

THE WORLD OF SCHÜTZ

SUSTAINABILITY STATEMENT BY SCHÜTZ GMBH & CO. KGAA 2017

ASSUMING RESPONSIBILITY TOGETHER

1. OUR COMPANY

Since the company's foundation in 1958, SCHÜTZ has developed into a global corporation, one of the three largest industrial packaging companies in the world and a world leader in its main product, intermediate bulk containers (IBC). Besides its primary "PACKAGING SYSTEMS" division, which includes new IBCs, plastic and steel drums as well as the reconditioning of used industrial packaging, the SCHÜTZ Group also has three additional divisions, "ENERGY SYSTEMS" (storage tanks and underfloor heating systems), "INDUSTRIAL SERVICES" (components, machines and tools for industrial packaging and the Steel Service Center) and "COMPOSITES" (model and tool making for rotor blade manufacturing, rotor blades and wind turbines as well as CORMASTER honeycomb structures for the aerospace industry and automotive manufacturing). In its four divisions, the SCHÜTZ Group recorded sales of 1,679 million euros with an average of >4,500 employees in 50 fully-consolidated companies in the 2017 financial year.

SCHÜTZ has been an entirely family-owned company since its foundation. This has a major influence on company policy. Instead of optimising quarterly figures for the stock exchange or enterprise value for the sale of the company, company policy is focussed on long-term development and sustainable management, which spans generations.

Sustainability is a common thread across SCHÜTZ's broad product range. The IBC, a SCHÜTZ invention, enables the efficient use of storage and, in particular, transport capacities, which reduces the use of resources. It also ensures maximum safety in handling hazardous media and protects the environment. In particular, the IBC is perfectly designed for the reuse and recycling of certain parts. SCHÜTZ is the first manufacturer to introduce an extensive global circulation system for IBCs on the market with the SCHÜTZ TICKET SERVICE for collecting used IBCs. As durable high-quality products, the containers protect the environment from contamination and ensure the prudent use of scarce energy resources. The underfloor heating systems enable the use of energy-saving heating with low flow temperatures. The CORMASTER honeycomb structures (lightweight components primarily for the aerospace industry) contribute to weight reduction in aircraft construction and to energy savings. The products in SCHÜTZ's youngest division are used to generate renewable energy.

As a result of the company's commitment to its customers, the international expansion with the IBC led to a dense

network of production locations that significantly reduces the transport distances for the delivery of new IBCs as well as for the collection of used IBCs, which has a positive impact on resources and the environment.

At SCHÜTZ's main plant in Selters/Germany, a disused railway line for freight transport was recommissioned in March 2006, a first in Germany. This enables the procurement of a current volume of over 240,000 tonnes of rolls of steel sheet per year by rail, which relieves the burden on the road infrastructure and the environment.

Extensive research and development as well as comprehensive machine and tool construction for the in-house production department resulting from the sustainable company policy not only generate better products for customers, they also reduce the use of resources thanks to more efficient machines, improved processes and innovative product designs.

Sustainability also involves solid finances, which enable high expenditure on research and development as well as new locations with additional employment opportunities for large numbers of people as well as modern and efficient machinery and industrial buildings. For instance, in the 2017 financial year, the SCHÜTZ Group invested 160 million euros in fixed assets. The family behind SCHÜTZ has established the basis for the solid finances with its distribution policy, which makes SCHÜTZ a reliable long-term partner for suppliers and customers as well as employees, even in tough economic times.

SCHÜTZ's social responsibility includes SCHÜTZ's contribution to the financing of general government functions via tax payments, the provision of direct or indirect employment opportunities for people with disabilities, offering young people the opportunity to participate in qualified vocational training in a range of professions, helping people in crisis regions and in case of natural catastrophes by providing IBCs for the construction of treatment plants for clean drinking water, installing a co-determined Supervisory Board at the level of the key production and holding company and committing all employees to comply with the law and the group-wide regulations, which reflect society's diverse expectations on issues of occupational health and safety, environmental protection, corruption, fair competition and privacy.

