



Echt Gut Gemacht

Our
Sustainability Report for

2016



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Facts and figures



16% reduction in specific
energy consumption

90%

of our suppliers are members of the
Sedex sustainability platform



56% of our
strawberries come
from Germany



78% reduction in
work-related
accidents

Our initiative bee careful contributes to
bee health with several new projects
and campaigns in eight countries



New glass jar and new recipe
for Schwartzau Extra



We process more
than 40 kinds of fruit



Dr. Arend Oetker
Chairman of the Supervisory Board



Sebastian Schaeffer
Chairman of the Management Board

Dear Readers,

We have set standards with our quality requirements for decades: our aim is to offer our customers products that are as natural as possible. We achieve this by insisting on the best ingredients, through efficient management systems and by constantly improving our recipes.

Our new quality policy will take us one step further: our target over the next few years is to make a further improvement in the nutritional-physiological properties of our products. We have already done this successfully for many of our products by continuously reducing the sugar content, by gentle manufacturing processes and by using ingredients that are as few as possible and as natural as possible. This will also be reflected in our new Schwartau Extra. From the second half of 2017 it will no longer contain glucose syrup, and we will use exclusively concentrated lemon juice instead of citric acid. In this way, we further increase the naturalness of the product.

However, we are taking a close look at the whole supply chain, not just at our own manufacturing processes. We impose strict requirements on our suppliers, we place increasing emphasis on sustainably produced raw materials and we source our ingredients as close as possible to the areas producing them. This is how we not only guarantee the freshness of our products, but also ensure a high level of sustainability in our supply chain. This applies both to our fruit products and our muesli bars.

As you will see from the present Sustainability Report, we also expanded our sustainability activities further in the 2016 business year, and set ourselves ambitious goals. The measures also included carrying out a comprehensive stakeholder survey that provided us with much valuable information regarding the further development of our sustainability strategy. If you took part in this survey, we would like to thank you sincerely once again for doing so!

If you have any questions or suggestions regarding our sustainability activities, we would very much welcome your feedback!

Our claim

For us, as a food manufacturer with a tradition going back more than a century, it is important that we handle our resources in a far-sighted, sustainable way. We are firmly convinced that long-term success in business is achievable only if there is a harmonious relationship between the economic, ecological and social aspects.

Our Company

Maximum enjoyment and optimum quality

Schwartauer Werke GmbH & Co. KGaA manufactures fruit products and muesli bars for the food retail. Our product portfolio includes jams and marmalades, sweet sandwich spreads, dessert sauces, coffee and fruit syrups, as well as muesli and fruit bars. With a 30% market share, we are Germany's leading jam producers under our brand names Schwartau Extra, Samt, Fruttissima, Hofladen and others. We also occupy a leading position in the market with our Corny brand muesli bar.

Together with our workforce of around 800 employees, we achieved sales of around EUR 300 million in 2016. In the last business year, we earned 80% of our turnover in Germany, while 20% originated from other European countries, the USA, Southeast Asia and South America. Our company is based in Bad Schwartau where, in addition to the headquarters, our three factories producing our fruit products and muesli bars are also situated.



*The Management Board of Schwartauer Werke (l. to r.):
Dirk Löding,
Sebastian Schaeffer,
Maximilian de
Maizière,
Dr. Sebastian Portius*

Corporate structure

Schwartauer Werke is owned by the Hero Group, an International food group specialising in fruit products, baby foods, muesli and fruit bars. The Hero Group's majority shareholders are Dr. Arend Oetker and his children.

The Supervisory Board of Schwartauer Werke has three members. Two of these are elected by the Annual General Meeting; the third member is an employee representative and is appointed by the employees.

The Company's Management Board consists of Sebastian Schaeffer (Chairman), Dirk Löding, Maximilian de Maizièrre and Dr. Sebastian Portius. It acts in accordance with the collective representation principle within the framework of the Articles of Association and the Rules of Procedure.

Value-based action

Our corporate strategy is based on five basic values: Entrepreneurship, Speed, Individual Responsibility, Change and Family. To each of these values we have assigned behaviour guidelines to which we align our actions. For example, they include careful, responsible handling of resources, constant questioning of existing structures and processes, and respectful dealings with customers, suppliers and employees.

Our Code of Conduct is oriented to the principles of the United Nations Global Compact (UNGC) and the International Labour Organisation (ILO). It obliges us to protect human rights and the right of freedom of association, and to combat discrimination, child labour, forced labour and compulsory labour, corruption and anticompetitive behaviour.

We expect our business partners to ensure that their corporate principles are consistent with these principles.

We fight against anticompetitive conduct and corruption, and we observe the risks arising from these. Our employees – especially in the marketing and key account areas – regularly receive compliance training. There

were no formal accusations or proceedings against Schwartauer Werke in 2016 based on either anticompetitive conduct or corruption.

Our sustainability strategy

Our claim: **Echt Gut Gemacht (Really Well Done)**

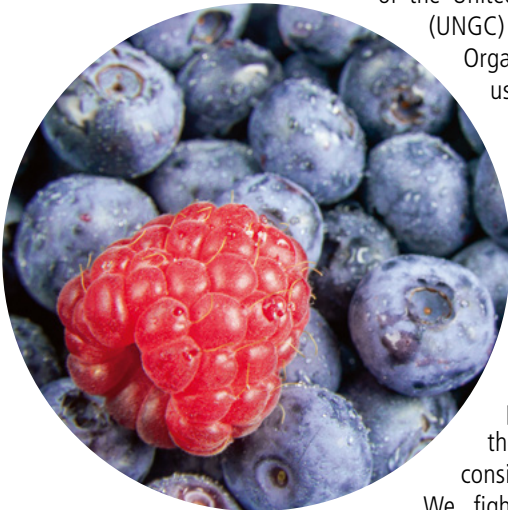
For us, sustainability means thinking globally and long-term, and acting responsibly – towards our customers, our employees, our suppliers and our environment. Our guiding principle 'Echt Gut Gemacht' (Really Well Done) sums up this attitude: we pursue the highest standards of quality – and we do so at all levels. For all our entrepreneurial activities, we want to say: "That's Really Well Done", and our stakeholders should say the same.

The approach we take to ensure we achieve constant further development is the Continuous Improvement Process (CIP), and we set up numerous



„We use the CIP approach to motivate our employees to great individual responsibility and to constantly improve our company's business processes.“

Martyna Sinięcki, KVP-Koordinatorin Produktion



CIP projects every year. To this end, we hold regular educational sessions and train CIP disseminators. In 2016, 83 employees completed a project management training course and 11 employees were trained to become CIP disseminators. Training of a further ten CIP disseminators in 2017 is planned, consisting of a five-day external training course and work on an actual project.

Efficient organisation of sustainability

Our sustainability strategy is developed by the management team under the leadership of the Innovation & Quality Manager. The Sustainability Officer, located in an administrative department reporting to the Innovation & Quality Manager,

is responsible for the further development of this strategy together with the operational processing and coordination of relevant issues.

The Sustainability Officer is advised and supported by a sustainability team consisting of managers and employees in the areas of Technology (Energy Management Officer), Environmental Protection & Occupational Safety (Environment Management Officer and Occupational Safety Specialist), Consumer Advice, Logistics, Purchasing, Human Resources, Innovation & Quality, Sales & Marketing and Public Relations. The committee, together with the Innovation & Quality Manager and the Sustainability Officer, meets regularly to discuss current topics. The extended sustainability team includes the heads of the Finances, Marketing and Quality Assurance departments as well as the production managers of our three plants.

To embed sustainability themes and issues even more firmly in all departments, we have trained all our apprentices to become sustainability ambassadors. Numerous ideas for sustainability projects were developed during the workshops, of which the first of are already being implemented in 2017.

In dialogue with our stakeholders

Our most important stakeholder groups are the retail trade and consumers, together with employees

and suppliers. Dialogue with NGOs, neighbours, politicians and the media is another of our top priorities. We regularly involve our stakeholders on different occasions through various communication channels and tools. In the context of our meeting with the sustainability team, we discuss which stakeholder groups place expectations on us, and what these expectations are.

In 2016 we carried out an extensive online-based stakeholder survey in which 403 individuals from all the stakeholder groups took part. In addition to questions about the relevance of individual aspects of sustainability, we also asked participants to assess our sustainability activities. The results that emerged from this are very encouraging: the great majority gave Schwartauer Werke high marks for the organisation of its sustainability management, and considered our company to be a pioneer among Germany's jam manufacturers with regard to sustainability topics.

Furthermore, many of the respondents gave us constructive advice about how we could expand and improve our sustainability management. The results spur us on to drive forward our sustainability activities, to extend our reporting of them – especially via the Internet and Intranet – and to build up by 2020 an efficient, company-wide data collection system for developments in Schwartauer Werke that have relevance to sustainability.



