

Progress Report

Proof of the continuing commitment 6/2014 – 05/2016

Iphofen, 01.09.2016

Knauf Gips KG - Departement of Geology

Knauf has been extracting natural gypsum for over 80 years. In the meantime a global player has emerged from the family-run company in Franconia. With its 150 locations in over 70 countries across the world, it ranks as one of the leading manufacturers of building materials and building systems. Knauf has always been aware of its long-term economic, ecological and social responsibility both regionally and globally. Given the increasing emphasis placed on sustainability for some time now, Knauf decided in 2011 to draft its own corporate-wide sustainability strategy. This strategy in addition to sustainability reporting based on the globally accepted GRI (Global Reporting Initiative) standard includes membership (since the summer of 2014) of the 'Biodiversity in Good Company' non-profit-making association. This does justice to the significance and increasing relevance which biological diversity has for Knauf.

Sustainability is being anchored in the corporate structure step-by-step and extended to the entire corporate group.

Whilst the goal is clear, a lot is still in its infancy. We have adopted this approach now for over 30 years even without sustainability communication.

On the one hand, being a member of 'Biodiversity in Good Company' provides Knauf Gips KG with the opportunity of publicising its long-term commitment to environmental compatible resource extraction and professional recultivation and renaturing and thus - as envisaged by the association - to making other industries and companies aware of the importance of biological diversity. On the other, the association provides Knauf with the chance to participate in the findings of others. The many companies who have been organized for some time now in 'Biodiversity in Good Company' act as a model for this rapidly growing, globally operating company which is intent on bringing to bear its high standards across the world.

As signatory of the Leadership Declaration of 'Biodiversity in Good Company' e.V., Knauf Gips KG acknowledges and supports the three objectives of the international "Convention on Biological Diversity":

- **Conservation of biological diversity**
- **Sustainable use of its components**
- **Fair and equitable sharing of the benefits that arise out of the utilization of genetic resources.**

Knauf Gips KG commits itself to:

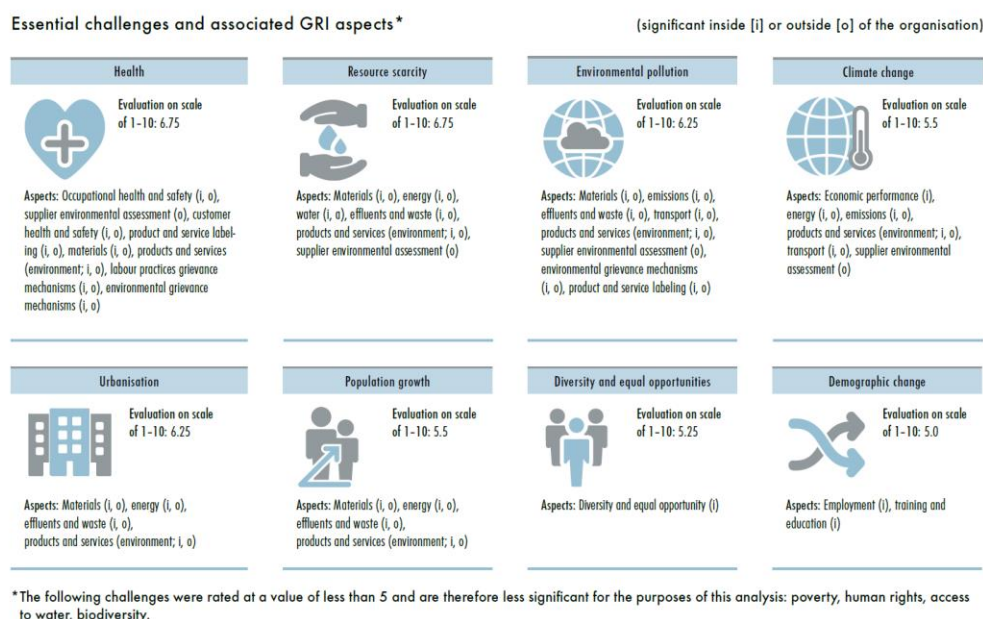
1. Analyzing corporate activities with regard to their impacts on biological diversity;
2. Including the protection of biological diversity within the environmental management system;
3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board;
4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years;
5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report;
6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step;
7. Exploring the potential for cooperation with scientific institutions, non-governmental organizations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-à-vis the biodiversity domain.

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1. Analyzing corporate activities with regard to their impacts on biological diversity

For a better estimation of the significance, chances and risks of global challenges for Knauf, a materiality analysis was carried out in 2014. It forms the basis for the sustainability strategy of the Knauf Group. This led to development goals and activity fields being defined for the companies / businesses / regions with 8 principal themes coming to light.



