

SUSTAINABILITY REPORT 2018



High Q Packaging

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ABOUT THIS REPORT

The current sustainability report demonstrates how Edelman Group addresses sustainable development within its global scope. The report is structured into economic, social, and environmental focus areas, including KPIs as well as qualitative descriptive data. The target readers of this report are our stakeholders, including customers, suppliers, shareholders, employees, business partners as well as local communities. Research institutions and industry players are also encouraged to learn more about sustainability at Edelman Group by the means of this report.

During the preparation stage of the current report, multiple departments from Edelman sites were involved to ensure high quality of the data provided on different topics. As we are currently establishing the data collection process from our Indian sites, the report excludes this from the reporting scope unless otherwise stated. Since two new sites have joined Edelman Group by the end of 2018, the reporting on their performance will start in 2019. For the rest, statements and key performance indicators mentioned in the report refer to all Edelman sites if no additional remarks are made.

The report was prepared following the standards developed by the Global Reporting Initiative (GRI). This sustainability report was prepared in accordance with the GRI standards: Core option. Edelman Group reports on its sustainability performance annually based on a calendar year (January, 1st – December, 31st).



STATEMENT FROM OUR CEO

Dear Readers,

Since its foundation, Edelman Group has been committed to continuous improvement on sustainable development. As a family business founded in 1913, we have kept the key values, including responsibility for our business activities. It is my pleasure to reaffirm our commitment by the means of this Sustainability Report for the year 2018, covering social and environmental performance of the Edelman Group, following GRI Guidelines. This year marks the start of reporting for the whole Group, addressing our "One business – One team" approach. As a global company, Edelman Group makes a joint effort across the network worldwide to work on the pillars of sustainability, leveraging best practices within the Group as well as packaging industry trends.

Featuring our newly developed corporate strategy, including mission, vision, and values, sustainability is a key element and therefore assigned a high level of importance to allow sustainable growth. Socially, we focus on developing our employees further, training, labour practices, health and safety, diversity and equality, local communities and the key human rights. Environmentally, most of our efforts address energy efficiency, raw materials, emissions and climate change, as well as waste reduction. Year 2018 has featured multiple improvements in all areas, taking us further in our journey towards becoming a global reference in sustainable packaging solutions.

It is our firm belief that our responsibility goes beyond our internal network. Therefore we have strengthened our partnerships with our valued suppliers and customers even further to achieve fruitful collaboration on sustainability topics. Additionally, in our efforts to maximize transparency, we continued to report through EcoVadis, CDP Climate Change and UN Global Compact during the year 2018. It is one among many other ways for us to show our commitment in the present that in turn contributes to secure the future we are responsible for.

I wish you an interesting and inspiring read.

Sincerely,

Oliver Bruns

Chief Executive Officer, Edelman Group



EDELMANN GROUP AT A GLANCE

Edelmann Group is an international family business, operating in the packaging sector, delivering solutions with sustainable value to their customers in healthcare, beauty care and consumer brands markets.

The company was founded in 1913 in Heidenheim, Germany, where it is still headquartered. Since two new sites in Mexico and China were acquired in 2018, Edelmann Group is now represented by 21 sites in 9 countries, distributed in four continents. Therefore, over 3,000 employees guarantee that Edelmann's strong international network is supporting its global presence.

The packaging solutions offered by Edelmann are mainly folding cartons, rigid boxes and leaflets. The product range includes pharmaceutical packaging, skincare as well

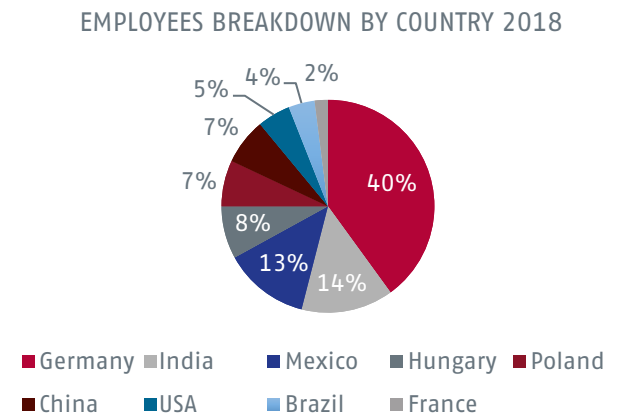
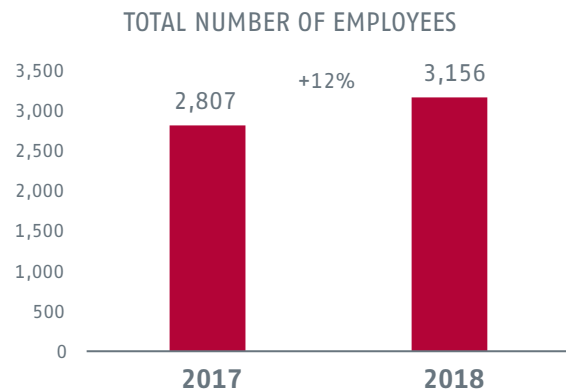
as consumer brands packaging. Edelmann provides services for the whole portfolio from the packaging design to a finished folding box.

Edelmann Group is a leader in innovation, working with the newest technologies to provide reliable and safe packaging solutions and cutting-edge structural and graphic design. Innovation-driven solutions support our goal to consistently identify areas to improve our quality standards and to implement measures where necessary.

The actions and processes demonstrate measurable transparency and follows rigorous "High Q Packaging" guidelines which promise that Edelmann manufactures high quality packaging corresponding to the highest standards. Thereon, Edelmann's expertise is distinguished within the industry for many decades now.



> 300 million € in sales
21 production sites in 9 countries
> 3,000 employees
> 4.7 billion folding cartons and rigid boxes
> 1.3 billion leaflets



OUR PRODUCTS



FOLDING CARTONS

Individual packaging solutions
Individual finishings
Coding systems
Security features



RIGID BOXES

Sharp edges
Co-packing



LEAFLETS

Inserts and outserts
Folding & assembling capabilities
Booklets

WET LABELS, CORRUGATED BOXES & COMBI CARTONS





Edelmann Group has been a leading packaging partner to pharmaceutical companies for many years. It is top priority to nurture the trust-based relationship with customers and to responsibly handle all products. The company constantly develops and manufactures packaging and leaflets which are precisely aligned with the relevant requirement of ethical medical products, OTC, diagnostic or generics.



Edelmann thrives with the challenges of developing and producing complex folding carton designs in cooperation with some of the world's most famous cosmetic brands. Unconventional forms and materials are welcomed to create exquisite packaging to meet the customer's needs.



At Edelmann, significant brand packaging design solutions for the specific requirements of personal care, food and drink segment are developed and designed. The company is committed to support international customers with innovative concepts. Edelmann stands out by creating both efficient developments for the mass market as well as highly refined products for premium brands.

OUR VISION: We are the global point of reference for packaging solutions, delivering sustainable value to our customers, our people, and our shareholders.

OUR MISSION: We are passionate about creating superior packaging solutions that always have the customer in mind.

OUR VALUES:

I **NNOVATION**

we develop ideas and create solutions to address specific challenges or improvements for our customers and our own company.

M **OTIVATION**

a fun atmosphere at our workplace helps us to be less stressed, more productive and ultimately, happier.

P **ASSION**

we are dedicated to creating outstanding packaging solutions and we are enthusiastic about coming up with improved solutions for our customers.

A **MBITION**

it is this energy that drives us to accomplish great things.

C **OLLABORATION/TEAMWORK**

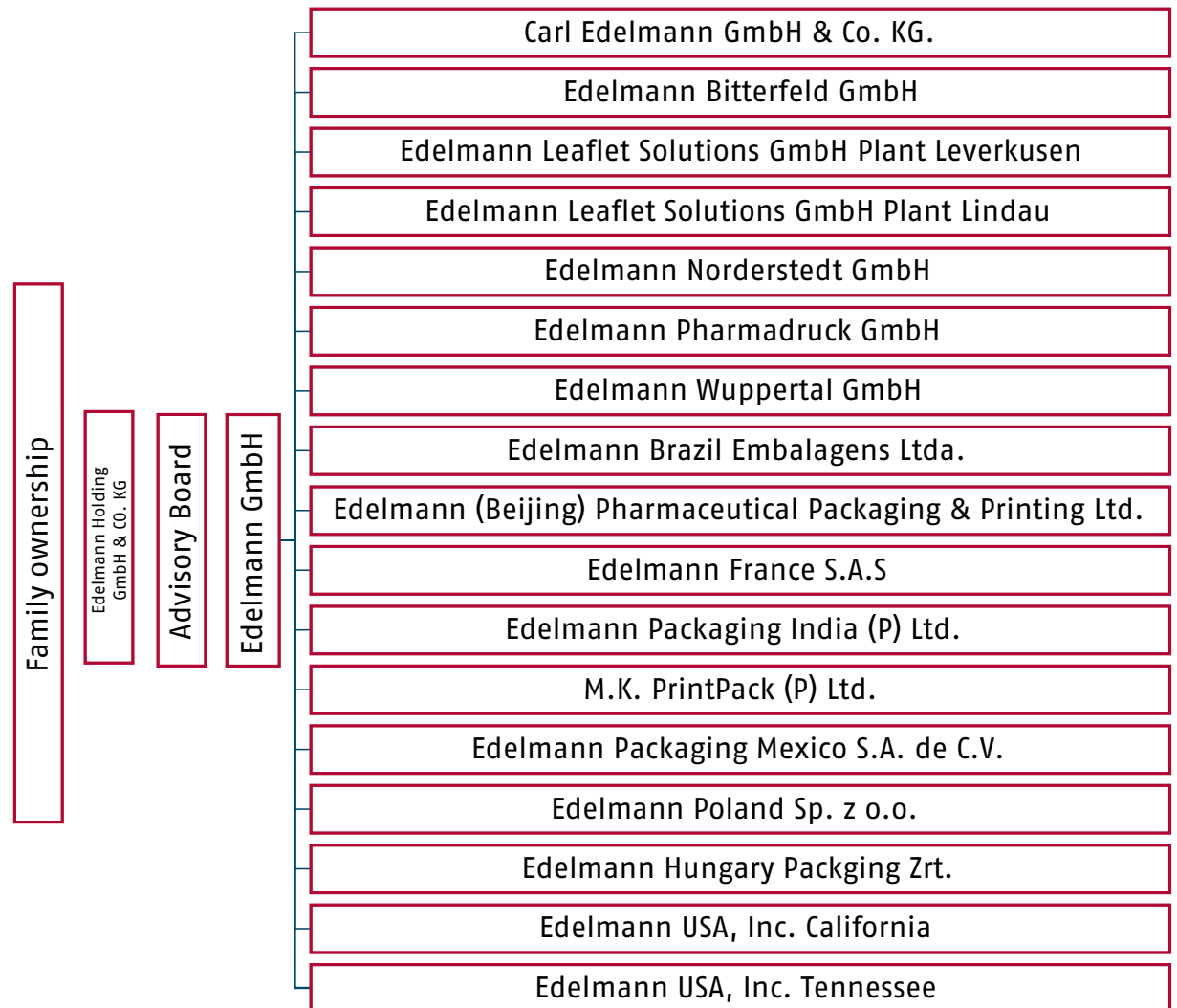
we collaborate across all functions, segments and countries. We are committed to common goals based on open and honest communication, while showing concern and support for each other.

T **RUST**

we follow through with what we agreed to do and always act in a compliant and trustful manner.

ORGANISATIONAL STRUCTURE

EDELMANN GMBH IS A FAMILY-OWNED BUSINESS AND BELONGS TO THE EDELMANN HOLDING GMBH & CO. KG. THE COMPANY IS LED BY THE ADVISORY BOARD AND THE CEO OLIVER BRUNS THROUGH THE EXECUTIVE MANAGEMENT WHICH IS STILL SITUATED IN HEIDENHEIM, GERMANY.



STAKEHOLDER ENGAGEMENT

Direct communication with our stakeholders and addressing their interests allows our strengthened collaboration. Hence, our key stakeholders are involved in strategic decision-making on a continuous basis. We see this as an important part of our prosperous development with the valuable support of our employees, management team, family business owners, customers, suppliers, local communities, and investors. Below are our key stakeholders that we focus on without compromising the relevance of the rest of the stakeholder groups mentioned above:

EMPLOYEES & MANAGEMENT

Our committed employees are among the most valuable resources that allow growth and development of Edelmann Group. We are 3,000 heads – and hearts. We make sure that our employees feel fulfilled, safe and valued, bearing a sense of belonging to a big family of Edelmann Group. Communication process happens through regular internal meetings whether it is within a department or cross-disciplinary team, regular career development discussions, trainings, company events, annual leadership conference as well as a newly introduced Live Ticker on the go with regular updates from our CEO, Oliver Bruns.

FAMILY BUSINESS OWNERS

Since its foundation, Edelmann Group has been a family-owned business and remains so up until these days. It is of very high importance for us to keep the family values and principles and pass it on to the next generations. Therefore, an active involvement of the owners adds this stakeholder group to the key list. We make sure that the family takes a role in the decision-making Board and follows on current changes, contributing with their impact. Hence, regular visits and meetings are held to ensure that the owners participate in the development and growth of Edelmann Group.

CUSTOMERS

Our customers drive innovation and success at Edelmann Group and can rely on us around the world, as we are where our customers are. Our technical know-how, over a hundred-year experience and common passion for packaging can meet the very special demands of our customers around the globe. Regular communication with the customers is enabled through topic-specific workshops, individual product consultations, joint product developments, follow-up meetings as well as frequent both-way visits to discuss some of the current issues.