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2. OUR MANAGEMENT APPROACH

Just as we at SCHÜTZ have been promoting sustainable management for years, we have also long since aligned our global corporate actions to values and principles that are now subsumed under the terms legal compliance and corporate social responsibility.

We have documented our voluntary commitment to responsible and sustainable behaviour from an ecological, economic, social, ethical and legal perspective by joining the Compliance Initiative established by the Association Supply Chain Management, Procurement and Logistics (BME) in May 2011. We have adopted its Code of Conduct for ourselves as well as our group companies and ensured its binding implementation. We are currently certified by the BME until 31 December 2018. We will also continue to ensure that we meet any imposed and internal requirements and that we are recertified by the BME in the future.

The BME Code of Conduct and the specifying internal guidelines, especially in the areas of anti-corruption, fair competition, privacy, SHEQ and foreign trade are an important part of our global Compliance Management System (CMS) introduced in July 2014. The CMS allows us to ensure that all employees are aware of and comply with the defined principles and regulations. We provide training sessions, local points of contact and competent consultants to promote this awareness. All employees are required to report any contraventions or irregularities. Compliance with the principles and regulations is regularly reviewed. Any necessary measures are implemented.

We are convinced that we can only be a permanently reliable partner for our business partners, our employees and society, and help our business partners achieve their own sustainability objectives, if all employees are committed to uniform principles and regulations on responsible and sustainable behaviour.

3. OUR PRODUCTS

Our products and services reflect the success of our unrelenting efforts to promote sustainability and environmentally- and resource-friendly solutions. Sustainability is an important objective for research and development, production, shipping and sales across all divisions.

In the PACKAGING SYSTEMS division we develop, produce and distribute steel and plastic drums as well as IBCs. New developments have allowed us to achieve a significant reduction in the weight of the plastic drums for various product types. For instance, the weight of the 150 l open-head drum has been reduced by 10 percent. Likewise, we have been able to reduce the use of plastic in the production of IBCs by more than 5 percent, depending on the product. This results in the direct conservation of scarce raw materials as well as indirect fuel and emissions savings due to the lower transport weight.

The shape of the IBC, invented by us, enables the efficient use of storage and, in particular, transport capacities. Our constant efforts to optimise the combination of the steel cage and plastic container has allowed us to continuously reduce the weight of the IBC by using new materials, designs and production technologies. While the IBC weighed 86 kg when it was introduced in 1975, it now weighs just 60 kg. At the same time, we have also continuously improved the safety and stability of the IBC. This has allowed us to turn the IBC into a packaging that provides maximum safety, even for hazardous goods, with

a minimum tare weight in relation to the filling material. These properties of the IBC protect the environment and conserve scarce resources.

The plastic components of the IBC largely consist of polyethylene, just like the plastic drums. In contrast to many other plastics, the processing of polyethylene does not result in any hazardous and non-recyclable waste.

Special designs and further developments, such as our six-layer technology or innovative solutions for highly viscous filler materials, opens the IBC up to new areas of application, extends the shelf lives for filler materials and improves the residual emptying.

Its modular structure of steel and plastic components, which are easily separated, makes the IBC ideal for the reuse and recycling of individual components. To enable the full exploitation of this benefit, we are the first manufacturer to introduce a circulation system for IBCs on the market. The SCHÜTZ TICKET SERVICE is a global environmentally-friendly solution for the collection of used IBCs, even in small quantities. We have over 40 locations with exemplary reconditioning plants on all continents for this purpose. Steel components are reused several times and can be completely recycled at the end of their lifecycle. Plastic inner containers are processed as recycle for new IBC plastic components. Every reconditioned IBC saves about 100 kg of CO₂ compared to a new IBC.