Implementation of specific technical projects is to allow these challenges to be specifically gone into. As a "cross-section theme", biodiversity is directly and indirectly relevant in matters of limited resources, environmental pollution and climate change.

As a raw material extraction company with over 70 quarries in Germany, Europe and across the world, a direct and immediate concern exists here. Biodiversity is of particular interest, all the more so since along with the negative effects of raw material extraction projects on biodiversity, positive ones can often be expected. The idea behind the planned introduction of biodiversity indicators (Item 4) is to measure the effects of raw material extraction on biodiversity. Over the long term, this management tool is to be used globally and complete Knauf's sustainability profile.

2. Including the protection of biological diversity within the environmental management system

Knauf looks upon protection of biological diversity as a very important concern. If possible, a positive contribution extending beyond statutory requirements will be attempted. The idea is for indicators measuring the impact on biodiversity in raw material extraction plants (cf. Item 4) to be introduced across the entire Knauf Group. This is also to be the case especially in those countries whose legal requirements are not on a par with European standards. At the core of Knauf's environmental management are the externally certificated ecological balance sheets of the individual Knauf products - "Environmental Product Declarations" (EPD) as per DIN EN ISO 14025 - and the company's own supplier statements (www.knauf.de/epd). Also assignable to the company's sustainability profile is the ISO 9001-certificated quality management, the OHSAS 18001-certificated safety management system (expected to be replaced by a new ISO standard (ISO 45001) by the end of 2016) and the ISO 50001-certificated energy management system.

3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board

For industry-specific reasons, biodiversity is handled in the Department of Geology at Knauf. Here a graduate geologist has been working on nature conservation and biodiversity since 2013. He undertook extensive further training from 2014 to the end of 2015. This included going to university functions, undertaking practical work in planning agencies and NGOs as well as attending further training courses on nature/environmental law and environmental monitoring. For the first time Knauf's surface quarrying in upper and middle Franconia (Bavaria) was inspected in the winter of 2015 and reported on to the Management Board. This is to become a permanent feature and successively extended across Germany.

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Inspection of the quarries in the Franconia operations area with documentation of the statutorily protected biotope.



Dry grass forming under quarry operations.

4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years

To improve biodiversity protection in quarries, Knauf plans to introduce "biodiversity indicators". The Eurogypsum association is to establish the indicators across the industry within Europe. To this end, a study of the Liege-Gembloux University (<http://www.eurogypsum.org/>) financed by Eurogypsum came about in 2013. It formed the basis for drawing up an indicator model acceptable to all the companies organized in the association. Eurogypsum intends to test and possibly adapt the drafted indicator model under an EU Life+ project. Knauf will support this project with its own "test quarries". However, in advance of this, Knauf had already successfully carried out an independent indicator model test at the Markt Nordheim quarry (Mid-Franconia, Bavaria) in 2014. A recommendation for the indicators to be introduced is currently being sought through the German umbrella association of the Building Materials Industry (BBS). Consultations with the member associations and companies are taking place at the moment (summer 2016).

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At the same time Knauf is assisting the Steine und Erden Baden-Württemberg industry association (ISTE) with the development of a biodiversity database (since 2014); <https://biologischevielfalt.bfn.de/22800.html>). It is to be inputted with the industry-wide chart findings of approval procedures and monitoring.

A study group at the BBS was set up to make this database accessible across Germany for companies in the quarry & pit industry. It started work in July 2016. Knauf is principally involved with developing and implementing the indicators and the biodiversity database. It also uses its influence with the industry associations to both support and push along the objectives.

However, reservations on the predictability of legal decisions, data privacy and costs have led to an understandable resistance particularly by small and medium-sized firms. This is delaying the two projects from being promptly implemented. The motivation of a host of companies is currently being negatively affected by a tightening of the law on species conservation (verdicts of the Federal Administrative Court). If anything, this is increasing reservations and resistance on the issue. Thus at the association level and directly through co-operation in the conservation law meetings of the Federal Ministry for the Environment and the Federation of German Industries (BDI) (<https://biologischevielfalt.bfn.de/18430.html>) Knauf is supporting many activities which contribute to a practical application of European species and habitat protection – whether as legal amendments, public law agreements or regulatory guidance. The goal, on the one hand, is to prevent the general business mood swinging the other way - something only attainable by a more practical approach and greater predictability of legal decisions. On the other, it is not to jeopardize the stringent nature conservation standard.

Whatever the association successes or failures, Knauf is itself intent on gradually introducing a biodiversity management scheme based on the biodiversity indicators and the database.

