

Communication of Progress 2017–2018



Preamble

This Communication of Progress (COP) covers all operations of the Edelmann GmbH. As the headquarters of the Edelmann Group, this COP is a corporate document and also includes the numerous locations worldwide. The COP covers the time period September 2017 – September 2018.

The 10 Principles

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Commitment Letter from the CEO

November 2018

To our stakeholders:

I am pleased to confirm that Edelmann reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of human rights, labour, environment and anti-corruption.

In this annual Communication of Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours,



Oliver Bruns
Chief Executive Officer

Description of Actions

Human Rights

1. Support and respect the protection of internationally proclaimed human rights

Edelmann is committed to full compliance with the laws, conventions and regulations applicable in its countries of operation. More generally, we are committed to the principles of the Universal Declaration of Human Rights and also respect the conventions of the International Labor Organization (ILO).

These commitments are included in our Code of Conduct and our Human Rights Policy which addresses the topics:

- Employment practices
- Contracts of employment
- Work relationship
- Child labour
- Freedom of association
- Remuneration
- Hours of work
- Health and safety
- Equality of treatment
- Discrimination
- and more

The documents are accessible on the corporate website:
<https://www.edelmann-group.com/en/more/downloads>

2. Ensuring that our companies are not complicit in human rights abuses

The manufacturing of folding cartons – the group's main activity – is not known to present any particular risk on these issues. Nevertheless, Edelmann is aware of its responsibility and included these topics in its Human Rights Policy and for the indirect responsibility upstream of its supply chain Edelmann included human rights in its Supplier Code of Conduct.

Description of Actions

Labour

3. Freedom of association and the effective recognition of the right to collective bargaining

Edelmann ensure that their personnel representation bodies are fully granted all labour rights to which they are entitled by law in their countries of operation.

The dialogue in the group primarily takes place on a national scope since local human and economic concerns are predominant. All locations have the obligation either of establishing a local personal representation body or if initiating negotiations locally for exchanges and discussions.

In 2018 Edelmann implemented a group works committee to share the interests of all employees of all locations.

4. Elimination of all forms of forced and compulsory labour

We reject all forms of forced or compulsory labour in accordance with ILO Conventions 29 and 105. Employees only ever enter into work for Edelmann out of their free will. Besides legislation this topic is included in Edelmann's Human Rights Policy, Code of Conduct and Suppliers' Code of Conduct.

5. Effective abolition of child labour

We always comply with legal regulations on minimum working age. We respect the dignity of children and their right to healthy and sage development in accordance with ILO Conventions 138 and 182. This topic is included in the Human Rights Policy and in the Supplier Code of Conduct to make sure that this important topic gains more importance than only from legal regulations.

6. Elimination of discrimination in respect of employment and occupation

We respect everyone's right not to be discriminated against and to enjoy equal opportunities – regardless of their national or ethnic origin, gender, age, religion, social origin, marital status, disability, sexual orientation or political conviction.

Description of Actions

Environment

Overall Environmental Policy

Sustainability is an integral part of Edelmann's value statement. For the past 40 years, Edelmann has aligned its operations to commit to an eco-friendly and energy-saving production of solvent-free and recyclable folding cartons and leaflets. Edelmann is strongly aware of the responsibilities for the future and has established five key elements of sustainable business management:

- Innovation
- Raw materials
- Energy
- Quality
- Recycling

Innovation

Driving innovation by encouraging heightened sensitivity to trends and developments in the industry plays a decisive role in our sustainability and environmental business management.

Our dedication to acting as a responsible business and to further reducing the use of raw materials per packaging is strengthened through collaborations with PTS (Foundation for Paper Technology) and Fogra (Graphic Technology Research Association).

Research and development conducted in close collaboration with our suppliers is a key force in the search for new innovative solutions that can optimize the use of existing products. Our main goal is to pursue a sustainable and resource-saving overall approach.

Description of Actions

Raw Materials

The economical use of raw materials is apparent throughout our process chain. The software used to design new packaging ideas allows for a sophisticated on-screen development prior to producing the first sample. As a result, the digital prepress and the computer-to-plate process reduce the use of material and chemicals.

To ensure the consistently high quality of purchased paperboard, Edelmann produces and trades with paper pulp certified by FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification Schemes).

These certifications guarantee the sourcing of wood from sustainably managed forests and the continuous monitoring of the production chain, from the forest holding to the print shop.

Our raw materials and products meet all applicable legal requirements, such as the REACH Regulation (EU regulation governing the registration, evaluation, authorization and restriction of chemicals) or the SVHC (substance declaration (Substances of Very High Concern)).

Energy

By using innovative technologies throughout our various company processes, we are decreasing the overall use of raw materials and energy. Thanks to the consistently high quality of these raw materials, downtimes are minimized and waste is reduced.

The EcoProfit award and the ISO 16247-1 certification attest to Edelmann's efforts to conserve natural resources and to reduce energy consumption (for a full list of certifications, please see the Certifications).

At the beginning of 2014, Edelmann replaced an oil-fired boiler with a combined heat and power station. Boasting an electric capacity of 239 kW and a heating capacity of 365 kW, the CHP station can generate 2,650 MWh of electric power in 11,800 full-load operating hours, thereby covering more than 25 percent of the power requirement in Heidenheim.