SUPPLIERS

Our valued suppliers are not just supporting us with the manufacturing. Instead, they are our key strategic partners, helping us to achieve better results, keep the know-how and drive innovation through our mutual product development. Therefore, our close collaboration keeps our strong relationships with the key suppliers and allows to follow a clear focus. The communication channels are very diverse from managing our daily work to regular meetings, workshops, company visits, Supplier Fair and joint projects dedicated to new developments and potential improvements.

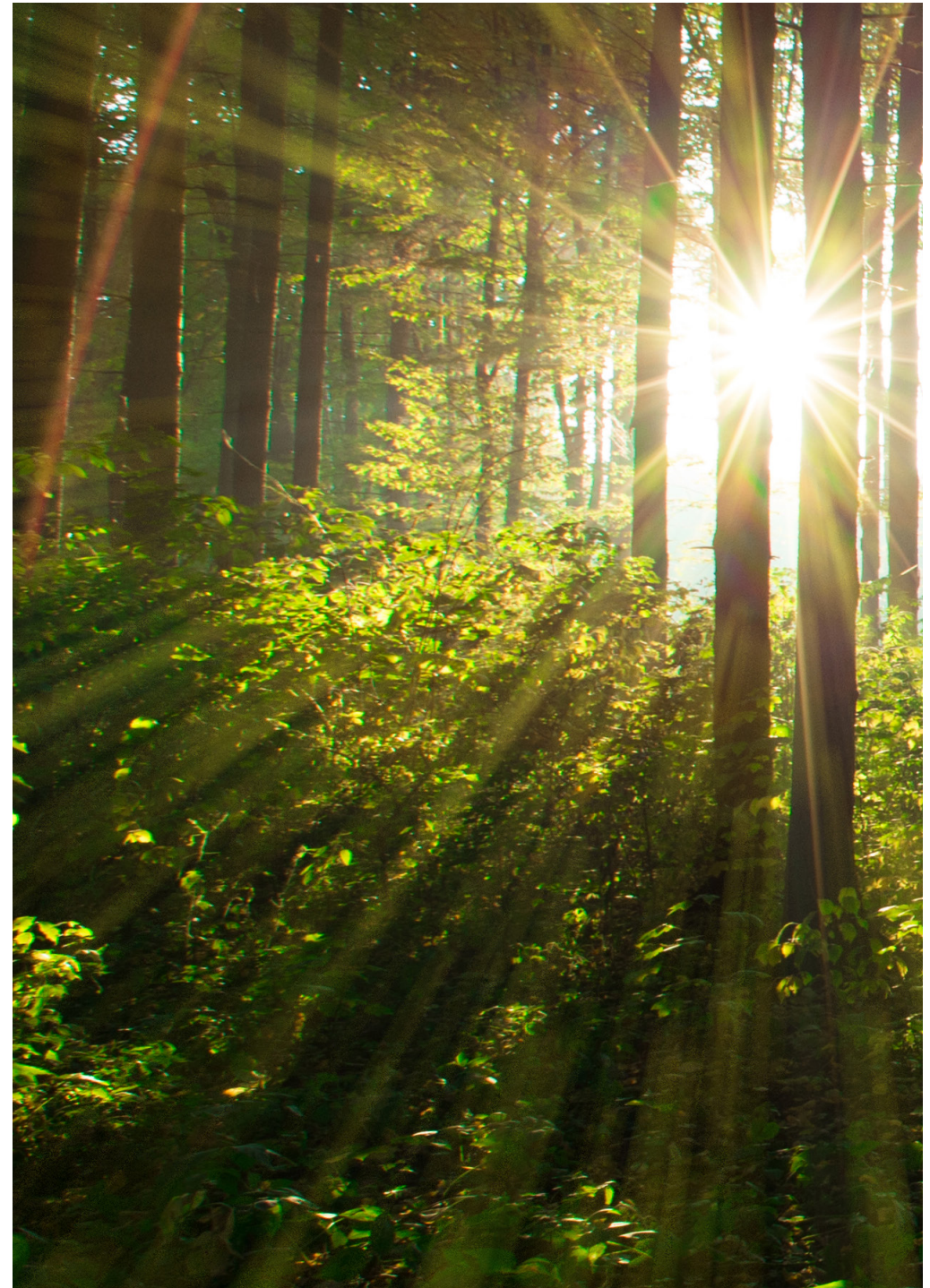
CSR TIMELINE

Sustainable development has always been at the core of our strategy since the early days of our history. Many improvements have been made since then in relation to resource efficiency, health and safety, employee wellbeing, as well as sustainable innovation. The continuous improvement of all key indicators is the goal we pursue steadfastly. Therefore, we are proud of our long-standing track record of CSR engagement which has brought consistent development over time and yet to bring further opportunities for a long-term healthy growth of Edelmann Group.

- 1975-1981** Surface finishing switches from solvent-based to water-based varnishes. Reduction of pollutants in production.
- 1977** A system for transporting cartonboard waste from the punching and waste stripping sections to the bailing press is commissioned.
- 1983** Calculation bases for determining ink quantities using spectrophotometers, specimen printing equipment and analytical balances are developed.
- 1987** In areas with little natural light, fluorescent lights with electronic ballasts are installed. Ventilation and heating systems are controlled by PC-based management system.
- 1988** Dies for punching machines are dressed in water-based adhesives, replacing spray-type adhesives with propellants.
- 1989** The lightning systems in the production areas are equipped with daylight detection control. Transformers and capacitor oils containing PBCs are replaced. A wastewater treatment system for rinsing water from the varnishing units is commissioned in the offset shop. Three additional press containers are installed for even more effective selection of leftover card waste. A waste and recyclable material collection system is introduced. Process water is heated by means of heat recovery from the compressed air generation process.
- 1991** All the cooling systems become closed systems. A system of leftover ink utilization is commissioned. Computer programs calculate the precise amount of ink required for each job. Disposable pallets are returned to cartonboard suppliers for reuse. A new mixing plant for gravure inks reduces the amount of leftover ink produced. Fire protection insulators from asbestos are removed and disposed of.

- 1992** A desilverisation system for fixing baths used in film development is commissioned. The exhaust air purification system in the gravure printing section is commissioned. Additional warehouse for storing flammable liquids (as per German ordinance on flammable liquids) is built. Offset ink is delivered in 200-litre drums, from which it is pumped pneumatically to the ink-mixing department. 1800 m² corrugated eternity roof containing asbestos fibers is removed and disposed of.
- 1993** The TÜV environmental seal is introduced. Calendar varnishes are switched to dispersion basis without solvents (CE-Gloss).
- 1994** A control system switches off demand-dependent electric power consumers to avoid power surges. Hall heating is fed by heat recovery from compressed air generation
- 1996** Disposal channels and options are highlighted in a Disposal Manual. The building heating is switched to gas. The burners are controlled by oxygen. A filtration system for leftover inks is commissioned. Hydraulic lifts are powered by biodegradable hydraulic oils. The first environmental report is published.
- 1999** Processes to produce pharmaceutical packaging are introduced to the OB section.
- 2000** A fully automated ink-mixing system for offset inks is introduced.
- 2001** Plates are exposed almost entirely using CTP-systems.
- 2003** The automatic transport system FTS is introduced.
- 2004** Logistics and transport workflows are optimized by setting up a central warehouse. The entire roof area in the Weilheim factory is insulated.
- 2005** The Disposal Manual is introduced.
- 2006** Natural gas vehicles are introduced for in-plant transport and city journeys. All processes and workflows are risk-assessed.
- 2008** The ESC office and technology building is built based on the latest ecological consideration. The noise level on the pharmaceuticals production hall is reduced by installing noise-absorbent mats. The factories in France, Heidenheim and Weilheim are FSC-certified.

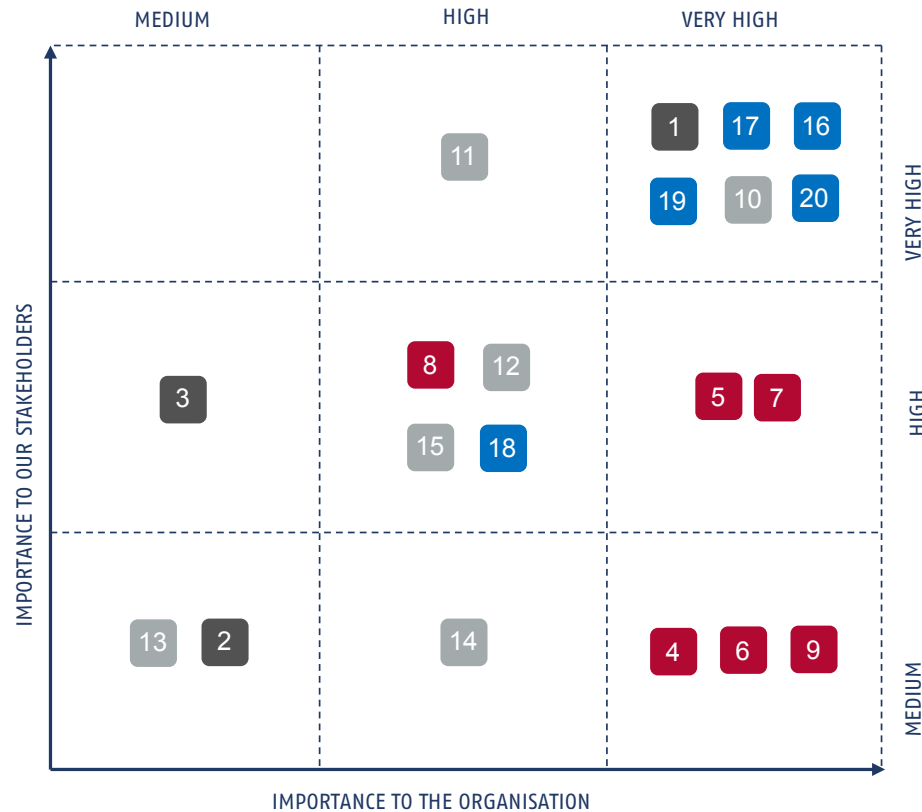
- 2009** New acquisition of latest indoor concerning ventilation and air conditioning mechanism. Heat recovery in compressed-air system is optimized.
- 2010** Installation of photovoltaics on the roof of the factory in Heidenheim.
- 2013** Installation of a combined heat and power plant. Successful testimonial of an alternative energy management system.
- 2014** Combined heat and power plant is implemented. Installation of the LED lightning in the gluing department. New air compressor with installed heat recovery.
- 2015** The new more energy-efficient factory on the site in Hungary was built. Realization of the Energy Audit DIN EN 16247-1 in all German sites.
- 2016** Introduction of the Code of Conduct. Implementation of Corporate Social Responsibility. Membership in UN Global Compact.
- 2017** Receiving silver status on the rating platform EcoVadis. Replacement of the old heating pumps through a more efficient version. Human Rights Policy is introduced.



MATERIALITY ASSESSMENT

Materiality assessment is a starting point for our strategy, as it defines the key topics, and therefore the key focus areas. As the interest of our stakeholders towards CSR is consistently rising, it is of very high importance to adapt to their expectations without compromising on our strategy goals. Therefore, it takes a continuous dialogue with the interested parties, especially our customers and suppliers, to figure out the relevant material issues, which later define where most of our efforts will be applied. Edelmann Group's materiality assessment is divided into economic, environmental, social, and others in order to keep a clear focus and set priorities.

The matrix communicates the importance of different topics, balancing between the issues relevant to Edelmann Group internally as well as to our stakeholders externally, depending on the potential impact of our business activities. The relevance scale is divided into medium, high and very high importance. The assigned level of importance depends on the legal regulations which might automatically cover several topics as well as the overall relevance. For example, since water is not heavily used in the production process, it is not within the topics of key importance. As it can be seen from the matrix, the top relevance for both Edelmann Group and its stakeholders is assigned towards economic value, raw materials, customer and supplier engagement, product quality and legal compliance.



