



SUS TAIN ABILITY REPORT

SCHOELLERSHAMMER

2022

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FOREWORD

from the Management Board

Dear reader,

Rapid reductions in greenhouse gas emissions are vital, in this, we agree with our policymakers. We will reduce our emissions by 65% by 2030 compared with 1990 levels and expect to make our production activities climate neutral by 2045.

We decommissioned our coal-fired power plant already in 2021 and now rely on a combined heat and power (CHP) unit for our energy supply. This new unit is fired with natural gas and biogas, which has reduced our emissions by 30%. In addition, we will commission a thermal treatment plant in the near future, thereby cutting down our natural gas consumption by 30%. During the reporting year, we also examined our Scope 3 emissions, which we aim to curb in partnership with our suppliers.

We are also well prepared for the imminent introduction of the EU Supply Chain Act. Since 2021, we have been expanding our Risk Assessment Management System to also cover CSR risks in the supply chain. Within the context of our due diligence obligations, we will focus especially on the working conditions of lorry drivers in the logistics sector.

We have produced this Sustainability Report in accordance with the GRI Standards. This required us to adopt a structured approach in determining which CSR topics Schoellershammer should engage with as a priority in order to live up to the company's social responsibility.

In addition to the topics mentioned above, our analysis highlighted the issue of training and education as being particularly important.

We already make significant efforts in this regard, as reflected by our high training ratio. In the future, we aim to further enhance the recording of employee training data and increase our employees' commitment to life-long learning.

We are a participant in the United Nations Global Compact (UNGC), having joined in 2020. We are expressly committed to implementing and promoting the spread of the Ten Principles of the United Nations Global Compact on human rights, labour, the environment and anti-corruption.

We would like to thank all of our employees, partners and customers who support us in charting our course.

Kind regards,

Armin Vetter

Bernd Scholbrock

Alexander Stern



SCHOELLERSHAMMER

AT A GLANCE

Schoellershammer is a company rooted in a long tradition. We aspire and strive to be one of the most sustainable manufacturers and partners on the European packaging market.

Based in Düren, SCHOELLERSHAMMER GmbH is a tradition-steeped company active in the paper industry. Our roots stretch all the way back to the 18th century. Schoellershammer remains in family ownership to this day. We identified the potential of the circular economy as early as 1950, when we commissioned our first production machine for recycled paper. Schoellershammer has produced containerboard products ever since.

We generate around 50% of our turnover in German-speaking countries. Other relevant markets for the company include the United Kingdom, Benelux, Poland, France, Spain, Italy and Scandinavia. We have also served our first clients in China since 2021. Our customers range from medium-sized enterprises to international corporations, and from specialist packaging manufacturers to integrated corporate groups that supplement their own paper production activities with our products.

As a non-integrated manufacturer, we are not in competition with our customers – an aspect they highly value.

Exclusive use of secondary fibres

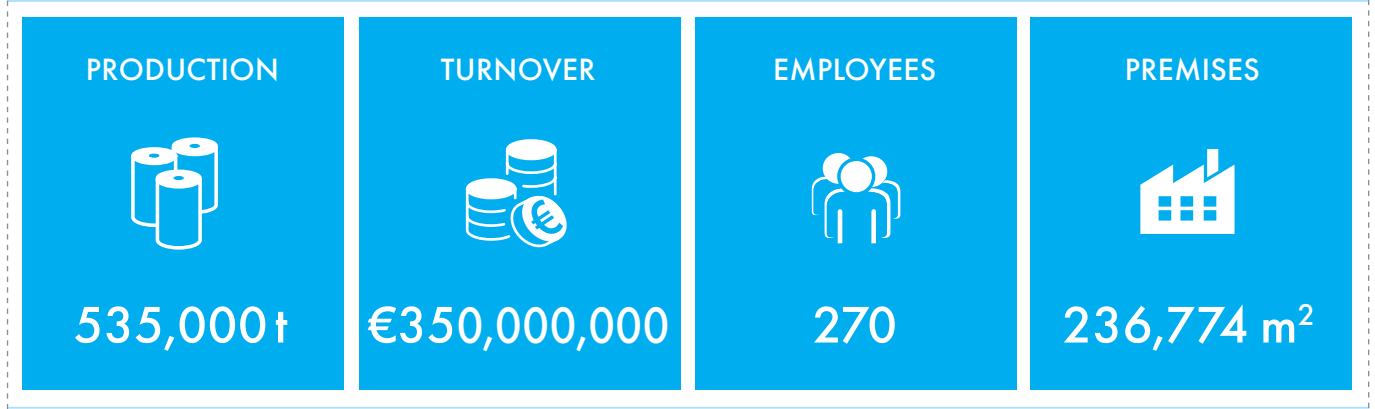
Our two paper machines produce over 500,000 tonnes of fluting and liners per year from paper for recycling collected in the region. We are particularly proud of our two PM 5 and PM 6 paper machines. The latter was commissioned in 2016 and ranks among the most energy efficient in Europe.

As a fundamental rule, we do not use primary fibres and instead produce liners from secondary fibres. In addition to standard products, which account for around three quarters of our manufacturing activities, we also produce a number of high-performance versions. This include our Hammerliner, Hammerflute and Twinhammer brands. While Hammerliner is a type of liner and Hammerflute is a corrugating medium, Twinhammer is equally suitable for use as a liner and as fluting, which simplifies material procurement and storage for our customers.

All our products are FSC®-certified

In 2022, we employed 270 people at our site in Düren. Almost all of them live locally. Schoellershammer enjoys high workforce loyalty, with an employee turnover rate recorded at 5.2% in 2022. At the same time, we demonstrate outstanding commitment to supporting up-and-coming talent: trainees accounted for 5.6% of our workforce in 2022.

Facts and figures



We achieved a turnover of €350 million in the reporting year, representing an increase of over 37% on the previous year. This was attributable to the significant upturn in sales prices across the industry in response to rising energy costs. Unit sales remained stable compared to the previous year’s levels.

Forward-looking engagement

Schoellershammer believes it has a responsibility to drive and shape the formation of a paper industry focused on ecological, social and environmental issues. We strive to play an active role in shaping the energy transition in the packaging sector, growing organically while reducing our carbon footprint. We are firmly convinced that our forward-looking engagement will secure the future viability of our company. We therefore provide a sound economic foundation for our employees and their families.



MANAGEMENT STRUCTURE AND GOVERNANCE

Schoellershammer has three internal bodies: the General Assembly, the Advisory Board and the Management Board. The company's sustainable development is part of the strategic process defined by the Advisory Board and the Management Board.

The Advisory Board is the superior governing body. Its members are elected every three years by the General Assembly, which is primarily composed of descendants of the family that founded Schoellershammer. The Advisory Board examines Schoellershammer's business activities on behalf of the company's shareholders. Its responsibilities include issuing the company's internal regulations and producing the annual financial statement.

Schoellershammer's articles of association state that, to avoid conflicts of interest, company shareholders may not serve as either Chair or Deputy Chair of the Advisory Board. The members of the Advisory Board must possess the requisite expertise and business experience for the scope and significance of their position. Special skills and achievements in terms of sustainable development and diversity have not played a role in its election to date. No remuneration policy exists for members of the Advisory Board. Its members are required to disclose any conflicts of interests that may arise to the General Assembly. The Chair of the Advisory Board may not simultaneously serve on the Management Board.

The Advisory Board

Members of the Advisory Board in the 2022 financial year

WOLFGANG K. MEUSBURGER

Teufen, Switzerland. Business consultant. Chair and Member of the Advisory Board since 2000

WOLF-DIETER BAUMANN

Baden-Baden, Germany. Business consultant. Deputy Chair of the Advisory Board from 1/10/2021 to 29/4/2022

MARTIN ERFURT

Wuppertal, Germany. General Partner in Erfurt & Sohn KG. Member of the Advisory Board since 1998