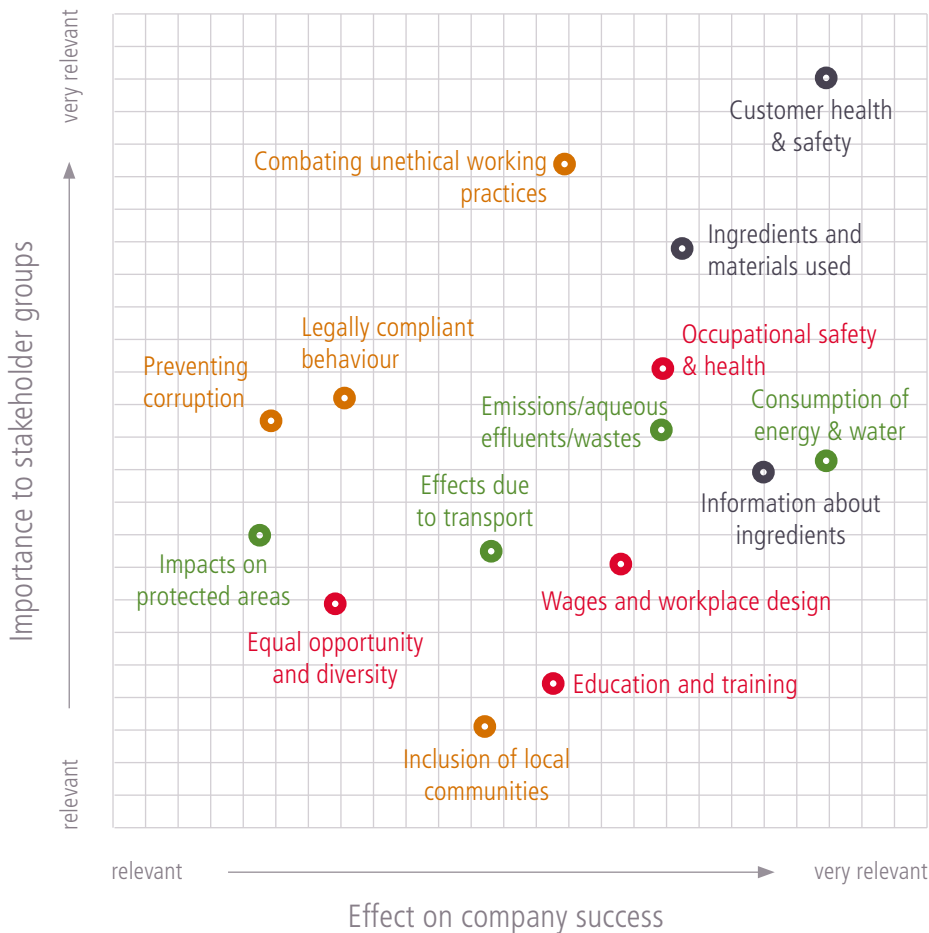
*Schwartauer Werke's
sustainability team*

Key aspects of our sustainability strategy

Our sustainability strategy is focused on the aspects of sustainability we have identified as being essential. We based our determination of the relevant sustainability aspects on the process recommended by the Global Reporting Initiative (GRI): a) Determination of possible sustainability aspects; b) Prioritising the aspects; c) Validation; d) Verification.

The results of the stakeholder survey in 2016 show that some of the sustainability aspects determined as being essential must be assigned a relevance different to what has happened in previous years. Accordingly, we have moved the positions of a few sustainability aspects in the materiality matrix.

It was also clear from the stakeholder survey that some of the terms used in the past were not specific enough. For this reason, we have revised the descriptions of the sustainability aspects.



Materiality matrix

- Product responsibility
- Employees and employment
- Ecological aspects
- Societal aspects

Our sustainability targets



Targets	Year	Status	Page
OUR ASPIRATION			
Carrying out a stakeholder survey	2016	●	8
CIP project management training for 83 employees	2016	●	7
Training a further 11 CIP disseminators	2016	●	7
Training another 10 employees to apply CIP methods	2017	◐	7
Expanding sustainability communication via the Internet and Intranet	2017	◐	9
Organising a first internal sustainability day	2017	◐	23
Training 41 apprentices to become sustainability ambassadors	2017	●	12
Implementing selected projects by the sustainability ambassadors	2017	◐	12
Establishing a company-wide sustainability data collection system	2020	◐	9
OUR PRODUCTS			
Implementing an internal information campaign for the new Quality Policy	2016	●	19
Mandatory consideration of the internally developed GON (Goodness of Nature) Index in product development	2017	○	19
Introduction of a new risk-based supplier approval process	2018	○	15
Exclusive purchase of UTZ-certified cacao	2017	◐	16
Exclusive purchase of RSPO-certified palm oil and palm kernel oil based on the segregation concept	2019	◐	16
Use of X-ray detection devices for quality control on all lines	2020	◐	19
Development of product concepts based on the Quality Policy	Laufend	◐	18
Increasing the proportion of raw materials bought as close as possible to the production site	Laufend	◐	14

Targets	Year	Status	Page
OUR EMPLOYEES			
Further development of the occupational safety information campaign	2016	●	22
Introduction of a new ideas management / employee suggestion scheme	2017	◐	23
Further development of the Intranet to create a work platform	2017	◐	23
Introduction of an e-learning system to expand further the range of qualifications we offer	2017	◐	23
Introduction of emergency childcare for employees' children	2017	◐	21
Carrying out a company-wide employee survey	2017	○	20
Developing a new company restaurant concept	2017	○	22
New concept for workplace health management	2018	◐	22

OUR ENVIRONMENT			
Increasing energy efficiency by relocating the cogeneration power station	2016	●	25
Reducing specific water consumption by 9% (reference year 2013)	2018	◐	27
Reducing specific energy consumption by 9% (reference year 2013)	2018	●	25
bee careful: raising public awareness through the Schwartau-Samt "Bee Helper" campaign	2017	◐	30
bee careful: providing comprehensive information about bee-friendly plants	2017	◐	30
bee careful: installing 16 solitary bee boxes at selected German fresh fruit suppliers	2017	◐	30
bee careful: training more employees to become Schwartau beekeepers	2017	○	30
Starting the conversion of the fixed-location vehicle fleet to electrical vehicles	2017	◐	27
Modernising the refrigeration plants at Works I and Works II	2018	○	27

OUR HOME COUNTRY			
Carrying out a regional awareness-raising campaign about bees	2016	●	30
Expanding our social involvement	2016	●	32
Designing and implementing an in-house summer celebration	2016	●	34
Organising traineeships for pupils of the Batho Ciro school in Letnitsa, Bulgaria	2017	◐	33
Expanding involvement in the "Summer Bee" school project	2017	○	33

○ Being planned ◐ In progress ● Completed



Designing sustainability



Trainees develop new ideas and provide impulses for a sustainable future

Our sustainability ambassadors

Schwartauer Werke has trained all its apprentices to become sustainability ambassadors. Not only do they receive additional qualifications as a result – they also get to know the company even better, and acquire a high level of individual responsibility in project development and implementation from the outset. Schwartauer Werke gains equal benefit, since many of the project ideas that are developed contribute to greater sustainability and to reducing costs. Attention to sustainability issues is also increased throughout the company.

Training to become sustainability ambassadors took place in cooperation with the Centre for Sustainable Corporate Leadership (ZNU). The basic principles of the sustainability approach and sustainability management within Schwartauer Werke were discussed in workshops.

Numerous project ideas have emerged from the group of sustainability ambassadors since then.

A number of these have already been implemented in the current business year:

- Competitions, guidance and technical devices to reduce the superfluous consumption of paper
- Improved ergonomics by using an adjustable-height platform when unpacking pallets
- Sensible recycling of the wastes arising during Corny muesli bar tasting sessions
- Introduction of anti-slip/anti-fatigue mats at workbenches
- Educational work relating to financial topics, e.g. asset planning, insurance and provision for old age
- Improved coordination when ordering office supplies
- Replacing disposable spoons by plastic spoons in tasting sessions

Three questions to

the sustainability manager
Yvonne Klemke



Schwartauer Werke has pursued a systematic sustainability strategy since 2014. What has changed during that time?

Dealing systematically with sustainability issues has made a considerable contribution to ensuring that our value-added processes are more transparent nowadays, and we have discovered many opportunities for adjustment to reconcile economic aspects with ecological and social aspects. The level of awareness in the company for issues relevant to sustainability has risen significantly; employees now think increasingly about the impacts particular decisions have on our responsibility as a food producer, employer and member of society. Moreover, our image today in the eyes of the public is much more as a company that acts responsibly than it was in the past.

How do you find out what the public expects from Schwartauer Werke?

