

# Corporate Social Responsibility

2017



COMMUNICATION ON  
PROGRESS

This is our **Communication on Progress**  
in implementing the principles of the  
**United Nations Global Compact** and  
supporting broader UN goals.

We welcome feedback on its contents.

## STATEMENT ON CONTINUED SUPPORT

Since Schur in 2015 joined the UN Global Compact, its 10 principles have formed the framework for Schur's efforts for sustainability. The latest years' CSR reports have shown the results achieved within the focus areas: Energy, waste, accidents, sick days, CO<sub>2</sub> emission as well as equal rights in managements and Boards of Directors.

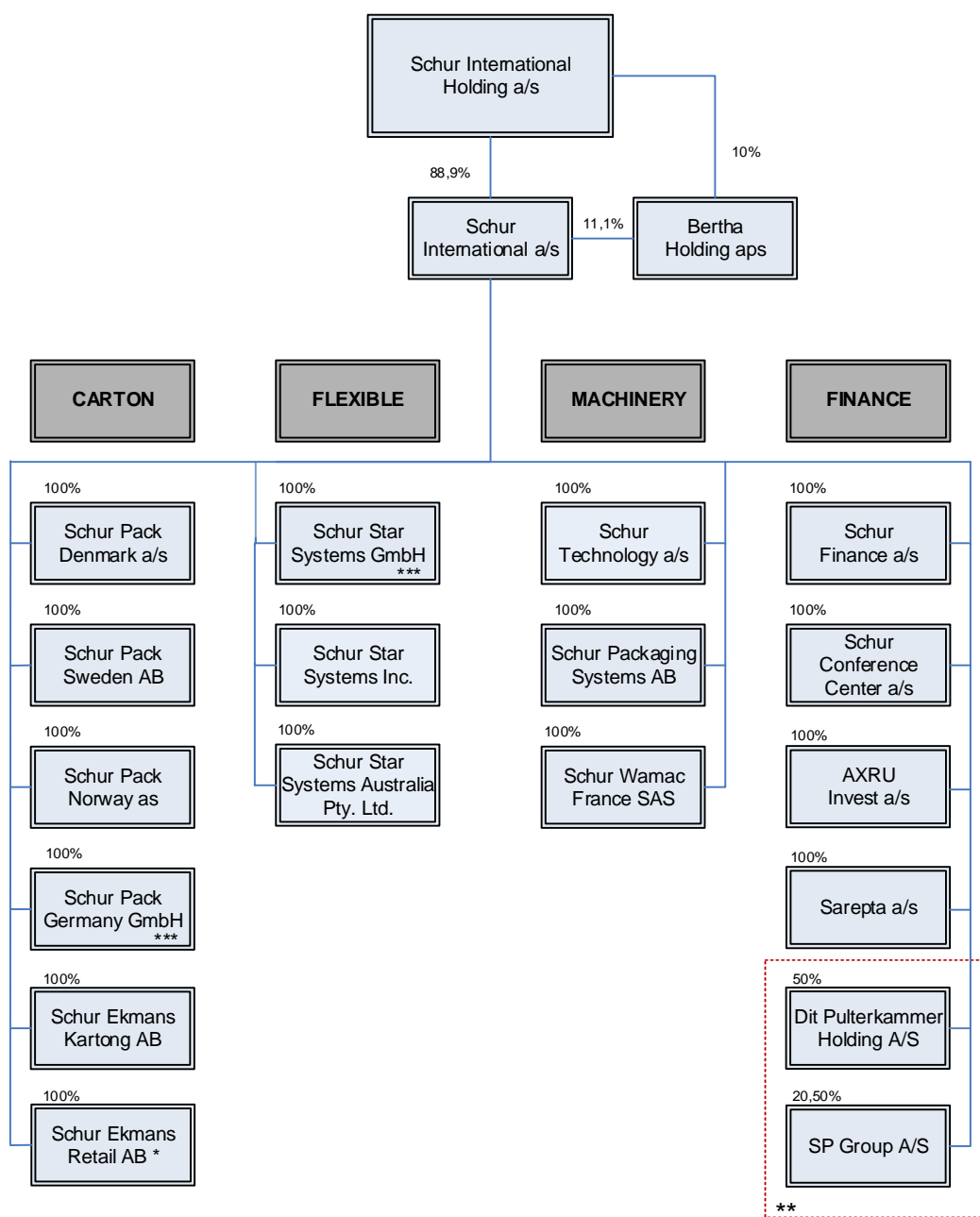
In 2017, Schur initiated the implementation of UN's Guiding Principles on Business and Human Rights (UNGPs) and in continuation hereof handles environment and anti-corruption in accordance with OECD's guidelines for multinational enterprises. Impact analyses have now been carried out in two of the Group's companies. The work confirms that these management tools give both more width and more depth in initiatives and ambitions within the 10 principles. Schur's work to prevent violation of the 48 human rights, initiatives within 20 environmental areas and 12 anti-corruption cases, provide enhanced value both internally and externally. The work further helps to illustrate how Schur can and will work with the 17 global goals. Schur is among the first Danish companies who work on compliance with UN's global minimum standards for responsible conduct of business. Schur is still working with impact analyses in the Group's other companies and will for the first time include the results in the COP reporting for 2019.