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The risk of damaging ecosystems through uncontrolled release, especially the micro-contamination of water, at the end of the lifecycle is effectively ruled out for the IBC. As large packaging for industrial customers, IBCs are generally either reconditioned as part of the SCHÜTZ TICKET SERVICE or fed into the industry's controlled recycling processes.

Our SCHÜTZ TICKET SERVICE plays a key role in our sustainability program, which targets the management of the entire product lifecycle. It also makes an important contribution to the achievement of our customers' sustainability objectives.

Our dense network of production and reconditioning locations reduces the transport distances for the delivery of new packaging as well as for the collection of used IBCs.

In addition, our modern planning programs ensure maximum freight capacity utilisation and optimised route planning. We use alternative means of transport, such as rail or inland waterway vessels, wherever possible. In Europe, we have set up our own railway connections between the plants in Selters and Siershahn (Steel Service Center), which allowed us to transfer approx. 20,000 lorry loads of steel to rail. Every kilometre of lorry transport saved reduces CO₂ emissions by an average of 0.75 kg.

In the ENERGY SYSTEMS division we primarily manufacture durable storage tanks for heating oil. They protect the environment from contamination, prevent odours and ensure the safe storage of scarce energy resources. We also produce underfloor heating and air-conditioning systems. This enables heating, ventilation and cooling in a single system with reduced energy utilisation in line with the latest standards.

In the INDUSTRIAL SERVICES division we develop and produce resource-optimised machines and tools as well as components for IBCs, which are also used to securely seal hazardous filler material. Our Steel Service Center is integrated into our efforts to optimise logistics from an environmental perspective.

In the COMPOSITES division, our CORMASTER honeycomb structure allows us to produce lightweight materials, which are primarily used in the aerospace industry and automotive manufacturing. In these applications they contribute to weight reduction and energy saving. The products that we develop and produce for wind power are used to generate renewable energy.

4. OUR ENVIRONMENTAL PRINCIPLES

We drive the continuous and sustainable improvement of our processes, products and services with the aim of preventing environmental burdens across the entire value chain, reducing the consumption of resources and improving the energy-related performance. An example of our understanding of sustainability is the targeted and growing use of reusable products and

recycled materials while still meeting the high demands on flawless product and process quality. Our aim is to involve our business partners in the improvement of the products and processes and take appropriate measures to counter potential environmental burdens before they arise wherever possible.

ENVIRONMENTAL MANAGEMENT AND ENERGY MANAGEMENT SYSTEMS

We have introduced and certified an environmental management system based on the requirements of ISO 14001 at our locations in Selters/Germany, the Netherlands, Norway, Great Britain, Ireland, Spain, Malaysia, Brazil, Argentina and South Africa as well as an energy management system in accordance with ISO 50001 at our German locations in Selters, Ransbach-Baumbach, Simbach and Siershahn as well as in the Netherlands and Great Britain. The systems are continuously improved and introduced at additional locations.

Part of our management system is a program for recording, assessing and reducing or preventing possible and actual environmental risks and burdens through our processes, products and services. This also includes emergency prevention and emergency response procedures, which allow the environmental impacts of accidents to be reduced to the greatest extent possible. These procedures include rules for communicating with authorities.

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CONTINUOUS IMPROVEMENT

We use appropriate available technologies to plan, install and operate our processes to ensure maximum energy-efficiency and resource-conservation. We regularly review and update our procedures as part of our continuous improvement process.

The development and use of innovative technologies allows us to reduce the demand for primary raw materials

as well as increasing the share of reused and recycled materials.

To continuously reduce the environmental burdens caused by our products, we consider the impact of our products on the environment across their entire lifecycle, inform and advise our customers accordingly and offer solutions on the appropriate reuse and multiple use of our products.

REDUCING CONSUMPTION

We use appropriate indicators to measure our consumption of energy, water and other resources as well as our emissions and waste as a regularly updated starting point for further reduction, assess its significance and continuously adapt our measures and programs.

Wherever possible and technically feasible, we use renewable resources, use materials and the water

required for our processes as often as possible and avoid the use of non-renewable resources.