We are in regular contact with our stakeholders through various channels of communication. Furthermore, we carried out a comprehensive stakeholder survey in 2016, from which we received numerous suggestions about the further development of our sustainability management. We also obtained assessments of our sustainability performance so far. This survey was extremely helpful; we will therefore repeat it at regular intervals.

How can a further increase in the awareness of sustainability issues in Schwartauer Werke be achieved successfully?

This can be done in a very large number of ways, some of which we are already following, while others are being planned for the future. Product and quality policies have central importance, but so do defining and integrating targets, culminating in information campaigns. In my opinion, it is extremely important that we constantly question our processes and embed sustainability aspects into them, which is best achieved by analysing them as impartially as possible. This is one of the reasons why we have trained our apprentices to act as sustainability ambassadors. They can and should ask fundamental questions and introduce fresh ideas, and should develop and implement their own sustainability projects away from their day-to-day business.



Our products

High quality branded products, a strong culture of innovation and a sustainably aligned supply chain are the foundations of our success. Our aim: outstandingly enjoyable products for our customers.

In focus: quality and process safety

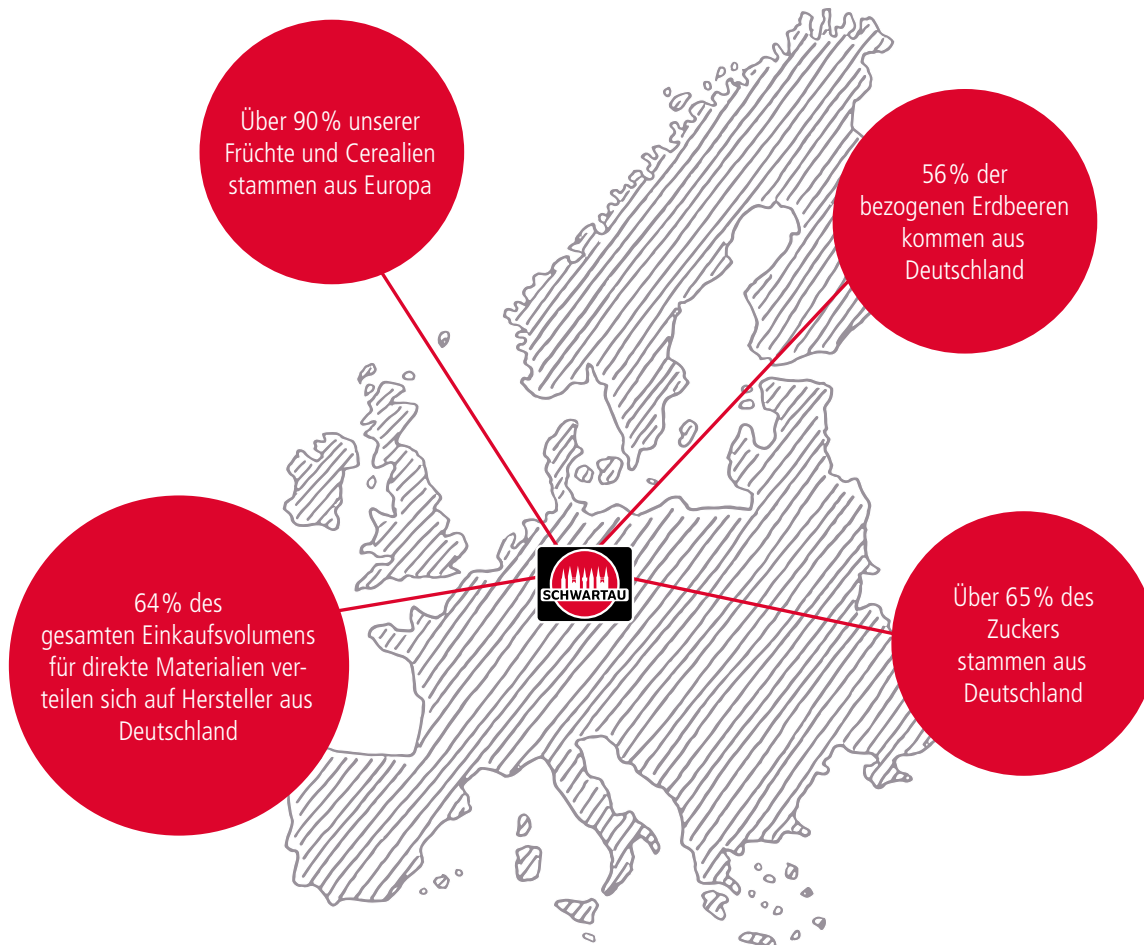
Whether jam, sweet sandwich spread, dessert sauce, coffee and fruit syrup, muesli or fruit bars: it's a long journey from growing, harvesting and transporting the raw materials to their processing and the delivery of finished products. What is important to us is that product safety/security and quality are 100% guaranteed along the whole supply chain. For this we depend on effective management systems and comprehensive control mechanisms.

Procurement close to production

We process more than 40 types of fruit to produce over 100 different fruit products. In this respect, the origin, selection and processing of the ingredients have a decisive effect on the quality and flavour of our products – and thus on our commercial success. This is why the far-sighted, sustainable handling of raw materials is outstandingly important to us.

We purchase our raw materials and packaging as close as possible to where they are produced. 30% of the fresh fruit we process comes from Germany; more than any other German jam producer.

In 2016, we used exclusively German strawberries for our Schwartau Extra brand. Overall, 56% of





the strawberries we purchased – our most important fruit – originated from Germany. Our aim is to keep this proportion constant or even to enlarge it. We have the advantage that one of Germany's biggest strawberry regions is right in front of our factory gates. More than 90% of the fruit and cereals we processed in 2016 came from Europe. Only for fruits that are not grown in Europe, such as mangos or pineapples, or in exceptional circumstances – e.g. if the harvest is bad – do we become reliant on raw material imports from non-European foreign countries.

Our pectins are manufactured exclusively in Europe. We also purchase sugar only from European Union suppliers – more than 65% of it from Germany. Of the total volume of direct materials purchased, 64% is shared between producers in Germany.

Short supply distances

We have systematically expanded our direct procurement of fruit from farmers and the cooperative in the past few years. 68% of our fruit now comes directly from farmers, the cooperative or processors (2012: 61%). We will enlarge this proportion further in future years.

At the same time, we reduced the number of our fruit suppliers by 23% in the past four years. This has allowed us to optimise our supplier portfolio, to intensify collaboration and decrease the complexity of the procurement processes. We collaborated with 16 contracted farmers in Germany in 2016.

Freshly picked fruits from the region are transported directly to Bad Schwartau and processed immediately. If fruit from more remote regions is involved, the fruits are prepared and deep-frozen

or pasteurised according to our requirements immediately after being harvested. This retains the flavours and quality of the fruit in an optimum state of ripeness, and they can be processed with consistently high quality throughout the whole year.

As well as short supply distances, regional purchasing has another advantage: together with farmers, we can decide the optimum time of harvest. Fruits in particular can differ greatly with respect to their flavour and texture. To safeguard the consistent quality of our products, we have specified binding raw materials quality criteria in the contracts with our suppliers. The fruits undergo a rigorous testing process, and are used only if they conform to all the quality requirements.

A supply chain aimed at sustainability

Close, trusting collaboration with our suppliers and contract farmers is important to us. Almost every business relationship is based on the Schwartauer

Year	Number of active suppliers
2012	93
2016	72

Werke Code of Conduct, and every supplier has been assessed in accordance with our Procurement Guidelines.

We use the Sedex management tool (= Supplier Ethical Data Exchange) to constantly check the ethical and social sustainability of our suppliers. In 2016, 90% of our approx. 500 suppliers were registered on this online platform (2014: 85%) on which their working conditions, social & environmental standards and business practices are assessed.

We examine all new suppliers to ensure they comply with our defined quality, environmental and ethical criteria. Moreover, by the end of 2018 we will revise our approval process for suppliers with respect to our quality and sustainability requirements, and will strengthen the risk-based assessment and auditing of our suppliers.

We rely on long-term cooperative relationships, which is why we offer our suppliers participation in



Year	Farmer/cooperative	Processor/cold store	Dealer/agent
2012	15%	46%	39%
2016	29%	39%	32%



oil and/or palm kernel oil are RSPO certified in accordance with the mass-balance or segregation concept (RSPO = Roundtable on Sustainable Palm Oil). We want to increase this proportion to 100% by the end of 2018. Because the mass-balance concept involves mixing conventional palm oil with palm oil from certified farms, we want to buy exclusively palm oil and palm kernel oil certified in accordance with the segregation concept by the end of 2019.

Efficiently performing management systems

The business processes in our three plants as well as in the head office are defined in the context of the quality management system. We also meet the requirements of the International Featured Standard Food (IFS Food 6.0). Based on the IFS certification, we ensure seamless quality control along the production chain. The safety, security and statutory marketability of all products are checked in the context of the quality management system before their launch and during their manufacture.

a del credere program. The program protects them against possible default risks in their collaboration with us, and may reduce their credit insurance costs.