ECONOMIC

1. Economic value
2. Anti-corruption
3. Fair competition

SOCIAL

4. Employees and training
5. Occupational health and safety
6. Labour practices
7. Labour principles, including non-discrimination, equality and freedom of association
8. Child and forced labour
9. Support of local communities

ENVIRONMENTAL

10. Raw materials
11. Energy efficiency
12. Emissions
13. Water
14. Waste management
15. Climate change

OTHER

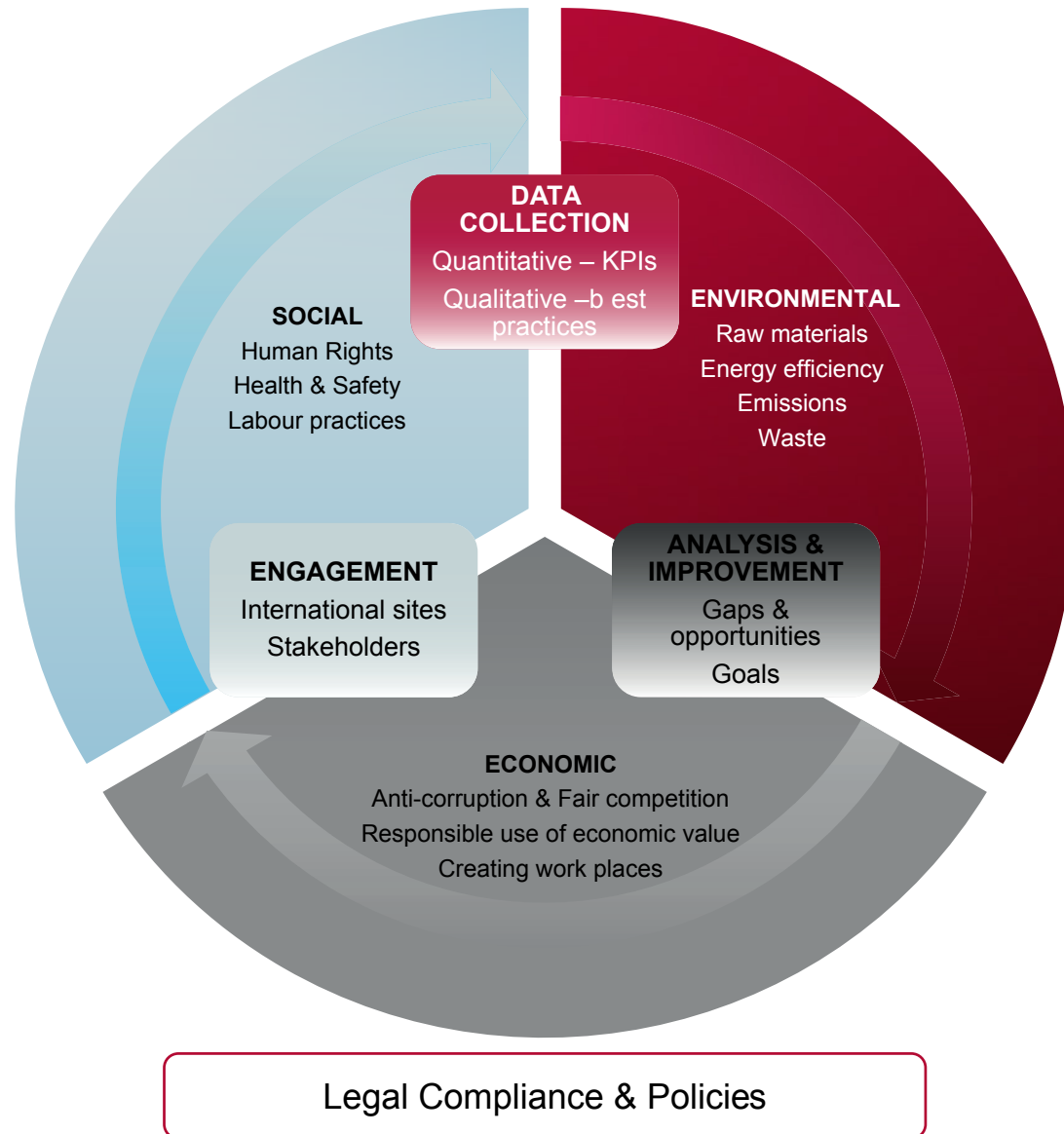
16. Customer engagement
17. Supplier engagement
18. Responsible procurement
19. Product quality
20. Legal compliance

OUR SUSTAINABILITY APPROACH

Following from the materiality assessment, our sustainability approach serves as a leading tool for risk assessment, improvements and overall guidance on CSR development.

The strategy is based on a circular approach, which means that we always come back to the starting point and restart the process again. As a foundation, we stand firmly on the notion of legal compliance and following our internal policies. The three pillars of CSR coming from the materiality assessment form the basis of the cycle, showing our focus areas. All three dimensions are of high importance and considered thoroughly throughout the process.

Standing on the three pillars, the process mainly involves three steps, repeated annually. Continuous communication and engagement of all Edelman Group sites as well as stakeholders define the start of the process. It is crucial not to separate these components, but rather keep them together for more efficient results achieved through our joint efforts. This way of cooperation leads to the next step, where qualitative and quantitative data is gathered for further analysis. Based on the results, we are able to identify gaps and opportunities, and therefore highlight the priorities. In turn, it enables to set the goals, both short-term and long-term, to move forward as a Group with a clear vision leading us.

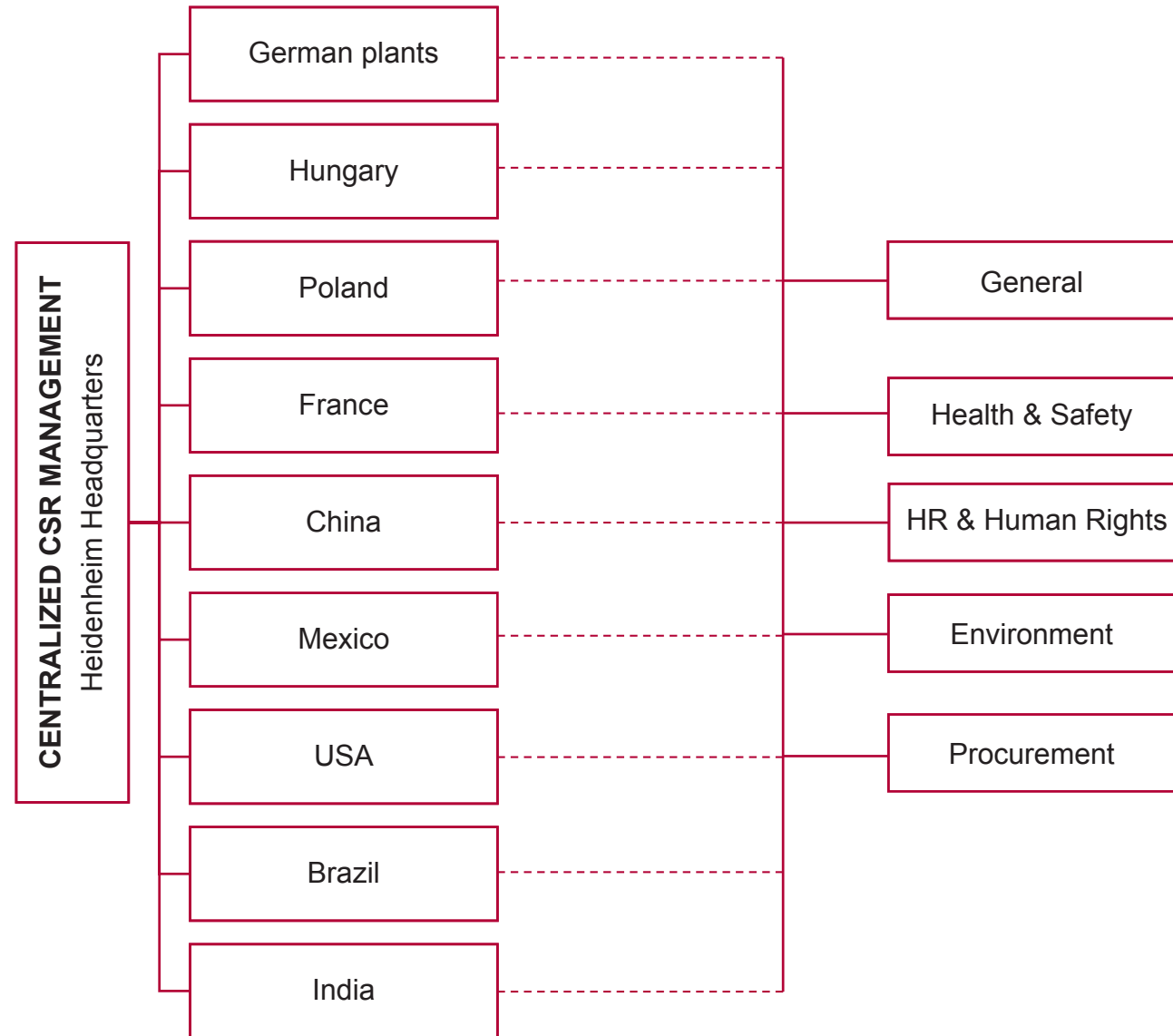


CSR GOVERNANCE STRUCTURE

In order to gain a full understanding on the way CSR functions across Edelmann Group, it is important to describe governance structure, which specifically addresses sustainability management. We make sure that the whole Group has a similar level of engagement to guarantee that CSR is equally embedded into our business operations across the globe. Since Edelmann Group steadily continues growing and increases the number of production sites, CSR governance structure is implemented to follow a systematic approach and ensure that the new sites stick to the same procedure.

Our CSR management is centralized in the headquarters in Heidenheim, leading the rest of the sites and providing guidance on CSR issues. All Edelmann Group sites have a dedicated team, which consists of a general managers, health and safety, HR, environmental and purchasing representatives, who work together, while specializing in their own field to share the best of their knowledge. These five areas have been identified based on the materiality assessment with the goal to address all relevant issues through continuous support of corresponding colleagues.

All teams report annually to the headquarters, where the data is summarized, analyzed and later compiled in Edelmann Group annual sustainability report. Additionally, continuous communication is ensured to address all current CSR issues and work on the improvements. These efforts vary by site, as the needs, goals and challenges are slightly different depending on the country, scope of production and current status. Obviously, newly joint sites require more support to facilitate their onboarding to Edelmann Group. Therefore, it is our common belief that best practice cases should be shared as part of our CSR collaboration across the sites.



EDELMANN GROUP AND SDGS

Sustainable development goals (SDGs) represent a call for action by the governments, corporations and individuals to protect the planet, reduce inequalities and ensure peace and prosperity around the world. The seventeen goals address the 2030 Agenda for Sustainable Development, unanimously adopted by all UN Member States in 2015 during the UN Summit. Companies are expected to contribute with their input, and so does Edelmann Group. While all SDGs bear extremely high importance, we choose to focus on three goals to address the 2030 Agenda.

Goal 3: Good health and well-being

Our care starts with our own employees, as we are responsible for more than 3,000 people around the world. Therefore, ensuring their health and safety, decent work conditions as well as access to healthcare support is our highest priority internally. Our product lines, such as "CEeasy" contribute to address the needs of elderly population in their ability to use packaging with no limitations. Additionally, we invest in multiple charity organizations that hold a significant impact on prevention and treatment of diseases along with supporting research.

Goal 12: Responsible consumption and production

As we are a packaging manufacturing company, it is our responsibility to develop new ways of using the resources efficiently. It refers to the production processes, raw materials used and innovative product development. We focus on energy efficiency, waste reduction, sustainable sourcing and emissions reduction along with promoting lightweight, environmentally friendly materials.

Goal 17: Partnerships for the goals

Our key strategic partners are our customers and suppliers. Together, we can tackle challenges of today through continuous collaboration. Our partnerships are mainly related to the new product development with innovative use of raw material, smart structural design solutions and advanced technology. While the demand is coming from our customers, key strategic suppliers are ready to support us with their knowledge and capabilities.





SOCIAL RESPONSIBILITY



EMPLOYEE OVERVIEW, DIVERSITY AND EQUALITY

Edelmann Group employees grew in number by 12%, bringing more manpower to develop new products and support the company in its prosperous growth. The total number of new employee hires has increased by 36% compared to the previous year. To demonstrate a healthy balance between employees who are leaving and joining, we choose to disclose the average employee turnover rate, that comprises the average value of Edelmann sites. Although the rate has grown against the previous reporting year, it is still well below the manufacturing industry average of 16%. Therefore, we target to maintain this result further, demonstrating a high level of our employees' commitment, which in turn indicates their overall job satisfaction and reliability of Edelmann Group as an employer.

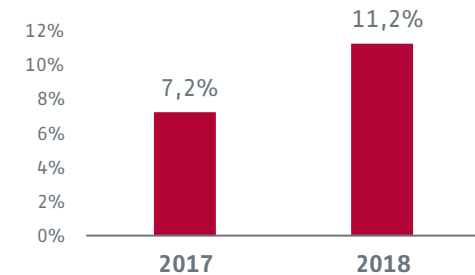
In our efforts to address the key social issues, we value diversity and equality as a global family business. The split into females and males has remained at the same level as in 2017. The reason for a higher percentage for males is the nature of work itself, as the main share goes to the production, where some tasks may require more physical strength and flexibility, i.e. late evening shifts. It is notable though that the proportion of females in

senior management continues to grow steadily and has reached 35% in 2018. Diversity at Edelmann Group is also transparent through the age distribution with all three groups being sufficiently present. We value young talents as much as experienced professionals, and we believe that only the balance of both contributes to the best results.

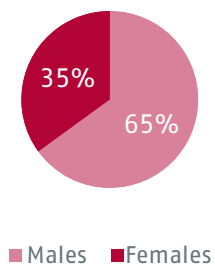
Edelmann's freshmen gain an opportunity to learn from senior colleagues, while employees with a long track record may benefit from the fresh ideas and out of the box thinking that we usually observe from our young employees. We are also proud to keep the senior management talent pool locally, still allowing a sufficient proportion of managers coming from outside the local area.