With this, our third, annual Communication of Progress, it is important for Schur to show our continued support.

Yours sincerely,

Hans Schur  
CEO

## GROUP CHART



\* The company is in the course of liquidation.

\*\* The companies are recognised under the items "Other securities and equity investments" and "Equity investments in associates".

\*\*\* The following fully consolidated subsidiaries avail themselves of the exemption provisions of section 264 (3) HGB (The German Commercial Code):

- Schur Pack Germany GmbH, Gallin, Germany
- Schur Star Systems GmbH, Flensburg, Germany

### COMPANY PRESENTATION

Schur's principal activities include development, production and sale of packaging within cardboard and flexible materials, packaging and production machines as well as complete packaging systems. In addition, the Group develops, produces and sells distribution and mailroom equipment as well as inventory systems and palletising systems for newspapers, weekly magazines and advertising materials. In this segment a fully automatic logistics system for printshops has been developed. In addition, the Group sells innovative consumer products and the wine pourer DropStop®. With the exception of the Parent Company and a few division companies, each company has its own development, production and sales activities.

The packaging companies' products are primarily sold in Northern Europe and the USA, while the flexible, machinery and consumer companies sell their products worldwide.

### SOCIAL RESPONSIBILITY

Schur accepts the responsibility to contribute to both a socially, environmentally and financially sustainable development and recognises a natural coherence between responsible conduct and increasing the Group's earnings and future growth.

In the spring of 2015, Schur has joined the "Un Global Compact" and in 2017 it was decided to implement a management system in order to comply with UN's minimum standards for responsible conduct of business laid down in the UN Guiding Principles on Human Rights and Business (UNGPs) and OECD's guidelines for multinational enterprises. The CSR policy has been updated, analyses of actual conditions with accompanying action plans for necessary adjustments for the Danish consolidated companies have been initiated. In addition, a plan for the implementation in the foreign companies has been prepared. The objective is full implementation before the end of 2019. Until full implementation, Schur will continue the present measurements and reporting.

Schur's CSR measures transform the "UN Global Compact" principles into processes and practice which make the respect for human rights, workers' rights, climate and

environment as well as anti-corruption tangible and relevant. Schur wants to send a signal to customers, employees, suppliers and the surrounding environment that CSR contributes to the creation of value – for the benefit of both them and Schur.

### CUSTOMER RELATIONS

The customers show a growing interest for CSR. Therefore, it is important that Schur meets the customers' expectations – also beyond what is statutorily required regarding environment and social responsibility. The end users become more and more conscious about the goods, they purchase and the underlying ethics. As packaging is an integral part of the goods purchased, Schur must live up to expectations. We are met with an increasing demand from our customers to sign their "Code of Conduct" which are their guidelines for ethical and responsible practice. The customers conduct an increasing number of BSCI audits of our factories.

### SUPPLIER RELATIONS

Schur acts as a guarantor to its customers that own sub-suppliers live up to the demands made by the customers. Schur asks own suppliers to provide a written receipt for having been informed about Schur's "Code of Conduct" and for their acceptance of their living up to our demands. In this way Schur reinforces its position vis-à-vis own customers. During the year, Schur has initiated the development of a supplier management system based on the UN Guiding Principles on Human Rights (UNGPs) and international principles of anti-corruption and environment. Implementation is expected to take place in the course of the coming year.