Raw materials grown and harvested responsibly

In the spirit of our sustainability approach, we emphasise not only the purchase of raw materials as close as possible to their production. To gain better understanding of the ecological and social impacts of our products along their life-cycle, we use what are known as hot-spot or risk analyses to examine our raw materials from time to time. We do this by asking ourselves which production processes took place and under what conditions, and which resources were used for this.

We also focus increasingly on sustainably grown raw materials. Currently, around 80% of the cacao we buy is certified according to the UTZ mass balance concept. We have set ourselves the target of increasing this proportion to 100% by the end of 2017. By doing this we support farmers who grow and process their cacao sustainably and with regard to ecological and social aspects.

We also make a conscious choice in the case of palm oil and palm kernel oil: more than 90% of the raw materials we use and which contain palm



Maximum food safety and security

Our quality assurance staff systematically accompany the manufacture of our products from incoming goods and production to tasting. Our experts carry out sensory tests and laboratory examinations according to a clearly defined method. For many years we have collaborated with accredited laboratories when testing for plant protection agents and other residues. Furthermore, we regularly subject ourselves to the stringent test criteria of recognised certification standards.

„We guarantee the availability and high quality of the fruits through long-term, trustful collaboration with our suppliers.“

Kai Maack, Senior-Einkäufer Frucht



Quality from field to consumer



Fruit and raw materials

All fruit is subjected to a stringent testing process. More than 95% originates from Europe, and 30% is from Germany.



Transport



Packaging materials

64% of the volume of direct materials purchased originates from Germany.



PRODUCT DEVELOPMENT

We continuously improve the nutritional-physiological properties of our products.

PURCHASING

We use the best, freshest natural ingredients available.



PRODUCTION

We preserve natural goodness by using gentle production methods.

MARKETING

We work on the aspects of sustainability that are relevant for our stakeholders

Retail



Consumers



Dialogue on Facebook



Consumer advice



Stakeholder survey

Schwartau Extra – a new recipe

We will increase even further the naturalness of our best-known jam, Schwartau Extra. The new glass jar and new recipe will be another big development step in the spirit of our quality policy: up to now it has avoided any added preservatives, colourings or flavourings. From the second half of 2017 we are replacing citric acid by concentrated lemon juice and entirely avoiding glucose syrup. This means Schwartau Extra consists of 100% pure natural ingredients. Because we also use the new glass shape for other products in our range, we can also design our production processes to be even more efficient in future.



Früchte

+



Haushalts-
zucker

+



Zitronensaft-
konzentrat

+



Pektin
(aus Früchten)



The Corny Haferkraft bar contains at least 49% wholegrain oat flakes and gets by without any additional glazes and toppings

We analyse our manufacturing processes for possible microbiological, chemical or physical risks in the context of the EU-wide mandatory HACCP concept (= Hazard Analysis and Critical Control Points). All the jams and bars that leave our factories are systematically checked – from raw materials to finished product.

For more than 15 years we have used validated detectors to recognise metallic foreign bodies. In addition, we have used X-ray detectors for nine years. Beyond normal quality control, these instruments, designed specifically for the food industry, are able to detect foreign bodies and other discrepancies. Since we are achieving very good results with these, we plan to extend their use to all production lines by the end of 2020.

As natural as possible

In 2014 we defined new quality criteria for product development. These include a commitment, going beyond the usual standards, to preserve as far as possible the naturalness and freshness of the ingredients. This also includes processing our products gently to conserve their flavour and aroma. We have already achieved this objective for a series of products: our Schwartau Samt (Schwartau Velvet) without pips and pieces, and Fruttissima, the fruit spread from the chiller shelf whose naturalness and taste are unique thanks to innovative processes. In this way we have also been able in the past few years to steadily reduce the sugar content in our jams and fruit spreads, an issue repeatedly the subject of social debate.

Since 2017, an internally developed GON Index ("Goodness of Nature") is a mandatory basis when developing new products. This provides information about the nutritional-physiological value and naturalness of a product in the form of a consolidated key figure. The purpose of the Index is to test the standard of our own strategy, while also enabling a comparison with competitors' products.

Transparency regarding ingredients

We want our customers to be able to know and check the origin of the ingredients for our products. That's why many of our product statements go beyond the information obligations prescribed by law: for example, on our web site we give information about the origin and processing of the fruits. Many customers also use our consumer advice service, where qualified, experienced staff answer in-depth questions.

Customers' wishes and needs are centrally important to us. Well-directed dialogue with them has already enabled us to develop numerous product innovations and variants, and to improve recipes. Therefore we regularly carry out product tests and consumer surveys to gauge customer satisfaction.

Our consumer advice service can be contacted with questions and suggestions via a telephone hotline, and through the contact form on the web site and through our social media channels. At three-monthly intervals we prepare a quality report from the knowledge gained, and derive the corresponding actions to be taken.

No fines whatsoever attributable to possible failure to observe laws and regulations regarding the supply and use of products were imposed on Schwartauer Werke in 2016. However, four complaints were issued by authorities, one of which was justified. There were no incidents of any kind involving failure to comply with regulations and voluntary rules of behaviour relating to the wholesomeness and safety of our products.



Our employees

We work together in a spirit of respect and trust. Our dealings are kept very personal, we have flat hierarchies and we offer our staff an environment in which they have the best possible opportunity to develop.

Shared success

We want to offer our employees attractive workplaces and a variety of professional prospects, because our company's success means success for our employees.

Every individual in our company assumes responsibility. Decision paths are short because we value flat hierarchies. It is important to us that our staff identify with the company and its products, and put their heart into their work.

98% of our 798 permanent staff have indefinite duration employment contracts, and 94% are full-time employees. 5.6% of our staff are severely disabled. We recruited 100 new employees in 2016, 70 of them male and 30 female. Fifty employees left (32 men and 18 women), giving a staff turnover rate of 6.4%.

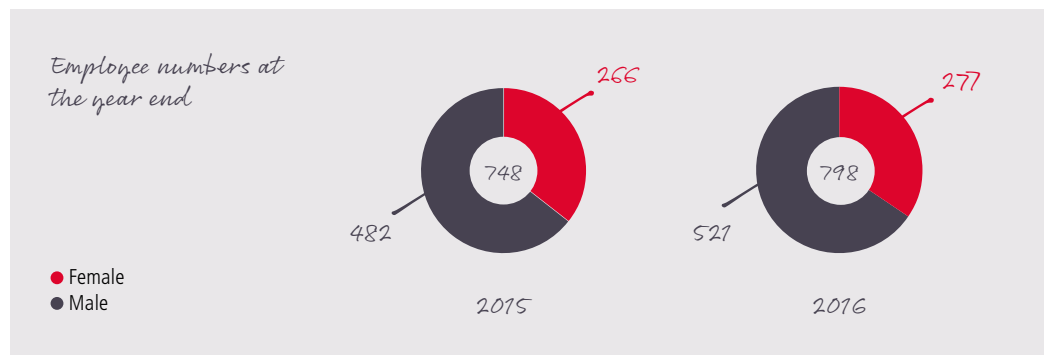
Due to the seasonal dependence of some of our production processes, we regularly employ seasonal staff. We were also supported by an average of 39 temporary workers in 2016.

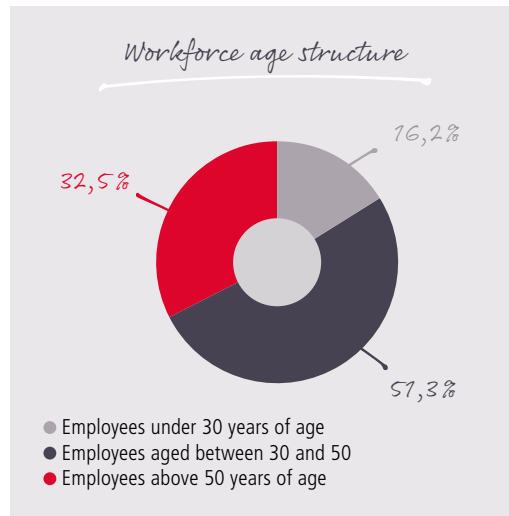
Equal opportunity and diversity

We align our conduct to the principles of the General Equal Treatment Act, which prohibits discriminating against people on the basis of their age, gender, ethnic origin, religion or sexual identity. This applies especially with regard to remuneration. All the company benefits offered by Schwartauer Werke are available on a proportional basis to employees with a part-time employment contract. In the case of fixed-term employment contracts, we are guided by the statutory provisions.