DR WIEBKE RHODIUS

Munich, Germany. Lawyer. Member of the Advisory Board since 1/1/2022

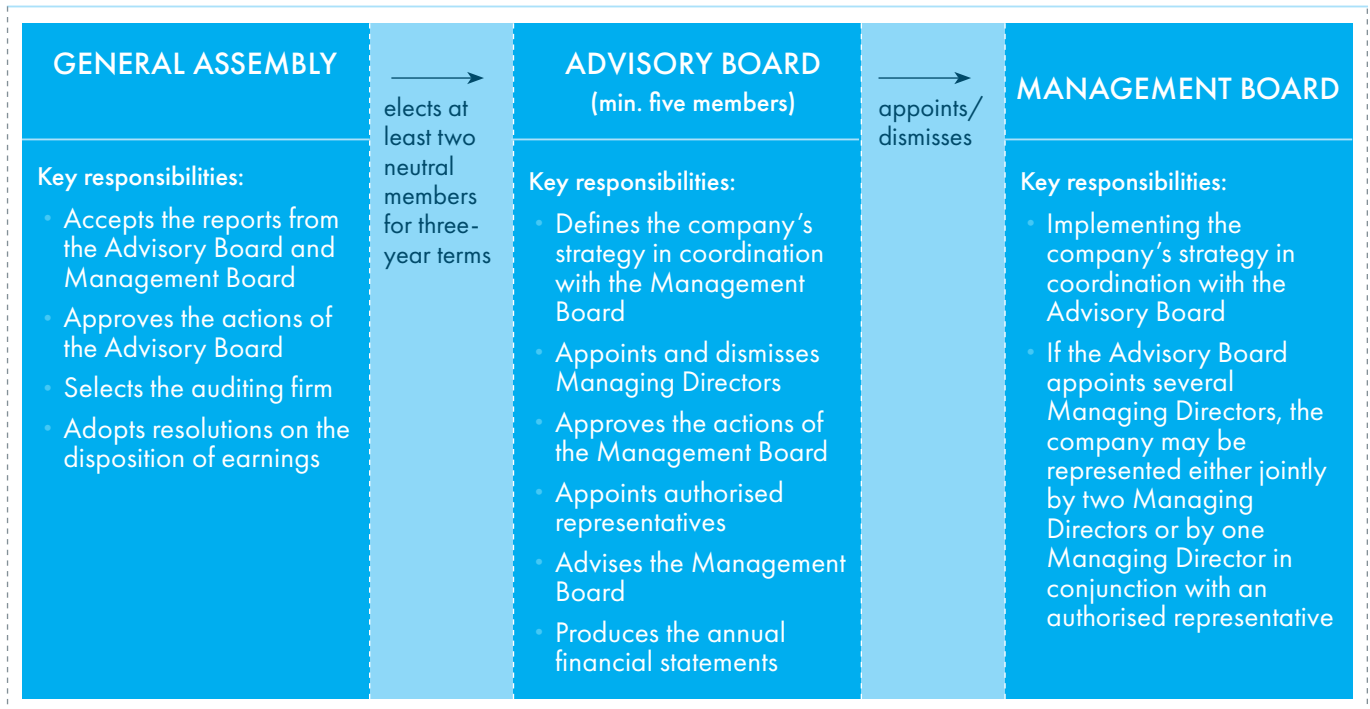
CHRISTIAN STAMBACH

St. Gallen, Switzerland, Lawyer and partner in Bratschi AG. Member of the Advisory Board since 2016

DR STEFAN KARRER

Baden-Baden, Germany. CTO of Koehler Holding SE & Co. KG. Member and Deputy Chair of the Advisory Board since 1/1/2023

Governance structure



In accordance with the company’s articles of association, the Advisory Board delegates management of the company to the Management Board. The Advisory Board appoints, monitors, advises and discharges the Managing Board. The Management Board controls the company’s operational activities and develops them in coordination with the Advisory Board. The management of Schoellershammer’s impacts represents an integral part of this shared responsibility. At present, we do not require a specific committee for this topic.

The Management Board is responsible for all processes that are not of paramount financial or strategic importance. This includes sustainability management, compliance management and other due diligence processes as well as analysis of their efficacy. During the reporting year, neither the Advisory Board nor the Management Board received any reports of negative or potentially negative impacts caused by the company. Details of our processes and complaint mechanisms are outlined in another chapter: “Ethical business principles and practices”.

The Management Board

The Management Board comprises Bernd Scholbrock, Armin Vetter and Alexander Stern. Each Managing Director can represent the company in conjunction with either a second Managing Director or an authorised representative.



BERND SCHOLBROCK

Business economist (BA). Kreuzau, Germany. Member of the Management Board since 2008; responsible for markets and logistics



ARMIN VETTER

Engineer (Dipl.-Ing. (FH)), Kreuzau, Germany. Member of the Management Board since 2008; responsible for production and technology



ALEXANDER STERN

Economist (Dipl.-Ök.), Siegburg, Germany. Member of the Management Board since 2014; responsible for finance, HR and IT

The Management Board provides the Advisory Board with monthly reports on ongoing business activities. The Advisory Board meets at least twice per year and met on three occasions in 2022. These meetings also facilitate an exchange between shareholders and the Management Board.

The Works Council also convenes with the Advisory Board on an annual basis.

Women have been under-represented in the company's senior management bodies to date, with one woman on the Advisory Board.

Anchoring sustainability

The sustainability requirements placed on companies – especially those in energy-intensive sectors – are increasing sharply. Their significance is also trending steadily upwards in comparison with other requirements. The sustainability issues pursued by Schoellershammer are therefore closely linked with the company's strategic development, which is defined and driven by the Advisory Board in coordination with the Management Board.

The Advisory Board members contribute their experience of managing sustainability issues in other companies; the Management Board contributes company-specific knowledge and extensive expertise in terms of the business and market environment, regulatory frameworks and the potential of Schoellershammer as an enterprise.

The Management Board also engages intensively with the sustainability issues identified in the materiality analysis, monitors the issues' implementation and explores them further through internal training and dialogue with internal bodies.

The Management Systems, Sustainability and Digitalisation Officer is responsible for all sustainability issues, as well as the development of corresponding management systems and reporting. She reports directly to the Managing Board and coordinates sustainability-related activities in partnership with the relevant colleagues. The Management Board is responsible for determining, reviewing and approving the information published in the Sustainability Report.



ETHICAL BUSINESS PRINCIPLES AND PRACTICES

The central pillar of our corporate culture is ethical conduct in conformity with applicable rules. Our employees and external stakeholders are aware of this as we actively discuss these values.

At Schoellershammer, our internal guidelines are based on international frameworks and international conventions. We are guided by the sustainability requirements of the German Supply Chain Act (LkSG), even though it does not directly apply to us due to our company size. Nevertheless, implementing mechanisms for risk prevention along the lines of the LkSG makes sense in two respects: firstly, because significant customers expect it from us, and secondly, because we welcome the decision by policymakers to create framework conditions that place ethical aspects at the heart of economic activity more strongly than to date.

Our code of conduct for employees, suppliers and other business partners explicitly refers to the fundamental international principles to which Schoellershammer has committed itself, specifically: the Universal Declaration of Human Rights (UDHR), the Core Labour Standards of the International Labour Organisation (ILO) and the Principles of the United Nations Global Compact (UNGC), which we joined in 2020.

Our employees commit to abide by our code of conduct when they join our company. We explain the code's details and importance in an online training session. We also require our suppliers and other business partners to abide by this code.



Compliance management

In 2021, we introduced a procedure to assess human rights and environmental risks throughout our supply chain and started to produce work instructions and processes to counteract these risks. Examples include guidelines on sustainable procurement, supplier auditing and specific engagement with the working conditions of our logistics partners' lorry drivers. Details can be found in the "Our supply chain" chapter.

We operate a whistleblower system and have included a respective link on our homepage since 2022 www.schoellershammer.de/en/whistleblower.



The system offers employees and all other interested parties the opportunity to report breaches of laws as well as infringements of internal guidelines, including anonymously. These reports are kept confidential in accordance with statutory provisions. Whistleblowers can submit reports either via our dedicated whistleblower page or by telephone.

It is also possible for callers to distort their voice in order to submit a report anonymously by telephone. Employees can also turn to the Works Council, the Compliance Officer or the Management Board directly.

We highlight these options in our code of conduct.

In the 2022 financial year, the decision was taken to introduce a compliance management system to help us meet our statutory compliance

requirements and identify the risk of fraud or corruption at an early stage. This system was installed in 2023. In August 2023, we held in-person compliance training. All Managing Directors took part, as did other managers working in procurement, sales and technical departments.

The Management Board is responsible for the topic of compliance; the Management Systems, Sustainability and Digitalisation Officer oversees operational aspects and reports directly to the Management Board. As in previous years, no fines or other sanctions due to significant infringements of laws or regulations were issued against Schoellershammer in the reporting year.

Guidelines and work instructions

All internal guidelines and work instructions are initiated and approved by the Management Board. They are available in the intranet, to which around three quarters of our workforce have access. We also display information on notice boards.

When new employees join our company, they receive a tailored package containing all relevant guidelines and work instructions. We offer online training covering the most important topics. We also communicate relevant changes via push notifications to our employees' smartphones. At some point in the course of 2024, we will be able to reach our entire workforce via push notification.

The framework that guides our ethical corporate culture

International frameworks	Key internal guidelines	Aspects of implementation
United Nations Universal Declaration of Human Rights Core Labour Standards of the International Labour Organisation (ILO) Principles of the UN Global Compact (UNGC)	Code of conduct for employees	<ul style="list-style-type: none"> Employee obligations and development
	Code of conduct for business partners and suppliers	<ul style="list-style-type: none"> Supplier obligations Inclusion in forms and contracts Inclusion in annual supplier negotiations
	Sustainable procurement guidelines	<ul style="list-style-type: none"> Risk assessments for suppliers On-site supplier inspections Supplier audits Compliance training for employees in procurement
	Guidelines on non-discriminatory recruitment procedures	<ul style="list-style-type: none"> Job advertisements Reviews of application documents Job interviews Correspondence with applicants
	Corruption prevention guidelines	<ul style="list-style-type: none"> Included in regular compliance training
	Anti-monopoly guidelines	<ul style="list-style-type: none"> Included in regular compliance training
	Agent guidelines	<ul style="list-style-type: none"> Review of all sales intermediaries by the Compliance Officer Detailed written documentation of services provided by sales intermediaries

Association work and lobbying

We play important roles in the governing bodies of several associations and initiatives. Prominent examples include:

- DIE PAPIERINDUSTRIE e. V., Berlin
- PAPIER NRW – Verband der papiererzeugenden Industrie in Nordrhein-Westfalen e. V., Düsseldorf
- Arbeitgeberverband der Papier erzeugenden Industrie von Düren, Jülich, Euskirchen und Umgebung e. V.
- Industrie – Wasser – Umweltschutz e. V., Düren
- Wasserverband Eifel-Rur, Düren

Since 2016, Schoellershammer has been cooperating effectively with four industrial enterprises in the Energienetzwerk Düren-Rureifel, which is supported by the Aachen Chambers of Industry and Commerce (IHK Aachen).