### ANTI-CORRUPTION

It is Schur's policy that no person may encourage or accept any kind of bribery, receive or give presents of a higher value in an attempt to influence business partners in order to achieve unlawful advantages. Each year Group Management carries out interviews of the individual companies' management about knowledge of corruption. In this connection, it is hereby confirmed that Group Management for this reporting year has no knowledge of examples of corruption. In the Danish companies, analyses of risks with regard to

corruption and proposals for measures to prevent involvement in future corruption have been initiated during the year. These analyses will be spread to the foreign companies during the coming year.

### **HUMAN RIGHTS**

It is Schur's policy that no one in the organisation shall experience violation of their human rights and that no differential treatment takes place due to gender, race, skin colour, religion or faith, political opinion, sexual orientation, age, handicap or national, social or ethnic origin. Each year Group Management carries out interviews of the individual subsidiaries' management about knowledge of violation of human rights. For this reporting year, no violations of this policy have been registered.

### **WORKING RELATIONSHIPS AND ENVIRONMENT**

Schur continuously aims at improving the employee training programmes and has, in line with previous years, focused on supplementary training programmes in the quality area.

The staff-related elements are reflected in the personnel policy, forming the overall framework within which employees and managers act in everyday life. Among other factors, the policy comprises Schur's attitude to working environment, as it is important for Schur to have a safe and healthy working environment where employees thrive. As a minimum, Schur as employer complies with national legislation, collective agreements and rules regarding working hours.

Schur will work on increased work satisfaction, ensure and currently improve work environment in order to prevent physical and psychological damage and thus reduce the number of sick days.

Schur is currently measuring the number of sick days and work-related accidents.

Schur works according to the following objectives:

- As a maximum, the number of sick days in % of the number of working days may amount to 1.5% for salaried employees and 3% for hourly paid employee. The statistics do not comprise absence due to long-term illness.

- The number of work-related accidents is currently reduced by 5% per year and the average number of resulting sick days per accident may not exceed 7 days.

Schur's action and activity plan for the reduction of absence due to illness is now fully implemented in all Group companies. Therefore, the measurements comprise all the companies in the Group. The measurement results have been adjusted for sold companies.

Absence due to illness excluding long-term illness has developed as follows:

	2016/17	2015/16	2014/15	2013/14
Salaried employees	1.70%	1.43%	1.72%	1.54%
Hourly paid employees	4.22%	4.25%	4.42%	4.46%

The trend for the Danish production companies is a decline in absence due to illness. In 2016, the absence due to illness amounts to approx. 2.7% for salaried employees and approx. 3.1% for hourly paid employees (source: Dansk Arbejdsgiverforening).

This year, the absence due to illness for salaried employees increases and exceeds the fixed target of 1.5%. There are no specific reasons for the increase which is not referable to an individual company but is registered in several companies. The absence due to illness for hourly paid employees is weakly declining but is still exceeding the target of 3%.

Schur continually focuses on a reduction of absence due to illness - partly via preventive actions and partly via therapeutic activities. The preventive actions comprise ongoing evaluation and improvements of work processes, physical and psychological working environment as well as offers for medical examinations and vaccination programmes. Furthermore, a "Schur Fitness" programme offers special health promoting activities. The therapeutic activities comprise personal follow-up conversations, advisory services regarding treatment and assistance.

Registrations of work-related accidents are now available from all active consolidated companies, and the comparative figures have therefore been adjusted accordingly.



The number of work-related accidents and related sick days has developed as follows:

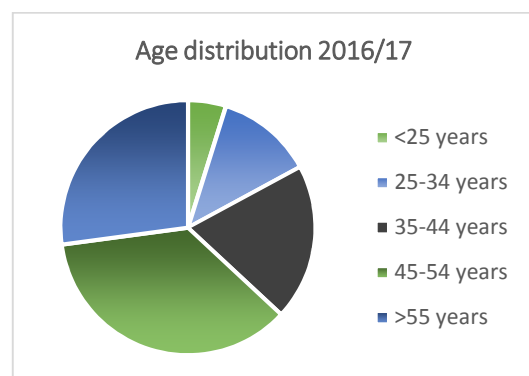
	2016/17	2015/16	2014/15	2013/14
Number of accidents	35	22	23	25
Number of sick days	466	306	349	345
Sick days per accident	13	14	14	11

The number of work-related accidents for 2016/17 is calculated to be 35 against a target of 16 based on an annual reduction of 5%, whereas the number of resulting sick days is calculated to be 466. This means that the number of sick days per work-related accident is calculated to be 13 against a target of 7, which is unsatisfactory. Two years ago the Group implemented specific initiatives and new projects in the Danish companies in order to reduce the number of work-related accidents and thus obtain a reduction of the resulting sick days. The employees are currently trained in safety and first aid with the purpose of reducing the number of work-related accidents.