14 employees, three of them men and eleven women, used their entitlement to parental leave in 2016. Seven employees returned from parental leave, of which three were men and four women. We introduced emergency childcare for our employees' children in late 2016 to make

the compatibility between family and work easier. If normal childcare becomes unavailable, there is an emergency phone number through which our employees can call upon childcare staff to look after





their children at home, in the company or in another care facility. The members of the Supervisory Board and Management Board in 2016 were exclusively male. Our 16-member top management includes one woman (6.3%), and 13 of our 36 managers are women (36.1%). We are making efforts to increase the proportion of women, especially in executive management positions.

Remuneration

We attach great importance to remuneration that is fair and in line with the market, and we are guided by the collective pay agreement applicable to us when setting wages and salaries. In addition, our



„We want to be an attractive employer not only to recruit new employees but above all to offer our many high achievers an optimum working environment.“

Vanessa Krabiell, Referentin Personalentwicklung und -marketing



employees benefit from various works agreements. With regard to our non-tariff employees, we work together on the basis of different rules that are oriented towards the statutory provisions.

The relevant executive board committee of the Hero AG company decides the management's remuneration. This remuneration is composed of a fixed salary element and a management bonus. The size of the management bonus depends on the attainment of personal targets and on corporate targets being reached. It is important to us that no imbalance arises between the remuneration of the management and the workforce.

We hold regular staff appraisal discussions with our employees in accordance with a predefined standard. For this we use work software that ensures a personal assessment that is as objective and systematic as possible. This software is now used for nearly half of all the employees.

After a three-year waiting period, all staff are entitled to retirement capital and/or a lump-sum death benefit, and to an invalidity pension whose amount depends on the period of employment with the company and on the wage/salary. Employees who joined the company after 01 January 2000 are entitled to retirement capital. Employees who were already working for the company before 2000

receive an additional monthly occupational pension.

There were no formal complaints in 2016 regarding our working practices.

Occupational health and safety

The workplace safety and health of our employees have topmost priority for us. We take care to ensure a level of workplace safety and accident protection that often exceeds the statutory requirements. We investigate every accident together with our specialist staff appointed for workplace and health protection, and appropriate measures to avoid accidents are discussed in our Occupational Safety Committee. In 2016 we introduced a new accident investigation protocol to allow accidents to be described more easily and in a more standardised way. As a company in the food-producing industry, we do not have an elevated sickness rate or health hazard.

A total of 18 workplace accidents occurred in 2016. This corresponds to an 18.2% reduction compared to the previous year (22 workplace accidents). The commonest injuries were contusions and bruises; there were no fatalities. The most frequent absence from work period was 15 to 30 days.

The overall reduction in the number of accidents by 45% since 2014 is attributable to the numerous measures we have developed in the past three years to increase workplace safety. These include information campaigns, training sessions, Occupational Safety Committee workshops taking place regularly, training additional safety officers, the involvement of workplace safety topics in CIP (Continuous Improvement Process) meetings, in-depth analyses of working conditions, and numerous improvement actions derived from them, including a visual display of accident figures in every department.

We wanted to develop a new concept for both

Year	Number of work-place accidents	Change
2014	33	—
2015	22	33,3 %
2016	18	18,2 %

corporate health management and the company restaurant in 2016. However, it became clear during the past business year that these require deliberations and measures on a larger scale than originally planned. We therefore decided to develop the concepts in 2017 and to implement these projects in the following years.



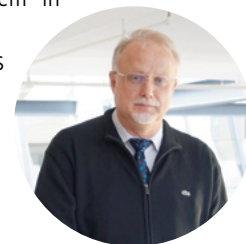
Apprenticeships and in-service training

We are currently providing training in seven occupations; the duration of training is between two and three and a half years:

- Chemistry laboratory technician
- Electronics technician for industrial systems
- Food technology specialist
- Technical warehousing specialist
- Industrial management assistant
- Industrial mechanic
- IT clerk

We recruited 17 new trainees in 2016. At the end of 2016 we employed a total of 44 trainees, thus achieving a training ratio of 5.5%. We employ all trainees for at least twelve months after training has been completed successfully. We also provide internship placements for school pupils and students every year, and support them in writing scientific papers.

The high quality of our training is



„The clear reduction in accident figures shows how important it is to raise the issue of workplace safety again and again.“

Frank Höltermann, Leiter Umweltmanagement Arbeitssicherheit

regularly demonstrated by the awards presented to our trainees. Six Schwartauer Werke trainees received awards from the Chamber of Industry and Commerce in 2016 on account of their outstandingly good achievements.

We offer our employees an opportunity to take part in internal and external advanced training courses to enable them to continuously extend their know-how. We have continuously expanded our internal training program in the past few years. Internal further training in 2016 comprised a total of 3,054 hours, and external further training 6,696 hours. Relative to the total number of staff, every employee made use of the offers of internal or external further training for an average of more than twelve hours in 2016.

By the end of 2017 we want to establish an e-learning system to give our production and administrative staff additional opportunities to receive highly flexible personalised further training. In 2017 we plan to organise a sustainability day for the first time. On this day we want to use individual information stands, presentations and join-in campaigns to explain current sustainability issues to our employees, and to raise their awareness of the company's economic, ecological and social responsibility.

ExtraNET

Our Intranet – called “ExtraNET” as an allusion to the name of our flagship jam – constitutes an important mainstay in our internal communications, especially when sharing sustainability themes. It is where our employees can find our values, occupational safety and health protection advice, our quality policy, information about our regional involvement and much more.

An average of 4,782 employees were active on our Intranet every month in 2016 (2015: 4,637). The average number of contributions posted per month rose from 36.7 (2015) to 50.0 (2016).

Based on this positive experience, we are working constantly on the further development of the Intranet. By the end of 2017 we will expand it into a work platform, and will supplement it with an ideas management tool. All employees have also been able to access the Intranet from home since May 2016.

The ExtraNET is currently being expanded to create a work platform



Our environment

We want our ecological footprint to be as small as possible. In this respect we set ourselves ambitious targets, develop initiatives to reduce our energy and water demands, and align our processes to certified management systems.



Handling resources responsibly

As a food-producing company, we have a decisive reliance on natural ingredients. For this reason, we attach great importance to handling our resources responsibly and designing our corporate operations to be as environmentally compatible as possible.

This is why we already defined environmental principles and implemented an environmental management system many years ago. This has been certified according to DIN EN ISO 14001 since 2000. In compliance with this standard, we publish an annual environmental report in which we present our environmental protection objectives, measures and successes. We also

had our energy management system certified in accordance with DIN EN ISO 50001 in 2013.

Schwartauer Werke has collaborated in the "carpeDIEM" project as a network partner since 2016. The project's aim is to use locally available renewable energy resources more efficiently and intelligently, to develop appropriate technologies, and to strengthen transnational German-Danish cooperation together with regional competences in the area of efficient, intelligent energy use. Schwartauer Werke supports the project through active collaboration to solve the issues defined in the research project.



Energy efficiency was increased significantly by relocating the cogeneration power station

Our ecological footprint

We produced a total of 74,256 tons of jams, fruit spreads, syrups and muesli bars in 2016. This corresponds to a 10% increase compared to the previous year's production volume.

Energy

The larger production volume led to a slight rise in the amount of energy consumed: in 2016 we needed a total of 69,082,223 (previous year: 68,473,357) kilowatt-hours (kWh) of energy. However, specific energy consumption decreased considerably: it was 853 (previous year: 1,015) kWh per ton of finished product (kWh/prod. t) in 2016, a 16% reduction compared to the previous year.

The significantly reduced specific energy demand is attributable in particular to the relocation of the combined heat and power plant from Works II to Works III undertaken in the previous year. The efficiency level of the combined heat and power plant in Works III is considerably higher.

