STi GROUP

Partner of the Brands

Corporate Social Responsibility

Report 2014

Table of contents

Management Statement 4

Strategy and Management 6

Environmental Management System and Certifications 8

Vison & Mission 10

Sustainable Production 12

Corporate Social Responsibility 16

- 20% reduction in energy consumption by 2020 17
- 10% reduction in water consumption by 2020 18
- 10% reduction in waste production by 2020 19
- Environmentally appropriate raw material by 2020 19
- Professional advancement for employees 20
- Annual risk report 22
- Support for social institutions 24

Code of Conduct 26

UN Global Compact 28

Awarded ideas 2014 30

Partner of Brands

The STI Group is synonymous with creative and innovative packaging and POS solutions that protect its customers' brands and products and showcase them at the POS – effectively and cost-effectively.

As Partner of brands, we create long-term added value for our customers and enable them to succeed at the POS. Commitment to sustainability is a factor for success, as it builds trust and sets apart a brand through positive differentiation. The packaging and displays developed by the STI Group form a key component of a sustainable brand image, enhance the value of the products and help create customer loyalty.

For the STI Group, sustainability is a core component of the corporate philosophy. We are a family enterprise and consider ourselves as such with respect to our responsibility for the economic stability of the corporate group. In 2014, we took the first step towards a strategic realignment of the STI Group by 2020. Our future growth strategy is supported by an investment program worth a total of 100 million euros. As part of the realignment, processes and technologies will also be adapted to current and future market requirements.

The use of environmentally friendly and, particularly, material-saving solutions forms the basis for sustainable POS concepts. In 2014, the STI Group completed the development of the D-flute, a new flute profile for packaging and displays that cuts down on material and logistics costs. Resource-efficient production processes support the corporate policy on sustainability. Lean Management is a crucial factor to standardise processes in a professional manner and to improve the efficiency of the entire company. Our employees follow the motto „Achieving more together" in their commitment to their projects and organise their workstations based on sustainability considerations.

As a family enterprise, we are especially commited to social responsibility towards our employees. Company pension scheme, health management and joint campaigns at individual locations foster a positive culture.

This sustainability report will give you an insight into the environmental, economic and social commitment of the STI Group.

Aleksandar Stojanovic,
Chief Sales Officer STI Group

Strategy and Management

The Gustav Stabernack GmbH was established in 1879 and has evolved into a global concern – the STI Group. Today, the corporate group is present worldwide with its own offices or through collaborating partners. Our goal is to enable our customers to succeed at an international level.

Our sustainability strategy is marked by a systematic approach, defined goals and transparency and is integrated in the operational processes. To fulfil our environmental, economic and social responsibility, we have set international standards of orientation for the company. A clearly defined corporate policy, corporate compliance for employees and suppliers, company guidelines as well as compliance with the guidelines of the UN Global Compact are the foundation of our actions. Lean Management is the framework for continuous improvement of operational processes and continuous improvement of efficiency.

Practising Sustainability

By taking reponsibility, we have earned the trust of our partners. We practise our values, deliver on our promises, and act in a fair and honest manner. These values are formulated in our Corporate Compliance, which is mandatory for all employees of the STI Group. It sets the standards for our conduct with each other and with our customers, business partners, competitors, administrative authorities and owners. The employees of the STI Group are the most important ambassadors of the company and critical to its success. We believe it's our duty to train the next generation. Our goal is to support our employees by offering them a wide range of opportunities to obtain further qualifications and thus facilitate their personal and professional development. As a family enterprise with strong local roots, we are committed to local social issues and support various projects through our two foundations.

Sustainable Business Practice

As a family enterprise, value-driven growth in strategically defined business segments and regions is very important to us. Our goal is a continuous improvement in the overall performance of the STI Group. We ensure growth in the markets of the future by means of our innovation capacity, quality and swift decision-making within the company. Integrity and compliance with good business practices define our day-to-day work. We cultivate fair, strong and open collaboration based on trust with our business partners. We choose subcontractors, suppliers and sellers according to objective criteria and the purchasing guidelines of the STI Group. We require our business partners to comply with the national laws and international standards such the United Nations Universal Declaration of Human Rights, the International Labour Organisation's (ILO) Declaration of Fundamental Principles and Rights at Work and the principles of the Rio Declaration on Environment and Development.