88% OF OUR SENIOR MANAGEMENT IS HIRED FROM THE LOCAL COMMUNITY

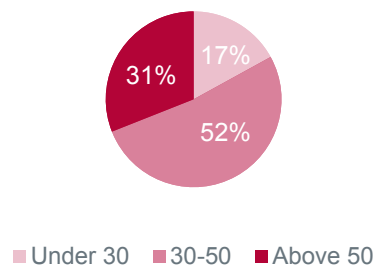
AVERAGE EMPLOYEE TURNOVER RATE



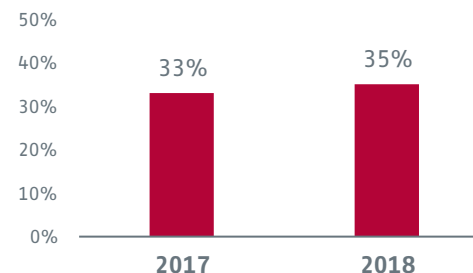
MALES/FEMALES DISTRIBUTION



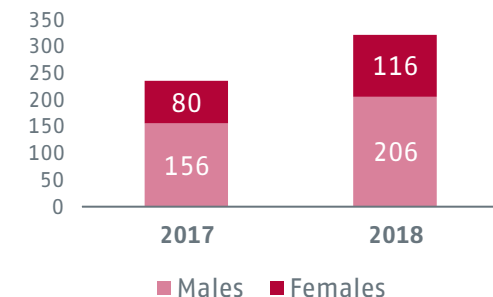
AGE DISTRIBUTION



PERCENTAGE OF WOMEN IN SENIOR MANAGEMENT



NEW EMPLOYEE HIRES



TRAINING

As we secure high quality and competence, we invest in continuous training of our employees. Contributing to personal development, training also satisfies our colleagues' eagerness to grow. Mainly, our trainings are performed locally at the plants. In total, 34,740 hours of training took place in 2018. The average number of trainings per employee increased to 14,3 compared to 12,7 in 2017. Training is aimed at both administrative and production employees.

Onboarding programme & training

Since 2016, every new administrative employee in Heidenheim participates in an onboarding house tour, as our headquarters encompass the largest scope of activities. This way, they gain a thorough overview on graphic and structural design, production processes, quality management, controlling, purchasing, logistics, commercial development, sales, and IT. For every new employee across all Edelmann sites, a training session is mandatory for health and safety, business ethics and conduct, and data privacy. Along with a dedicated session for each topic, newly arrived employees get acquainted with the mission, vision, and values, Code of Ethics and Conduct as well as internal company policies.

As for the existing employees, they receive an updated training on these issues every year. Safety instructions are of highest importance to the production, and therefore, they are continuously improved, while every production worker is obliged to attend regular sessions. We use training confirmations which need to be signed to keep a track on the current status. The safety instructions are available on our Intranet for easier access any time.

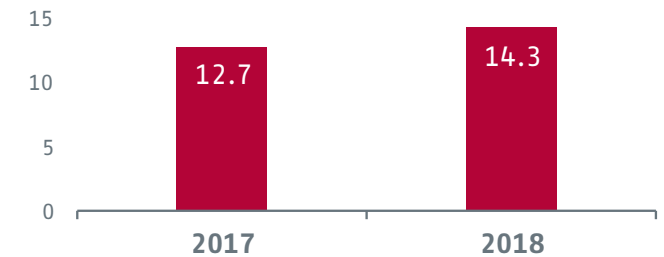
Individual career discussions

Options for individual career development are always foreseen at Edelmann Group. Individual career discussions are held between employees and their direct managers depending on their needs. To progress further, HR is involved into the topic and decides on special trainings. Year 2018 has brought an on-site English course for our employees in Heidenheim to strengthen their skills, two additional production trainings in Mexico based on the current needs of employees, a language course in Poland, as well as a separate training on leadership development for managers and supervisors in USA Tennessee.

Dual studies in our HQ

For the upcoming generations, we work in collaboration with the Cooperative State University Baden-Württemberg (Duale Hochschule Baden-Württemberg). Thereby, every year students are spending the working part of their dual studies with us, while they are learning the academic side at the Cooperate State University in Heidenheim. Some students are later resumed as full-time employees.

AVERAGE HOURS OF TRAINING PER EMPLOYEE



Production training & Employee skill matrix

Special attention is paid towards continuous skill development of our production workers. An employee skill matrix is used, where every machine and process are described. The aim is to diversify the tasks of all employees and continuously develop their skills. Therefore, long-term trainings for an average of six months are implemented to introduce employees to the new tasks. The trainings are decided in January every year, while a follow-up in June is performed to check on the workflow. The focus of these trainings is not only on the learning process to operate a new tool, but also on potential hazards that come with the new scope. In 2018, three employees participated in this skill upgrade programme, as it is a very time-consuming and intensive commitment.

ONE BUSINESS – ONE TEAM

Being a global company operating worldwide also brings some challenges, such as efficient communication across all sites that contributes to the same level of understanding on the key issues. To tackle this topic and bring the Group's engagement to the next level, three new introductions were developed – Leadership Conference, Internal Awards and "Live ticker on the go" by our CEO, Oliver Bruns. Therefore, the year 2018 allowed us to make a big step forward and unite the Group even further. While these new developments were introduced in 2018, they will continue to function onwards.

Leadership Conference 2018

The Leadership Conference was intended for all plant managers of Edelmann Group, and all sites participated for the first event, held on the 23rd – 25th of January, 2018. The conference was a three-day event with diverse topics being covered. The speakers and discussion leaders were both internal and external depending on the scope of the topic. The opening featured the review of 2017, general outlook for 2018 and an update on the latest Group initiatives. Other topics were related to innovation, marketing, technology, strategy, procurement and supply chain as well as multiple workshops, interactive sessions, and evening programs took place. This way, the event was also designed to bring the team closer with these three full days spent together. Sustainability was also among the topics discussed during the conference, as it is among the key points of our strategic development. As a target for the next conference, the coverage of sustainability issues is planned to be strengthened.

One of the highlights was dedicated to our valued partners – suppliers, to showcase their latest developments and share the insights with all Edelmann management representatives at the Supplier Fair. After the conference, each managing director was responsible to communicate what had been discussed with corresponding employees. The outcome was exceptionally positive in terms of raising awareness, holding joint discussions on the main Group's issues and setting the goals for the upcoming year. Therefore, this tradition will be maintained for the upcoming years.

Live ticker on the go

By the means of our Intranet that can be accessed by most of our employees from any Edelmann site, a new introduction of the Live ticker on the go allowed direct communication from our CEO, Oliver Bruns, towards all employees, sharing the news, main developments and important messages with no boundaries. The feedback among our employees was in favour of the new Intranet feature, and the idea of hearing directly from our CEO in such an easy way was welcomed and appreciated. The live ticker is updated regularly and can be accessed at any time.

Edelmann Awards

Year 2018 has also brought a global Award program implemented internally. The idea behind it was to reward best-performing sites on a range of indicators. Among other titles, Safety Star was awarded to our Chinese and Hungarian plants, Efficiency Star went to Bitterfeld plant, while Cooperation Star was taken by the Procurement department in Heidenheim.



OUR CORE SOCIAL AND ECONOMIC PRINCIPLES

Our key social and economic principles are documented in our core policies, such as the Code of Ethics and Conduct and the Human Rights Policy. All employees, including new and current, are trained on the main topics annually to ensure the same level of knowledge across all Edelmann sites. This practice is of very high importance to address the key issues of business ethics, fair business practices, and human rights. With this, we support the corresponding SDGs and the principles set by the UN Global Compact, where Edelmann Group has been a proud member since 2016.

Anti-corruption

All our employees are aware of the need to be careful about accepting and offering any kind of benefits that might pose a threat of binding dependence. Excessive advantages coming to/from our suppliers, customers, or business partners must be reported, and are subject to disciplinary actions. If there is uncertainty regarding the value or nature of the gifts, offers, or invitations, our employees are advised to contact senior management and request a written consent, if needed. Since most of Edelmann sites are operating within socially favourable countries, the risk of corruption is assessed to be relatively low. For the reporting year 2018, no incidents were registered, repeating the result of the previous year 2017.

Fair competition

As commonly known, anti-competitive behaviour may potentially cause unhealthy price changes, affect consumer choices and overall market situation. Hence, Edelmann Group follows the rules of fair competition and takes precautions related to price arrangements, supplier relations, investment strategies, customer relations and corresponding information exchange. No legal procedures related to the violations of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices have been registered under national or international laws.

Money laundering

Money laundering refers to the use of funds that directly or indirectly originated from criminal activities and were later introduced into the business cycle. Edelmann Group strictly prohibits any form of money laundering with criminal charges and disciplinary interventions being used as the means to respond to a potential case. No incidents were registered during the reporting year.

Discrimination

Being a global company also means eliminating any sort of inequalities and discrimination. Therefore, this issue is among priorities on our social development agenda that addresses Human Rights. Based on International Labour Organization's guidelines, discrimination may occur on the grounds of race, colour, sex, religion, political opinion, social origin, or age, to name a few. Edelmann Group supports the presence and im-

plementation of actions to prevent discrimination, addressing a basic expectation of socially responsible conduct.

As a foundation, anti-discrimination training is part of the onboarding programme and the annual training agenda. The corporate mechanism in place is referred to as a whistleblowing procedure. Edelmann employees are expected to treat co-workers, customers and suppliers with dignity and respect. In case of misconduct, employees are encouraged to report to the Employee Council, where all requests can be submitted anonymously through the internal post service. Ensuring confidentiality is a key to an efficient whistleblowing system in place, therefore, considering that our Employee Councils represent diverse workforce, the most appropriate further action is guaranteed without compromising anonymity of the claim. If not seen suitable, an employee may also report to a direct manager or any senior representative to take the situation further. We always make sure that all concerns are thoroughly investigated, and preventive measures are taken, if necessary. No discrimination incidents were reported during the year 2018.

Data privacy

With the lead of our Data Protection Officer, we ensure that personal data is processed and stored securely and does not exceed the required scope. All new employees are informed in detail on the elements of personal data being used at Edelmann Group, available sources of data, main purposes of data storage, internal and external functions that may access several types of data, as well as the rights regarding data processing. All employees sign their agreement to store their personal data with the right to refuse data processing for the selected categories. An updated agreement is collected from all employees annually in a digital form. Additionally, all employees have access to Frequently Asked Questions regarding data privacy via our Intranet. To ensure continuous communication, a separate email address was setup in 2018 to address all questions and requests on data privacy.

Child and forced labour

We refer to child labor as a subject to ILO Conventions 138 'Minimum Age Convention' and ILO Convention 182 'Worst Forms of Child Labour Convention'. Child labor refers to an abuse, which is not to be confused with 'children working' or with 'young person's working', which may not be abuses as stipulated in ILO Convention 138. According to the latest ILO Report on child labor, 152 million were in child labour with 73 million being exposed to hazardous conditions. We are strictly against it and strictly prohibit any form of child or forced labour. Within Edelmann Group, awareness is created through the Human Rights Policy, covering child and forced labour. No incidents were registered during the reporting year neither within Edelmann sites, nor in relation to our suppliers' business activities.

Freedom of association and collective bargaining

All Edelmann employees are free to join unions of their choice as well as appoint their representatives who would communicate their interests in the most efficient way. The company then works with corresponding representatives to develop further solutions as a joint effort. The right of freedom of association and collective bargaining is clearly stated in Edelmann's Human Rights Policy, which has been created to address the main social principles of the UN Global Compact. The right is executed through the Employee Councils described in further details in this report under "Labour practices".

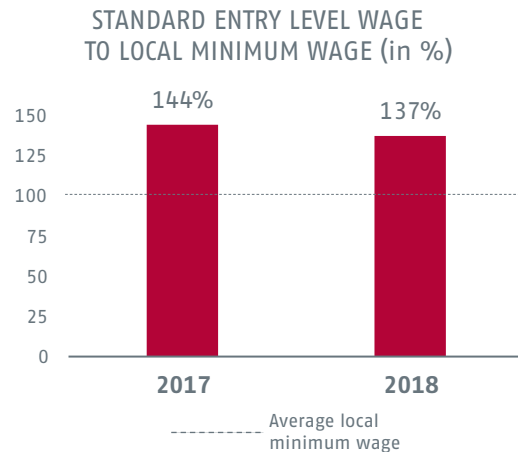


LABOUR PRACTICES

We seek for fair and equal labour practices, thus Edelmann Group eliminates all forms of non-legal and immoral actions which is also stated in our Code of Conduct. We foster a corporate culture locally and across the Group. With the appointment of a Global HR Director, our efforts will be strengthened starting in January 2019. Currently, all sites manage labour practices locally with the knowledge exchange across the rest of Edelmann sites.

Fair compensation

Fair compensation and working conditions are of high importance to Edelmann Group. Working hours are set according to the domestic laws in force or to industrial standards. Therefore, at all German plants, clock-in/clock-out IDs are used for most employees to keep track on the hours worked. Hence, it is ensured that hours on record are adequate. Every employee is informed of and has the right to know the terms and conditions of employment. In each employee's personal contract, the probation period and the length of the notice period are determined. Differences in salary and remuneration between women and men are deprecated in our company. A salary scale is implemented to ensure fair compensation. Different salary levels are defined, and depending on one's education, task and years working for the company, one is categorized, and fair compensation is guaranteed.



Employee Council

Every plant has its own Employee Council established. While it is required by law in some locations, the rest are involved voluntarily. The committee speaks for the employees' rights and communicates their will to the management. They also have a co-determination right, when it gets to the approval of employees coming in or leaving the company. As they represent the interest of the employees, they also decide about weekend hours and work safety of the employees. If any problems or requests are coming up on behalf of the employees, they are keen on finding compromises and fair solutions. For example, our Council in Heidenheim is assembled of 7 members from different departments with weekly meetings in place. This Employee Council was implemented more than 50 years ago. The members are working in different departments such as sales, controlling, logistics and CAD. Therefore, a broad coverage is ensured, and the influence comes from a fair sample of the workforce.