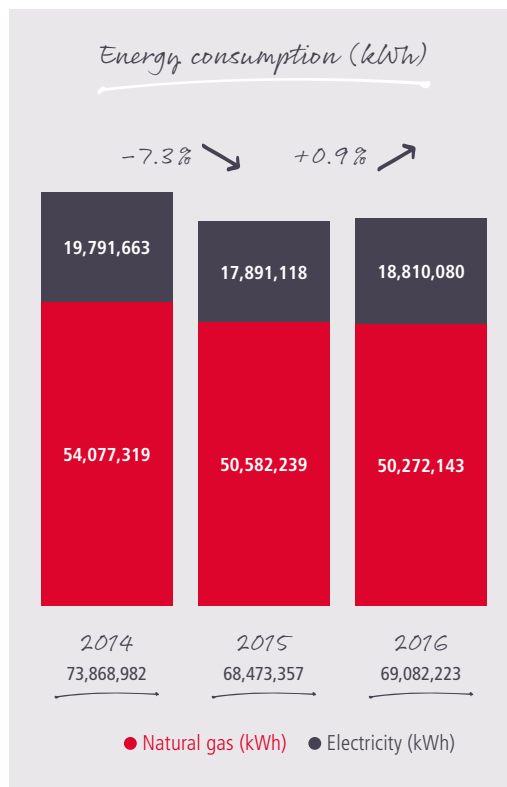
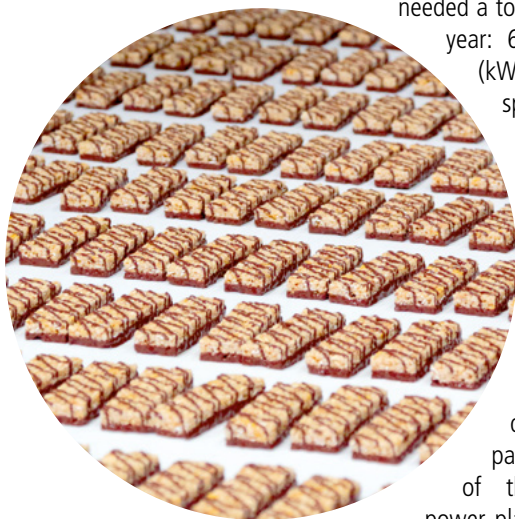
Furthermore, the boiler-house built in 2015 achieved an energy-saving effect over the whole year for the first time in 2015.

The specific energy demand of 853 kWh/prod. t already reached the energy demand target that

was not aimed at until 2018: the original plan was to reduce the specific energy consumption to a maximum of 953 kWh/prod. t by 2018. We will define a new energy target during 2017.

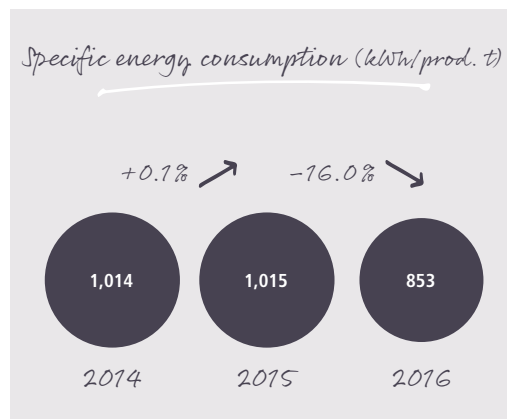
Emissions

99.6% of the emissions from Schwartauer Werke are CO₂ emissions; they amounted to about the same quantity when compared to the previous year. However, they decreased by 9% per ton of product made. The other emissions consist of emissions



„The fact that we have already been able to achieve our target energy consumption two years earlier than planned is a huge success by all those staff who have handled the energy resource in a consciously sustainable way.“

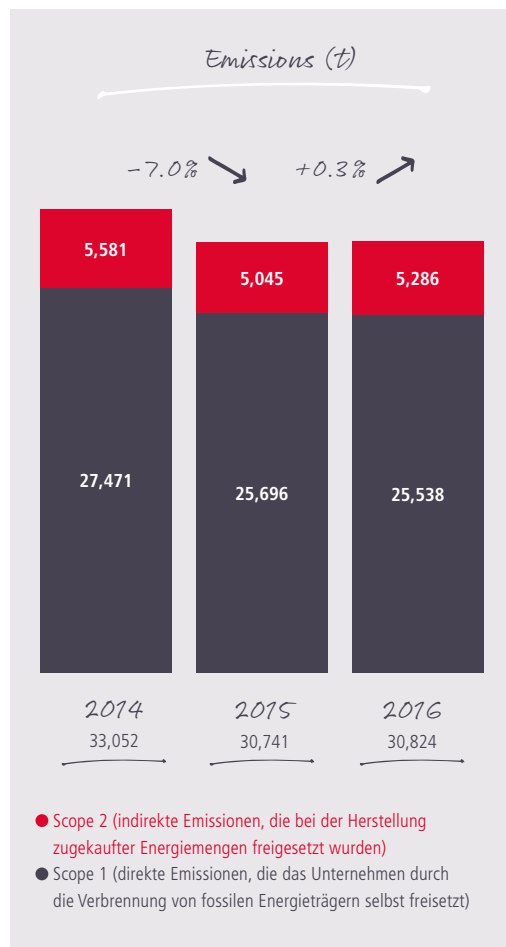
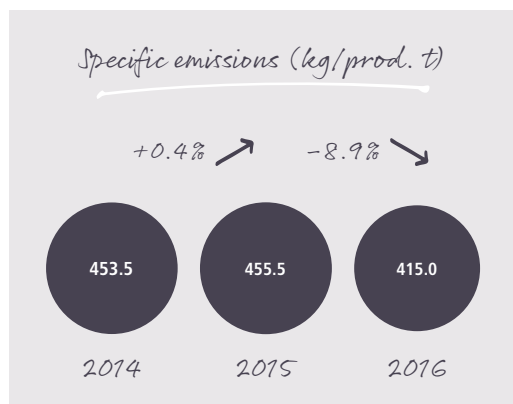
Thorben Liedert, Bereichsleiter Technik





of CH₄ and NO_x (0.3%) together with N₂O, SO₂, NMVOC (non-methane volatile organic compounds) and NH₃ from refrigeration plant (0.1%). Scope-1 emissions result directly from consumption in the company's own plants, whereas Scope 2 describes all the emissions connected with the procurement of purchased energy. Neither our product portfolio nor our production processes cause emissions of ozone-depleting substances. Since 2015 we have calculated the emissions we generate based on the Greenhouse Gas Protocol. The emission factors used for this originate from our energy supplier EnBW (Baden-Württemberg Energy).

To reduce further the emissions we cause, a decision was taken to start converting our in-plant vehicle fleet to electric vehicles in 2017. Moreover,



the refrigeration plants in two of our works are to be modernised by 2018. An additional purpose of the refrigeration plant modernisation is to enable even more fresh fruit to be processed, and to allow further expansion in the regional procurement of fruits.

Water

We obtain the water for our three works mainly from three boreholes (groundwater) not located in designated protection areas. We also use water from the municipal supply (town water).

The great majority of our water consumption is used to clean the production plants. We consumed a total of 312,481 m³ of water in 2016. This corresponds to a 2.7% increase compared to the previous year. The water we use is discharged exclusively into the sewer system for processing in the sewage works. There were no unplanned aqueous effluent discharges in the past year.

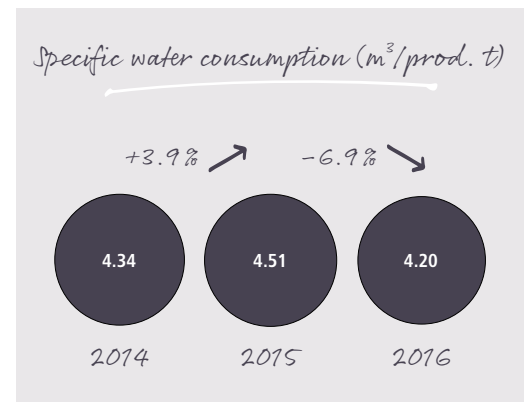
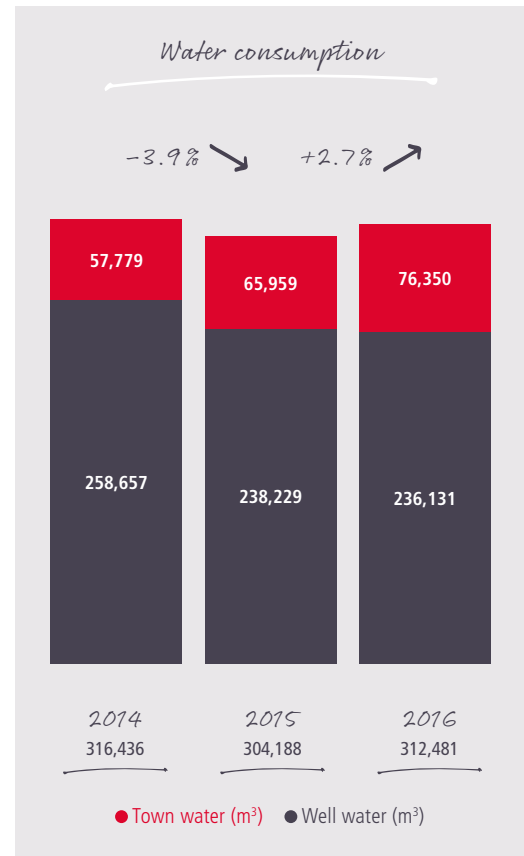
Specific water consumption fell by 6.9% to 4.2 m³ per ton of finished product. In addition to the increased production volume, the decrease is attributable to dismantling unused parts of the technical installations, which reduced the cleaning expenditure. Employee awareness of the economical use of water was also raised even further by posting energy reports on noticeboards and by training sessions.

Our objective is to make a further decrease in our specific water consumption. The aim is to reduce it to a maximum value of 3.9 m³ by 2018.