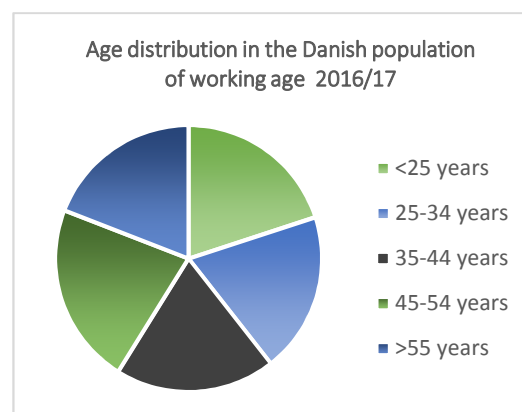
### AGE DISTRIBUTION

It is Schur's policy to have an age composition that reflects the age composition of the labour market in Denmark. In connection with employments, we intend to achieve this by aiming at recruiting among the underrepresented groups.

The age distribution in recent years has been fairly steady with a certain predominance of elderly employees. An increasing number of employees can celebrate their 40 years' anniversary. The actual age distribution in 2016/17 is as follows:



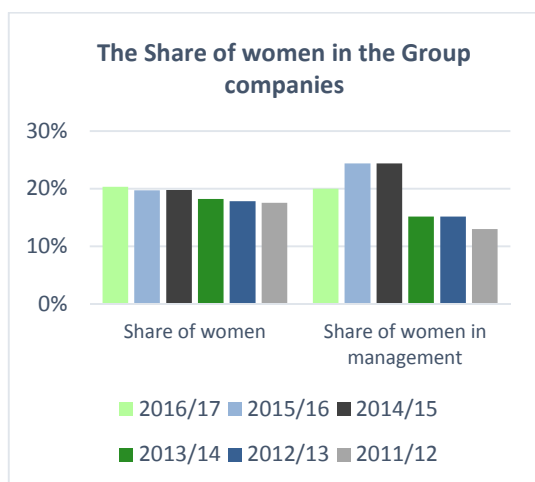
By way of comparison, the age distribution in the Danish population of working age has been as follows:



### OBJECTIVES AND POLICIES FOR THE UNDERREPRESENTED GENDER

It is Schur's policy to have special focus on candidates of the underrepresented gender and to employ the best candidate and to spot talents who have the desire and abilities to pursue a wish of a specialist or managerial position. It is Schur's objective to balance the gender distribution in the daily management so that in 2018 this corresponds to the distribution among other employees as a minimum.

As a family-owned company, Schur wants the Board of Directors to be composed of both family members and external representatives who are independent from the family. New elections of external representatives take place under these conditions and subject to the qualifications available and the target regarding the underrepresented gender.



The share of women in the Group companies is calculated to be 20% and has increased slightly during the 5 years. The number of women in management, which this year constitutes 20% against approx. 25% in 2015/16, has declined and has been increasing until this year. The objective that the gender representation in the daily management must match the gender representation in the organisation has been met in spite of the decline ascertained.

The aim is to continuously increase the share of the underrepresented gender. Schur encourages and supports candidates to improve their skills continuously with a view to promoting their candidacy for a specialist or managerial position.

In the Parent Company's Board of Directors, the share of the underrepresented gender amounts to 11.1%. In the Danish companies, the share of the underrepresented gender continues to be 33.3% like last year. The objective for 2020 is 28.6% and 33.3%, respectively.

### CLIMATE IMPACT

As part of the Schur Group's policies for environment and social responsibility, the Group focuses on the climate impact of the Group's production. The Group is thus continually working on reducing the amount of waste and discharge into air, soil and water. Furthermore Schur wants to store, handle and dispose of waste in an environmentally sustainable way and contribute to reusability to the greatest possible extent.

In relation to technology, it is the Group's policy to implement environmentally sustainable technologies.