Its participants discuss energy efficiency and process optimisation measures and formulate reductions targets for three-year periods, with the companies then combining their figures. Between 2019 and 2022, the participating companies saved a combined total of roughly 75,000 tonnes of CO₂.

We are a founding shareholder in Modellfabrik Papier gGmbH, which is also based in Düren. Modellfabrik researches new technologies which could reduce carbon emissions in paper production. The process engineering approaches involved are highly promising.

We participate in various working groups, such as DIE PAPIERINDUSTRIE e. V. – a nationwide industry association for pulp and paper producers – in particular in terms of packaging and containerboard, as well as energy supplies and technology. Together with the association, we champion the interests of paper packaging manufacturing in the context of the proposed EU Packaging Regulation. This includes contacting potential representatives at regional, national and European levels.

EU Packaging Regulation

In recent decades, the paper industry has rarely engaged in political lobbying. At present, the situation is changing. This is triggered by the European Union's proposed Packaging and Packaging Waste Regulation (PPWR), which is currently under negotiation. The primary aims involved here include stemming the ever-rising tide of plastic packaging, much of which is made from fossil resources, causes significant carbon emissions, is difficult to dispose of and, ultimately, pollutes the environment – including the world's oceans.

The proposed regulation aims to push back against single-use packaging and favour reusable packaging. This is a sensible measure in terms of plastic packaging. However, when it comes to corrugated packaging – a recyclable product that is made from a regenerative material and can be recycled multiple times before its

fibres decompose or are sent for thermal treatment as organic waste – these proposals are not reasonable. They would discourage the use of environmentally friendly paper packaging in favour of non-biodegradable plastic packaging, which takes enormous energy input to recycle – if it is sent for recycling at all.

The European Parliament's Economics Committee and associations representing the paper industry are therefore advocating to exempt paper packaging from mandatory reuse requirements. This would at least put packaging made from recycled materials on an even footing with reusable packaging. Schoellershammer has campaigned for this alongside other representatives of the German packaging industry, contributing to a series of statements and helping to develop position papers.

Stakeholder engagement

Before producing this report, we identified our key stakeholders in a materiality workshop. The Management Board was responsible for final prioritisation of these stakeholders.

We engage with most of our stakeholders on a regular basis in the course of our business activities. This regular personal contact helps to build mutual appreciation and plays an important role in the development of joint strategies for the future.

How and why we integrate our key stakeholders

EMPLOYEES

Our employee engagement expresses our appreciation. Established engagement formats include annual performance reviews, works assemblies, an exchange of views between employer and employee representatives, and the complaints procedure, which is open to all employees. We operate a company suggestion system, which is particularly utilized by our operational staff to contribute their ideas. Details are outlined in the "Supporting our employees and their development" chapter.

The Head of HR and the Works Council were part of the team that determined material sustainability issues for the company. In 2023, the company plans to establish an internal committee comprising employer and employee representatives to implement the Federal Wage Framework Agreement (Bundesentgelttarifvertrag – BETV) within the company.

OWNERS

The owners, who are represented by the Advisory Board, play a pivotal role in Schoellershammer, primarily through their financial policy and their willingness to tackle future-focused topics. While the Management Board and Advisory Board coordinate particularly closely, the Management Board also engages with the owners. Formal engagement takes place through the Advisory Board, reporting processes and regular meetings. Details are outlined in the "Management structure and governance" chapter. In addition, the owners regularly participate in company celebrations.

One aspect of particular importance in the foreseeable future will be taking a joint decision on which investments and innovations our company should make to reduce its CO₂ emissions. In September 2023, the Management Board reported to the Advisory Board on the

progress made on sustainability issues and the results of the materiality analysis.

CUSTOMERS

We maintain close contact with our customers. Our relationships with most of our customers stretch back many years. The Managing Directors and Sales department are particularly responsible for these activities. Structured annual meetings, which are documented in summary minutes, are the formal core of our engagement with our customers.

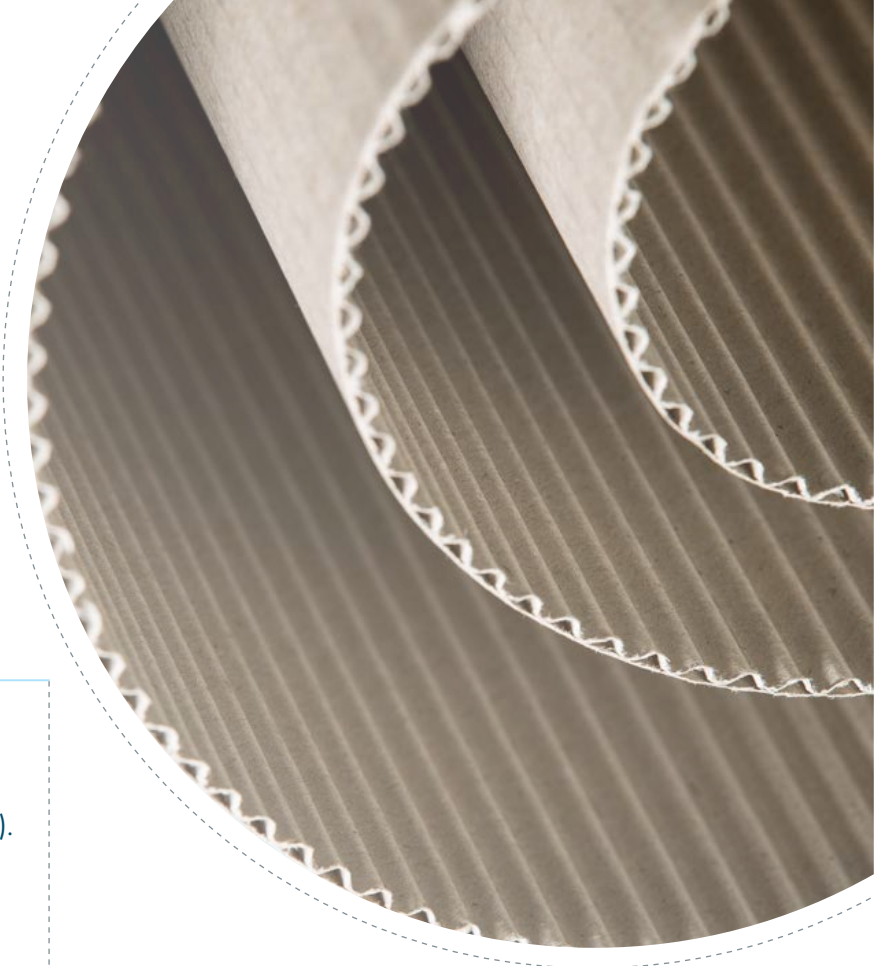
Sustainability issues such as emissions and human rights in supply chains are increasingly important, especially with regard to our larger customers. At our customers' suggestion, we took part in the EcoVadis Sustainability Rating since 2020 – and were bestowed with Gold and Silver awards. In addition, we are disclosing our carbon footprint for the first time this reporting year, verified in accordance with the Greenhouse Gas Protocol.

SUPPLIERS

We maintain long-term partnerships with our direct suppliers and know many of them personally. Engaging with raw materials suppliers is the responsibility in particular of our Procurement team, while our Logistics team stays in touch with our transport service providers. When it comes to the sustainability requirements imposed on us by our customers, we endeavour not only to pass these on to our suppliers through formal arrangements but also to raise and enhance their awareness of these issues. Details can be found in the "Our supply chain" chapter.

REGULATORY AUTHORITIES, PUBLIC INSTITUTIONS AND ASSOCIATIONS

We engage with the Cologne District Administration, which conducts environmental inspections of our



company at regular intervals. In addition, we maintain contact in particular with the City of Düren, the fire brigade, paper industry associations and the Eifel-Rur Water Association (Wasserverband Eifel-Rur – WVER). We engage with these partners on topics including environmental issues facing our company as well as economic and political framework conditions.