We prohibit the use of certain, particularly hazardous substances in our products and processes. Only specifically approved business partners are entitled to collect hazardous waste from our locations and transport this waste for proper disposal.

CLIMATE PROTECTION

To limit the impact of climate change, we determine the CO₂ footprint of our processes, products and services and operate a program for the continuous reduction of direct and indirect emissions within our sphere of influence as part of our management systems. The program includes the reduction of the use of fossil fuels by using technologies with low emissions and based on renewable energies.

The intelligent management of the material flows within and between the plants as well as the implementation of multi-modal logistics concepts contribute to the improvement of eco-efficiency.

Future local and global climate projections are integrated into strategic decision-making processes to identify risks and take preventive measures where necessary.

INTEGRATION OF ECOLOGICAL DECISION-MAKING FACTORS

For our processes, products and services, we assess the influence of our management systems on the affected ecosystems as part of the risk analysis and take measures

to continuously reduce these kinds of effects. We also cooperate with our product and service suppliers to improve the overall environmental conditions.

5. OUR HEALTH AND SAFETY MEASURES FOR OUR EMPLOYEES

Preventing our employees from being injured or becoming sick is an absolute priority. The primary task of every employee is therefore to continuously improve occupational health and safety in their area of responsibility. This responsibility includes the processes in

the work environment as well as the products, with their properties and effects on others. We operate under the assumption that high health and safety standards at the workplace complement, rather than impede, efficient production.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

We have introduced and certified an occupational health and safety management system in line with the requirements of OHSAS 18001 at our locations in Selters/Germany, the Netherlands, Italy, Great Britain,

Ireland, Malaysia, Brazil and Argentina. The system is continuously improved and introduced at additional locations.

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Our employees are obliged to comply with safe work practices by applying their specific instructions at all times. Regular instruction and training sessions are held in this respect.

As part of the application of the principles of our management system, we determine and analyse the health and safety risks of our processes in consideration

of all persons with access to our workplaces.

When analysing risks for our employees, we pay special attention to gender, age and any disability.

We are committed to preventing psychosocial stresses at the workplace, which can contribute to stress-related illnesses.

MEASURES TO ENSURE OCCUPATIONAL SAFETY AND TO PROTECT EMPLOYEES

Our employees are adequately qualified, instructed and trained in all necessary activities.

We introduce corrective and preventive actions with the aim of eliminating dangers at their source. In doing so, we implement protective measures based on the following order of priority:

- Elimination of the danger
- Amendment of the procedure or replacement of hazardous substances with less hazardous substances
- Implementation of technical protective measures
- Introduction of organisational measures
- Detailed work instructions

■ Codes of conduct and training sessions

■ Use of personal protective equipment

■ Protection as part of the bonus agreement

We provide employees with the necessary equipment, including personal protective equipment, free of charge in order to prevent the risk of injuries, work accidents and occupational illnesses to the greatest extent possible. We also provide equipment and processes to ensure an appropriate response in emergencies and regularly practice emergency scenarios.

We record all occupational health and safety incidents, analyse them and introduce appropriate measures to restrict and prevent these kinds of incidents in the long-term where possible. We believe that every accident is avoidable.

EMPLOYEE PARTICIPATION

The effective implementation of our occupational health and safety management system is based on the involvement of our employees. Employees have the right:

- to be fully informed of the health and safety risks and the measures to reduce these risks
- to participate in the implementation of the measures
- to refuse to perform an activity that may involve a significant danger for them and others

■ to obtain independent external information on employee representation

■ to report health and safety issues to the competent authorities

■ to participate in health and safety activities, including the accident analysis

What is important for all these points is that no employee needs to fear reprisals when exercising these rights.

6. OUR COMMITMENT TO HUMAN RIGHTS AND FAIR WORKING CONDITIONS

Our commitment to the Universal Declaration of Human Rights, the Declaration of Principles on Multinational Enterprises and Social Policy by the International Labour Organization and the OECD Guidelines for Multinational Enterprises is not just reflected in our

binding implementation of the BME Code of Conduct, it is also shown in our daily conduct and interaction with our employees and business partners, which are a constant benchmark.

