow in our production ovens.

Energy Tigers

An employee task force called Energy Tigers within the Hexcel supply chain group develops plans to significantly reduce Hexcel's energy use and overall costs. A cross-site, global team created an online "toolbox" for plant managers and others to share their ideas and successes in improving energy efficiency.

PLANT CONSTRUCTION

Hexcel has a project management team which oversees the design and construction of new facilities. For all new facilities, this team carefully crafts an environmental management system, which is, in effect, a road-map describing in detail how that facility will comply with the Hexcel Environmental Policy. Each new facility is audited for compliance with applicable laws and regulations, and for its environmental management system.

Aerospace and wind energy prepreg lines, carbon fiber lines and polyacrylonitrile (PAN) lines started up in recent years all use the latest in energy efficient drive systems. Our new equipment installations and associated emission controls are designed to use less natural gas and electrical energy, thereby producing lower air emissions yet without affecting production capacity.

More efficient air emission scrubbers and monomer recovery systems have been used on the newest production lines built at Hexcel Decatur (Alabama). The steam boiler systems installed in support of these lines deliver both energy efficiency and lower emissions.

Green Technology

Hexcel received the Leadership in Environmental and Energy Design (LEED) program certification for wind energy manufacturing at Hexcel Windsor (Colorado), where the design of the site incorporated “green” technology. This site is one of the first industrial manufacturing sites in Colorado to achieve this certification.

Our plants in Salt Lake City (Utah) and Illescas, Spain incorporate green technology. This includes abatement systems that lower air emissions from our carbon fiber lines, wastewater treatment systems to reduce water emissions, and prototype heat recovery systems to capture heat from combustion gases. The heat recovery system has lowered our natural gas and electrical consumption by 20%.

Safety From the Ground Up

The construction of a new \$250 million carbon fiber plant in Roussillon, France – scheduled to begin production in 2017 – demonstrates Hexcel’s commitment to ensuring that safety is a priority even before opening day. Already, more than 40 Hexcel employees are working full time on safety-related projects, including employee training. In addition to daily safety walks and weekly safety observations, a Hexcel steering committee meets monthly with EHS representatives from the Osiris Chemicals Industry Platform – the location of our new plant – with our construction and safety management contractors, and with representatives from neighboring companies. In addition, a safety committee meets quarterly with all construction and engineering sub-contractors and the local health and safety work inspection authority.



Artist's Rendering of Hexcel Roussillon

RESEARCH AND INNOVATION

At Hexcel, safety and environmental responsibility are critical considerations as we develop new, innovative products for our customers.

More than 250 researchers, scientists, chemists and engineers working at Hexcel locations around the world are dedicated to ensuring that the products we make for our customers get off to the right start. In addition, our research and technology (R&T) centers employ the same multi-level environmental and safety practices as our manufacturing locations to help prevent escapes and accidents.

Our new Innovation Center at Duxford, U.K. demonstrates our commitment to continued innovation. The center opened in May 2016 and is our largest center for research into resin systems and adhesives. Hexcel Duxford also is our center of excellence for process technology including product scale-up and research into new processes for making composite materials, including quality control methods. The new Innovation Center supports the growing worldwide demand for composite materials for aerospace and industrial markets. The building houses Hexcel's chemistry and product development functions and is fully equipped with state-of-the-art formulation and analytical laboratories, mixer rooms, and microscopy and SEM laboratories.

Many of our manufacturing sites have research and technology centers where scientists and engineers work on projects specific to the location.



When Hexcel creates new products, it starts with our research and technology team carefully considering the components used to help minimize a product's impact on the environment.

ETHICAL BEHAVIOR

At Hexcel, we work with uncompromised integrity on behalf of our stockholders, employees and customers.

Every Hexcel employee is responsible for acting in accordance with, and making a personal commitment to, Hexcel's values and Code of Business Conduct. We expect all employees to lead by example and to report incidents of suspected unethical or unlawful conduct. Each year, employees are required to complete a training course and certify their ongoing understanding of and compliance with the Code.

Ethics Training for Employees

To help employees understand their responsibilities, we provide training on topics relevant to their jobs such as workplace harassment, antitrust, anti-bribery, export compliance, health, safety and the environment as well as other laws affecting our global business. Code of Business Conduct training is available to all employees in their native languages, either online or during live meetings.