FINANCIAL SERVICES COMPANIES, INSURANCE PROVIDERS

The company's management convenes with representatives of the company's house banks in an annual banking meeting. Sustainability increasingly plays a role in these talks. In the context of climate-related legislation and the Corporate Sustainability Reporting Directive (CSRD), banks and state funding bodies are calling on companies to disclose sustainability aspects of their activities to support investment-related decision-making. We are proud that Kreissparkasse Köln, of which we are a customer, refers to Schoellershammer's pioneering sustainability strategy in its annual report.

AGENTS

Our Sales team discusses sales activities with all our agents in a monthly *jour fixe*. We also hold an in-person agents meeting at least once per year. We maintain close links with our agents to exclude the risk of compliance breaches. All agents must sign up to our code of conduct.

LOCAL RESIDENTS

Schoellershammer engages with local residents when necessitated by specific events. The Management Board is responsible for this engagement. There were no topics or events eligible for reporting in 2022.

Sustainability strategy

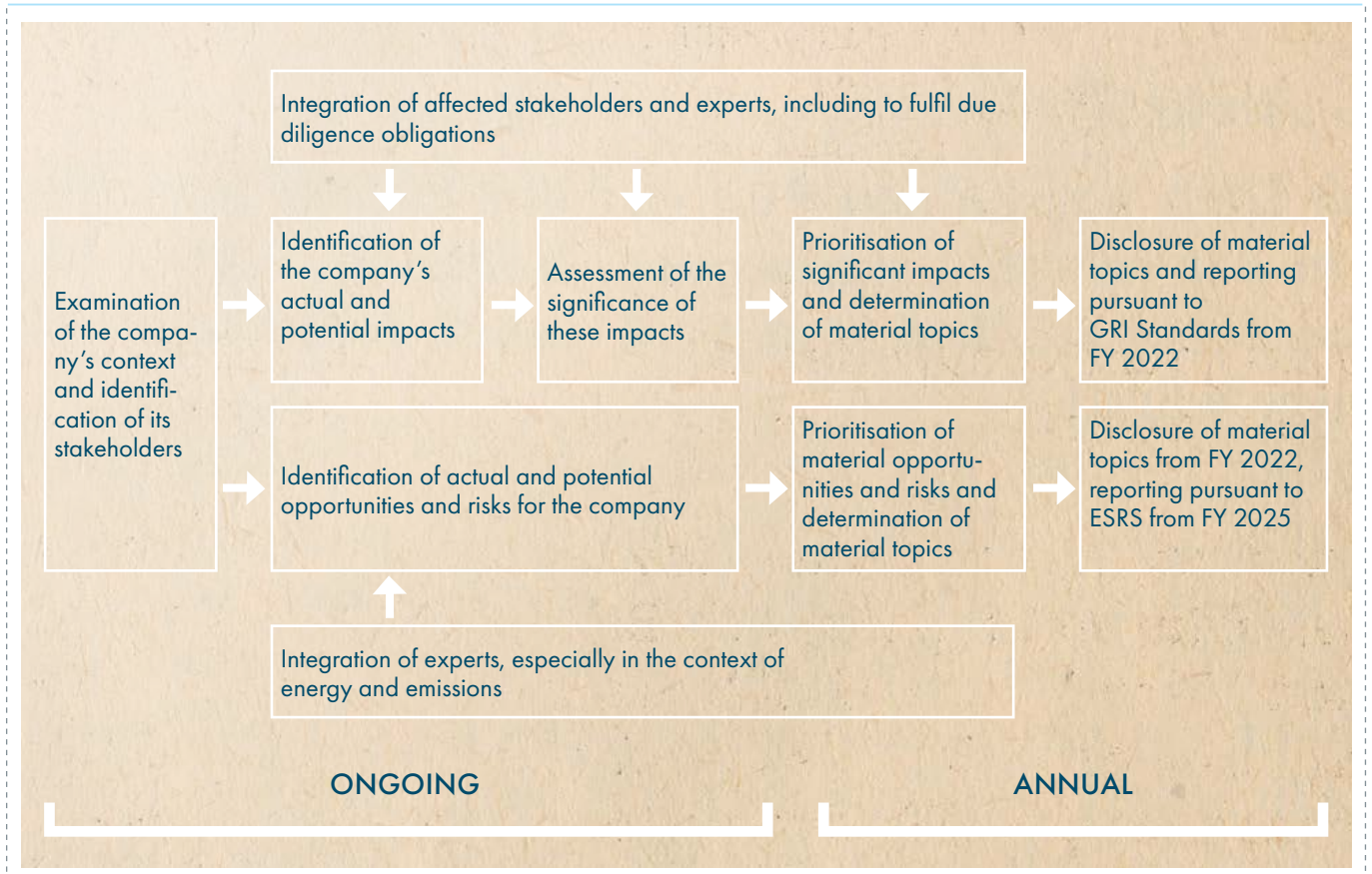
Schoellershammer’s foremost aim is to reconcile economic activity with environment, social and ethical objectives and contribute to consistently sustainable development.

We have undertaken sustainability-related activities for many years. In early 2023, we conducted a materiality analysis in an effort to focus these activities, integrating company management, other managers, the Works Council and our sustainability officer.

In a multi-stage process comprising workshops, rounds of discussions and technical discussions, we analysed our company’s political and social context. We analysed our supply chains, defined our stakeholders, considered their interests and identified relevant sustainability issues.

In a series of working groups, we initially designated 15 sustainability issues as relevant and, following detailed joint discussions, selected five issues as priorities. These five issues either hold particularly significant consequences or present especially high risks to our business. Often, they feature a combination of both.

How we define material topics



FY = financial year

ESRS = European Sustainability Reporting Standards

Material topics

Topic	Parameters
Resource use and the circular economy	<ul style="list-style-type: none"> • Materials (GRI 301-1) • Recycled input materials used (GRI 301-2) • Products (own KPI) • Waste (GRI 306-3)
Energy consumption and emissions	<ul style="list-style-type: none"> • Total energy consumption (GRI 302-1) • Energy intensity – Scope 1+2 (GRI 302-3) • GHG emissions – Scope 1+2 (GRI 305-1, 305-2) • GHG intensity – Scope 1+2 (GRI 305-4) <p>From 2023 business year onwards:</p> <ul style="list-style-type: none"> • GHG emissions – Scope 3 (GRI 305-3)
Water	<ul style="list-style-type: none"> • Water withdrawal (GRI 303-3) • Water discharge (GRI 303-4) • Water consumption (GRI 303-5)
Training and education	<ul style="list-style-type: none"> • Employee turnover (GRI 401-1) • Percentage of trainees in the workforce (own KPI) <p>From 2024 business year onwards:</p> <ul style="list-style-type: none"> • Hours of training and education (GRI 404-1) • Regular performance reviews (GRI 404-3)
Working conditions in the supply chain	<ul style="list-style-type: none"> • Number of suppliers screened (GRI 414-1, GRI 308-1)

By conducting our materiality assessment, which extends beyond the GRI Standards, we have already fulfilled the requirements specified by the new EU Corporate Sustainability Reporting Directive (CSRD) regarding the process of identifying material topics. Schoellershammer will become subject to the CSRD as from the 2025 financial year.

We secured input from external specialists, especially to further our understanding of the GRI Standards and the CRSD, and then prioritised the issues raised based on the significance of their impacts.

We take the following approach to disclosing and processing the material topics:

- We have prepared this Sustainability Report on the 2022 financial year in accordance with the GRI Standards, with publication scheduled for the end of 2023. Starting from the 2025 financial year, we will prepare sustainability reports in accordance with the new European Sustainability Reporting Standards (ESRS), which the CSRD will require from us at that point in time. These reports will also describe the risks and opportunities for Schoellershammer in considerably more detail than this report.
- Until then, we plan to establish reporting structures for the ESRS and gradually transition from the GRI Standards to the ESRS.

RESOURCE USE AND THE CIRCULAR ECONOMY

Consumption of raw materials and energy must decline. The concept of the circular economy addresses this goal.



The concept of the circular economy encompasses the entire life cycle of a product, from sustainable design to a manufacturing process involving minimised consumption of materials – and especially primarily raw materials – and all the way through to efficient recycling.

Many companies are currently battling to redesign their products to make them compatible with the circular economy. By contrast, Schoellershammer manufactures a product that is not only made from sustainable materials but from secondary raw materials. In addition, our products can already be recycled across most of Europe – rather than merely being recyclable in theory. Our base paper products are therefore highly consistent with the ideal of the circular economy and the contemporary concept of sustainable business, which the European Union hopes to promote through its “Green Deal”.

Packaging made from recycled paper also represent a sensible alternative to oil-based packaging. An international study published in 2020 examined the challenge of reducing the plastic in the world’s oceans. The study assumes that some 8% of this plastic could be replaced with paper by 2040, which would correspond to around 33.5 million tonnes of plastic per year. An investigation from 2018 argues that one quarter of the plastic used for packaging could be replaced with wood fibre. However, this does not take into consideration the need for society to target a reduction in unnecessary packaging overall, whether made from plastic or paper.