In addition, our facility in Heidenheim has solely been purchasing green power from local public utilities since 2016. This power is generated by hydropower plants and has previously been verified by the German Federal Environmental agency. Since 2018 Edelmann all facilities in Germany have been purchasing green power.

Description of Actions

Quality

Our quality system is based on clearly defined in-house quality assurance processes and the consistent implementation of the ISO 9001 and ISO 14001 standards. In addition, the ISO 15378 certification containing all requirements for Good Manufacturing Practice (GMP) has been in place for decades, and proves that Edelmann meets the requirements for primary packaging materials for medicinal products. The stringent inspections during the production process ensure a consistently high quality within the tightest of tolerances.

We are the first company in the packaging industry to offer our customers information on the CO₂ footprint of packaging materials. This makes it possible to measure emissions more accurately and to determine appropriate compensation for the resulting emissions through the involvement in environmental projects.

Recycling

The main components of paperboard are organic, renewable, recyclable and sustainable materials. The production of paperboard is already considered highly efficient and it continuously increases the use of renewable energy sources. As a result, paperboard has the smallest CO₂ footprint among all packaging materials. Most inks and varnishes used for printing and the print finishing of paperboard packaging are water based. We use only few types of inks and adhesives to facilitate their handling and disposal. A considerable amount of residual ink from offset printing is used to produce new inks and is then reused. The majority of our production waste is recycled. Paperboard waste is fully recycled. Paperboard waste has multiple additional advantages:

1. It is recycled and forms the basis for the production of the eco-friendliest packaging materials: recycled paperboard.
2. Paperboard is compostable and serves as a source of energy at the end of its life cycle: Paperboard fibers can be recycled five to seven times.

In conclusion, Edelmann's key points are:

- Efficient handling of natural resources and improved use of raw materials
- Optimized use of energy in production and processing
- Reduction and/or avoidance of substances and products harmful to the environment
- Continuous advancement of the sustainability strategy

Description of Actions

7. Application of precautionary approach to environmental challenges

Edelmann is fully aware of their responsibility and impacts on the environment. Accordingly, the Group endeavors continuously to mitigate these impacts by innovating technologically and economically. In 2018 Edelmann bought the beta machine LANDA, which does not need individual single-use printing plates. Instead there is a kind of cloth, which can be washed out and reused. Furthermore, this technique can save ink in the printing process and save material and resources. Also, Edelmann tries to develop the consumption of recycled paper and cardboard which offers many environmental benefits such as lower consumption of primary resources, lower energy or water along the supply chain.

8. Initiatives to promote greater environmental responsibility

It's in Edelmann's shared interest to behave responsibly when it comes to the precious resources that the company processes and uses around the world. Edelmann support all customers by developing packaging made from cardboard, an environmentally friendly, compostable and recyclable material, as well as by employing production technologies that reduce waste and energy-intensive steps in the production chain. In order to help customers to be more environmentally conscious, Edelmann enter into strategic partnerships with suppliers. For example, in 2018, a partnership with Gmund was concluded. In cooperation with the carton board manufacturer, the production of carton board made of grass is promoted. This renewable material allows to produce an even more sustainable folding box. Furthermore, Edelmann motivates every single employee to act more environmental by providing tips and instructions on everyday office life.

9. Encourage the development and diffusion of environmentally friendly technologies

Edelmann is not just a "manufacturer" or "producer." Edelmann believe you can only be the leader in quality if you're also a leader in technology. After all, new technologies support new ideas, continuously improve solutions and generate enormous impetus for change, even beyond the own company. Stepping up to the plate as a trendsetter and innovator and setting the pace in the industry is what Edelmann do – just like the customers.

Edelmann already offer an enormously diverse range of production options and is always open to new methods, processes and technologies. The company often function as a development partner for the suppliers. That goes for machinery as well as all production materials. An example of this philosophy is the acquisition and joint development of the beta machine LANDA. Sustainability is always a top priority there. As a company that has always pursued a long-term strategy, Edelmann prioritize more sustainable processes.

Description of Actions

Anti-Corruption

10. Work against corruption in all its forms, including extortion and bribery

Edelmann has developed and implemented a Code of Conduct which addresses following topics:

- Lawful conduct
- Interaction with colleagues and third parties
- Avoiding conflicts of interests
- Handling information (Written documents, data privacy, confidentiality, information security)
- Supplier and customer relations
- Competition and antitrust law
- Money laundering
- Corruption, gifts and other benefits

Each of these topics are clearly defined and communicated to every one of the group employees. Once a year, the employees are trained on these issues.

Agreements or collateral agreements concerning the acceptance of advantages or preferential treatment of individuals in connection with the procurement, awarding, delivery, processing and payment of orders are not permitted. Employees who accept unfair advantages are subject to disciplinary action irrespective of criminal charges.

Accepting and offering gifts and other benefits, including invitations, must be done on a restricted basis. Their financial value must be appropriate so that the recipient does not have to hide their acceptance and is not put into a position of binding dependence. In cases of doubt, the written consent of the senior executive in charge must be obtained.

Measuring the Results

All measured results on each of these principles are reported in the yearly sustainability report according to G4 guidelines.

A few principles cannot be assessed with quantified measurements but are reported in the form of qualitative data pertaining to the initiatives implemented on the subject.