In 2018 a Group Employee Council was founded, located in Germany. It is a selected delegation of members of the Employee Councils from all German plants. They have joint meetings to harmonize their approaches and exchange their experiences. Having this new institution, the communication between the Employee Council and the management can reach the next level.

At our international sites, Employee Councils are organized according to the local law requirements or their own will based on the current needs. They work independently and guarantee a fair representation of their colleagues.

Benefits and work-life balance

The benefits given to our employees vary between the plants. Normally, healthcare, disability, retirement provision and parental leave are offered. While these are the most common employee benefits, every plant is open for suggestions, and new ideas are welcome to improve the work atmosphere and employees' well-being. It is a widespread practice across some Edelmann sites to offer fresh fruits and healthy snacks along with tea, coffee and water being available during the day.

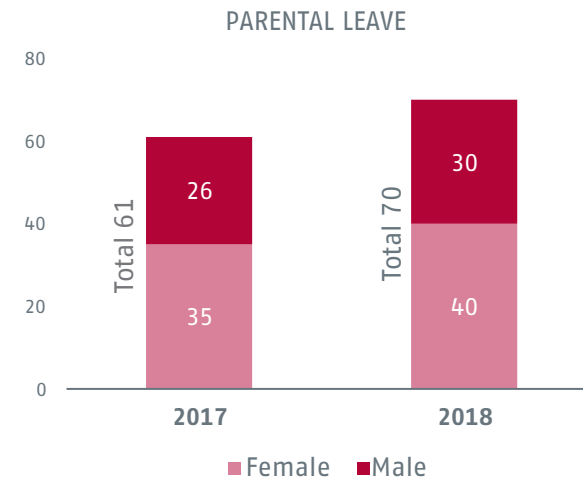
Since we are a family-owned business, the benefits for and the incorporation of the employees' families are very important to us. This concern is shown in celebrating a summer party for all employees and their families in Bitterfeld. In this relaxed environment, it is a great chance to get to know the colleagues and their families and strengthen the team spirit. By having the families inside the company and discussing not only work-related topics, a healthy work-life balance is assured. Similarly, at our Polish site, a large grill party is organized for employees and their families around Christmas time. It is a regular get-together with many employees attending. In the US, on Christmas time, meals for all employees are provided to gather all employees together and reflect on the past year. A reward program for safety is also established in our American sites to highlight the importance of work safety. Having access to food tickets and coupons for local services at many plants are available with leisure activities being also supported.

Apprenticeship

Edelmann Group offers apprenticeships in diverse tasks within administration and production. There are several types of internships: short-term (4 to 6 weeks), summer internships and long-term opportunities. The theoretical knowledge of students can be applied on their tasks at Edelmann Group. The trainees get educated for one particular job, however by switching departments, a general overview is offered to some of them. Most apprentices are welcome to stay in touch with us to follow on further career opportunities.

Parental leave

We value the importance of family and support different possibilities of parental leave for both parents. 61 employees took parental leave in 2017, and 47 already returned to the company, while the rest are planning to return. The amount of people who left for parental leave in 2018 grew even bigger. Out of 70 who left, more than two third came back to work, either on part-time basis or other option that fitted best to the current situation. Depending on a particular country and plant, there are variations on approaches, but one principle is common for all – individual approach. Therefore, the length of the parental leave and the time to come back to work is decided based on employees' circumstances. Notably, 43% of the employees who took parental leave, were men in both years. We are proud of this close to equal proportion of men and women taking parental break, and we target to continue this trend further.



SUPPORTING OUR EMPLOYEES' HEALTH

The health of our employees is among our priorities, since their well-being at all ages is essential to our sustainable development. Therefore, we choose to invest in a health management which goes beyond convenient care.

Regular health check-up

Routine health checks and examinations are operated by an external medical officer. For employees under the age of 45, a health check is done every 4 years and for employees older than 45 years, a health check is operated every 3 years. Before new employees are starting to work at Edelmann Group, they also undergo examination by the doctor to ensure a healthy start and implement any supportive and/or preventive measures in relation to their eyesight, hearing, posture or any special working conditions required.

Health survey 2018

To target the actual need of our employees by our sport offers, we implemented a health survey in 2018 in Heidenheim. All employees were expected to participate and suggest their ideas and wishes. The result showed that back pain was a common concern. As a result, a special back training in cooperation with an instructor from the local sports club (Heidenheimer Sport-Bund) was implemented and started in January 2019. It gives the employees the chance to strengthen their back, and it is also planned to offer massages to employees with back pain. The outcome of the survey also revealed a high demand for a combination of physical and mental exercises. In order to help our employees to relax, a yoga training in lunch breaks will start on-site in Heidenheim. All the training will be fully paid by Edelmann if the employees attend regularly. This opportunity is not only a motivation for the employees to care for their bodies, but also an improvement to their overall mental and physical health.

Sports engagement

A team of Edelmann also registered to run a half marathon in 2018. To prepare for this event, they are a part of a special training for long trail running (Lauf gehts!). By sharing the joy of running, a great team spirit is implemented, and additional health benefits are achieved.

In Heidenheim, every year a skiing trip is organized internally. A fun outdoor atmosphere facilitates team building and combines health benefits with fostering a motivational team spirit. Thereby the work atmosphere is expected to improve for future joint work.

Healthy everyday work practices

Our administrative employees get instructed on several health-related tips regarding the long screen hours, sitting posture, optimal chair height to ensure the right angle of the knees and the optimal distance between the eyes and the monitor. This kind of training is implemented for all new colleagues as well as continuous feedback and support is available for the existing employees. Every year a responsible health and safety manager together with a medical representative perform a check for our office employees in relation to the above-mentioned issues. As for the production employees, they are trained separately for the issues of safety and potential hazards, which is described in more details under the section "Occupational Health and Safety".



DONATIONS AS A WAY TO SUPPORT THOSE IN NEED

For Edelmann Group it is both a privilege and an obligation to give back to the society. That is why we try to use our resources in the best possible way in order to help everyone progress further and have a positive impact on their lives. It is a pleasure to give back to those in need as this is the least we can do for them. Overall, Edelmann Group is always concerned to provide all donations to ethically correct and legal institutions, and we dissociate from any kind of bribery. Other than that, every plant has freedom of choice regarding what kind of organizations they want to promote and in which way.

Bitterfeld

Operating in the pharmaceutical industry suggests itself to care about the health of people, including the youngest members of our society. Every year on Christmas, Edelmann Bitterfeld is donating money to the Natureheart Foundation for Kids. The foundation has set itself the task of funding, caring for and supporting children and adolescents in social and medical institutions and children's homes all over the world. The new name of the former Phytokids Foundation highlights an additional aspect in the foundation's center: to foster the competence of understanding and respecting nature which they share with Edelmann. Therefore, Edelmann uses its resources to make an effort in the engagement for incapable children in a sustainable way.

France

At our plant in France, every year a percentage of the salary of the employees is voluntarily donated to Le Groupement des Entreprises Francaises dans la Lutte contre le Cancer (GEFLUC). It is an association of several companies to fight against cancer, and to not only invest in cancer research, but also in trying to make it as endurable as possible to the sick. In these cases, they provide mental and financial help to the affected patients and their families. The organisation also takes care of disease prevention and health education. Therefore, they work together with governmental institutions to reach more awareness. Many charity galas and sports events like soccer tournaments are organised by GEFLUC to collect more donations and broaden their audience.

Poland

Since money itself does not always make children's faces smile, small gifts for Christmas are given to children in a childcare home in Pruszków, Poland. Therefore, we make sure to bring a bit of happiness to their lives at least at that special time of the year. It is great to see our employees supporting this project, and how it brings joy to their lives as a reward for donating gifts. Our employees have shared their thoughts on this and highlighted that they felt more fulfilled with this small action of kindness.

USA

Edelmann USA also decided to donate toys and non-perishable food on Christmas to Charity Agencies, which distribute them to people in need. Even by small actions like these, support is shown, and positive spirit is spread.



HIGHLIGHTS OF LOCAL COMMUNITIES ENGAGEMENT

The local communities where Edelmann Group is operating are of big concern to us. We like to support surrounding areas to enhance their development and to give back. In this way, we can easily assure to use our influence in the most helpful way and know where our help might be needed in the future. The main goal is not to get attention, but rather engage socially with long-term influence. These projects are organised by the plants themselves only in cooperation with the local authorities to acquire, maintain and improve a good relationship with our local institutions. No negative incidents were registered during the reporting period, including the rights of the indigenous people. Further we describe the highlights of social engagement with the local communities.

Heidenheim

Our cartonboard can be used in many ways. Hence, it can also be a great material for children to create handicrafts with. Therefore, we give our spare cartonboard to local kindergarten and childcare services. This way, we can encourage the creativity of the little ones and make sure that it gets reused with a great outcome.

USA

Education is a privilege and therefore it is our pleasure to organize plant tours as an orientation programme for students. Many students completing high school in the local area of our plants in California and Tennessee are hosted at our facility on a yearly basis. They are taken on a tour of the plant, and we discuss the types of jobs we have available and expectations for people going into these jobs. In 2018, we participated in a program with a State Agency that provided young adults the opportunity for this first manufacturing work experience. We also host a group of adults who are participating in a local leadership improvement process for young professionals.

Poland

At our Polish site we celebrate Children's Day every year and invite all local children. Plant tours are organized, food is offered and the kids get educated on printing in a playful way, while they gain an insight into our business.

Hungary – socially and environmentally active

In Hungary, every year in May, including 2018, employees have the chance to participate in the Charity Run for Premature Infants as one of their social activities. The race is organized by the Ambulance of Prematurity and the Charity for the intensive Care of Children. The race is done in teams which have to conquer a trail run over 59 km. Therefore, the team benefits in both their own health improvements as well as growing together as a team. Additionally, they use the joy of running to collect money for supporting the Foundation for Premature Babies. This is not only a great experience for the runners, but also for the supporters along the trail. The voluntary project transfers a great spirit, meanwhile a lot can be achieved for good cause. In addition to the charity run, the employees are also part of the annual 24 hours Charity swimming. This swimming event is called "The Ocean swimmer" and named after one popular Hungarian swimmer.

Moreover, each year a blood donation on-site is organized and employees can participate on a voluntary basis. In 2018, 37 employees donated their blood to those in need. Edelmann Hungary is also taking responsibility for the environment by planting trees and collecting waste nearby the plant. This way, they show their care for their natural surroundings. Since we do not only care for the environment the next generation lives in, but also for their educational path, we offer plant tours for students as an orientation and give them the opportunity to get an insight of a worldwide operating company of this size.

EDELMANN FOUNDATION AND SPONSORSHIP

In 2007, the shareholding family at Edelmann established the “Edelmann Stiftung” – a foundation based in Heidenheim. The purpose of this charitable foundation is to generate resources to promote art and culture, sport, help for young people and the elderly, public welfare, science and research as well as the protection and maintenance of historic monuments.

Since the foundation was established, we have provided over 200,000 of support to around 100 facilities and projects – primarily in Edelmann’s home town of Heidenheim and the local area.

In 2018 the Edelmann foundation donated approximately 27,000 to various beneficiaries, once again supporting more than 20 initiatives with larger or smaller donations. The institutions supported by the Edelmann foundation include Zukunftsakademie Heidenheim (promoting enthusiasm for STEM subjects), Kinderschutzbund Heidenheim e.V. (children’s campaign group) and Opernfestspiele Heidenheim (opera festival). The team of the football club Heideköpfe Heidenheim and the soccer club 1. FC Heidenheim are supported by the Edelmann Group.



Quelle: 1. FC Heidenheim



1.FC HEIDENHEIM
SOCCER TEAM



HEIDEKÖPFE HDH
BASEBALL TEAM



HEIDENHEIMER SPORTBUND 1846 E.V.
FENCING TEAM

OCCUPATIONAL HEALTH AND SAFETY

We are committed to a safe, injury-free workplace. Within Edelmann Group, this material topic refers to regulations, policies, legislation and actions taken to ensure well-being of our employees and a safe work environment. Our long-term goal is to reach zero accidents. In the meantime, we are working on continuous improvements to fulfil a consistent reduction of injury rates, focusing on lost time injury rate. Each Edelmann site has a responsible health and safety manager, while the Global Head of OHS is located in our headquarters, proactively managing the responsible team worldwide. Monthly OHS reports with KPIs are delivered to the Global Head of OHS for centralized data collection and monitoring. No fatal injuries were registered during the reporting year. Prevention and mitigation of occupational health and safety impacts is managed directly by the responsible team through the OHS system in place, hazards assessments and employee trainings. Edelmann Health and Safety Policy developed in 2018 communicates our commitment towards the issue.

OHS management system

All Edelmann Group plants have a corresponding OHS management system implemented. As the local regulations and national standards vary from country to country, each site adjusts its practices to follow legislation combined with their own initiatives on OHS improvements. Examples of regulating bodies across Edelmann Group are Arbeitssicherheitsausschuss (ASA) for German sites, Comissão Interna de Prevenção de Acidentes (CIPA) in Brazil or Centralny Instytut Ochrony Pracy – Państwowy Instytut Badawczy (CIOP-PIB) in Poland. The core goal is to prevent work-related accidents and advise on mandatory practices along with recommendations to promote preventive measures against injuries and diseases. 100% of our employees are covered by the implemented OHS system. General preventive measures, such as production shoes, earplugs, special uniform are implemented across all sites.

We follow sector-specific guidelines, classified as manufacturing, that allows us to recognize potential risks linked to the industry. All plants function by the combination of their internal OHS employees and external audit organizations to support them in risk assessment. Monthly safety meetings are held internally to discuss current topics and monitor the progress.