The merits of paper-based packaging

The future direction of our company is determined in particular by two EU frameworks: the EU Circular Economy Action Plan of 2020 and the new EU Packaging and Packaging Waste Regulation (PPWR), which is expected to be finalised in 2024. However, we are concerned that the PPWR could yet torpedo our business model. The endeavour to combat single-use plastics and focus instead on quotas of reusable products and collection systems is not suitable for paper products. This is because plastics require extensive pre-sorting, transportation to specialist facilities and breaking down into their chemical components before they can be reused as recyclables. Such technologies are only now being developed and, just like the production of plastics, are extremely energy intensive.

By contrast, the paper industry in Europe already has a functional system in place for the collection and recycling of fibres, along with an established market for secondary raw materials. For most plastics, such infrastructure is still a long way away. As a bio-based product, paper is a more sustainable material: it can be manufactured and recycled in just a handful of process steps and is also easily biodegradable.

We disclose the specific contributions that our core business activities make to the circular economy in this report with the aim of raising awareness in the political sphere and in wider society of the merits of paper-based packaging.

We report on the raw materials we use, the products we manufacture and the waste we generate. The type and scope of these resource flows are key indicators in illustrating – and acknowledging – our contribution to the circular economy.

Water and energy also feature as important resource flows. We address both aspects in separate chapters.

Our material cycle in 2022 (in tonnes)

Input		Output			
Raw materials	t	Products	t	Waste	t
Paper for recycling	561,875	High-performance paper	77,130	Non-hazardous waste	63,411
Wheat starch	28,289	Standard paper	457,870	Hazardous waste	17
Consumables	5,186				
	595,350		535,000		63,428

Raw materials

As a secondary raw material, paper for recycling accounts for 94.3% of our raw materials input. We source paper for recycling primarily from the waste management industry and specialist suppliers of paper for recycling. We give preference to regional sources within a radius of 200 km. In addition, our customers send clippings and other waste materials from corrugated packaging production back to us, which we then recycle.

In 2022, we processed 561,875 tonnes of paper for recycling. We also processed 28,289 tonnes of wheat starch and 5,186 tonnes of disposable materials. Paper for recycling and wheat starch are both regenerative materials and account for 99.1% of our input raw materials. Other consumables include dye and further additives as well as process chemicals.

The consumables we use are registered in accordance with the REACH Regulation. The brown dye and other process chemicals are classified as hazardous to water, while two process chemicals we use are markedly hazardous to health. We use these substance in accordance with statutory requirements.

Our products are regularly examined in accordance with the 36th Recommendation (Empfehlung XXXVI) of the German Federal Institute for Risk Assessment (BfR). We only use consumables and paper for recycling that correspond to this recommendation.

We source all raw materials and consumables from within Europe. An analysis we conducted in 2022 showed no human rights or environmental risks in our supply chain. However, we have been engaging for some time with the issue of working standards in the logistics sector, which we consider to pose a specific risk. Details can be found in the “Our supply chain” chapter.

Quality management

Schoellershammer has an ISO 9001-certified quality management system in place. Our standards and rules for production, safety and the environment are the responsibility of management and are conveyed to all employees through regular training.



Types of paper for recycling we use

- 1.02 Mixed papers and boards (sorted)
- 1.04 Supermarket corrugated paper and board
- 1.05 Old corrugated containers
- 4.01 New shavings of corrugated board
- 4.03 Used corrugated kraft 2

Products

All of our paper is examined by ISEGA, an analytical laboratory as well as an acknowledged certification body, and approved for food contact in accordance with the 36th Recommendation of the German Federal Institute for Risk Assessment. This approval is reviewed every two years.

Schoellershammer holds FSC® Chain of Custody (CoC) certification and undergoes regular audits. This CoC certification confirms that we contribute to the sustainable use of forest resources through our products. Our paper products satisfy the requirements of the FSC® Recycled label.



We produced 535,000 tonnes of base paper during the 2022 financial year. High-performance paper, which meets particularly stringent strength and rigidity requirements, accounted for around 15% of our production volume in 2022. These products, which have a higher grammage and contain elevated quantities of starch and higher-grade paper for recycling, have properties that can otherwise only be achieved with virgin paper. Consequently, they replace virgin fibres, which reduces wood consumption overall.

Our two machines produce paper with a weight of 80 to 180 g/m². The strongest demand is for the medium weight class, which we therefore produce on both machines. We produce high-performance paper on PM 5 and use PM 6 to produce lightweight paper from 80 to 135 g/m² in brand quality.

Schoellershammer’s raw materials and products are already very sustainable. There is extremely little scope to further reduce the material use per square metre of as corrugated packaging is typically engineered to be just as sturdy as necessary while being as lightweight as possible so as to trim costs to a minimum. In order to improve our products’ carbon footprint, we have concentrated our efforts in recent years on process engineering aspects to reduce our energy consumption and on optimising our energy procurement practices. Details can be found in the “Energy consumption and emissions” chapter.

Waste

In the 2022 financial year, our paper manufacturing activities generated 63,428 tonnes of waste. Paper for recycling is delivered to us in bales that, in addition to paper, also contain plastic, metal, glass, textiles and wood. At 87% of the total volume, these contaminants, which we refer to as “rejects”, account for the major share of the waste we produce. In late 2023, we will commission a residue processing plant for the thermal treatment of rejects. This will, in turn, enable us to replace a significant amount of the natural gas we consume. Details can be found in the “Energy consumption and emissions” chapter.

Other typical waste materials include residual paper fibres left over from the production process and resulting from paper being cut to size. We return these fibres to the production process.

Hazardous waste accounts for just 0.03% of the waste we produce. This is predominantly absorbent agents containing mineral oil as well as hydraulic and gear oils used in the maintenance and servicing of our technical equipment. We dispose of all hazardous waste in accordance with applicable regulations.

We pre-treat the wastewater from paper processing in our own wastewater treatment plant, which removes up to 90% of organic impurities from the water before it is sent to the municipal wastewater facility. We put the organic substances removed during wastewater treatment to thermal use. Further details of our water and wastewater management activities can be found in the “Water management” chapter.

ENERGY CONSUMPTION AND EMISSIONS

We implement energy-efficiency measures and new technologies with the aim of making our production activities climate neutral by 2045. At the same time, we are gradually transitioning away from fossil fuels.



As an energy-intensive company, Schoellershammer follows an active environmental policy. Our energy management system has been ISO 50001-certified since 2011. We introduced our energy policy the same year and last updated it in 2021.

Schoellershammer has therefore made commitments, including ambitious targets to avoid CO₂ emissions and to continuously and irreversibly reduce CO₂ emissions and energy consumption. We defined specific targets to reduce Scope 1 and 2 emissions by 2030 and have worked systematically to reach these targets ever since. We have calculated our Corporate Carbon Footprint (CCF) since 2022 and had our figures verified by an independent, accredited body.

Schoellershammer endorses the European Green Deal as an endeavour to make Europe a sustainable economic sphere. It is particularly vital that we reduce greenhouse gas emissions as quickly as possible. We have adopted the German Federal Government's climate pathway as our target corridor for the reduction of emissions caused by us, which corresponds to a 65% reduction in CO₂ emissions compared to 1990 levels by 2030.

Climate-neutral production – achievable by 2030

We expect that we will fundamentally succeed in making our production activities climate neutral by 2045. Nevertheless, we cannot currently state which technologies and fuels will be reliably and affordably available to us at that time. Will the power grid have been expanded to such an extent that we are able to cover our heating requirements with green electricity rather than gas? Will our region be connected to a hydrogen network? To what extent will biomass be available and considered a sustainable energy source? Policymakers must find answers to these questions as soon as possible: given the vast scale of investment facing us, we need political actors to establish sound guiding principles we can rely on.

Investments in state-of-the-art technology

In recent years, Schoellershammer has made future-focused investments to significantly reduce our environmental impacts. In 2016, we invested in a second paper machine, which is designed to ensure maximum energy efficiency. Our in-house wastewater treatment facility supplies biogas to our two cogeneration units.

In 2021, we completed the phase-out of coal in our company by shutting down our lignite-fired power station and commissioning a highly efficient CHP unit fired with natural gas and biogas. It can also be converted to rely on hydrogen once it is available as an energy source. Switching from lignite to gas achieved a 30% reduction in CO₂ emissions – equivalent to around 60,000 tonnes of CO₂ per year – and marked the largest single step to date in our efforts to reduce our environmental footprint. That same year, we changed energy supplier and thereby increased the proportion of renewable energy in our electricity mix from 1.3% to 65%.

Thermal treatment plant reduces natural gas consumption by 30%

We are also curbing our natural gas use significantly by constructing a thermal treatment plant for waste materials, which is scheduled to enter into normal operation in early 2024. Based on production levels in 2023, it will lower our natural gas consumption by around 30%. The thermal treatment plant will incinerate all residual waste products (i.e. rejects and short-fibre waste) and the sewage sludge resulting from wastewater treatment in order to generate steam. This thermal treatment will also cut our waste disposal costs, which have been significant to date, and the emissions generated by approximately 3,000 lorry transports per year.