Environmental Management System and Certifications

The integrated Management System of the STI Group (IMS) bundles all our activities in the areas of quality, hygiene, environmental and occupational safety in one structure across the STI Group.

The STI Group environmental management system monitors the environmental impact of our corporate actions. The documented findings act as the basis for continually developing the system for protection of the environment. As a responsible company, the STI Group takes its corporate due diligence with respect to the environment seriously and ensures the quality assurance standards laid down in the DIN ISO 9001. The plants in the UK and Hungary are certified in accordance with ISO 14001. This certification is also planned for the Alsfeld, Grebenhain, Lauterbach and Neutraubling plants. The Greven and Rumburk plants follow this standard.

The German plants of the STI Group, the plants in the UK and Hungary and the sales subisiary in France are FSC-certified (Forest Stewardship Council); the locations in the UK and Hungary are also certified in accordance with the PEFC (Programme for the Endorsement of Forest Certification Schemes).

The STI Group has been implementing the energy management system in accordance with DIN EN ISO 50001 in its major German plants since 2014. The goal is to improve energy efficiency and reduce energy consumption in the long term. Based on this goal, the consumption and procurement is analysed in detail and translated into an energy policy for the future.

SEDEX – Supplier Ethical Data Exchange
ECOVADIS – Sustainable Supply Management

Through its membership in SEDEX and ECOVADIS, the STI Group provides transparency to its customers in the area of Corporate Social Responsibility. We are committed to a continuous improvement of our ethical and social behaviour along our supply chain and to supporting the two organisations in their efforts towards a fairer world.

Vision & Mission

Company guiding principles

As a leading packaging and POS provider, STI Group offers customised solutions to present brands in a way that attracts shoppers, drives sales and enhances brand value.

Working as a brand partner we collaborate closely with our customers to meet their objectives.

As a family-owned company we believe in the ideas and expertise of our people. We work constantly to enhance the skills of our employees and build long-term relationships based on fairness, performance and mutual loyalty.

Respect and Fairness

We treat everyone with fairness, work closely and openly with our customers, and trust in our colleagues and partners. We embrace and respect the diversity of our staff and cultural differences; we believe in open discussions and welcome different opinions.

Creativity and Joy

We enjoy our work! Motivation and inspiration drive us to creative and intelligent solutions.
We are proud of our individual achievements and celebrate shared success with our colleagues.
We are optimistic about our future and think positive!

Responsibility

We act sustainably, conscious of our responsibility towards both the environment and society.
We behave responsibly towards customers, suppliers and colleagues, and are fully committed to our targets. Our sense of responsibility encourages loyalty.

Passion

We do what we love, and love what we do. Through our enthusiasm for our products and services, we aim to ignite a similar passion in others. We always strive for outstanding solutions that keep us and our customers one step ahead.

Success

Our products and services have a direct impact on the success of our customers.
Customer satisfaction will therefore be the measure of our own success.

Sustainable Production

We primarily manufacture products from renewable and recycled raw materials and fully recycle the paper and cardboard waste generated in production.

Our goal is to promote the sustainable use of wood and sustainable forestry, as wood is the most important resource for us. The STI Group is one of the first companies in Europe to receive the FSC® seal for its German production facilities and European sales subsidiaries as early as 2007. Local campaigns for reforestation are also an important part of our commitment to sustainability.

The STI Group supports environmentally friendly technologies and products. Process innovations are an integral part of our day-to-day work. For instance, a team of the STI consulting in the Lauterbach plant started a project to eliminate Borax in corrugated board adhesive. Until now, boron compounds were considered to be indispensable additives in glue. After exhaustive tests, it is now possible to completely eliminate the addition of Borax in starch glue. With this, the STI Group is one of the first companies in the industry to completely do away with the substance declared to be a cause for concern by the EU chemicals regulation REACH. Instead of replacing this stabilizer in the glue, the project team developed an in-house formula without any Borax. Starch, water, caustic soda – these are the ingredients of corrugated board glue. The borax-free strach glue is slated to be introduced in all plants of the STI Group by the end of 2014. The goal is corrugated board without any adverse health or environmental effects

Resource-efficient Production

At the STI Group, the proportion of recycled paper and cardboard grades is over 70%. The cardboard waste generated during production is recycled back. Its direct transfer to the cardboard producer in exchange for base paper also reduces transport emissions.