Schur is currently measuring the CO<sub>2</sub> emission from company cars, travels, energy consumption for process and heating as well as the amount of waste with the purpose of reducing the environmental impacts.

Schur works according to the following objectives (relative according to activity measured by turnover or produced quantity):

- The energy consumption must be reduced by 40% from 2011-12 until 2021. Until 2016-17 the relative consumption in the packaging companies has declined by 37%.
- The water consumption must be reduced by 20% from 2011-12 until 2021. Until 2016-17 the relative consumption in the packaging companies has declined by 31%.
- The CO<sub>2</sub> emission must be reduced by 40% from 2011-2012 until 2021. Until 2016-17 the relative emission in the packaging companies has declined by 25.1%.
- Waste in the packaging companies measured must be reduced to 15% in 2021. There are no fixed measuring methods for other companies.

For a longer period of time, Schur has worked at reducing the energy consumption in a climate partnership with DONG. Firstly, the initiatives have comprised special projects regarding all the buildings in the Group with the aim at reducing the energy for heating, including among others re-insulation. Secondly, the initiatives have comprised projects regarding energy savings in the production, including more energy-efficient replacements of heating and ventilation systems. Finally, more energy-efficient production facilities have been installed.

As the development in consumption is influenced by the acquisition and disposal of companies, it has been decided to change the performance targets from absolute to relative targets as of next year.

### ENERGY AND WATER CONSUMPTION

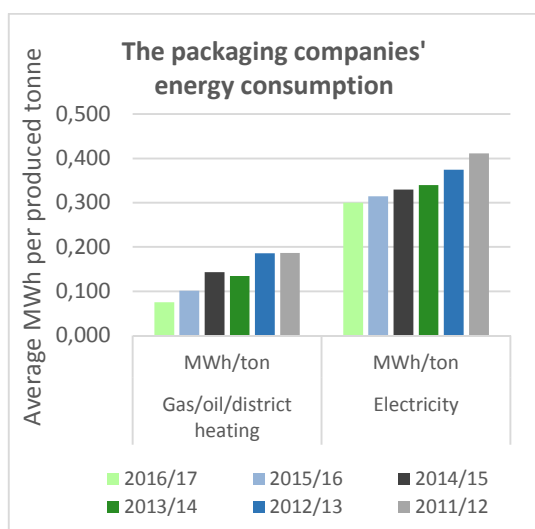
After adjusting the measurement results for divestments, the energy and water consumption for the past four years has developed as follows:

MWh	2016/17	2015/16	2014/15	2013/14
Gas	2,593	2,453	3,468	3,705
District heating	4,467	4,293	4,772	4,216
Oil	90	100	51	200
Electricity*	25,329	19,159	17,992	18,999
Water (M3)	16,647	16,940	16,957	15,278

\* Of this RECS-certified electricity in 2016/17 amounted to 3,600 MWh equivalent to 69% of the electricity consumption in the Danish companies.

The above development is influenced by several factors including the acquisition of two new Group companies in 2016-17. This also explains the increase in consumption but as it is shown below, the relative consumption still drops in relation to the quantity produced.

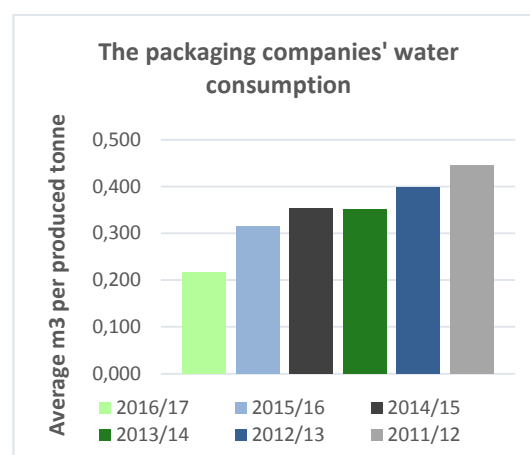
If you look at the relative consumption in relation to the quantity produced by the packaging companies, it turns out that the production has become more energy-efficient.



Schur continues to focus on energy optimisation in connection with all renovations and constructions of new buildings, installations and renovation and replacement of production equipment. More recently in connection with the construction of a new folding box plant in Germany where energy optimisation has been a focal point. For example space heating is effected by the recycling of waste material from production

and more than 20% energy consumption is generated by an own solar power plant. The energy initiatives are currently supplemented by an effort to change the attitude of all employees with a view to saving energy.