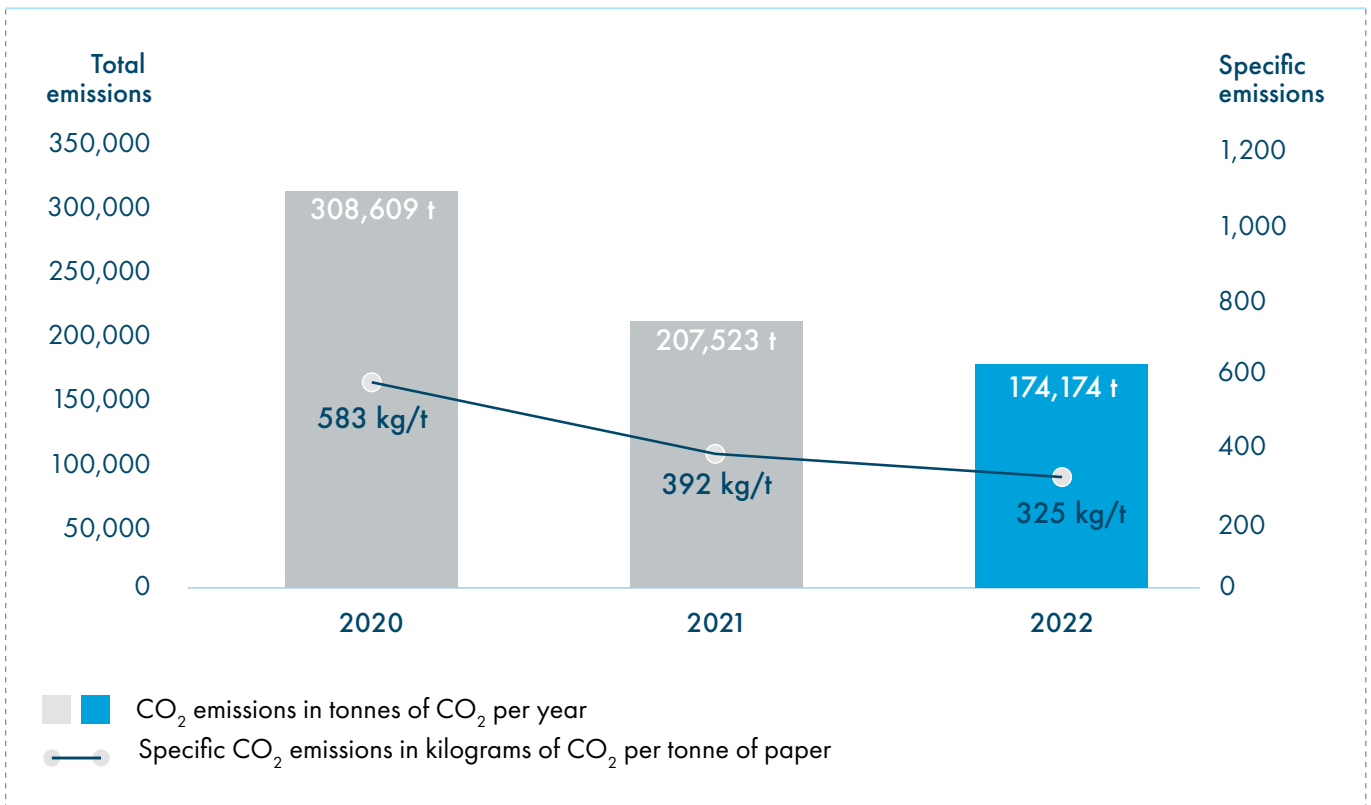
Scope 1 and 2 emissions

Through the large-scale investments outlined above and additional measures for energetic optimisation of our site, we have reduced our total emissions and our specific emissions (for Scopes 1 and 2) by 43.3% and 44.2% respectively since 2020. In 2022, our total emissions amounted to 174,174 tonnes of CO₂e, with specific emissions of 0.33 tonnes of CO₂e per tonne of paper. We expect this figure to rise slightly in 2023 because, for some processes, it has been necessary to reverse decisions taken during gas shortages to shut-off and throttle certain heat consumers.

Heat recovery systems expanded

We are currently implementing and planning further measures. For example, we are installing an exhaust vapour condenser, which will reduce our natural gas consumption by around 1,000 megawatt-hours (MWh) per year. The heat recovered through this device will be used to pre-heat the feed water for our steam generator. Another important project focuses on upgrading the heat recovery systems for our PM 5 paper machine. In the first half of 2024 we expect to install further heat exchangers in the exhaust air units on the drying hood and the vacuum bubble, which will enable us to raise the water circulation temperature without additional energy consumption. We expect a reduction of at least 5,000 MWh in our annual natural gas consumption. We also plan to fit photovoltaic modules on the roof of the hall housing PM 6 in order to generate a further 850 MWh of electricity per year.

Scope 1 and 2 CO₂ emissions



Energy consumption in 2022* in kilowatt-hours

Energy consumption	kWh
Natural gas _{LHV}	418,828,210
Biogas _{LHV}	19,893,731
Purchased electricity	150,599,649
Green electricity	17,520,000
Steam from the pulverised lignite	130,334,143
Diesel for materials handling	2,692,263
Total	739,867,996

* Real values for the entire plant for production purposes.

Greenhouse gas emissions in tonnes of CO₂-equivalent (CO₂e)**

Scope 1	t CO ₂ e
Heat consumption	85,112
Fuel consumption in the company	751
Gas leaks (refrigerant)	40
Total for Scope 1	85,903
Scope 2	t CO ₂ e
Power consumption***	29,765
District heating/cooling	58,506
Total for Scope 2	88,271
Total for Scope 1 and 2	174,174

** Calculation based on real values. Emission factors in accordance with DEFRA, GEMIS, Ecoinvent, UBA and others.

*** Market-based figure. Location-based figure: 66,752 t CO₂e from total purchased electricity (incl. green electricity).

In 2022, we achieved a production output of 535,000 tonnes at an energy intensity (Scope 1 and 2) of 1,382 kWh/t paper and GHG emission intensity (Scope 1 and 2) of 0.33 t CO₂e/t paper.

Scope 3 emissions

In the 2023 financial year, we have started recording and analysing our Scope 3 emissions based on the GHG Protocol. Although we do not yet have the complete figures, we now have a clear overview of the key issues.

As a general rule, raw materials and pre-products are by far the most significant factor in the Scope 3 footprint of manufacturing companies. This does not hold true for Schoellershammer, however, as corrugated and paper for recycling inherently have a low CO₂ footprint. There is no prospect of switching to an alternative raw material in the foreseeable future, and consequently, we have no meaningful way to reduce our emissions in this area.

In terms of transport, however, the situation is quite different. According to our present understanding, relying on lorries to deliver raw materials and distribute finished products accounts for around one-third of our Scope 3 emissions. We have a degree of leverage through our selection of logistics partners and will strive make greater use of this in Future Time.

Already, we are taking initial steps to reduce our transport emissions: In terms of inbound transport, we strive to engage suppliers of paper for recycling within a 200 km radius. A supplier's distance from our site is a factor we consider in our supplier assessments. In terms of outbound transport, we collect vehicle, route and transport information to calculate CO₂ emissions. We use this data to engage with our service providers.

We will calculate further categories of Scope 3 emissions in the future, specifically for upstream emissions, business travel, employees' commutes, shuttle services, water, waste, consumables and capital goods. Figures for these categories we will present in our next sustainability report.

WATER MANAGEMENT

We have been reducing our water consumption for years. Nevertheless, water remains our most important operating material apart from energy.

We are fortunate to operate in a region that will enjoy sufficient water supplies, also over the medium term.



Schoellershammer is a water-intensive company: We require a stable supply of water to produce paper. We primarily withdraw the water for our production activities from the Rur river. We return around 78% of this water back to the river following appropriate cleaning and treatment.

The region from which we source our water has an abundance of water. Water levels in the Rur are regulated by a number of reservoirs in the river’s upper reaches, which ensure a minimum flow rate of 5 m³/s. Consequently, the water levels are always sufficiently high for us to withdraw water without negatively impacting the aquatic ecology. The Eifel-Rur Water Association (WVER), of which we are a member, does not consider an existing risk of low-water levels compromising our production activities over the medium term. Conversely, our water consumption does not pose any risk to the region.

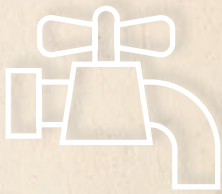


Although we return over three-quarters of the water we use back into the Rur, our water consumption remains high at around 526,199 m³. Water is becoming an increasingly scarce resource in Germany, which has led the public and investors to take greater interest in the

topic. In the years ahead, we expect political demand for action on this topic to rise. We have therefore identified our company’s water consumption as a material topic and disclose our consumption figures and relevant KPIs.

We have already significantly reduced our total water consumption and specific water consumption in recent years. For the time being, we have largely exhausted the technical opportunities for reductions in this area. The same applies to water quality. The discharge of process water in Germany has been subject to strict regulations and stringent inspections for decades.

We possess the technology needed to satisfy all requirements in this area and examine the water cleaned in our treatment plants before discharging it to the municipal sewage treatment plant. No further action is required at this point in time. However, the thermal treatment of residual waste generated through wastewater treatment is an important topic in the context of the circular economy. We address this topic in further detail in the “Energy consumption and emissions” chapter.