With the D-flute, the STI Group not only introduced a new flute profile in 2014 but also developed its very own corrugation geometry for its corrugating roll. Significantly thinner paper can now be processed in order to achieve stability values similar to those obtained with previously used materials. This helps to conserve resources and protect the environment. Because of the reduced material input, a larger number of corrugated board blanks can be stacked on the pallet, significantly reducing the number of truckloads for large production runs. A reduction of up to 30% in storage volume can thus be achieved with the D-flute. A reduction of up to 10 percent in material input and a reduction in shipping volume can result in considerable savings in CO2 emissions. This ensures sustainability along the entire value chain

The D-flute developed by the STI Group has roughly the same flat crush resistance (FCT value) and similar edge crush resistance (ECT value) as a conventional B or E-flute. Yet another advantage of the D-flute in cases where the packaging is automatically erected and filled by the user is the lower resilience of the material, which improves the machinability and thus the service life of the packaging machine. There is also a noticeable reduction in broken edges.

Food safety / Migration

Pursuant to EC (VO) 1935/2004, food contact materials must be produced in accordance with good manufacturing practices such that under normal or foreseeable conditions of use, they do not transfer their constituents to foods in quantities that could:

- endanger human health
- bring about an unacceptable change in the composition of food or
- bring about a deterioration of the organoleptic properties thereof (smell, taste, appearance).

Based on the declarations provided to us by our suppliers, we can confirm that no heavy metals such as cadmium, lead, mercury and chromium VI or chlorinated solvents are used either in the manufacturing of our products or of raw materials such as paper and cardboard or consumables such as inks, varnishes and adhesives. However, the paper used as raw material may contain demonstrable traces of the aforementioned heavy metals as basic constituent elements of wood (cellulose). However, they are still far below the legally prescribed limits of 100 ppm (Directive 94/62/EC).

To test whether packaging and displays might contain substances that could affect the consumption of food, an external, accredited testing institute can be commissioned to perform food grade compliance testing, if needed. The interaction of different packaging materials with each other and their effect on the product is also analysed in this process.

To issue a food grade compliance certificate for individual products, it is necessary to analyse the entire process chain including the food product.

We are working closely with our suppliers in anticipation of the German Ordinance on Printing inks and Mineral oil and will factor in the new developments in the choice of our raw materials. The STI Group was the first company to completely switch over from printing inks and varnishes for offset printing to migration-harmless prints and varnishes including oils and lubricants in 2011. Our supplier of printing inks for food packaging has confirmed that these already meet the requirements of the current draft of the printing inks ordinance.

With respect to the REACH regulation, the STI Group can be classified as a 'downstream user'. As an 'article producer', we manufacture packaging and displays, which are not required to be registered under REACH.

Low-carbon Products

With the climate-neutral production of packaging and displays, the STI Group proactively helps its customers to achieve their sustainability goals. The CO_2 value per order is calculated for compensation and offset through a certified partner.

CSR Goals

The STI Group has set various goals, which it intends to achieve through long-term, planned and responsible action

1. Reduction of energy consumption by 20% by 2020
2. Reduction of water consumption by 10% by 2020
3. Reduction of waste by 10% by 2020
4. Switchover from paper-based raw materials to environmentally friendly materials by 2020
5. Qualification of employees
6. Annual risk report
7. Support of social institutions

Management Cockpit creates Transparency

The STI Group's management cockpit is the basis for long-term improvement of the metering infrastructure for energy, water and waste. Purchasing, Controlling, Quality management and maintenance are linked to each other through the interdisciplinary cockpit. The cockpit allows an area-specific measurement of the energy sources used, allocation of water usage and analysis of waste generation. The metering infrastructure will be improved step by step to increase the degree of detail and to derive measures from the evaluated results. The STI Group is thus creating transparency in its consumption of energy and water and is facilitating the improvement of key performance indicators.