In addition, we require targeted groups of employees to complete online training to reinforce their understanding of specific values, laws or regulations that are highly relevant to their roles, such as anti-bribery, antitrust, anti-harassment/discrimination, conflicts of interest and export compliance. Plus, Hexcel subject experts provide regular training in subjects such as intellectual property control, export compliance, and health, safety and the environment.

Compliance Reporting

Sometimes, even the best training is not enough, so employees are encouraged to seek guidance from their direct supervisors when they have

questions or concerns regarding ethical behavior and compliance with our Code of Business Conduct.

In addition, employees are required to report any Code violation or suspected violation. They are encouraged to do so first through their managers. Employees also can use Hexcel's confidential, toll-free hotline to report suspected violations. In all cases, investigations are conducted by the Chief Compliance Officer or his/her delegates.

Human Rights in Hexcel Supply Chain

Hexcel believes that it and its employees must demonstrate respect for the privacy and dignity of all individuals. Our Code of Business Conduct, includes a pledge to comply with all applicable laws in the countries where Hexcel does business.

Hexcel also requires that each of its suppliers comply with all laws, rulings and regulations in the jurisdictions where they do business. That includes laws related to equal opportunity and non-discrimination, and laws prohibiting human trafficking and slavery.

Hexcel employees are encouraged to report to management if they suspect that any supplier is engaging in unethical behavior. If Hexcel verifies that any contractor is in violation of applicable laws, Hexcel has the right to terminate the agreement with the supplier.

Other Hexcel policies are available online at www.Hexcel.com/about/sustainability

TRADE COMPLIANCE

Hexcel is a global supply chain partner with our vendors, transport agents, and customers. Our International Trade Compliance program ensures that we have an effective import and export compliance program to securely deliver product to our customers and prevent violations of trade laws and regulations.

Our participation in supply chain security programs such as C-TPAT and AEO allows Hexcel to minimize potential delays in delivery to maintain assurance of supply for our customers.

Supply Chain Security

Hexcel participates in the Customs-Trade Partnership Against Terrorism and the Authorized Economic Operator programs to ensure we are able to deliver products to our customers even when countries limit the import volumes during challenging times.

Export Compliance

Hexcel maintains a close partnership with the relevant government authorities to confirm that our Export Management System is compliant with the requirements of each national authority in countries where we do business. The coordinated classification of goods, software and technology allows Hexcel to understand when an export authorization is required and when a license exception is available.

Import Compliance

Hexcel continually reviews the import requirements of the countries of our supply chain partners. We confirm the national import requirements for our goods and confirm that they are imported compliant with national law. We review the import classification of goods and make strategic recommendations on management of imports to confirm that we are able to optimize the Customs process for all imported goods.

Technology Control Plan

Due to the nature of our technology related to the production of our products, Hexcel maintains a strong Technology Control Plan to manage who has the ability to receive our technology and the regulatory requirements related to such technology transfers. This government approved process protects not only Hexcel technology but our customer technology as well.

Training

Hexcel provides training to our employees and suppliers. We strive to make all of our business partners aware of the legal requirements for the import, export, and transport of our goods, software, and technology.

EMPLOYEE DEVELOPMENT

Just as Hexcel products are the strength within some of the most technologically advanced applications in the world, our 6,000+ employees worldwide are the “strength within” our company.

Continuing Education

Building capacity in our employees is a vital part of the One Hexcel Value. Hexcel believes in a culture of continuous training and development of our employees to meet the capacity and growth needs of the organization. We promote learning and development with our employees through a variety of on-site, off-site and online opportunities.

Employees have development opportunities through:

- Compliance training programs
- eLearning courses
- Customized technical classroom and on-the-job training
- Certification training and assessments programs
- Tuition assistance program
- Training programs in partnership with local and global colleges, universities and training organizations
- Leadership development programs
- Coaching, mentoring and internship opportunities
- Global assignments
- Global Leadership Training Programs

Early Career Leadership Program (ECP)

Hexcel offers three-year rotational full-time assignments as part of our process to develop talent for future leadership positions within the company. Participants typically complete two assignments within a function such as integrated supply chain or R&T, and then they complete their training in a cross-functional assignment.