Water consumption definitions

		
<p>WATER WITHDRAWAL</p>	<p>WATER DISCHARGE</p>	<p>WATER CONSUMPTION</p>
<p>All water extracted from surface water, groundwater, sea water or from third parties during the reporting period</p>	<p>The total amount of wastewater, including both used and unused water, discharged into surface water, groundwater, seawater or to third parties</p>	<p>All water that is integrated into products, vaporised, evaporated or so heavily contaminated that it cannot be discharged back into surface water, groundwater, sea water or to third parties</p>

New technology reduces water requirements

Our water consumption has declined consistently since 2017 due to ongoing measures to modernise our plant and machinery. We subject process water to repeated treatment and recirculate it many times. In particular, we lose water during the drying process. However, we recover energy from the steam generated in the drying process. We also return condensed water back to the water cycle.

Since 2021, we have been systematically equipping our pumps and agitators with new mechanical seals, which reduced our water consumption by some 13.3 million litres in 2022. Once this work is complete, the savings achieved will be five times higher, at 66.5 million litres per year.

We expanded our two-stage biological wastewater treatment system in 2021 and 2022. The new, optimised anaerobic treatment steps have more than doubled our biogas yield and, consequently, our generation of electricity and heat from biogenic sources.

Schoellershammer operates with a water cycle that is almost completely closed. As things stand at present, it is not possible to achieve further significant reductions in water consumption at our site. The only alternative would be a completely closed water cycle, which would require a considerable use of chemicals and cause unpleasant odours that would negatively impact nearby residents. We have decided against a completely closed cycle for these reasons.

In 2022, we achieved a production output of 535,000 tonnes at a water intensity of 4.42 m³/t paper.

Figures on water use in cubic metres

	Water with-drawal in m ³
Surface water	2,334,338
Groundwater	0
Produced water	0
Water from municipal utility company	29,546
Total	2,363,884

Water dis-charge * in m ³	Water con-sumption in m ³
1,808,139	526,199
0	0
0	0
29,546	0
1,837,685	526,199

*No hazardous substances were discharged.

WATER MANAGEMENT



SUPPORTING OUR EMPLOYEES AND THEIR DEVELOPMENT

At Schoellershammer, we cultivate fair working conditions and promote an amicable and cooperative atmosphere among colleagues. We also give our employees the most important keys to their professional future: further training and education.



The working world is in the midst of a fundamental transformation – and Schoellershammer is no exception. There is a shortage of skilled trainees and dedicated professionals on the labour market. And, in the event that we find and hire them, it is no longer a given that they will stay with us over the long term.

Especially younger individuals are increasingly inclined to change directions in their careers. Consequently, companies regularly lose employees and the specialist knowledge they had developed through considerable effort. At the same time, all employees – from machine operators to members of management – are increasingly required to keep pace with shifting professional challenges. These range from the digitalisation of production activities to the climate crisis, which is forcing us to fundamentally reconsider many of our processes.

Our workforce is also changing, with growing numbers of employees – women and men – striving to achieve more favourable work-life balance. They value part-time working models, flexibility in shift systems and the opportunity to work from home when necessary. While our trainees today require far more supervision and guidance than was once the case, our younger employees also appreciate training and expect us to offer appropriate services.

None of these trends are specific to our company, as studies of labour markets and trends have clearly established. These trends have also played an important role in our efforts to determine our material topics. By far the most significant topic, from our point of view, is training and education.

Employee training and education

The purpose of training and education, in accordance with ILO Convention 140, is to contribute to:

a) the acquisition, improvement and adaptation of occupational and functional skills, and the promotion of employment and job security in conditions of scientific and technological development and economic and structural change;

b) the competent and active participation of workers and their representatives in the life of the undertaking and of the community;

c) the human, social and cultural advancement of workers, and

d) the promotion of appropriate continuing education and training, helping workers to adjust to contemporary requirements.

Development in the workplace

Given the increasingly short cycles of change in working environments and the tremendous challenges posed by the drive for climate neutrality, lifelong learning is essential. This applies to a company and to every single person it employs.

In 2021, we introduced guidelines on employee development. These guidelines describe professional development as a management tool and urge managers to actively encourage their employees to engage in further training and education. We know that this approach has the potential to not only improve overall qualification levels in our workforce but also to enhance employee satisfaction and strengthen their allegiance to Schoellershammer.

To date, our HR department has only recorded training activities above a specific cost factor along with mandatory training courses. All other information is recorded by specialist departments. In the future, we will keep central records of all our training undertaken by our employees. We are certain that this overview will help us to identify weaknesses and focus our training strategy.

We will initiate the process of aggregating this data as from late 2023. In the 2024 financial year, we will break down the average number of hours of training per employee by gender and employee category, and disclose the initial results of our analysis.

Supporting our trainees

We have set ourselves the target of ensuring that trainees always account for at least 5% of our workforce as a minimum. We had a training ratio of 5.6% in the 2022 financial year. Five new trainees joined us on 1 August 2022, followed by 11 more on 1 August 2023. We have enabled all young people interested in joining our company in industrial roles to complete a work placement, along with a selection of people interested in commercial roles.

We provide our trainees with intensive, individual support. The training process is costlier today than was once the case because many trainees require support in graduating from vocational college. This pertains in particular to paper technicians, whose training and education is particularly demanding and sophisticated, including a considerable amount of mathematics, chemistry and physics. Good paper technicians are decisive to our future success. With this in mind, starting from the training year 2023/2024, we will make an employee available to support and guide our young paper technicians – in addition to the foreman responsible for their training.

In order to overcome the shortage of paper technicians, we are also searching for machine and plant operators with development potential who, once they have completed their training and gained some professional experience, we can provide with in-house training to become paper technicians or offer in-service training. The selection of our trainees is by no means a random affair. We want to find as many young people as possible who have the potential to grow and could take on key positions at Schoellershammer in the future.

Our training professions (m/f/x)

- Paper technician
- Machinery and plant operator
- Industrial mechanic
- Electronic technician for industrial engineering
- Industrial management assistant

Retaining our employees

We are convinced that acknowledging our employees' achievements and their engagement in decision-making and development processes is essential to retaining our employees.

Since 2011, employees covered by collective bargaining agreements and who have at least two years' service at Schoellershammer also benefit from a performance-based bonus, based on the company's profits.

Our employee suggestion scheme is one instrument that our employees make intensive use of and value highly. In particular, our teams working on our machinery submit pragmatic ideas based on practice and their experience to optimise processes. In 2022, we implemented seven of these suggestions and provided bonuses based on the resulting savings. We are currently engaging with the Works Council to review our incentive system.

Cooperation has an important role to play in our growing company. This also includes giving our colleagues space for their private lives, especially in challenging phases, such as when raising small children and serving as a carer for relatives. In 2022, four male employees and two female employees took parental leave. They all returned to Schoellershammer after their parental leave and continue to work for us.

Parental leave

Number of employees	m	f
Took parental leave	4	2
Returned after parental leave	4	2
Remained at the company	4	2
Return and retention rate	100%	

Our employees benefit from extensive employer benefits



Fair working conditions

All employees are represented by the Works Council. Intensive cooperation is in place between company management and the Works Council. We regulate significant employer-employee topics through works agreements. In 2022, these agreements covered various topics, including an increase in employee benefits. The Works Council is involved in the continued development of our code of conduct and, in May 2023, was part of the team tasked with drawing up our sustainability strategy.

As a minimum, our employees receive salaries in accordance with the corresponding wage agreement (IG BCE), while 96% of our workforce receive a salary above this level. The wage agreement stipulates salary bands for different positions and professional fields. Within these salary bandwidths, there are minimum and maximum salaries depending on factors such as experience, qualifications and years of service.

The Management Board members negotiate their salaries with the Advisory Board. Other managers negotiate their salaries with the Management Board. The remuneration awarded to the Management Board and other managers is composed of a basic salary and various performance-based components, of which some are tied to the company's performance. Termination payments – and any potential instances of reclamation – are examined on a case-by-case basis. To date, the Management Board and other managers have not received any reward or remuneration based on sustainability management achievements.

We do not disclose the ratio between the total remuneration paid out to the highest-earning person and employee remuneration because we consider remuneration to be confidential.

Occupational safety

In Germany, there are stringent legal standards in place for occupational health and safety. In accordance with relevant provisions, Schoellershammer has established an Occupational Safety committee that meets regularly to discuss occupational safety risks and measures to prevent accidents. This committee includes representatives of the technical director, the heads of relevant departments (Production, Technology and Logistics), the Works Council, the company doctor, occupational safety officers, the occupational safety manager and other employees.

The accident rate at Schoellershammer has been declining for years. In 2022, we had five reportable incidents of injuries. Three were the result of tripping accidents; one person cut themselves and another person suffered burns. In our industry, paper technicians are required to perform certain tasks that entail particular risks. They have to manually intervene in

machinery with fast-moving parts, such as when paper in the machine tears. It is therefore not possible to secure all potential pinch points in the rollers with protective barriers. However, no accidents or critical near-misses have occurred in such contexts in recent years.