GOAL 1: Reduction of Energy consumption by 20% by 2020

Climate change is one of the biggest challenges of the 21st century. As a manufacturing company, we endeavour to reduce our CO2 emissions as much as possible and to offset them wherever possible. The STI Group has been systematically working since 2009 to reduce the use of fossil fuels. The goal is to reduce energy consumption relative to the production quantity by 20% by 2020.

The latest production technologies ensure high efficiency. For instance, faster makeready processes for machines significantly reduce the energy-intensive production times. This is achieved, for instance, by means of colour proofing printers, the use of which significantly lowers makeready times for printing machines. Humidification systems in production ensure better indoor climate and better flatness of the corrugated board, which reduces production times. Clean pallets made of untreated wood and transport with zero-emission forklifts also contribute to environmentally friendly production with lower consumption of fossil fuels. Regular testing and maintenance of technical equipment ensures the high quality of our print products and allows reliable documentation of data for defining our goals.

In procurement and distribution logistics, we essentially aim for full truckloads. For this, we work together with logistics partners to ensure optimal utilisation of vehicles.

Energy-efficient Modernisation

When parts of buildings are modernised, a sensible energy plan for future energy consumption is crucial for planning. This was one of the factors considered at the STI Group location in Grebenhain in 2014. For the design of the Insight Center, which houses the Product Development, Costing and planning divisions which work together, the personnel in charge took the aspect of sustainability into consideration in the choice of the space plan and materials. In this case, improved insulation, in particular, can help save heat energy in the future.

GOAL 2: Reduction of water consumption by 10% by 2020

The goal of the STI Group is to reduce water consumption relative to production output by 10% by 2020. By using new technologies, water quality should be improved not just within the company but also in the local region.

Closed-loop water cooling systems have reduced water consumption in corrugated board production by 80% in the last few years. The heat generated is used for heating purposes by means of heat exchangers. In addition to this, the water generated from flexographic ink wastewater treatment is used for the production of starch glues, for instance.

By using new print technologies at many production facilities and the inks, varnishes and purifying agents used with these, the impurities in wash water are significantly reduced.

GOAL 3: Reduction of waste by 10% by 2020

The STI Group has implemented a system for responsible handling of the raw materials used. The volume of waste cardboard and paper relative to production output should be reduced by 10% by 2020.

The latest technology helps save resources. With the switchover to a new type of printing plate (thermal printing plate), baking is no longer needed. This saves additional power and water. Furthermore, the use of processing chemicals could also be reduced by about 30% .

A digital workflow reduces the carbon footprint along the entire value chain.

Over the last few years, we have also managed to significantly reduce glue application in lamination. Not only is this environmentally friendly, but also results in faster drying times and smaller warehousing volumes for the corrugated board sheets.

GOAL 4: Switchover from paper-based raw materials to environmentally friendly materials by 2020

At the STI Group, sustainability starts right from the procurement of raw materials. For us, the most important materials are paper and cardboard. The STI Group is one of the first companies in Europe to get the FSC® label for its German production facilities and European sales subsidiaries as early as 2007.

In the last few years, we have systematically changed from paper-based raw materials to FSC-certified, FSC Controlled Wood or PEFC grades.

The results are documented as part of the annual FSC records.

FSC®
www.fsc.org

FSC® - Forest Stewardship Council

FSC® stands for 'Forest Stewardship Council'. The FSC® logo on products acknowledges the promotion of sustainable forest management that is environmentally friendly, economically viable and socially responsible. The chain of custody certification is a guarantee that wood products with the FSC seal actually come from certified and responsible forest management. Companies using FSC® certified material can document their responsible conduct in this way.

GOAL 5: Qualification of Employees

At least 1% of personnel costs is invested in vocational training and continuing in-service training measures for the qualification of employees every year. HR and organisational development is a core company value. Today, over 2000 employees work at eight production facilities in 18 countries for the STI Group. A part of our strategy is to invest in the ongoing in-service training of our employees, for it is people who make our company successful. As a medium-sized company competing with bigger players in the industry, we rely on the qualification and commitment of our people. The average length of service at our main location in Lauterbach is 16.5 years, with apprentices making up 3.2% of the workforce.