Hazards assessment

Either required by law or voluntarily implemented, our plants perform an independent hazards assessment annually or every two years, executed by a third-party organization. The goal is to identify potential risks in relation to substances, noise, dust, tools and work processes as well as develop preventive measures and/or require immediate or potential future actions. Therefore, hazards assessment reports are classified into:

- » Work activity;
- » Hazard cause;
- » Protective measure;
- » Risk category;
- » Improvement measure (obligatory or recommended)

Audits from the reporting year have not revealed any high-risk activities, while all recommendations will be implemented in 2019, including several preventive measures. In addition to the assessment provided by an independent third-party audit, an internal procedure is in place to ensure that all new substances are safe to the employees. For example, since our production employees in Germany receive their weekly uniforms after the laundry, a new washing powder was tested for potential allergies prior to the start of using it this year. Hence, any development or introduction of a new substance is thoroughly checked to make sure that it does not pose any risk for employees.

Employee safety training

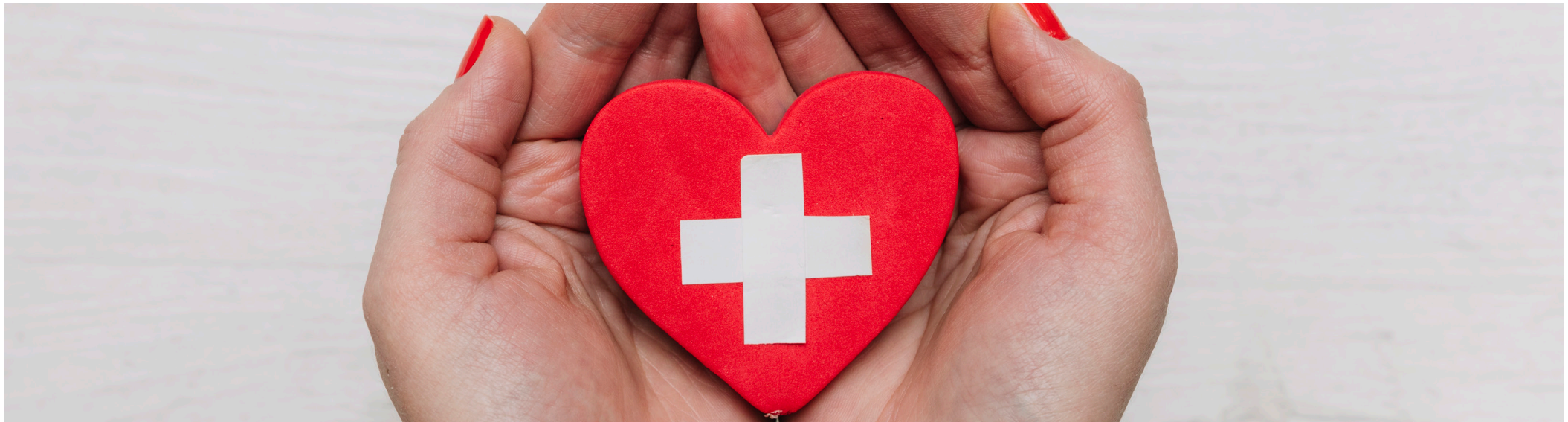
Training is the fundamental measure to ensure health and safety of our employees. Appointed OHS managers are responsible for development, implementation and monitoring of the training procedure, sharing the best practices among each other. While our administration workers are trained annually on safe work practices and protection measures in case of visiting production floors, the main focus is on ensuring a safe workplace for production employees who deal with potentially risky work activities, processes and substances. The full training program is obligatory for all new employees, while the existing workers are trained annually and upon demand, i.e. if new substances or tools were introduced. Overall, the trainings are divided into:

- » General briefings (why is it important, how it is managed);
- » Tool usage instructions (e.g. forklifts);
- » Substance instructions (e.g. flammable liquids)
- » Different work activity instructions (e.g. stacking, lifting and carrying items)
- » Fire safety;
- » Procedure in case of emergency;
- » Procedure in case of an injury;
- » General health and safety instructions (e.g. production safety shoes, recommendations on sitting posture for admin employees)

Detailed instructions and guidelines are available for each category, describing the material, process or activity, followed by the explanation of safety signs and preventive measures. All training sessions are documented and require a signature of a supervisor and the employee in question.

Employee engagement

All safety guidelines are available through Edelmann's Intranet that can be accessed by any employee. As an improvement to this efficient communication measure, it was planned in 2018 to have all instructions printed and spread over production floors for easier access that does not require Intranet use. Our employees participate in development and modification of the existing OHS system by either directly communicating their message to the responsible manager or through a labour union representative, such as in France and Hungary. Both sites in the USA implement an employee suggestion program, facilitating communication process. All Edelmann employees have the right to remove themselves from work situations that they assume could cause them or their colleagues injury or any kind of danger.



OHS improvement examples

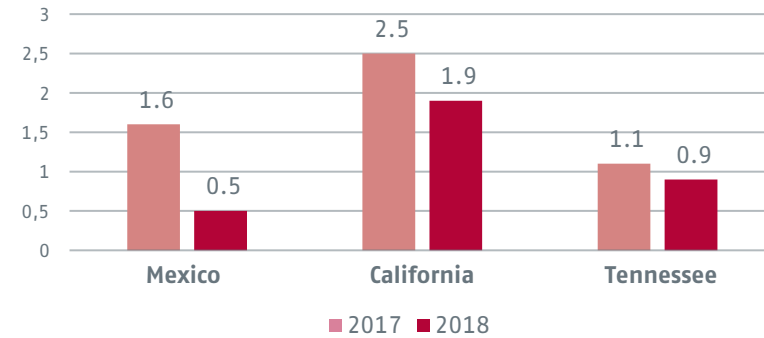
As a result of an internal assessment in our plant in Heidenheim, 30 new substances were identified and checked for hazardousness. Although they were proven to be safe in use, a special training was designed and implemented for employees working with these substances to ensure awareness. A similar assessment will be performed further in the rest of the German plants.

The Hungarian plant has trained a first-aid team to ensure that first aid will be provided among colleagues in case of an emergency or severe injury. This safety measure was added to the list of best practices.

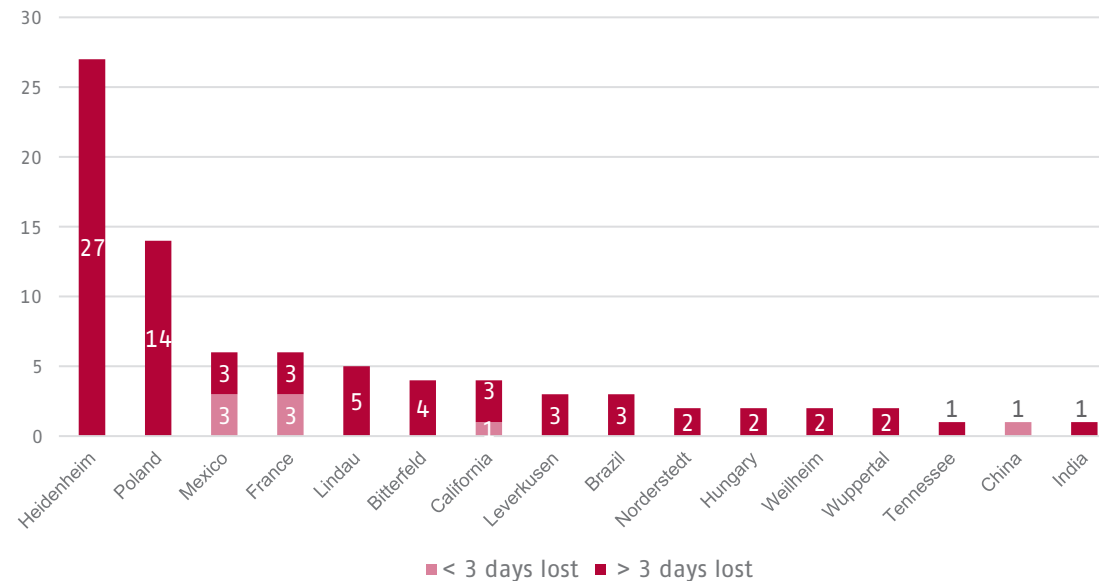
Although the area of OHS at Edelman Group predominantly uses proactive approach, some issues are hard to be foreseen, and therefore, they only become evident through the cases of injuries. Year 2018 has brought 2 unfortunate injuries in Heidenheim, caused by the use of the cutting knives. Therefore, to guarantee prevention of further injuries with the same root cause, special gloves were introduced for all employees working with these knives. Risk assessment in relation to a similar issue will be performed for the rest of the plants.

Referring to the OHS KPIs, there has been a significant improvement in lost time injury rate in Mexico, California and Tennessee, setting a benchmark. The total number of injuries remained 83 with all injuries being classified as production-related, except 1 administrative accident in France.

LOST-TIME INJURY RATE BENCHMARK IMPROVEMENTS (PER 100 000 WORKING HOURS)



INJURIES PER PLANT





ENVIRONMENT



High Q Packaging

SUSTAINABLE PROCUREMENT

Procurement, as one of the key functions at Edelman Group, significantly contributes to our sustainability performance. Our commitment starts with the compliance with corresponding legal requirements, including REACH and SVHC to ensure a responsible approach towards the use of chemicals and substances of very high concern. The development of Sustainable Procurement Policy in 2018 adds value to the principles that we follow as a Group to address responsible sourcing. There is a responsible purchasing team per plant with the Global Head of Procurement located in the headquarters. All initiatives are centrally coordinated, and best practices are shared, including sustainability-related initiatives being developed in close collaboration with our suppliers.

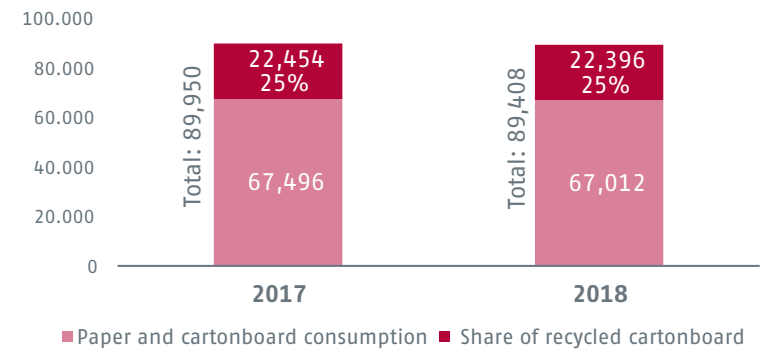
Cartonboard – a sustainable raw material

According to the recent study by Pro Carton, a European Association of carton and cartonboard manufacturers, cartonboard as a raw material is the leading choice for a range of indicators, such as recyclability, overall carbon footprint, use of recycled and renewable materials, inclusion of certified materials and minimal use of materials. We are proud to support this responsible choice, as cartonboard is the key material used in our production with a small share of paper included. Cartonboard and paper consumption has slightly decreased in 2018 by 0,6%. The total consumption mainly refers to cartonboard with an exception of Leaflet Solutions located in Lindau and Leverkusen, where paper consumption stands for more than 90% of the total due to the nature of leaflet business. The share of recycled cartonboard consumption has remained at the level of 25%, proving our commitment to maintain a healthy balance of fresh and recycled fibers.

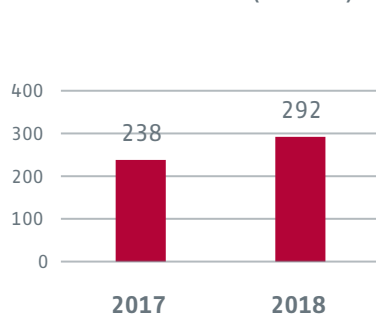
Inks and varnishes

Most inks and varnishes purchased for production facilities are water-based, excluding the use of strong chemicals. We are committed to the use of inks, varnishes and related products certified as free of conflict minerals and toxic heavy metals. Therefore, following our regular practice, we have collected corresponding proof of compliance, such as CONEG and section 1502 "Conflict minerals" of the Dodd-Frank Wall Street Reform Act, provided by our major suppliers in 2018. Overall, only a few types of inks and adhesives are used to enable easier handling and disposal.