The exceptional standard of occupational safety at Schoellershammer is due to the care taken by line managers and employees, who look out for each other. We also have a committed workforce: almost a third of Schoellershammer employees are trained and registered first aiders.

Personnel structure

Over the financial year in question, Schoellershammer employed an average of 266 people. Salaried employees account for approximately one-third of our workforce, while two-thirds are hourly paid employees.

Breakdown of our workforce in 2022*

		Female	Male
By contract type	Permanent	27	213
	Fixed-term	1	10
By employment type	Full-time	21	218
	Part-time	7	5
Workforce excl. trainees		28	223
		251	
Trainees		3	12
Total workforce		266	

* Including employees on maternity protection leave, parental leave, long-term sick leave or in partial retirement; not including interns. We did not have any employees on marginal employment (*geringfügige Beschäftigung*) in the reporting period.

Women account for around 12% of our workforce. This low proportion of women is typical for our industry, which features a high proportion of hourly paid employees who work in a multi-shift system and, in some cases, perform physically strenuous work. Women account for 47% of our employees in administrative roles.

We welcome applications from women and take care to ensure that women and men are treated equally when recruiting new employees and developing our junior employees. We apply our guidelines for discrimination-free recruitment processes when advertising vacancies and hiring new employees.

New employees

	Under 30 years old	30 to 50 years old	Over 50 years old	Total
Male	8	4	2	14
Female	1	2	0	3
Total	9	6	2	17

Employee turnover

	Under 30 years old	30 to 50 years old	Over 50 years old	Total
Male	5	2	5	12
Female	1	0	1	2
Total	6	2	6	14

The recruitment rate in the financial year stood at 6.3%, while the employee turnover rate was recorded at 5.2%. Many of our employees have been active at the company for over 25 years - and some for even more than 40 years. When analysing the turnover rate, we look at the departing employees’ age, gender and area of work. If we identify any specific problems, we strive to engage and encourage dialogue. We regard the low overall turnover rate as an indicator of a stable and content workforce. Looking to the medium-term, we have set ourselves the target of reducing this rate to below 4% – which, given the increasing mobility of young professionals, will be decidedly challenging.

Schoellershammer only employs a handful of people who are not on fixed-term contracts. During the reporting year, this included two temporary workers, who we engaged to cover staffing shortages in our fork-lift operations due to holidays and illness. We also enabled a total of 15 young people to complete internships of one to three weeks at Schoellershammer to give them an insight into our training professions and help them to choose a career.

OUR SUPPLY CHAIN

We are committed to ensuring and documenting the sustainability of our supply chain. We therefore select our suppliers carefully, stay in contact with them, bind them to our code of conduct and carry out risk assessments.



At Schoellershammer, we predominantly purchase products and services through three departments.

Our Procurement department is responsible in particular for purchasing raw materials such as paper for recycling, wheat starch and dye. We exclusively procure our materials from within Europe. Paper for recycling is primarily sourced from Germany, with occasional sourcing from neighboring European countries. Our key suppliers include the waste management industry and the paper for recycling industry. They also include intermediaries from whom we purchase volumes of products on spot markets. Suppliers of paper for recycling usually engage logistics service providers to deliver the goods to us.

Our Logistics department engages haulage companies that provide downstream transport services, distributing our paper products to our customers via lorry. In 2022, the majority of the haulage companies we engaged were based in Germany, though we also engage service providers in other countries for our customers elsewhere in Europe.

Our Technical Procurement department is responsible for purchasing a wide range of technical components and services, which we exclusively source from within Europe and, preferably, from within Germany. Beyond this, other departments take care of their respective purchasing needs.

All members of staff purchasing goods and services for Schoellershammer are subject to our sustainable procurement guidelines, which we outline in detail below.

In 2022, we screened all of the suppliers we used in 2020 and 2021, checking for CSR risks in a two-step process.

Risk management system

We minimise risks in our supply chain by maintaining stable, trust-based relationships with our suppliers and engaging with them on a regular basis. We are personally acquainted with our raw materials suppliers and haulage providers and engage with some on a weekly basis and in other cases, several times per year. We hold in-depth, structured annual meetings with our suppliers, which have included the discussion of sustainability aspects since 2017.

By mid-2024, we aim to expand the range of sustainability issues covered in these annual meetings and establish an industry-specific focus. As environmental issues are already well covered in these meetings, we will focus our efforts on labour standards and human rights.

In recent years, we have established a systematic risk management system to address specific CSR risks throughout our supply chain and work continuously to improve it.

Since 2018, we have obligated all of our suppliers to adhere to our code of conduct and required them to do the same for their suppliers. We update this code of conduct on a regular basis, most recently in 2023, in order to incorporate additional aspects from the German Supply Chain Act (LkSG) and the German Whistleblower Protection Act (HinSchG). We provide all of our business partners with our code of conduct, request their signatures and incorporate their feedback into our risk assessments.

In 2021, we added a CSR risk matrix to our supplier database and, in 2022, analysed industry-specific and country-specific risks for our entire supplier pool. We have also produced a detailed risk profile for suppliers from whom we purchase over €10,000 of goods and services per year. In our view, the area of logistics presents particular risks, which we describe in detail below. The next supplier screening is scheduled for 2024.

We also conduct a pre-announced CSR audit of our largest suppliers each year. This generally concerns suppliers of paper for recycling. These audits have not identified any problems to date.

In 2022, we implemented sustainable procurement guidelines that provide specifications for supplier selection, contract conclusion, supplier inspections and supplier assessments as well as compliance requirements for employees involved in procurement processes. We also introduced a whistleblower system in 2022 and placed a link to this system on the homepage of our website. Suppliers and employees can use this system to report violations of the law (see also “Ethical business principles and practices”).

Specific challenges in terms of logistics

The most significant risks in our supplier chain concern adherence to labour standards. This relates, on the one hand, to companies in the recycling industry, in which the workforce often comprises unskilled workers who do not know their rights or cannot exercise their rights due to language barriers. We believe that the risk management system described above covers this issue effectively.

In contrast, ensuring compliance with labor standards for truck drivers in the supply chain is significantly more challenging. They are particularly exposed to exploitation risks. Haulage contracts are frequently subcontracted across several levels, often to extremely low-priced companies in Eastern Europe. Around half of the haulage contracts on German roads are carried out by lorries registered abroad. In addition, some domestic haulage companies use their own trailers with German registration plates but lease tractor units and drivers from Eastern Europe. This systematically externalises the risks involved. Regulatory checks in this area are weak and the penalties for breaching labour laws are minor. The drivers also face language barriers, lack knowledge of the law and are dependent on their employers in a one-sided relationship.

Reports on abuses in the logistics industry have cropped up in the media for years. The mechanisms of exploitation in the industry are now known in detail – not least since lorry drivers working for the Poland-based Mazur Group went on strike in 2023, culminating in a hunger strike at the Gräfenhausen service station and interventions from their employer and the German government.

At Schoellershammer, we have been engaging with this topic for some time because we are well aware of the condition of the lorries and their drivers when they arrive at our site. Several years ago, in an effort to avoid becoming complicit in this, we stopped selling contracts for our shipments online, which was once standard practice for cost reasons.

We now work exclusively with fixed contract partners and have reduced the number we work with by half. Today, we work with around 50 logistics companies, mostly medium-sized enterprises in our region, many of which have their own pool of drivers. We know the management of these companies, as well as their drivers. Only around 10% of our logistics providers are large companies that cover journeys to other European countries.

Schoellershammer has an onboarding process for new haulage companies: it starts with a face-to-face meeting and, as of January 2020, also includes mandatory FUMO® registration. FUMO® is a web-based compliance management system for transport logistics and is widespread in Germany. The system requires companies to commit to pay the statutory minimum wage and upload an EU licence. This EU licence confirms aspects including compliance with social legislation, working hours, safety standards and environmental requirements.

Through these measures, we are taking action to reduce breaches of labour standards in general and by our logistics partners specifically.

Further expansion of our risk management activities

We intend to further expand our risk management activities by mid-2024. By then, we will develop a template for supplier self-disclosures and update the content of our audits, annual meetings and supplier assessments so that we can map out labour standards and human rights in greater detail.

As transport services are associated with specific labour and human rights-related risks, we aim not only to examine the (outbound) haulage companies we engage more intensively but also to raise awareness among the materials suppliers who often subcontract shipments (inbound) to Schoellershammer.



GRI INDEX

Schoellershammer GmbH has compiled this report in accordance with the GRI Standards for the period from 01/01/2022 to 31/12/2022.

The company has used GRI 1: Foundation 2021

Applicable GRI Sector Standards: None

GRI Standard	Specification	Page
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GRI 2: General Disclosures 2021	2-1 Organisational details	4–5
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GENERAL INFORMATION

This Sustainability Report has been produced by SCHOELLERSHAMMER GmbH for the 2022 financial year in accordance with the GRI Standards 2021. It covers the company's activities and departments and will be published on an annual basis in the future. The emissions figures have been externally verified.

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