Echt Gut Gemacht

Our sustainability report

2014
Facts and figures

90% of our fruit comes from the European Union – we pay close attention to enjoyment and quality in our selection process.

Extra

Our classic – and since 2015, made using only German strawberries.

Every day we produce an average of 590,000 jars of preserves.

Corny has been Germany’s most popular muesli bar for over 30 years.

Our 800 employees have been with the company for more than 16 years on average.

Sales of around € 300 million in 2014.

Through the bee careful initiative, we have been contributing to bee health and fruit diversity since 2014.

Based in Schleswig-Holstein since 1899.
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Dr. Arend Oetker
Shareholder

Sebastian Schaeffer
General Manager
Dear Readers,

Schwartauer Werke has been successfully marketing its fruit products for over 100 years – and we believe our roots at the company’s base in Schleswig Holstein are a key factor in this success. In their day-to-day work, around 800 employees are committed to the highest standards of quality. From the selection and processing of ingredients and on to the finished product, we scrutinize every step of the production process. We are driven by the desire to continually win over our customers with the utmost enjoyment and the very best quality – a recipe for success we intend to stick to, remaining true to our company philosophy: “Echt gut gemacht” (“Really well done”).

It is important to us that we always act conscientiously and respectfully towards our customers, our employees, our suppliers and our environment. We comply with the general need for greater transparency by offering insights into our activities on our website and on social media – something we have been doing since early 2014.

Now we are going one step further – with our first sustainability report we are providing transparent information on our own claim, our products, our employees, our environment and our home.

The aim behind our annual sustainability report is to publicise the strategy we are pursuing and the successes we have achieved. We are delighted to be able to enter into an even more intensive dialogue with our stakeholders on this basis. We invite you to join us on this path, and look forward to hearing your ideas.
Our claim
Schwartauer Werke

Rooted in Schleswig-Holstein for over 100 years
Schwartauer Werke GmbH & Co. KGaA is a family-run company that has specialised in the manufacture of fruit products for the food industry for over 100 years. Our range of branded products spans jams and sweet spreads, dessert sauces, and coffee and fruit syrups, as well as muesli and fruit bars.

With three factories and our headquarters in Bad Schwartau, we have always been firmly rooted in Schleswig-Holstein. With around 800 members of staff, we are one of the region’s biggest employers. In 2014, we generated sales of around €300 million.

Market leader in Germany
With our brands Schwartau Extra, Samt, Fruittissima, Hofladen and others, we are Germany’s leading preserves manufacturer with a market share of almost 40 per cent. We are also a market leader with our muesli bar brand Corny. We sell the vast majority of the products we manufacture in Germany, while around 20 per cent is exported to Europe as well as the USA and South America.

Our goal is to expand our market leadership both with our preserves and with our muesli bars. At the same time, we are focusing on innovation and the continual improvement of our recipes.

Responsible company management
Schwartauer Werke is managed by a four-man team under the leadership of Sebastian Schaeffer. The management acts according to the principle of joint representation within the framework of the articles of association and the rules of procedure.

The company is part of the Hero Group, an international food company based in Switzerland, of which the majority shareholder is Dr Arend Oetker.

Responsibilities are kept strictly separate between Schwartauer Werke and Hero Group. Neither the members of the executive board nor the administrative board at the Hero Group hold managerial positions at Schwartauer Werke.

The supervisory board of Schwartauer Werke consists of three members, of which two are selected by the general assembly and one by the employees. The board meets three times a year and deals with the essential prerequisites for the successful, long-term development of the company. It is in this context that sustainability-related issues and reporting on our sustainability activities are also discussed.

Our values govern our day-to-day actions
The crucial elements of Schwartauer Werke’s business dealings are long-term success for the shareholders, sustainability in its commercial decisions, and the creation of values for the company. Our company strategy is based on the five fundamental values of entrepreneurship, speed, responsibility, change and family. Each of these values is defined by guiding principles, which form the basis for our actions. Thus, for example, we are committed to dealing with our resources carefully and responsibly, to continually question existing structures and processes, and to treat customers, suppliers, and colleagues with respect. Here, our day-to-day activities are always in harmony with the statutory provisions and our code of conduct.

Through our Code of Conduct and in accordance with the principles of the United Nations Global Compact (UNGC) and of the International Labour Organisation (ILO) we are committed to upholding human rights and the right to freedom of association, and fighting discrimination, child-labour, forced-labour and compulsory labour, corruption, and anti-competitive behaviour. We expect our business partners’ corporate principles to be in harmony with these principles, too.
Our sustainability strategy

**Business in harmony with people and nature**
As a family-run company, we think in terms of generations. The sustainability principle of not satisfying current needs at the expense of future needs is something we have practiced for decades. We look at the whole picture over a long timeframe and act responsibly towards our customers, employees, suppliers and environment. This is what we understand by sustainability.

The highest quality for our customers
Our products stand for enjoyment and quality. We therefore set the highest standards for ourselves, scrutinising every step of the production process – from the selection of our ingredients to their gentle processing and the finished product.

Attractive work environment
The wellbeing and needs of our employees are of central concern to us. For this reason, we place great emphasis on the continual improvement of working conditions. Respect and trust are what defines our cooperation.

Efforts for our environment
As a company that produces foodstuffs, we are reliant on natural ingredients. That is why it is so important to us to treat nature as carefully as possible.