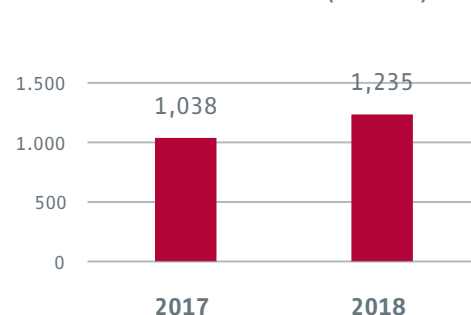
PAPER AND CARTONBOARD CONSUMPTION (IN TONS)



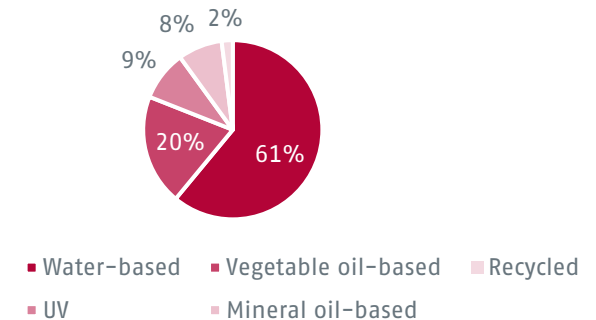
INK CONSUMPTION (IN TONS)



VARNISH CONSUMPTION (IN TONS)



INK BY TYPE



Sourcing of wood from sustainably managed forests

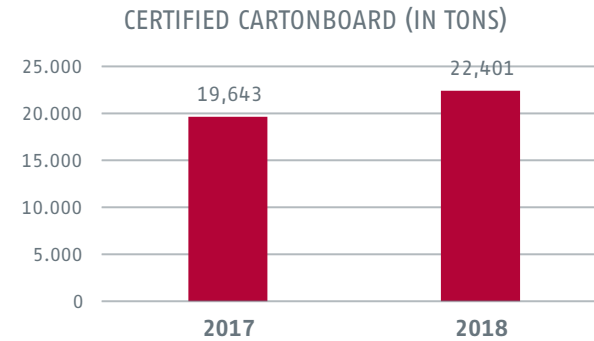
We make sure that all Edelmann sites have access to certified cartonboard, such as FSC or PEFC. Based on the customer requests, certified board can be ordered and used in production. Therefore, we are in continuous communication with our cartonboard suppliers to ensure their compliance, which in turn allows us to monitor environmental and social impacts of our products throughout the whole supply chain – from the forest to the production point. From our side, 90% of Edelmann plants hold FSC Chain of Custody certification. The share of certified board purchased in 2018 increased by 14%.

Supplier assessment & Supplier harmonization

Edelmann Group has a long-standing relationship with its key suppliers, based on trust, transparency, and mutual interest towards a better future. We view our suppliers as strategic partners who would assist us in strengthening our sustainable procurement practices through a continuous dialogue and collaboration. We manage our relationship based on the Supplier Code of Conduct, covering employee protection, labour law and human rights; business practices and ethics; health, safety, and environment along with accountability and compliance with laws and regulations.

Our internal supplier assessment is divided into the risk evaluation of new suppliers and continuous assessment of the existing suppliers. The assessment is implemented on the plant level. The new suppliers who have joined in 2018 were evaluated based on a self-assessment questionnaire, and they were further expected to sign the Code of Conduct, confidentiality declaration, and the terms and conditions of purchasing. Supporting evidence is highly appreciated, including annual sustainability report and CSR assessment tools, such as EcoVadis or CDP. Existing suppliers were monitored based on the latter criterion along with updating all valid certifications, both social and environmental. We are proud to give preference to local sourcing, and this commitment was once again proven in 2018. No incidents were registered during the reporting year in relation to the activities of our suppliers.

In our efforts to gain better control over supply chain, a programme for supplier harmonization was launched in 2018. The goal was to focus on the key suppliers by reducing the total number of them, which in turn contributes to higher level of transparency, engagement, and our ability to monitor the supply chain.



SUPPLIER HARMONIZATION 2018

Material	Decrease in amount
Board	-4%
Raw materials	-30%
Other materials	-60%

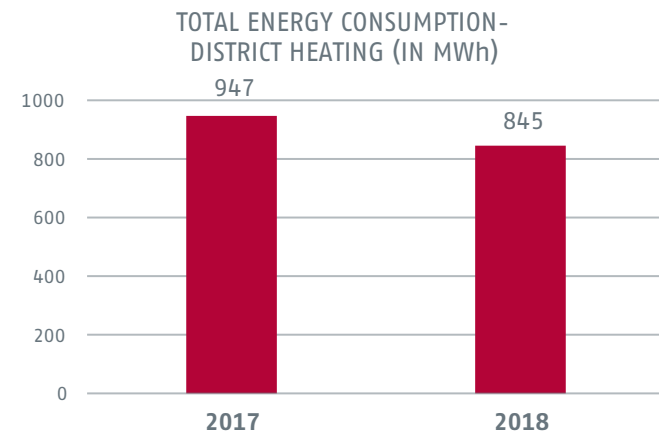
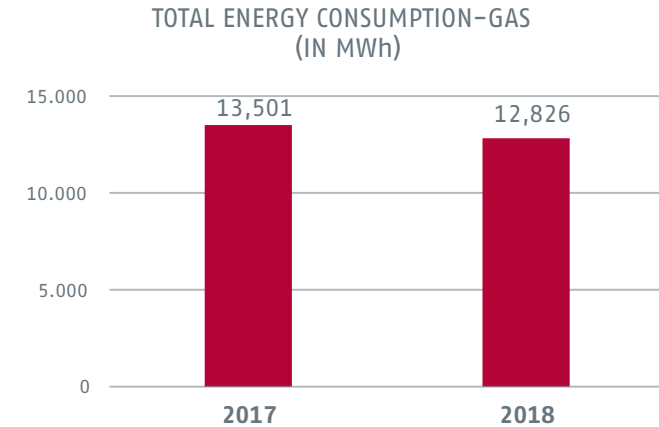
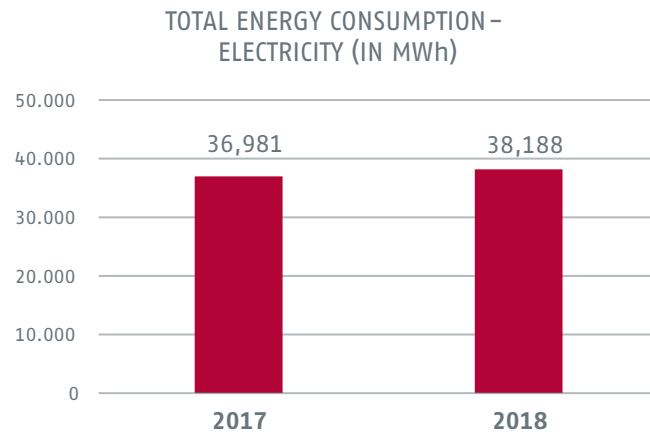
OVER 85% OF SOURCING IN GERMANY, HUNGARY & FRANCE IS DONE LOCALLY WITH AS HIGH AS 60% IN AMERICA AND ASIA

ENERGY CONSUMPTION

Energy efficiency is part of our Environmental Concept, committing to energy preservation initiatives. The scope includes our plants, tools, equipment and everyday work practices. Each site employs a responsible manager who takes care of environmental development, including energy management. The Global Head of Environmental management is located in Heidenheim. Since 2018, we have set the goal to decrease total energy consumption by 5% within the estimated time frame of five years. Purchasing electricity generated from renewable sources, namely hydropower, still remains the most notable energy-related initiative for our German plants. The power source has been verified by the German Federal Environmental agency.

2018 energy consumption overview

The total energy consumption of Edlmann Group consists of electricity consumption, district heating used in Poland and gas for the rest of the sites. Looking at the results for the reporting year, energy consumption from the district heating decreased by 10.7% for the Polish plant, supported by the decrease in gas consumption by 4.9% for the rest of the plants. Meanwhile, the total electricity consumption increased by 3.3% mainly due to a consumption increase in our biggest plant in Heidenheim because of the larger production volumes. It is worth mentioning that individual plants still reached and even exceeded their reduction goals with Lindau decreasing its electricity consumption by 1.3%, Weilheim 4.8% and Poland by a whopping 8.9%.



ENERGY-EFFICIENT PLANTS AND IMPROVEMENTS

Combined heat and power in Heidenheim

Edelmann Group headquarters in Heidenheim utilize the technology of combined heat and power. During the reporting year, the CHP station generated 872 MWh of electrical power and 1,145 MWh of heat power in 4,012 full-load operating hours. As a result, it covered almost 10% of electric power requirement and 20% of heat power demand in Heidenheim.

Energy-efficient Hungarian plant

Accomplished in 2016, an energy-efficient building technology was developed for our Hungarian plant in collaboration with the experts from heating, ventilation, sanitation and electrical installation. Latest technologies were implemented to address energy efficiency as part of our environmental agenda. With this, the heat loss from the printing machines can be transformed into the energy used for plant heating, and heat can be recovered from air-conditioning systems and air compressors as well as heat insulation of the paving tiles was implemented. As a result, less energy resources are required.

Replacement of heating pumps in Weilheim

In 2018, eight heating pumps in Weilheim plant were changed to replace the old pumps. The new heating pumps are more energy-efficient with 0.5 kWh consumption as opposed to 2 kWh. This improvement also allows better system regulation, as the pumps run in a fluctuating mode, speeding up or slowing down depending on what the system needs at a particular point of time.

Switching to LED lighting in California

Following the best practices of several plants, such as Heidenheim, the US plant in California has switched to LED lighting. LED being a highly energy-efficient lighting technology is expected to decrease the total energy consumption. The results are to be seen in 2019.

Moving to a new facility in France

A strategic decision was made during the reporting year that Edelmann's French facility is moving to a new building in 2019. Among other benefits, the new building has better isolation and is expected to contribute to energy saving.



WATER CONSUMPTION AND BIODIVERSITY

The human right of water, declared by the UN Global Compact, insists on clean, safe, accessible and affordable water. Edelmann Group supports this notion in addressing this vital natural resource. 2018 has brought the development of a Water Policy, which is an addition to our Environmental Policy. Both water management and biodiversity are regulated by our environmental managers in cooperation with the service providers, such as electricity and gas companies.

Water

The nature of Edelmann's business operations does not require an extensive use of water. Most of the total water consumption comes to sanitary usage, entering the municipal sewage system afterwards. The resource is also utilized for humidification to meet the storage conditions for cartonboard and as an additional benefit, keep the humidity level sufficient enough to support the health of production employees. Only 10% of the total consumption is process water.

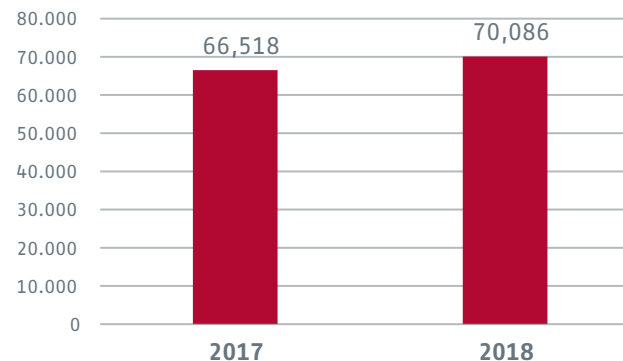
The total water consumption has increased in 2018, mainly due to a 23% increase in consumption in Heidenheim. However, many plants individually performed very well in reduction initiatives and decreased their consumption by: 27.7% in Lindau, 5% in Weilheim, 3.2% in Brazil, 7.8% in Hungary, 3.8% in Mexico, 5.5% in California and 7.8% in Tennessee.

No water bodies were affected by the operations of Edelmann Group during the reporting year, therefore bearing no impact upon nationally or internationally protected water areas and related habitat.

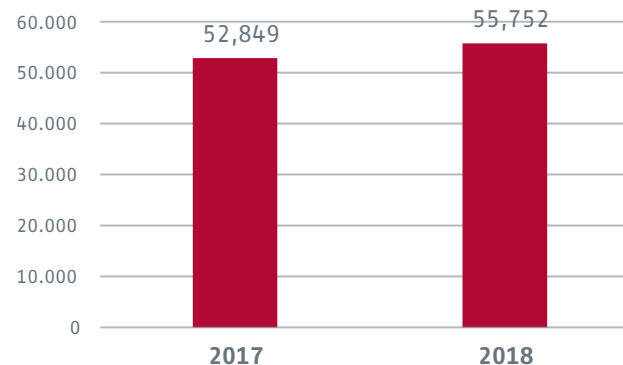
Biodiversity

With our respect to the importance of biodiversity, it does not belong to the material topics, as Edelmann Group does not own, lease or manage any operational sites which are within or adjacent to protected areas or areas of high biodiversity value. Consequently, Edelmann Group does not put any risk upon any endangered species of flora and fauna at any time, including the period of the reporting year. Additionally, Edelmann Group has not received any fines or non-monetary sanctions for non-compliance with environmental laws and regulations during the reporting year for all environmental indicators, such as water, energy, biodiversity, waste, and emissions.

TOTAL WATER CONSUMPTION (IN M³)



TOTAL WASTE WATER (IN M³)



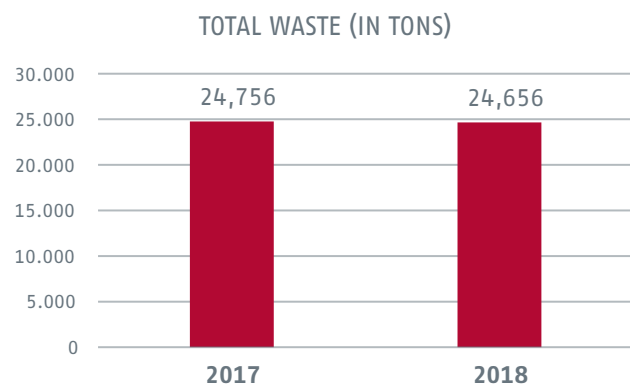
WASTE MANAGEMENT

As a responsible packaging manufacturer, Edelmann Group takes care of its waste management system. All production waste is handled by the corresponding waste disposal contractors, while our internal environmental managers ensure that the system in place corresponds to the local regulations. Although country-specific infrastructure represents a diverse range of approaches, recycling remains the leading method for most of the waste categories.

2018 waste overview

The reporting year has marked a 0.4% reduction in total generated waste. The leading categories remain paper and cartonboard, metals, and waste from the photographic industry. An improvement was achieved due to the decrease in metal waste and waste from the photographic industry. Generally, the production waste is sorted into the established categories, picked up by the waste disposal contractors who weight the waste, and later on it enters the local recycling or disposal system.