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WORKING CONDITIONS

We offer our employees fair and competitive remuneration and social benefits. Our remuneration is in line with or exceeds the local market conditions, which ensures an adequate standard of living for our employees and their families.

Our remuneration systems are linked to the performance of the company as well as individual performance. We provide the same wage for the same work under comparable conditions. The pension scheme is an important element of our overall remuneration packages.

We comply with all applicable laws and agreements on working hours and paid absenteeism. We respect the right to recreation and leisure, including paid leave, as well as the right to a family life, which include parental leave and similar regulations. Wherever possible, we endeavour to introduce flexible working hours and forms of employment to allow employees to reconcile the activities in the company with their private needs.

EDUCATION AND TRAINING

We provide comprehensive training for young people in the various apprenticeship trades and facilitate their entry into professional life. We also provide the opportunity to participate in dual study programmes in cooperation with universities as well as trainee programs for future managers. At the same time, we encourage our employees to realise their full potential by offering customised training and development opportunities as part of qualification programmes. Access to qualification

and training measures is based on the principle of equal opportunities for all employees.

Regular in-house training sessions are held to instruct our employees on specific workplace processes and procedures as well as on conduct in the business environment. We have implemented corresponding Guidelines for Proper Business Conduct in this respect.

CHILD LABOUR AND FORCED LABOUR

Child labour and any form of forced and compulsory labour is strictly prohibited. We check the age of the individuals for all employment relationships. We do

not employ staff subject to the statutory prohibition on employment or persons under 15 years of age.

HARASSMENT AND DISCRIMINATION

The equal treatment of all employees is an important principle of our company policy. No one may be disadvantaged, favoured or marginalised due to their race, skin colour, gender, language, religion, political or

other views, national or social origin, wealth, birth or any other situation. Harassment of any kind is prohibited. We expect the interaction between employees and with third parties to be respectful, friendly, objective and fair.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

We are committed to open and constructive dialogue with our employees and their representatives. Our employees are free to choose the organisations that represent them. These organisations may participate in wage negotiations in accordance with the statutory regulations. Our employees have the right to choose their own representatives at all locations worldwide.

Employees who act as employee representatives are not disadvantaged or favoured in any manner. At locations at which employees have decided not to elect a representative, we ensure direct and open communication between employees and management.

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7. OUR COOPERATION WITH AUTHORITIES, ASSOCIATIONS AND WORKING GROUPS

We cooperate closely with authorities in order to deliver on our claim of compliant conduct.

We are involved in various associations as well as dialogue platforms and initiatives on sustainability issues. For instance, we are actively involved in the Principal Environment and Sustainability Committee of the German Association for Plastics Packagings and Films (IK). The intensive discussions and the views of participants and affected parties help us identify issues and challenges, which are becoming increasingly important in the public discussion on the use of plastics (such as the current discussion on "marine litter") at an early stage and ensure that they flow into our planning and our actions.

As part of the "30 Pilot-Netzwerke" (30 Pilot Networks) initiative set up by the Federal Ministry of the Environment, Nature Conservation and Nuclear Safety, headed by the Fraunhofer Institute for Systems and Innovation Research, SCHÜTZ established the regional "EnergieEffizienz-Netzwerk Koblenz/Neuwied" (Energy Efficiency Network Koblenz/Neuwied) in Selters together with other companies, the Koblenz Chamber of Industry and Commerce as well as the Neuwied district administration. The aim of the network was to reduce the consumption of energy through the regular exchange of ideas.

8. OUR BUSINESS PARTNERS

We expect that our business partners base their corporate actions on a similar foundation and ensure their binding documentation by recognising the BME Code of Conduct or by committing to an internal code of conduct. We take this into account when selecting and evaluating all business partners.