**Firmly anchored sustainability structures**
The sustainability strategy of Schwartauer Werke is developed by the management team under the guidance of the Manager for Innovation & Quality. The further development of this strategy and the operational processing and coordination of relevant issues is the responsibility of the Sustainability Officer, who works under the Manager for Innovation & Quality in a specialist role.

The Sustainability Officer is advised and supported by a sustainability team made up of managers from the areas of Technology (Energy Management Officer), Environment & Occupational Safety (Environmental Management Officer and Occupational Health & Safety Specialist), Logistics, Procurement, HR, Innovation & Quality and PR. The committee meets regularly to discuss current themes with the Manager for Innovation & Quality and the Sustain-
ability Officer. The extended sustainability team also includes the managers of the Finance, Sales, Marketing and Quality Control departments, as well as the Production Managers at our three factories.

**Dialogue with our stakeholders**
We understand sustainability management as a continuous improvement process, which can only succeed if there is an exchange with our stakeholders. Schwartauer Werke highly values dialogue, particularly with retailers and consumers, employees and suppliers, as well as with non-governmental organisations, neighbours, political representatives and the media. We regularly hold such dialogues via various communication events, channels and tools.

Most importantly, by publishing an annual sustainability report in accordance with the globally recognised standard of the Global Reporting Initiative (GRI), we aim to enhance the exchange with our stakeholders and their trust in us. We have committed to implementing a comprehensive data recording tool for sustainability reporting by 2020, which will compile the content of the sustainability report systematically and accurately to continually improve our reporting in terms of both quality and quantity.

**Topics affecting our stakeholders**
In order to define the relevant content of this sustainability report, we undertook a materiality analysis for all the aspects defined by the GRI in advance. To this end, the aspects were analysed from the perspective of the company and the stakeholders identified by the sustainability team. Since this sustainability report is the first of its kind, the results of
the materiality analysis come from 47 standardised interviews with people from the immediate corporate environment. On this basis, we will intensify dialogue with our stakeholders over the coming years and further develop and refine the analysis of the essential aspects.

The matrix set out below presents all the aspects identified as relevant, both from the perspective of the stakeholders and with an eye on the company’s success. The greatest value was given to the category “product responsibility”. In addition to this, ecological aspects and the employment situation were also rated as very relevant. All other aspects presented are seen as relevant. This sustainability report picks up on all the relevant and very relevant areas and, in both its structure and its content, is oriented towards the results of this materiality analysis.
For the coming year we have set ourselves numerous sustainability goals, which are outlined more specifically in the relevant chapters.
Our products
The complete value creation chain at a glance

Be it muesli bars, fruit syrup or preserves, the path is long before customers actually hold one of our products in their hands. From cultivation and harvest to transportation of raw materials, to processing and delivery of the finished goods, product safety and quality management are the highest priorities in all our company’s activities.

Both in product development as well as along the entire supply chain, we place great emphasis on effective management systems that ensure compliance with both our own and statutory requirements. Thanks to long-term, partnership-based cooperation with our suppliers and analysis institutions, we ensure that our products always meet the highest standards.

**Forward-thinking procurement for consistently high quality**

Schwartauer Werke processes more than 40 varieties of fruit into more than 100 different fruit products. The origin, selection and processing of the ingredients have a significant bearing on our products’ quality and taste – and thus our commercial success. A forward-thinking, sustainable approach to how we deal with raw materials like fruit and cereals is therefore very important in terms of Schwartauer Werke’s strategy.

Our goal is to purchase our raw and packaging materials as close to production as possible. We already process more fresh fruit from Germany than any other producer of preserves. Around 90 per cent of all the fruit we process comes from the European Union. We only source exotic fruit, such as mangoes or pineapple, from outside Europe. This also happens in exceptional cases – for example in the event of a poor harvest. Our pectins are produced in Europe. We also source our sugar exclusively from suppliers in the European Union, mainly from Germany. Sixty-four per cent of the total purchasing volume for direct materials is spread among producers in Germany.

**Our goal: even more fruit from German farmers**

Around a third of all the fruit processed by Schwartauer Werke is made up of strawberries. We are in the advantageous situation that we have one of the biggest strawberry-producing regions in Germany right on our doorstep. In 2014, we worked with 15 contracted farmers in Germany – and we are planning to acquire from even more farmers from the region.

We have been working with Hof Hadenfeldt in Schmilau (Schleswig-Holstein) for more than 30 years.
For the Schwartau Extra brand, we will be processing exclusively German strawberries from 2015 onwards. Overall, around half of the strawberries we use for our products come from Germany. Our aim is to increase this share to 60 per cent by the end of 2015.

**Short supply routes for the very best taste**

Freshly harvested fruit from the region is transported directly to Bad Schwartau and the majority of it is processed immediately. As far as fruit from more distant regions is concerned, immediately after harvesting it is processed according to our requirements and frozen or pasteurised. Consequently, the aromas and quality of the fruit are preserved in the optimum stage of ripeness. Furthermore, this means we are able to produce to a consistently high level of quality all year round.

In addition, to shorter supply routes, regional procurement has another advantage. Together with farmers, we are able to decide on the optimum time for harvesting. Fruit typically varies significantly in its aroma and its texture. To ensure consistent product quality, we have established binding quality criteria for our raw materials in our contracts with suppliers. The fruit is subject to a strict inspection process and is then only used if it complies with all quality requirements.