Waste

A total of 4,160 tons of waste was produced in 2016; 18 tons of this were hazardous wastes (0.4%). The total amount of waste rose by 13.4% compared to the previous year due to the larger production volume in comparison with the previous year, whereas the specific generation of waste remained about the same.

We were again able to increase the proportion of recoverable waste: 96.6% of all wastes (4,017





own transport there was a reduction of 6.1%.

Conservation of ecological systems

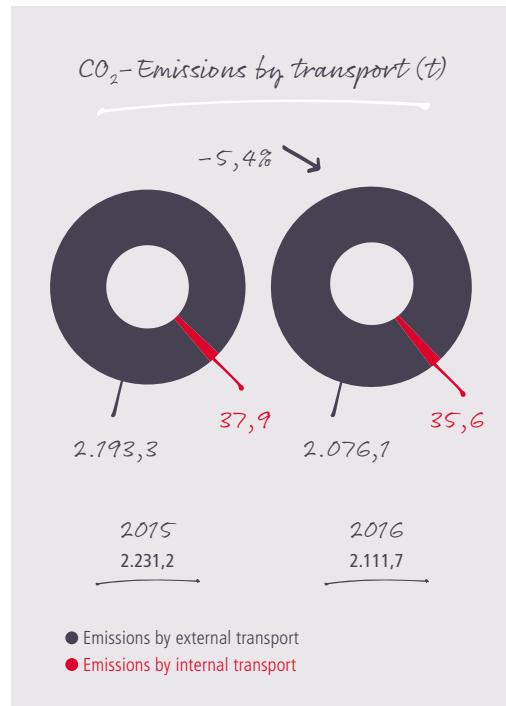
Biodiversity is one of the most important foundations of our life. Because the majority of our products consist of natural ingredients, the conservation of ecological systems has key importance for us.

Even though we are not the direct source of any significant impacts on biodiversity, we are aware that habitats and species diversity are adversely affected by the agricultural use of land. The use of plant protection agents and their effects on human and animal health are also issues that concern us.

tons) were sent for recovery (previous year: 95.6%). Therefore this is the third year in a row in which we were able to reach our target of successively increasing the recycling rate.

Transport

As a production operation, we depend on receiving deliveries of the required raw materials and ingredients. Furthermore, we transport part of our products to sales outlets. CO₂ emissions arising during transport by external freight forwarding companies decreased by 5.3% in 2016, and in our



PRODUCTION OF WASTE (t)	2015	2016
Total volume of waste	3,669 t	4,160 t
Of which hazardous wastes	13 t	18 t
Waste sent for disposal	162 t	143 t
Waste sent for recovery	3,507 t	4,017 t
Of which recycled	1,311 t	1,950 t
Of which fermented	1,157 t	837 t
Of which used to generate energy	621 t	695 t
Of which composted	299 t	332 t
Of which recovered in some other way	119 t	203 t

*Beehives in a fruit
supplier's cherry
orchard*



Environmental protection



The ground area occupied by our three works is between 35,000 and 66,000 m², and they are situated in a residential and mixed-use area. Works II borders on a landscape conservation area. Biodiversity is not damaged by our works.

55 to 65% of the glass we bought in 2016 consisted of secondary raw materials, and the proportion of recycled material in the cardboard packaging we used was 85 to 95%.

With regard to environmental regulations,

neither any fines nor any non-monetary penalties were imposed on Schwartauer Werke in 2016. There were no significant pollution incidents. Furthermore, we did not receive any formal complaints due to ecological impacts of our business activities.

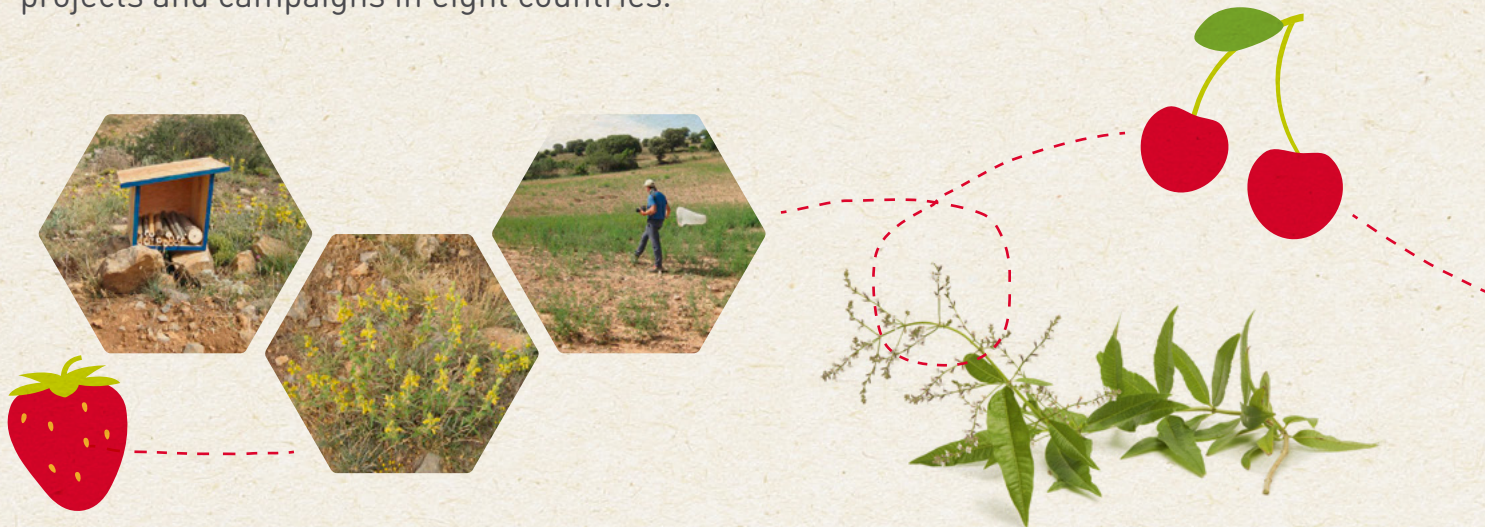


bee careful – an initiative to protect bee health



Schwartauer Werke set up the “bee careful” initiative in 2014. This initiative is aimed at carrying out educational work about the importance of the honey bee to humans, and at making contributions to the protection of bee health. In cooperation with the HOneyBee Online Studies (HOBOS) research and teaching platform directed by Prof. Dr. Jürgen Tautz, we implement a large number of measures to raise public awareness in dealing with bees.

The dominant activity in 2016 was the internationalisation of the initiative, because bee careful now helps bees in a wide variety of ways with numerous projects and campaigns in eight countries.



Projects in Germany

- Supporting a bee research station on the Schwartauer Werke factory site
- Training Schwartau employees to become beekeepers
- Promoting the training of beekeepers throughout the Federal Republic of Germany
- Organising the “First Bee Day” in Bad Schwartau
- Supporting the bid by the town of Bad Schwartau to be chosen as “Schleswig-Holstein’s most bee-friendly municipality”
- Training talented young beekeepers in the context of the “Summer Bee” school project

Projects planned for 2017

- Raising public awareness through the Schwartau-Samt campaign, in which attention is drawn to the importance of bee-friendly plants
- Training more employees to become beekeepers
- Setting up 16 solitary bee boxes in German fruit orchards
- Expanding the initiative’s web site www.bee-careful.de to provide a more comprehensive range of information about bee-friendly plants
- Extending involvement in the “Summer Bee” school project

Turkey

The bee careful initiative in Turkey carried out a two-year study of the effect of the pollinating activity of bees on the yield and quality of apples and peaches. Fruit trees that were pollinated by honey bees showed a significantly higher yield, better visual quality and a figure for secondary plant substances that was more than 30% higher compared to orchards not occupied by bee colonies.



Die Schwartauer Werke und andere Tochtergesellschaften der Hero Gruppe unterstützten die Initiative seit deren Start 2014 mit insgesamt über 500.000 Euro.



Spain

Like other beekeepers from western European countries, beekeepers in Spain have also been struggling for many years with unusually high losses in their bee populations.

Our sister company Hero Espana started an initiative in northern Spain over a year ago to study the nutritional situation of bees. Malnutrition due to a lack of biodiversity is considered to be one of the stress factors affecting bees. The aim of the 3-year initiative is to improve food supplies available to bees by planting bee-friendly late-flowering species in the form of flower strips in cereal-growing regions in northern Spain. This measure also helps Schwartauer Werke, because most of the fruits obtained from southern Europe originate from Spain.

Egypt

The objective of the bee careful initiative in Egypt is to save the indigenous bee subspecies *Apis mellifera lamarckii* from extinction. Compared to the European honeybee, this subspecies of bee has considerably stronger resistance to diseases.