STI Academy – Success through Training

We prefer to fill management positions from our own ranks. For instance, we make sure that our employees are fully familiar with the products and processes in the international corporate group and have a high level of technical expertise. In addition to this, we give apprentices and graduands the opportunity to experience both the daily work routine and to benefit from the expertise of experienced employees. After training, young employees receive personal mentoring and the opportunity to study further. New and long-time employees can acquire further qualifications through a program for dual education introduced in 2008.

The STI Group supports employees who want to continue working on their personal and professional development. With support from the company, they can complete their unfinished high school diploma or pursue technician or master craftsman training. Selected employees from various disciplines and different levels of hierarchy are supported at an individual level after a detailed assessment of development need and prepared for future technical and management roles. This program implemented in close consultation with the HR planning ensures, on the one hand, that the company can meet its future demand for technical and management personnel with young talent. On the other hand, it gives high-potential employees and junior employees the opportunity to link their growth with the growth of the company, as we pave the way for them to assume positions with managerial or greater technical reponsibility.

STI Design Award

Promoting young talent in practice: The annual contest for the development of innovative packaging and display concepts is announced by the STI Group externally and internally, alternately. This way students and the in-house designers of the STI Group can give free rein to their creativity and come up with ideas that are refreshingly different, out of the box and often simply persuasive. The external competition was held in 2014. The 45 students of the Kassel Academy of Art, Stuttgart Media University, UCA Rochester and Obuda University in Budapest won much more than the award itself at the STI Design Awards. Their real win was the opportunity to present themselves to industry experts and the big brand manufacturers.

GOAL 6: Annual Risk Report

Etablierung eines fortlaufenden Risiko-Management Systems

Wie jedes Unternehmen ist die STI Group einer Reihe von Risiken ausgesetzt, die mit ihrer Geschäftstätigkeit einhergehen. In einem Risikomanagement-System, das neben dem internen Kontrollsystem als integraler Bestandteil der Geschäftsprozesse und Unternehmensentscheidungen verstanden wird, werden die Risiken identifiziert, bewertet und kontinuierlich überwacht.

Im Rahmen eines gruppenweiten Risiko-Monitoringprozesses erfolgt zusammen mit den Risikoeignern eine regelmäßige Überprüfung der Einhaltung von getroffenen Maßnahmen zur Minimierung der Risiken. Ein quartalsweises Reporting informiert die Entscheidungsträger der STI Group über die Einhaltung der vereinbarten Maßnahmen. Die interne Revision ist ein entscheidender Baustein des Risikomanagements. Sie prüft und überwacht alle Geschäftsprozesse im Hinblick auf Ordnungsmäßigkeit, Zweckmäßigkeit und Wirtschaftlichkeit.

Darüber hinaus werden das Risikomanagementsystem und das interne Kontrollsystem jährlich durch externe Auditoren auf Basis gesetzlicher Bestimmungen geprüft. Die risikopolitischen Grundsätze des Risikomanagements sind Teil der internen Leitlinien.

GOAL 7: Support of Social Institutions

The STI Group has a long tradition of helping other people. Back in 1983, when Wilhelm Stabernack established a foundation together with his wife Ingrid, this was considered rather unusual for an entreprener and an individual at the time but revealed great foresight and social commitment on his part. Since its inception, the Wilhelm-Stabernack-Stiftung has been providing funds, running into high six figures, to support cases of social hardship and recognised charities, demonstrating its long-term commitment to the Vogelsberg region.

Since 2004, the current owner of the STI Group, Dr. Kristina Stabernack has been supporting the provision of psychotherapeutic care to traumatized children through the non-profit association HOME for Kids e.V. established by her. Funds from the foundation are meant to enable them to take a step towards a normal life. A major portion of the donations is used for projects in collaboration with the University Medical Center Hamburg-Eppendorf.

Charity Cup

The STI Group fully supports participation in sports activities and wants to promote the health and fitness of its employees as well as a sense of team spirit. The kick-off of the STI Group's traditional Charity Cup was scheduled to coincide with the start of the Football World Cup. Twelve teams got together for the good cause in Alsfeld, making it an exciting afternoon for the expectant spectators. The twelve teams raised 6000 euros in all, which was handed over to the „HOME for Kids e.V." association.