**Certified raw materials for more sustainable products**

In line with our approach to sustainability, we do not just rely on procuring raw materials as close to production as possible. Indeed, in order to better understand the ecological and social impact along the lifecycle of our products, we also examine our raw materials by means of so-called “hot-spot analyses”. In addition, we are increasingly using sustainably cultivated raw materials. By the end of 2018, we have set ourselves the goal of exclusively using UTZ-certified cocoa. In this way, we will support cocoa farmers who cultivate and process their products with people and nature in mind.

With palm oil and palm kernel oil, we have also made a conscientious choice: by the end of 2018 we aim to increase the share of RSPO (Roundtable on Sustainable Palm Oil) certified raw materials to 100 per cent. With both cocoa and palm oil, the Mass Balance certification model is applied. According to this system, both conventionally and sustainably cultivated raw materials from certified plantations enter the supply chain.
Tusting relationships with our suppliers
Close, trusting cooperation with our suppliers and contracted farmers is a key factor in our success. The Schwartauer Werke Code of Conduct forms the basis for all our business relationships. We maintain intensive business relationships with around half of our approximately 500 suppliers through the regular supply of the materials that are essential to us. We place particularly high demands on them in our supplier selection and evaluation and encourage them to register on the Sedex platform (Supplier Ethical Data Exchange) and commit to compliance with the principles set out therein — such as the ban on child labour and discrimination, as well as environmental protection and quality assurance. With all our new suppliers, we check whether they comply with the quality, environmental and ethical criteria we define.

Our goal: more transparency in our supply chain
In order to continually review the ethical and social sustainability of our suppliers, we use the Sedex management tool. In 2014, 72 per cent of our suppliers were recorded on this online platform, on which their working conditions, social and environmental standards, and business practices are evaluated. Contracts, documentation, site visits and intensive discussions with our business partners all serve as a basis for analysis.

One of our most important sustainability goals is to systematically orient our supply chain to social and ecological criteria. For this reason, we intend to evaluate and select our suppliers based even more strongly on sustainability aspects by the end of 2015. In addition, we will integrate further sustainability aspects into the annual plan for the supplier audit.
Quality management for the utmost product safety

All company processes are defined within the framework of the quality management system in accordance with the stipulations of the quality standard DIN EN ISO 9001 in our three factories and our headquarters. We also comply with the International Food Standard (IFS 6.0). Through our annual IFS certification audit, we ensure seamless quality along the entire length of the production chain. Before their introduction and during their manufacture, all products are checked for safety and statutory marketability as part of the quality management system.

The manufacture of our products is consistently subject to our quality management from receipt of goods to production and tasting. Our experts undertake sensory tests and laboratory investigations in accordance with a clearly defined procedure. When it comes to the testing of pesticides and other residues, we have been working with accredited analysis institutions for many years. In addition, we regularly subject ourselves to the strict testing criteria of recognised auditing standards.

Cutting-edge technology for even greater safety

Within the framework of the EU-wide obligatory HACCP concept (Hazard Analysis and Critical Control Points), we analyse our production processes for possible microbiological, chemical or physical hazards. Every preserve and every bar that leaves our factory is systematically checked. Our aim is to further improve food safety with the help of the latest technologies.

At Schwartauer Werke, amongst other things we use X-ray devices specially developed for the food industry, so they have a low voltage and are able to identify physical defects and foreign bodies in our products beyond the normal quality controls. Since we achieve very good results with this, we are planning to expand its use to all our production by the end of 2020. In addition, we are testing a microwave-technology-based detection system on one of our preserve lines this year. This sensor system not only detects foreign bodies with higher densities, such as metal, stone or glass, but also wood, plastic, plant-based foreign matter and even insects.

Manufacturing processes to ensure that our products remain natural as possible

As part of our company strategy, we defined high quality criteria in 2014 for the development of new products. These include a commitment to preserving the naturalness and freshness of the ingredients as much as possible beyond the usual standards. To this end, we work continually on optimising the manufacturing process in order to produce our products using as few processing steps as possible. A software-based innovation management tool helps us to orient our product development processes towards the quality guidelines.

Less sugar, fresher taste

Our aim is to process the ingredients of our products even more carefully and to preserve their natural aromas to the greatest extent possible. We have already achieved this objective with a number of products – our smooth Schwartau Samt without fruit pieces or seeds, or Fruittissima, the fruit spread from the fridge, are unique in their naturalness and their taste thanks to innovative processes.

This way, over the past few years we have been able to continually reduce the sugar content of our preserves and fruit spreads in line with the prevailing public debate on the matter.

We are also working on reducing the number of ingredients used in our muesli bars. Thus, our new product, Corny Crunch, is now made of just a few ingredients.

We have set out the raw ingredients and additives we use in a raw materials policy paper based on our quality policy.
Transparency — we are happy to reveal what goes into our products

We want our customers to know and to be able to check where the ingredients for our products come from. Naturally, we also display the allergen and nutritional values on the packaging in line with the EU Food Information Regulation that has been in force since 2014. In our product labelling, however, we go above and beyond the statutory requirements for the provision of information. Using QR codes on the labels of Schwartau Extra jars, consumers can find out about the origin and processing of fruits.

Product development in dialogue with our customers

The desires and the needs of our customers are very important to us. Through targeted dialogue with them, we have already been able to develop numerous product innovations and variations, and improve recipes.