In collaboration with the Vitrac company and the Demeter beekeeper Günter Friedmann, it was possible to rescue and resettle around 800 *lamarckii* colonies out of the approx. 1,200 colonies still living in Egypt. The medium-term objective is to restore the popularity of this subspecies of bee and to produce high-quality honey.

Since it was started in 2014, the initiative has received financial support totalling more than EUR 500,000 from Schwartauer Werke and from other subsidiary companies in the Hero Group.



Our home

We have close ties with our home, and we feel we have an obligation to contribute to its social development. In this we focus on the areas of education, sport and culture.

Rooted in Bad Schwartau

As one of the region's biggest employers, we are in regular contact with representatives of the town of Bad Schwartau, the district of Ostholstein and the federal state of Schleswig-Holstein. We take part in the meetings of various regional business initiatives, e.g. in the north German industry sector network "foodRegio", and we seek direct dialogue with neighbouring companies and households.

Because our works border directly on residential areas, we try to keep the nuisance level caused by traffic, noise and smell as low as possible. We carry out regular monitoring by odour and noise analyses. In 2016 we decided to progressively convert the company's pool vehicles for internal factory traffic to electric drive. The appropriate design concepts are currently being prepared.



„We regard it as our duty to play an active part in society. Supporting young talent is particularly close to our hearts in this respect.“

Alice Haußer, Pressereferentin

Sponsorship in the region

Education

We support several schools in Bad Schwartau and its surroundings in implementing educational projects. These include – in cooperation with the Ostholstein District Fire Brigade Association – fire protection education in nursery schools and primary



Our roots have been in Bad Schwartau for over 100 years

Training a new generation of beekeepers: schoolchildren built their own beehives during the "Summer Bee" project



schools, establishing "reading lounges" at the three secondary schools in Bad Schwartau together with the Lübecker Nachrichten (newspaper), and participating in the promotional award of the Bad Schwartau KIWANIS Club.

We supported the "Summer Bee" project in 2016. In the context of this project, pupils from nine schools in Schleswig-Holstein were trained to become junior beekeepers. The training centred on the following questions: Which species of bee exist? What is a bee's favourite food? How is honey made? What work does a beekeeper do?

To put what they had learned into practice, the pupils built their own beehives, among other things. At the Leibniz Gymnasium in Bad Schwartau there are now seven bee colonies with around 10,000 bees, and these are regularly looked after by 14 boys and girls. For this the pupils put on beekeeper's clothing to attend to the bees and harvest the honey. Due to this very successful project, we will expand our involvement

in 2017 and will support both the school and the Beekeepers' Association to enable further projects connected with bees.

Since 2015, we have also assisted pupils at the Batho Ciro School in Letnitsa, Bulgaria, where our long-standing supplier Bulgaria Foods OOD has its headquarters. We provided school textbooks in 2015, and we are offering internships to two pupils in 2017. Because the school specialises in food technology, potential employees can be introduced to the subject at the same time.

For many years we have been closely associated with the Children's Aid House - an establishment set up by the McDonald's Children's Aid Foundation at Lübeck University. As well as donations of money and materials, our staff are also personally involved, e.g. for cooking and baking.

Moreover, since 2013 we have supported ambitious students with our German Bursary at Lübeck University of Applied Sciences where, together with several other companies, we undertook in 2015 to sponsor an endowed professorial chair for the "Food Processing" department.

Sport

We have promoted popular sports in the region for more than 15 years, and we take part in implementing





various club projects, e.g. acquisition of new sports equipment. As a Premium and Shirt Partner we support VfL Bad Schwartau's first men's team, which plays in the second handball Bundesliga, to establish top-class handball permanently in the region and to specifically promote youth work.



In addition, we have participated in the annual DoppelPASS Cup since 2012. This football tournament is an initiative of the German Cancer Aid organisation to give financial support to families with children suffering from cancer. More than EUR 60,000, a new record amount of donated funds, was raised by this football tournament in 2016.

Culture

We have now sponsored the Schleswig-Holstein Music Festival for more than 15 years, one of North Germany's most important classical cultural

events. Since 2007 we have also supported "Music Festivals in the Countryside", which invites families to picnic in Schleswig-Holstein's most beautiful estates. Since 2010 we have supplied the concert-goers on Sunday with bread rolls – and with our jams as well, of course.

2016 was the first year in which we organised a Schwartau summer festival. As well as employees, we also invited close family members to this festival to allow them to find out more about our company, our corporate philosophy and our activities from an economic, ecological and social point of view.



About this Report

This is the third Schwartauer Werke Sustainability Report. It is one of our key communication media through which we publish annually our contribution to sustainable development. All the data contained in this Report relate to Schwartauer Werke GmbH & Co. KGaA and the calendar year 2016. The last Sustainability Report appeared on 4 July 2016.

There have been no major changes in the size, structure and ownership status of Schwartauer Werke, either in the period under review or compared to the previous year. Thus there was also no need for any reformulation of information or important changes in the scope and limits of the aspects compared to previous reporting periods. We carried out a stakeholder survey in 2016, in the course of which we redesigned the materiality analysis.

To ensure transparent, recognised reporting, we follow the guidelines and reporting principles of Version G4 of the Global Reporting Initiative (GRI), which is acknowledged throughout the world. There is no provision for external auditing at present.

We have defined the relevant contents of this Sustainability Report based on a materiality analysis. The present report satisfies the "In Compliance – Core" option defined in the GRI Reporting Standard. We aim at a consistent expansion and systematisation of our sustainability reporting and dialogue with our stakeholder groups in order to fulfil our "Really Well Done" claim in the sustainability area as well.

Schwartauer Werke is an active member of the following organisations in particular: Federation of German Food and Drink Industries e.V. (BVE), German Federation of Food Law and Food Science e.V. (BLL), German Association of the Fruit, Vegetable and Potato Processing Industries e.V. (BOGK), Association of the German Confectionery Industry e.V. (BDSI) and the Centre for Sustainable Corporate Leadership (ZNU) of Witten/Herdecke University.

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Legal notice

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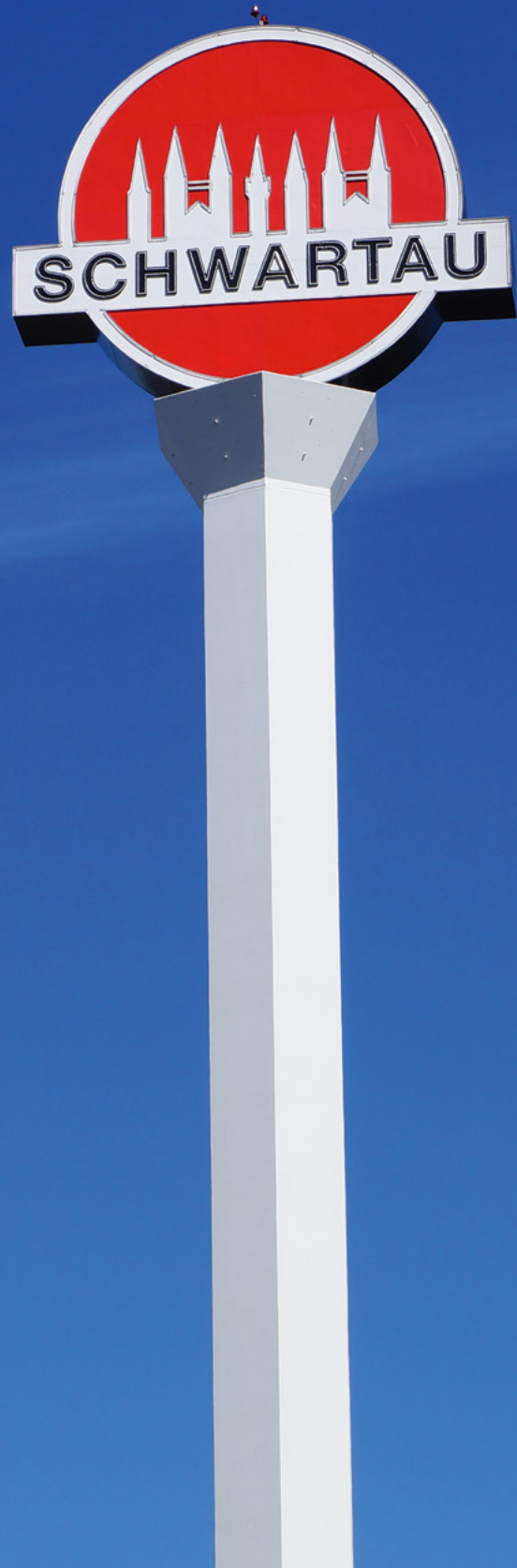
All the information in the Sustainability Report 2016 has been collected and processed with the greatest care. However, it is impossible to exclude errors completely.

All statements regarding the future are made based on assumptions and estimates applicable at the time of publication.

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