No hazardous waste was imported or exported by or on behalf of Edelmann Group based on the terms of the Basel Convention (Annex I, II, III, and VIII). There were no significant spills during the reporting year.



TYPE OF WASTE	CLASSIFICATION	2017 (IN TONS)	2018 (IN TONS)
Paper, cartonboard	Non-hazardous	23,249	23,339
Plastics	Non-hazardous	269	234
Metals	Non-hazardous	124	117
Household waste	Non-hazardous	308	283
Compost	Non-hazardous	3	4
Industrial waste	Hazardous	199	174
Waste from the photographic industry	Hazardous	77	76
Wood, wooden pallets	Non-hazardous	54	56
Inks	Non-hazardous	16	10
Others	Non-hazardous	457	363
TOTAL		24,756	24,656

excl. Leverkusen, Wuppertal and Edelmann (Beijing) Pharmaceutical Packaging & Printing, Ltd.

GREENHOUSE GAS EMISSIONS AND CLIMATE CHANGE

Multiple studies have already delivered sufficient evidence that climate change is partly caused by human activities, including the responsibility held by the companies. Mainly, the increase in greenhouse gas emissions (GHGs) caused by numerous factors, such as fuel combustion, manufacturing or transportation, significantly contributes to global warming. Therefore, Edelmann Group takes its initiative to reduce GHG emissions and address the topic of climate change, which is on the current environmental agenda. Since the emissions are directly linked to the energy use, heating, waste, and transportation – these are the main focus areas to work on towards the goal of emissions reduction. Our commitment is transparent through the membership in Carbon Disclosure Project (CDP), where Edelmann Group reports annually on climate change. The result has been consistently improved, with the latest score increase from C- to C in 2018. Being linked to CDP and based on the goals of the current report, Edelmann Group reports on GHG emissions Scope 1, Scope 2, and partially Scope 3.

Scope 1: Direct GHG emissions

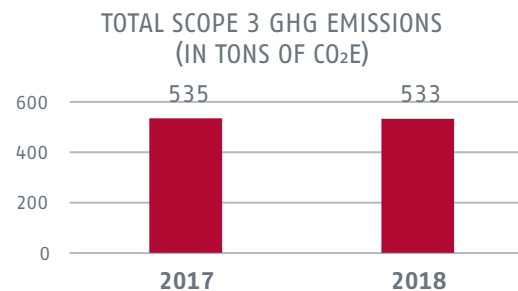
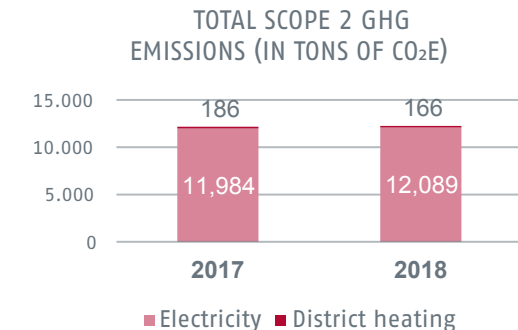
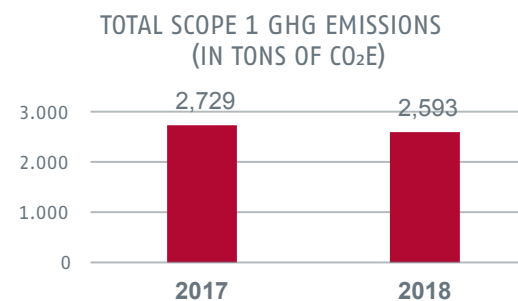
Within the scope of Edelmann Group, Scope 1 GHG emissions arise from stationary combustion. Company-owned vehicles are expected to be included during the next reporting year. Due to the reduction in energy consumption (gas) in 2018, direct emissions have decreased accordingly by 5%. The emissions were calculated based on the calculation guidance developed by Greenhouse Gas Protocol – in conformance with GHG Protocol standards.

Scope 2: Indirect GHG emissions

Indirect GHG emissions refer to the generation of purchased energy, i.e. purchased electricity and district heating. While the emissions from purchased electricity increased by 0.9% due to the increase in total consumption, district heating emissions decreased by 10.7% thanks to the reduction in district heating consumption in Poland. Emission levels were calculated through location-based method, i.e. country-specific GHG indices were used according to GHG Protocol standards. Average hydropower emission rate was taken for renewable electricity sources.

Scope 3: Other indirect emissions

Other indirect emissions may arise from the impact that occurs outside the company itself, but still belongs to the value chain. Currently, only waste treatment is included in the scope of reporting, following GHG Protocol standards. We aim to include further reporting categories in the upcoming years.



CO₂ REDUCTION AND CO₂ COMPENSATION PROJECTS

Apart from the efforts to reduce GHG emissions by improving overall energy efficiency, we aim at engaging our customers and suppliers into the process to achieve better results. Combining our knowledge and capabilities, we are able to make a difference and at the same time equally benefit from our initiatives.

CO₂ reduction initiatives

One of the common ways to address reduction in emissions is the optimization of transportation. Therefore, a central consignment stock was established, linked to one of the key customers with the participation of several suppliers, one of which belongs to the major strategic tier. Having analyzed the respective data on the materials, potential locations, and participating suppliers, the project was implemented at the test stage. Showing positive results, the concept was proven to be an efficient way to optimize deliveries. Among the other benefits, such as increased delivery reliability by ensuring lead times, saving of CO₂ emissions caused by transportation by almost two-thirds was realized. As a result, the material is now delivered with full-truck loads, overall requiring less trucks. This project also highlights a long-term relationship with both our suppliers and customers.

Continuing on the topic of joint partnerships, it is our common practice to hold projects with our customers aimed at potential sustainability improvements. The main idea is to analyse the current portfolio and suggest alternatives that would be more favourable from a sustainability point of view, mainly covering the environmental pillar. Lightweight materials, grammage reduction, construction modification, PET alternatives, and transportation optimization are the topics raised annually with our clients.

CO₂ compensation

Edelmann Group is among a few packaging manufacturers who can support customers in providing a full overview on the carbon footprint of their products. We use a calculation tool developed by an external provider that allows to estimate the amount of CO₂ caused by the production of a particular order, a separate product line or the whole portfolio. The calculation includes the whole chain from the production of cartonboard to the final package, covering all transportation steps, specific tools used and commuting of employees. Once the customers receive a detailed overview, they may choose to invest in CO₂ neutral projects, thereby compensating their own carbon footprint. For this purpose, we collaborate with certified organisation regulating the ongoing projects.

Examples include a project in Mut District, Turkey, where 11 wind turbines generate enough clean energy for 50,000 local households or an initiative in Mali, West Africa, where efficient cook stoves require less fuel consumption and prevent deforestation. As a result, less carbon dioxide is released, protecting the local area and supporting the health of the locals.

Our customers are always encouraged to participate and compensate their carbon footprint. The ongoing projects contribute to an average of 100,000 tons of CO₂ savings, and Edelmann Group is proud to be part of this network.



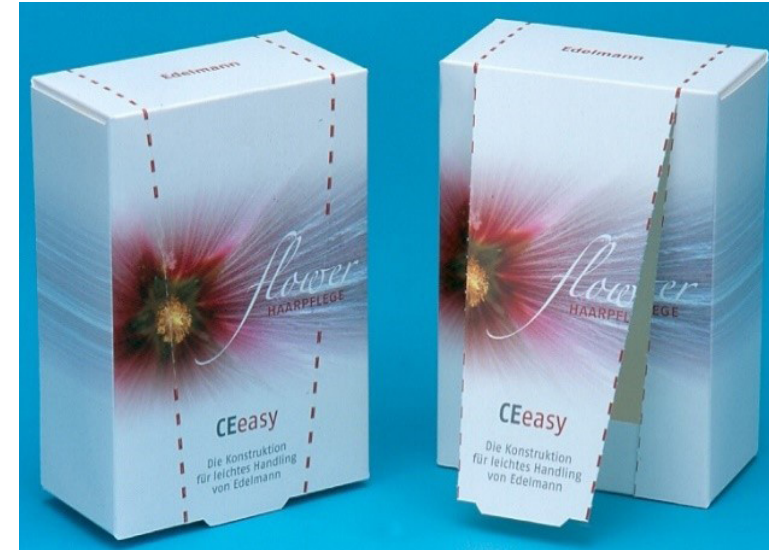
CUSTOMER HEALTH AND SAFETY

“High Q Packaging” label stands for a promise to deliver standardized, superb quality level at all Edelman locations around the world. Quality is our firm conviction, proven through ISO 9001 certification, corresponding to the implementation and maintenance of a quality management system across all sites. Additional certification includes ISO 15378 with a reference to Good Manufacturing Practice. While quality is assured throughout the entire production process, we also invest in sustainable product development to meet the needs of our customers and stay proactive on the market. No incidents of non-compliance to the health and safety impacts of products were registered. Therefore, zero cases resulted in fines or penalties, warnings or breaches of company’s internal voluntary codes.

CEeasy – meeting the needs of the elderly population

Edelman Group was among the forerunners in addressing the challenge posed by Pro Carton, a leading association of carton and cartonboard manufacturers. The problem statement referred to ensuring equal capabilities of elderly population to use the packaging without any limitations. Due to the physical changes of the target group, such as eyesight, physical strength and feeling, we took the challenge to design packaging to address equality in the use of our packaging solutions. Collaborating in a team from innovation, structural design and graphic design, a “CEeasy” product line was developed to meet the needs of “Best agers”.

Packaging solutions were designed to be functional and consumer-friendly without compromising the main goal. To ensure that the main criteria are met, all “CEeasy” folding boxes were tested with Age Explorer. The test comprises a simulation of physical changes through the use of a special helmet decreasing the ability to see clearly, a suit to limit potential body movements and the gloves to restrict the feeling and mobility of the fingers. In order to pass the certification, the following actions should easily be performed during the test under simulated conditions: easy opening and closing of the box, unobstructed product extraction and ability to read the text on the box. Edelman’s products received 48 out of 48 points. Upon approval of the designed “CEeasy” product line, we were able to apply these developments towards our customers’ needs.





EcoVadis is among the leading sustainability ratings, covering reporting on environment, business ethics, labour and human rights and sustainable procurement. Edelmann Group currently holds a Silver medal in recognition of sustainability achievements.

CDP (Carbon Disclosure Project) is an organisation aiming to make environmental reporting and risk management a business norm. Edelmann Group reports on climate change annually with the current score "C", following a pattern of consistent improvement.

UN Global Compact encourages businesses worldwide to follow sustainable and socially responsible policies, and to report on their implementation. Edelmann Group commits to the ten principles through annual communication on progress.

Sedex is the largest platform for sharing responsible sourcing data. Our sites in Heidenheim, Weilheim, Norderstedt, Mexico, India, Hungary, Brazil and China are Sedex members, reporting either through SMETA audits or self-assessment questionnaires

LATEST AWARDS

- 2018 German packaging Sustainability Award for a folding box made of 25% grass fibres
- 2018 Paperboard Packaging Council Excellence Award
- 2017 German packaging Safety Award
- 2017 European Carton Excellence Award
- 2017 German packaging MOVE (Micro-oriented variable effect) Award



GRI Standard	Page number and UNGC reference
GRI 102 GENERAL	
102-1: Name of the organization	5
102-2: Activities, brands, products, and services	5, 7
102-3: Location of headquarters	5
102-4: Location of operations	5
102-5: Ownership and legal form	5
102-6: Markets served	8
102-7: Scale of the organization	6
102-8: Information on employees and other workers	6, 19
102-9: Supply chain	34-35
102-10: Significant changes to the organization and its supply chain	6, 14
102-12: External initiatives	43
102-13: Membership of associations	43
102-14: Statement from senior decision-maker	4, including a statement of UNGC continued support
102-16: Values, principles, standards, and norms of behaviour	9
102-18: Governance structure	10
102-40: List of stakeholder groups	11
102-41: Collective bargaining agreements	23. UNGC Principle 3
102-42: Identifying and selecting stakeholders	11
102-43: Approach to stakeholder engagement	11
102-44: Key topics and concerns raised	14
102-46: Defining report content and topic boundaries	3, 14
102-47: List of material topics	14
102-48: Restatements of information	N/A
102-49: Changes in reporting	14
102-50: Reporting period	3
102-51: Date of most recent report	3
102-52: Reporting cycle	3
102-53: Contact point for questions regarding the report	47
102-54: Claims of reporting in accordance with the GRI Standards	3
102-55: GRI content index	44-46
GRI 103 MANAGEMENT APPROACH	
103-1: Explanation of the material topic and its Boundary	At the beginning of each chapter
103-2: The management approach and its components	At the beginning of each chapter
103-3: Evaluation of the management approach	At the beginning of each chapter
GRI 200 ECONOMIC	
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204-1: Proportion of spending on local suppliers	35
205-1: Operations assessed for risks related to corruption	22. UNGC Principle 10
205-2: Communication and training about anti-corruption policies and procedures	20, 22. UNGC Principle 10
205-3: Confirmed incidents of corruption and actions taken	22. UNGC Principle 10
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408-1: Operations and suppliers at significant risk for incidents of child labour	23, 35. UNGC Principle 1, 2, 4, 5
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FURTHER INFORMATION AND CONTACTS

Further information on sustainability at Edelmann Group is available at: www.edelmann-group.com

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