We regularly carry out consumer surveys on individual products and incorporate the feedback into our product development. Over the past year, for example, we have adjusted our production of apricot jam based on survey results. The Schwartau Extra range was also revised in 2014 on the basis of consumer tests and brought to the shelves in January 2015.

Our consumer service is available for questions and comments via a telephone hotline and the contact form on the website, as well as via our Facebook page. We use these findings to create a quarterly quality report and take corresponding measures.

It goes without saying that we comply with all statutory provisions in the area of product responsibility. This applies equally to the protection of personal data, as well as advertising, sales promotion and sponsorship. In 2014, no fines were imposed on Schwartauer Werke for non-compliance with laws and regulations in relation to the preparation and use of products. In 2014, the authorities made eight objections, of which two were justified. Both of these related to product labelling, which has been adapted accordingly. There were no incidents where guidelines and voluntary codes of conduct relating to the health and safety of our product were not adhered to.
Our employees
A shared route to success

Entrepreneurship, speed, responsibility, change and family are the values that define our day-to-day work and shape the way we deal with one another and with customers and business partners. The success of our company is the success of our employees. We therefore aim to offer attractive employment with remuneration appropriate to the work involved and diverse professional opportunities.

Every employee of our company takes on responsibility. All employees are urged to develop ideas on how to consistently improve products or processes. Decisions are made through short channels here, because we place great emphasis on flat hierarchies. It is important to us that our employees identify with the company and its products and put their hearts and souls into what they do.

All Schwartauer Werke employees are employed in Bad Schwartau, although around 50 employees in the Sales Department operate in various different regions of Germany.

In 2014, 75 new members of staff were recruited, of which 36 were men and 39 women. A total of 48 employees left the company (26 men and 22 women). The fluctuation rate was 6.4 per cent.

The seasonal nature of some of our production processes, for example the direct processing of fresh strawberries during the harvest period in May, June and July, means we regularly employ seasonal workers. In 2014, an average of 17 temporary workers supported us.

Diversity and equal opportunities

It goes without saying that we focus our conduct towards the principles of the General Act on Equal Treatment, which forbids any discrimination of persons based on age, gender, ethnic background, religion or their sexual identity. This applies particularly with regard to remuneration.

All occupational benefits offered by Schwartauer Werke are proportionally available to employees with part-time contracts. Where fixed-term contracts are concerned, we base our terms on statutory provisions.

Every employee has a right to parental leave. In 2014, 17 employees, of whom three men and 14 women, took advantage of this option. Eight employees, three men and five women, returned to work in 2014 after a period of parental leave.

A total of 16.6 per cent of our employees are under 30 years old, while 53.9 per cent are aged between 30 and 50 and 29.5 per cent are over 50. Additionally, 6.3 per cent of our employees have severe disabilities.

The supervisory board and the senior management team were made up entirely of men in 2014. Our 18-strong senior management includes one woman (5.5 per cent), while there are 11 women (21.2 per cent) among our 52 junior managers. We are making efforts to increase the proportion of women we employ, particularly in management positions.

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<thead>
<tr>
<th>Number of employees</th>
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<td>Women, permanent</td>
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<tr>
<td>Men, permanent</td>
<td>Women, fixed-term</td>
<td>Women, part-time</td>
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<td>Men, permanent</td>
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<td>Men, full-time</td>
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<tr>
<td>Men, fixed-term</td>
<td>Men, fixed-term</td>
<td>Men, part-time</td>
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Remuneration and representation of interests

We place great emphasis on fair remuneration that is appropriate to the market. Thus, when establishing our salaries and wages, we based decisions on the relevant collective agreement, which provides for wage groups for specific activities in administration and production. We believe it is important that there is no disparity between the remuneration of the management and the workforce.

In 2014, the percentage increase in the management salaries was 1 to 2 per cent, while for most other employees it was between 2.5 and 3 per cent. The management’s remuneration is agreed by the relevant committee of the supervisory board of the Hero Group. The remuneration is made up of a fixed component and a bonus. The amount of the bonus depends on the achievement of personal goals and the company objectives.

We hold regular appraisals with our employees based on a set standard. To make this longstanding practice easier, we have implemented an HR software package that facilitates an appraisal that is as objective and systematic as possible. Based on the experiences we have had with this IT-supported evaluation of performance and potential, we will be expanding the circle of employees covered by this software in 2015. Due to a lack of IT infrastructure, it is not currently possible to use this software in the factories.

After a three-year qualifying period, all employees working at Schwartau have a right to an old-age or lump-sum death benefit as well as a disability pension, with the amount dependent on the number of years spent with the company and the applicable salary. Employees who joined the company before 1 January 2000 have the right to an occupational pension, which since 2000 has been converted into a lump-sum retirement payment.

Our employees are able to influence company decisions via the works council. Naturally, we comply with all the requirements of the framework agreement on employment conditions for the German confectionary industry, the Industrial Constitution Act and all other provisions that govern the relationship between employer and employee. This also applies to formal agreements on occupational health and safety.

Collective agreements guarantee equal employment rights apply to around 87 per cent of our employees. For all other employees, who include primarily staff on fixed-term contracts, we cooperate on the basis of other regulations that correspond to the standard statutory provisions. In 2014, there were no formal complaints relating to our employment practices.

Our goal: no accidents in production or administration

The health and safety of our employees is the utmost priority for us. We comply with the statutory requirements and, beyond that, ensure additional workplace protection and accident prevention. Our long-term goal is to reduce the accident rate to zero. We investigate every accident with our occupational health and safety specialists and discuss further measures within our occupational safety committee with the aim of avoiding such accidents as far as possible in future. As a company in the food processing industry, we have no increased rates or risk of illnesses.