One of the ways that participants in our Early Career Leadership Program (ECP) learn project management skills is through a community service project. Over the past three years, efforts have been focused on children and in particular with the Boys & Girls Club of Decatur (Alabama). Projects have included building bikes, renovating the homework room, creating a teen room and revitalizing the lobby to create a more welcoming atmosphere. In addition, ECP employees have focused efforts on addressing childhood hunger by creating a social networking campaign to bring awareness to the problem and by donating, building and stocking a greenhouse that supports a local community garden. To support their own community interests, ECP employees are awarded up to \$250 that they are encouraged to use to support a charitable cause of their choice.

After three years and rotations within the Early Career Program, Céline Le Gleuher now provides technical engineering support to key customers in the Munich area and acts as a liaison with local research departments at various area universities.



COMMUNITY INVOLVEMENT

Hexcel employees reflect our values in the time they contribute to make the communities in which they live and work better.

Our employees are involved in activities such as building houses for low-income families, running races to fund cancer research, and raising money for local community and youth organizations. In addition to volunteerism, Hexcel supports colleges and universities around the world through product donations to support student activities and research.

Here are some of the events in which Hexcel employees participated in 2015-16:

- Hexcel Decatur (U.S.)—Dragon Boat Festival and Race to benefit the Decatur-Morgan Hospital Foundation.
- Hexcel Duxford (U.K.)—Chariots of Fire race for the East Anglia's Children's Hospices; Duxford Soap Box Derby to benefit Cancer Research UK; a bake sale to benefit Build It International, which is building a new maternity and children's clinic in Zambia.
- Hexcel Casa Grande (U.S.)—Back-to-School Fund Drive to collect school supplies for local children; Habitat for Humanity building day; support for the Casa Grande Fire Department Smoke Alarm Installation Program; supplies drive for "Against Abuse" to support survivors of domestic and child abuse.
- Hexcel Dublin (U.S.)—Adopt-A-Family, One Warm Coat drive
- Hexcel Kent (U.S.)—Seattle & Tacoma Heart and Stroke Walk; 5K Heart Walk for the American Heart Association
- Hexcel Pottsville (U.S.)—5K Fun Run/Walk to benefit The Avenues, which provide assistance to developmentally-delayed children and adults; Relay for Life to benefit the American Cancer Society
- Hexcel Salt Lake City (U.S.)—United Way of Salt Lake City; The Saints-to-Sinners charity cycle race to benefit research into Amyotrophic Lateral Sclerosis (ALS/Lou Gehrig's Disease); Adopt-A-Highway Clean Up program.
- Hexcel Stamford (U.S.)—Annual Habitat for Humanity building days; 5K run to benefit the Boys and Girls Club of Stamford.
- Hexcel Windsor (U.S.)—Clean up day at the Poudre River Trail.
- Multiple locations—Participation in events that benefit Midwest Athletes Against Childhood Cancer (MACC)

Hexcel Kent Sponsors Next Generation Workforce

Hexcel Kent sponsors FIRST (For Inspiration and Recognition of Science and Technology), whose mission is to inspire young people to be science and technology leaders by engaging them in mentor-based programs that build science, engineering, and technology skills that inspire innovation and that foster self-confidence, communication, and leadership skills.

As part of our support, Hexcel Kent sponsors the Kentridge (High School) Robotics, a team that competes head to head on a special playing field with robots they have designed, built and programmed.

Being part of the team provides students firsthand experience in real life business environments, helping them become college-bound individuals ready to pursue careers such as engineering, programming, graphic arts, business and education.

AWARDS AND RECOGNITION

- In 2016, the Utah Association of Energy Users (UAE) honored Hexcel with its Outstanding Leadership in Energy Efficiency and Conservation award for a project on air dampers that reduced natural gas consumption at its Salt Lake City plant by 32,166 cubic feet per year. Hexcel also was recognized for reducing transportation emissions equivalent to removing the annual emissions from 2,502 passenger vehicles.
- Vestas, a leading global wind energy company, awarded Hexcel its Bronze Award for its Quality Performance, Development Ability and Extraordinary Efforts in Co-development and Support for Hybrid Technology.
- Several Hexcel sites in the U.S. have been awarded the Highly Protected Risk Award by commercial property insurer FM Global, recognizing achievements in loss prevention. Recognized most recently are our sites at Kent (Washington), Burlington (Washington), Windsor (Colorado), Decatur (Alabama), Pottsville (Pennsylvania), and Seguin (Texas). Some of our European sites have achieved a similar designation.
- Hexcel was one of two companies featured in a video documentary on environmentally responsible investments produced by Nordea Investment Management and shown at the 2015 UN Climate Change Conference (COP21) in Paris.
- Hexcel Kent (Washington) was named in August 2016 to the Best Workplaces for Waste Prevention and Recycling List by the King County (Washington State) Solid Waste Division. Best Workplace businesses show exceptional commitment to recycling and reducing the amount of waste their company sends to the landfill. Hexcel Kent recycles about 80% of its solid waste by volume and sends 75% of hazardous waste to “waste to energy” reuse programs.