Movember

The Movember foundation is dedicated to men's health. It calls on men to grow a moustache for the 30 days of November and thus change not only their appearance but also the face of men's health. Eight of our colleagues - „STI lish MOs" - from the the STI Group's plant in Gillingham, England grew a moustache und raised funds for the Movember Foundation.

Tree-planting campaign in Germany and Hungary

On the occasion of World Environment Day on 5th June 2014, the STI Group organised a mailing campaign. With the click of a mouse, customers could decide whether to plant a tree in Hessen, Bayern, Nordrhein-Westfalen or Hungary at company cost. The management rounded off the number of clicks to 2000.

At the end of 2012, a serious forest fire destroyed a major portion of the National Park Kiskunság in Hungary. The Hungarian plant STI Petőfi Nyomda supported the reforestation with a donation of 500 Acacias. In Lauterbach, Neutraubling and Greven – all production plants of the STI Group – employees and forest management planted 500 trees each.

Mobile Aid Team for traumatised children

Trauma in children has various causes. For instance, the death or illness of parents or family members or the experience of violence can lead to psychological problems. The problems associated with these are usually treated in an outpatient or day-care clinic. However, for long-term success, care in familiar surroundings is important. For this, the HOME for kids e.V. foundation and the University Medical Center Hamburg-Eppendorf University (UKE) started the Project „Home-Treatment". This has made it possible to provide support to children in the environment of their homes since 2014. The Home-Treatment team of the University Medical Center Hamburg-Eppendorf (UKE) receives financial support from the HOME for kids e.V. foundation.

Code of Conduct

The STI Group Code of Conduct lays out for all STI Group employees, across all hierarchies, guidelines for behaviour towards colleagues, customers and business partners, for handling the company's intellectual property, etc. It is intended to support us in avoiding legal pitfalls and to maintain the company's good reputation.

Transparency and trustworthiness are fundamental components of our corporate culture. Our international profile is shaped by a demonstrated cultural openness, tolerance and respect, both internally and when communicating externally. All employees, as well as cooperation partners of STI Group, are obliged to adhere among other things to the Code of Conduct.

The following is an extract from the Compliance document for STI Group:

- STI Group provides equal opportunities and promotes equal treatment of employees, both among one another and in relation to external persons, regardless of their skin colour, race, nationality, social background, any disability they might have, sexual orientation, political or religious conviction, age or gender.
- As STI Group staff, we respect equality of opportunity and promote equal treatment of personnel inside and outside the company, irrespective of their skin colour, race, nationality, social origin, any disability, sexual orientation, political or religious convictions, gender or age.
- We respect the dignity, privacy and personal rights of every individual. We refrain from sexual harassment and other forms of harassment in the workplace.
- We do not employ people against their will or force them to work (forced labour).
- We provide appropriate remuneration, guarantee the legal minimum wage and observe the legal maximum working time in the respective country.
- We recognise the freedom of association of employees, and undertake neither to prefer nor disadvantage members of employee organisations or trade unions.
- We support the acquisition of qualifications by and the further training of staff, both through comprehensive training measures and specialist staff training.

UN Global Compact

In 2010, STI Group joined the world's largest and most important network for Corporate Social Responsibility – the UN Global Compact. The overarching goal of the initiative is the promotion of universal social and environmental principles and socially responsible corporate behaviour in the face of globalisation.

STI Group supports the 10 principles of the UN Global Compact and contributes to the initiative with a donation.

The ten Global Compact principles are derived from the General Declaration of Human Rights, the fundamental Declaration of Labour Rights from the International Labour Organisation (ILO) and the Rio Declaration of Environment and Development.

THE GLOBAL COMPACT

WE SUPPORT

Human Rights

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

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

Labour

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

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

Principle 5: the effective abolition of child labour; and

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

Environment

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

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

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

Anti-corruption

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

By joining the UN Global Compact, STI Group is committing itself to compliance with the ten Global Compact principles and to implementing them within its sphere of influence. A yearly progress report depicts the concrete measures to implement the principles of the Global Compact. You can find the report here:

Awarded ideas 2014

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