Despite our extensive efforts, in 2014 a total of 33 accidents occurred (2013: 17). By far the most frequent were bruises. There were no deaths. The period of absence most commonly amounted to between eight and 14 days.

Since slip and trip accidents had increased, numerous measures have been taken over the past year to avoid such accidents. We urge our employees to eliminate accident risks immediately or have someone else eliminate them and to inform supervisors about them.

In 2015, we will be conducting a campaign to raise awareness of occupational safety among employees. This includes enhanced training of employees and a number of communication measures, for example a visualisation of accident figures, more frequent intranet articles and a focus on occupational safety as part of our CIP programme (Continual Improvement Process). In 2015, we also plan to set up a system to record “near-misses”.

20 Sustainability Report 2014 Our employees
Education and training for a promising future

With their varied skills, our employees make an essential contribution to the company’s success. Education and training are therefore extremely important to us.

We currently provide training in seven different professions, with apprenticeships lasting between two and three and a half years:

- Laboratory chemist
- Electrician for operating technology
- Food technologist
- Warehouse operator
- Industrial clerk
- Information technology officer
- Industrial mechanic

Over the past few years we have recruited an average of 14 apprentices each year. At the end of 2014, we employed a total of 47 apprentices and thus achieved a trainee quota of six per cent. We take on all apprentices who have successfully completed their apprenticeships for a minimum of 12 months. Aside from this, we provide numerous internships to school and university students every year, and support them with their academic papers.

To ensure our employees can continually expand their expertise, we offer them the chance to participate in internal and external training courses. Over the last few years we have continuously expanded our internal training programme. In 2014, for example, we conducted 57 training courses on topics such as occupational safety, quality management, hygiene and food safety. We carried out five SAP basic training courses with our shift managers. In addition, employees were trained in how to handle hazardous substances on seven occasions. In the area of technology and workshops, the offering included a course in cooling technology, a course in measuring, a seminar on how to use the grease trap and a programming class for automation technology.

On the administrative side, we support our staff in their personal development with seminars and training courses. These include, for example, individual language courses, training in preparation for new tasks, courses on crisis intervention over the telephone, journalism training and seminars on rhetoric and employment law. Transitional programmes for people reaching retirement age or ending their employment are not in place as there has been no requirement so far.

Based on the total number of employees, each employee underwent around seven hours of internal or external training on average in 2014.

That certain extra for internal communication

One important pillar of the internal communication at Schwartauer Werke is our intranet — known as “Extra-Net” in homage to our flagship jams. It is here that we provide our employees with all the information that is relevant to our company and our staff.

In this way, the intranet also takes on the role of highlighting our values, the rights and responsibilities of employees, occupational health and safety, our quality policy, our social engagement and specific offerings from the company — such as information events or company sports groups.

The intranet was launched last year and has led to a tangible improvement in internal communication and awareness of company procedures among employees. Based on our positive experiences, we are planning to enable our employees to access the portal from home too by the end of 2016. In addition, we are integrating more and more functions and new possible uses, for example for ideas management.

<table>
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<th>MEN</th>
<th>WOMEN</th>
<th>TOTAL</th>
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<td>232</td>
<td>618</td>
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<td>Internal (industrial workers)</td>
<td>2,304</td>
<td>1,088</td>
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<tr>
<td>External</td>
<td>936</td>
<td>552</td>
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<td>Total</td>
<td>3,626</td>
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Our motto Echt gut gemacht (Really well done) is our company philosophy in a nutshell. We aim to achieve the highest possible quality – and this applies at all levels. Each day everybody in the company – from the senior management to our apprentices – tackles the same question: What can we do better? They do so with an eye on our products and processes, but also in terms of the way we deal with one another and with our business partners, and with regard to our environment and our commitments within society. With all our entrepreneurial activities, we want to and should be able to say to our stakeholders that “This is really well done.”

Since the beginning of 2014, we have been informing all our employees about Really well done and the procedures within the company on our ‘Extra-Net’.
Three questions

to Dr Sebastian Portius, Vice President for Innovation & Quality:

The Really well done motto was launched one year ago. What has changed?
With Really well done, we created a communicative bracket that draws the attention of our employees and stakeholders to our company philosophy more keenly. With their high personal and professional standards, our employees have shown that they have taken the new motto on board and identify with it. Really well done has contributed to numerous ideas and initiatives being developed to improve our products and processes, as well as our company culture.

Which ideas and initiatives are currently being discussed in particular?
Besides environmental protection, we are currently discussing a number of ideas in the area of product and occupational safety. Against this background, we at Schwartauer Werke have launched a Continual Improvement Process together with our employees and external partners. Our aim here is to urge our employees to take on more personal responsibility and to encourage them to actively rectify problems.

What is the significance of Really well done for the future?
Many of the optimisation efforts implemented in 2014, as well as our new, transparent communication, stem from Really well done. In future, this strong guiding principle will help us to develop a shared understanding of responsible behaviour and be better placed to overcome the economic, environmental and social challenges we face.
Our environment
For a respectful approach to nature

As a company in the food processing industry, we rely heavily on natural ingredients. We therefore place great emphasis on using our resources responsibly and shaping our commercial activities so that they are as environmentally compatible as possible.