Corporate Governance

Hexcel's Board of Directors is committed to principles of sound corporate governance which meet or exceed current corporate governance requirements.

The Board is comprised of at least a majority of directors who qualify as independent directors under the listing standards of the New York Stock Exchange.

A director is expected to spend the time and effort necessary to properly discharge his or her responsibilities, to regularly attend and participate in meetings of the Board and of committees on which the director serves, and to review material distributed in advance for such meetings. A director is also expected to attend the annual meeting of stockholders.

The Board's goals are to create long-term value for the Company's stockholders while maintaining the highest standards of ethical and lawful business conduct, and thereby to assure the vitality of the Company for its customers, employees and the other individuals and organizations that depend on the Company.

The board is responsible for monitoring the performance of the company and our chief executive officer, for reviewing and assessing the company's strategic direction and evaluating results against that direction, and for overseeing risk management. Twice annually, the board discusses

enterprise risk management, defining key risk and business continuity indicators and steps taken to reduce identified risks, including risks related to manufacturing, technology and IT security.

In addition to adopting Corporate Governance Guidelines, the Board has also instituted four standing committees that perform essential corporate governance and risk monitoring functions.

Audit Committee

The Audit Committee assists the Board's oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, our independent registered public accounting firm's qualifications, independence and performance, and our internal audit activities.

Our audit committee periodically reviews our currency exchange and hedging policies, tax exposures and our processes to ensure compliance with laws and regulations, and also reviews reports from our anonymous hotline that employees can use to report suspected violations of our Code of Business Conduct. The audit committee also regularly meets in executive sessions without management present with our outsourced internal audit firm and our independent registered public accounting firm to discuss areas of concern of which the board should be aware.

CORPORATE GOVERNANCE

Compensation Committee

The Compensation Committee oversees our compensation and benefit plans, programs and policies and sets the compensation of our Chief Executive Officer (subject to approval by the Board of Directors as a group) and the named executive officers. The Compensation Committee administers our incentive plans and makes grants of stock options and/or awards of restricted stock units or other equity-based compensation to executive officers, other key employees, and directors.

Nominating and Corporate Governance

The Nominating and Corporate Governance Committee regularly seeks input from the Board regarding the skills and attributes it believes new nominees should possess in order to strengthen the Board; identifies and recommends to the Board individuals qualified to serve as directors and on committees of the Board; advises the Board with respect to Board and committee procedures; develops and recommends to the Board, and reviews periodically, our corporate governance principles; and oversees the evaluation of the Board, the committees of the Board and management.

We believe that diversity strengthens any organization, so the Committee considers a number of factors, including diversity, when evaluating potential board members. We define diversity broadly to focus not just on gender, race or national origin, but also on diversity of thinking, experiences, skill sets, appreciation for and experience in various cultures across the globe, areas of expertise, and professional backgrounds as important considerations in selecting future board members.

The skill set of our current board is broad and diverse, with expertise in finance and banking, as well as technology, operations, strategy and marketing in our core industries. For well over a decade, women have comprised 20% of our independent directors.

As our current directors approach retirement age or look to leave the board for other reasons, we will seek the most accomplished candidates from the broadest and most diverse pool possible to provide effective leadership and drive stockholder returns, including men and women of all races and national origins.

Finance Committee

The finance committee provides guidance to the board and management on significant financial matters, including the Company's capital structure, credit facilities, equity and debt issuances, acquisitions, divestitures, liquidity and insurance coverage.

Senior Management

The Hexcel Leadership Team (HLT) meets periodically to discuss and review the risks that exist in connection with our business. Management makes regular presentations to the Board, no fewer than two times per year (and more frequently if circumstances warrant), regarding enterprise risk management.

Hexcel publishes and periodically updates its governance documents at www.hexcel.com under "Investor Relations."



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