Like the consumption of energy, the relative consumption of water shows a positive development in that the consumption of water per produced tonne in the packaging companies is declining. The development during the past 6 years is shown below:



## CO<sub>2</sub>-EMISSION

CO<sub>2</sub>-emission from cars and travels is increasing during the period, however, with a small decline in emission from cars and can be attributed to a higher number of cars and more and longer business travels. However, the measurements document that during the past 6 years, the CO<sub>2</sub>-emission per driven km has been reduced due to focus on the energy rating of the cars. The development, which has been adjusted for divestments, has been as follows:

### CO<sub>2</sub> emission from cars and travels

g/km	2016/17	2015/16	2014/15	2013/14
CO <sub>2</sub> emission	0.145	0.156	0.163	0.181

At the present moment it is not possible to measure the CO<sub>2</sub>-emission from the production process itself. However, Schur measures the indirect CO<sub>2</sub> emission from the energy consumption in the Group which appears from the table below. The increase from 2015-16 until this year can be attributed to increasing production and new companies

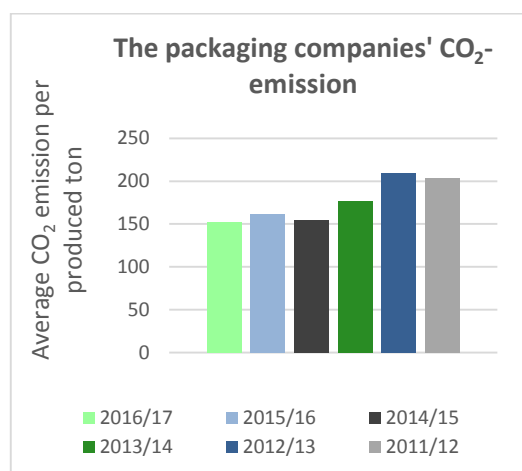


in the Group and thus increasing consumption of electricity.

**Indirect CO<sub>2</sub> emission**

tonne	2016/17	2015/16	2014/15	2013/14
Indirect CO <sub>2</sub> emission	13,006	9,946	8,538	10,002

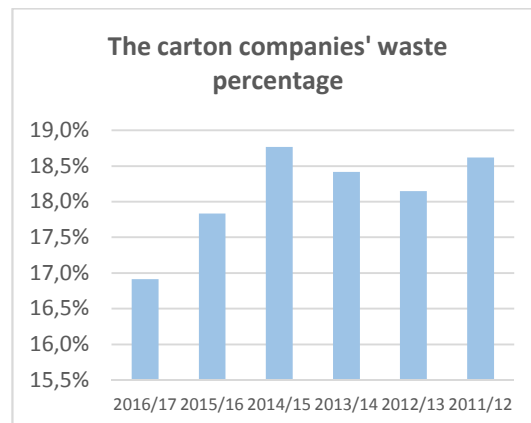
If you look at the relative consumption in relation to the quantity produced by the packaging companies, it turns out that due to the improvement in energy consumption, the production has become more energy-efficient.



**WASTE**

Schur will measure waste in the following areas: Carton, film/plastic, hazardous waste, chemicals and other combustible material as well as electronics, cables and metals. Initially Schur has chosen to focus on waste consisting of carton and film/plastic. The objective is a reduction of the waste percentages to under 20% for film/plastic and 15% for carton, respectively.

The waste percentages have during the past 6 years developed as follows:



The decline in the waste percentage can primarily be attributed to a large reduction of waste in the Group's German folding box plant. The reduction has been achieved via optimisation of production processes by means of new production methods and modern equipment. The waste percentage is now close to the target of 15%.

The vast majority of the carton waste is used for the manufacture of recycled carton whose share of the total carton consumption is increasing. Likewise, large parts of the plastic waste are reused, as unprinted plastic is reused for the manufacture of granulates for new plastic.

The flexible companies show the following development:

In 2016-17 a major part of the waste could not be reused due to an extensive tidying-up of some warehouses. In addition, a new company has joined the Group. This company does not reuse its waste to such a high degree as the other flexible companies.

The waste percentage for film/plastic is declining and is now below the target of 20%.

**MORE ABOUT CSR**

For further information about Schur's CSR activities, reference is made to the homepage:

[www.schur.com/da/csr](http://www.schur.com/da/csr)