For this reason, we set out our environmental principles and implemented environmental management systems many years ago. Since 2000, our environmental management system has been certified according to DIN EN ISO 14001. In accordance with this standard, we present our goals, measures and successes relating to environmental protection in an annual environment report. In 2013, we also had our energy management system certified in accordance with DIN EN ISO 50001.

Our carbon footprint

In 2014, we produced a total of 72,876 tons of preserves, fruit spreads, syrups and muesli bars. This corresponds to a drop of 1.3 per cent compared to the previous year’s production volume.

Energy

For the year 2014, we set ourselves the goal of reducing our specific consumption of electricity and gas by three per cent on the previous year. We have well exceeded this goal: energy consumption per ton of goods produced dropped by 5.2 per cent in 2014. Overall, with total consumption of 73,881,331 kilowatt hours (kWh), we consumed 5,090,378 kWh less than in the previous year.

This was achieved primarily through our new energy management system, as well as a series of energy efficiency projects. Thus in 2014, for example, we optimised the ventilation system in one factory, which led to savings of over 600,000 kWh. Thanks to the needs-based activation and deactivation of redundant cooling circuits, we were able to save more than 280,000 kWh. Smaller measures too, such as the improvement of the energy efficiency of our lighting systems and the timed control programme for our ventilation systems led to energy savings totalling around 100,000 kWh. The calculation of energy consumption values undertaken here follows the calculation methods we apply in the context of our certified environmental management systems.

As part of our sustainability strategy, we set ourselves the goal of reducing specific energy consumption by six per cent by the end of 2016 compared to 2014.
**Emissions**

Schwartauer Werke’s emissions, 99.6 per cent of which consisted of CO2, fell in comparison to the previous year by a total of 8.8 per cent and by 7.8 per cent per produced ton. The remaining greenhouse gas emissions consist of CH4 and NOX emissions (0.3 per cent) and N2O, SO2, NMVOC and NH3 from cooling systems (0.1 per cent). Neither our product portfolio nor our production processes lead to emissions of ozone-depleting substances. Given our affiliation to the Hero Group, we calculate the emissions we produce using a method that originally came from the Swiss Environment Ministry. For future reporting periods, we plan to make the calculations based on the Greenhouse Gas Protocol.

**Water and waste water**

The majority of our water consumption is due to the cleaning of production systems. The water for our three factories primarily comes from three springs (groundwater), which do not lie in established protected areas. In addition, we also use water provided by the municipal supply system (water mains).

In 2014, we consumed a total of 316,436 m³ of water. This corresponds to a drop of 0.3 per cent compared to the previous year. Of this, 258,657 m³ was groundwater and 57,779 m³ mains water. Over the last year we have used significantly more spring water, meaning the volume of mains water used fell by 12.1 per cent. The water we use is channelled exclusively into the sewer system to be treated at the water treatment plant. Over the last year there was no unscheduled discharge of waste water.

By the end of 2016, our aim is to consume 10 per cent less water than in 2014.
Specific water consumption (m³/prod.t)

-6.7%  +0.9%

2012  4.61
2013  4.30
2014  4.34

Waste

In 2014, a total of 3,492 tons of waste were produced, of which 29 tons was hazardous waste (0.8 per cent). In comparison to the previous year, the total volume of waste dropped by 7.6 per cent, whilst specific waste generation fell by 6.3 per cent. The quantity of waste that was not recycled fell by 59 per cent, and the specific volume of non-recyclable waste fell by 58.5 per cent. Overall, the quantity of waste for reprocessing rose by 3.2 per cent, with the specific waste volume rising by 4.8 per cent.

The total volume of waste reprocessed in 2014 amounted to 3,224 tons. Of this 1,227 tons were recycled (reuse of material for other purposes), 989 tons were fermented for the extraction of biogas or bioethanol, 584 tons were used for energy production, 273 tons were composted and 151 tons were reprocessed in other ways (e.g. biological/chemical processes). 268 tons were disposed of through incineration. The choice of disposal method and the approach to waste are set out in our environmental management system and are in accordance with statutory provisions. The sales packaging of our products is returnable via Der Grüne Punkt – Duales System Deutschland GmbH. In 2014, we did not cause any significant pollution.

Since we have already been developing and implementing numerous measures for the avoidance, reprocessing and separation of waste for a long time, we can state that we are on the right path to achieving our goal of reducing waste production to a minimum, reusing as much as possible and converting any remaining waste into energy or raw materials.
time, Schwartauer Werke’s total volume of waste has been dropping year by year. This is a development we want to pursue. By the end of 2015, we aim to analyse the waste occurring in our company very precisely in order to develop a concept for further reducing the quantity of waste produced. In addition to this, likewise by the end of 2015, we will take measures for even better separation of different types of waste, particularly in the area of foil and food waste.

**Transport**

As a producing enterprise we rely on the supply of the necessary raw materials and ingredients. In addition, we transport our products to the points of sale. Since a large proportion of our transportation is carried out by external logistics partners, we are unable to calculate the resulting environmental impact. By purchasing our materials and ingredients – particularly fruit, sugar and rolled oats – as locally as possible, we ensure short transport routes.

By means of a team competition, which took place between 2 January and 30 October 2014, we encouraged our field sales staff to travel using as little petrol as possible. The team that proved to have the lowest average consumption after an evaluation of
the petrol cards was rewarded with a specially organised team event. In addition to this, the regional managers with the lowest petrol consumption in the national sales team were given a special bonus.

Preserving natural diversity

Biodiversity is one of the most important basic conditions for our existence – and for our company, too. Since our products largely consist of natural ingredients, preserving ecosystems and protecting biodiversity is very important to us.

Even if our actions have no direct impact on biodiversity, we are aware that the use of land for agriculture affects habitats and species diversity. The use of pesticides and clearing woodland for cultivating crops are other matters we are addressing and helping to find solutions for. The glass we purchased in 2014 consisted of between 55 and 65 per cent secondary raw materials, with the proportion of recycled material in our cardboard boxes amounting to between 85 and 95 per cent.

One of the goals we hope to achieve by the end of 2015 is to purchase our raw materials as close as possible to our production sites. For example, we are aiming to procure 60 per cent of our strawberries from regional sources. By the end of 2018, we intend to switch entirely to UTZ-certified cocoa and RSPO-certified palm oil.

Our efforts to preserve biodiversity are evident, for example, in the initiative ‘bee careful’. Since the health of bees is under threat and the conditions for their health have been insufficiently researched so far, we have joined forces with Professor Jürgen Tautz and the research and teaching platform HOBOS (Honey Bee Online Studies) at the University of Würzburg to set up a research project spanning several years. In the 2014 financial year, more than €100,000 flowed into this sustainability initiative. The aim is to improve bee health, boost the bee population and thus preserve the diversity of crops and their fruits.

Our three factories each have plots of between 35,000 and 66,000 square metres and lie in residential and mixed-use areas. Factory 2 borders an area of protected landscape. The biodiversity is not affected by our factory.

In 2014, our environmental protection expenditure in the area of waste, including certification costs, amounted to around €220,000.

Also in 2014, Schwartauer Werke was not issued with any fines or non-monetary penalties as a result of non-compliance with environmental regulations. Nor did we receive any formal complaints based on the environmental impact of our commercial activities.
Honey bees are hugely important for humans:
With their tireless work of pollination, they facilitate the diversity of fruits and vegetables the world over. According to estimates, around 80 per cent of all of our crops are estimated to be dependent on pollination by bees. This is one major reason why the increase in bee mortality in recent years is a cause for great concern.

Against this background, we launched the ‘bee careful’ initiative in 2014 with the aim of promoting bee health and crop diversity. The research and teaching platform HONEY Bee Online Studies’ (HOBOS), managed by Professor Jürgen Tautz, is a collaborative partner. A key component of the initiative is the bee research station at our factory site in Bad Schwartau, through which we are able to find out about important influencing factors on bee health. Furthermore, we are involved in targeted knowledge transfer in schools and provide support for German beekeepers.

1/3
One third of our food depends on their pollination.

No. 3
Our third most important working animal after cattle and pigs.

30%
Thirty per cent of bee colonies in Germany died in the winter of 2014/15.
Why is the honey bee under threat?
In the modern cultivated landscape, bees are dependent on humans, but they are also threatened by newly emerging parasites and diseases. Monocultures do not offer them sufficient nourishment and pesticides affect the bees’ nervous systems — to name just a few aspects.

What needs to change for things to get better for bees?
We need to know even more about the life of bees, particularly their capacity to deal with environmental stress and diseases. Above all, this means supporting fundamental research.

What exactly happens in the research station?
Sensors and cameras document all the goings-on in the beehive. This gives us insights into factors influencing bee health and beekeeper practice. By linking up to a bee station at the University of Würzburg, we are able to carry out comparative analyses and research regional differences.

Where does bee careful go from here?
With the help of Schwartauer Werke, the HOBOS team will develop the technical facilities of the research station in 2015 and thus enable us to learn more about the bees of northern Germany in future. In addition, we want to run a pilot project, bringing on board as many Schleswig-Holstein schools as possible for an educational collaboration.

In order to raise awareness of this topic among the public, with www.bee-careful.de we are providing a constantly growing pool of knowledge with background reports, videos and interviews.

Nine of our employees are training as beekeepers in 2015.
We provided our employees with the first two bee colonies, including beekeeping equipment, free of charge close to the research station.

Prof. Dr. Tautz, professor at the bio-centre of the Julius Maximilian University in Würzburg, is a collaborative partner of bee careful. In 2006, he set up the interdisciplinary research platform HONEYBEE Online Studies (HOBOS).
Our home
Schwartauer Werke as a neighbour

We have been based in Bad Schwartau for over 100 years and are closely connected to this region. In 2012, we invested €20 million in a modern factory for the production of preserves. One of our overriding aims is to further secure and develop the location.

As one of the biggest companies in the region, we remain in constant dialogue with representatives of Bad Schwartau, the Ostholstein district and the state of Schleswig-Holstein. In addition, Schwartauer Werke also participates in gatherings of various economic initiatives in the region, such as the north German industry network ‘foodRegio’. We seek out direct dialogue with neighbouring companies and households and take their needs and thoughts very seriously.

Our production facilities directly adjoin residential areas. We therefore try to keep disturbances from traffic, noise and smells as minimal as possible. To this end, we make efforts to optimise road access and undertake regular analyses of smells and noise.

Integrity and social responsibility

Through our Code of Conduct and in accordance with the principles of the United Nations Global Compact (UNGC) and of the International Labour Organisation (ILO) we are committed to upholding human rights and the right to freedom of association, and fighting discrimination, child, forced and compulsory labour, corruption and anti-competitive behaviour. Our actions are defined by integrity and are always in compliance with statutory provisions. We expect our business partners’ company policies to be in harmony with these principles, too. We monitor potential risks of anti-competitive behaviour and corruption throughout the company. Our employees – particularly in the areas of sales and key accounts – are given regular compliance training.

In 2014, there were no formal complaints or procedures against Schwartauer Werke as a result of anti-competitive behaviour or corruption.

Social engagement

As a company, we are part of society. We therefore see it as our duty to involve ourselves in society and to offer support where our competences and resources enable us to do so. Nurturing young talent is an area particularly close to our hearts.

Besides donations for specific events, we support individual initiatives in the areas of education, sport and culture within our region.

Knowledge for the colleagues of tomorrow

We support nurseries, schools and educational initiatives in Bad Schwartau and the surrounding area. We therefore work, for example, with Wissenfabrik e.V., a network of around 120 companies and company-linked foundations. As part of this collaboration, primary schools in Bad Schwartau are being given experiment kits on the subjects of water, air and food. These enable the pupils to address issues of natural science in a playful way.

With the bee careful initiative, we are taking various measures to promote bee health. In 2015, we will continue to develop the content of the Internet platform bee-careful.de and to help train new beekeepers in Germany. Together with our collaborative partner HOBOS, over the coming years we also intend to continually expand and consolidate the nationwide school network of the teaching platform “beecareful.hobos.de”.

In cooperation with Lübecker Nachrichten we are sponsoring reading lounges at the three secondary schools in Bad Schwartau. The aim is to encourage young people to read newspapers daily and critically address political, economic and cultural topics.

In addition, we work with the Ostholstein district fire service association to help educate nursery and primary school children in the region about fire prevention.
Every two years the local Kiwanis Club Bad Schwartau awards a monetary prize to schools that have implemented outstanding projects, and in 2014 Schwartauer Werke participated for the second time with a contribution of €3,000. For many years we have fostered close links with the Haus der Kinderhilfe – a facility set up by the McDonald’s Kinderhilfe Foundation at the Lübeck University Clinic – which we support with donations of money and goods. Furthermore, with our Deutschlandstipendium grant we have been supporting committed students at Lübeck University of Applied Sciences since 2013. Starting in 2015, we and several other companies will also be taking over an endowed chair for the specialist area of food processing – the course of studies was developed in collaboration between companies operating in the food industry and Lübeck University of Applied Sciences within the context of the ‘foodRegio’ network.

DoppelPASS is an initiative launched by the cancer charity Deutsche Krebshilfe, which we have been supporting since 2012. Its goal is to raise funds for families of children suffering from cancer through football tournaments. In January 2014, Schwartauer Werke donated €10,000 for the seventh DoppelPASS Cup in Nortorf.

Music and food combined
The Schleswig-Holstein Music Festival is one of the most important classical cultural events in northern Germany, and we have been supporting it for over 15 years. Since 2007, we have been providing financial support for the Musikfeste auf dem Lande, which invites families to enjoy a picnic in the most beautiful estates of Schleswig-Holstein. What is more, we have been providing concert visitors on Sundays with bread rolls – and, of course, our jams – since 2010.

Supporting high-level and grass-roots sport in the region
For over 15 years we have been funding grassroots sports activities in the region, and also support the realisation of various club projects, for example the procurement of new sports equipment. In addition, we sponsor the men’s first team of VfL Bad Schwartau, which plays in the second national handball league, as premium and strip partner. We are thus supporting the club’s goals of establishing high-level handball in the region in the long term and specifically developing young talent.
About this report

This is the first sustainability report by Schwartauer Werke. For us, it is a central medium of communication via which we disclose our contribution to sustainable development on an annual basis. All the data contained in this report relate to Schwartauer Werke GmbH & Co. KGaA and the calendar year 2014.

In order to ensure transparent and systematic reporting, we follow the guidelines and the reporting principles of the globally recognised Global Reporting Initiative (GRI) in its G4 version. No external auditing is planned at the present time.

We defined the relevant content of this sustainability report on the basis of a materiality analysis. This report meets the “in accordance core” option defined in the GRI reporting standard.

Our aim is to consistently expand and systemise the sustainability reporting and the dialogue with our stakeholders in order to fulfil our claim of “Really well done” in the area of sustainability too.

Schwartauer Werke is an active member of the following organisations in particular: Bundesver einigung der Deutschen Ernährungsindustrie e.V. (Federation of German Food and Drink Industries – BVE), Bund für Lebensmittelrecht und Lebensmittelkunde e. V. (German Federation for Food Law and Food Science – BLL), Bundesverband der obst-, gemüse- und kartoffelverarbeitenden Industrie e. V. (German Association of the Fruit, Vegetable and Potato Processing Industry – BOGK), Bundesverband der deutschen Süßwarenindustrie e. V. (Association of the German Confectionery Industry – BDSI), Zentrum für nachhaltige Unternehmensführung Universität Witten/Herdecke (Centre for Sustainable Business Management at the University of Witten/Herdecke – ZNU).

Where this report uses the male gender, this does not represent any discrimination against the female gender, but rather serves for better readability.

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irr. = irrelevant as this is the first sustainability report
n.r. = not reported

The GRI index outlined here contains only those aspects identified as essential. The management approaches (DMA) are presented in the chapter “Our claim”. 
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