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5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report

As a family-run concern, Knauf Gips KG has been reporting since 2012 in accordance with the GRI norms on sustainability. Biodiversity has played a major role from the start and will feature prominently in the ongoing sustainability report of the Management Board.


Interview Management Knauf

The negative aspects of managerial decisions can also be sustained. How do you ensure that only the positive decisions and consequences are sustainable?

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Sustainability forms part of how a family business sees itself.

Manfred Grundke: Seen from this perspective, sustainability has a very special status at Knauf, as our natural resources are hidden in quarries. Here we attach great importance to recultivation after we have finished using the quarry. There are a lot of positive examples showing how quarries used on an industrial scale have later been turned into real biotopes. And if you take synthetic gypsum, you can see that we now use several million tonnes of flue gas desulphurised gypsum (FGD) as a secondary raw material. In the coming years we will also increasingly feed recycled material back into the production process. In an ideal situation we first help to keep the air clean by desulphurising flue gases from coal fired power stations, and we use the resulting FGD gypsum back into the value added chain as a recycled material.



Alexander Knauf: Those are precisely the two points. It looks at first as if we are interfering with nature, but we are able to turn our actions into a benefit. A renaturalised quarry is a biotope with higher species diversity than was previously present. By doing this, we want to show that it's not just a question of mining resources but of achieving lasting success by working with people and the environment.

Extract from the ongoing sustainability report (Report period 2013/14, Page 3).

6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step

To control more intensively product sustainability as it extends into the supply chain, manufacturer Knauf and its raw material and material suppliers will work that much more closely. As one of the operative fields of our sustainability strategy, we intend both to ensure job safety and environmental protection in the supply chain and press ahead with collective research into products which serve sustainability.

This is supported by the corporate governance for suppliers which was drafted and published in 2015 (www.knauf.de/lieferantenkodex).

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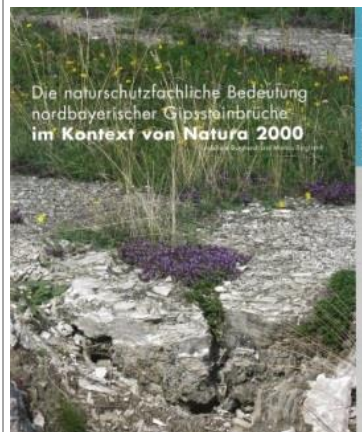
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7. Exploring the potential for cooperation with scientific institutions, non-governmental organizations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-à-vis the biodiversity domain

Knauf has always had close, above-board contacts to regional nature conservation associations, authorities and universities. They include regular field trips for their representatives and joint publications.



Field trip in northern Bavaria in 2015 with representatives of the regional technical authorities and nature conservation associations



Technical publication on the significance of gypsum quarries in the context of Natura 2000

In view of the pilot character of the Franconia alliance with the Bavarian Birdguard Association (LBV), Knauf Gips KG considers that this alliance has a major role to play.

The close cooperation in Lower Franconia has proved its worth and similar cooperative forms are recommended at other sites. At least the realisation from this pilot project - namely that communicating early on and being frank can stop conflicts or defuse them - is being applied and effectively implemented at other sites. Such was the case, for instance, at Uehrde in the Harz in 2015. However, it needs to be stressed that only regionally adapted solutions lead to goals being realized. At the end of the day, the "local chemistry must be just right".

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Example: Nature conservation at the Uehrde quarry:

Under the approval procedure for extending the Uehrde gypsum quarry (near Osterode, Lower Saxony), practicable concepts for advanced compensating measures were prepared in cooperation with the local nature conservation organizations (photo: sheep grazing on compensating areas). This was made possible by a mutual, non-prejudiced approach and respect for the situation of the other party.



Example: Environmental education in the LBV bats house:

The environmental education programme of the bats house opened in the spring of 2016 (in Hellmitzheim, Bavaria) deals with both the bats theme and the "Quarry habitat". This "Education for sustainability" as part of out-of-school project days is jointly financed by Knauf. Access to the local Knauf quarries turns it into something to be experienced.

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Example: Nature trail on renaturing quarries:

Together with the "Landesbund für Vogelschutz" an informative nature trail has been realized for the renatured quarry at Markt Nordheim (Bavaria). Six boards along the attractive trail provide information as to how gypsum formed millions of years ago, how quarries are today renatured and what an immense variety of species they can house.

Knauf Gips KG (www.knauf.de)

Knauf Gips KG, a Knauf Group company, specialises in systems for dry wall construction and floors, plaster and façades. Knauf drywall systems are a synonym for efficient sound/thermal insulation and fire protection at floors, walls and ceilings. On the floor Knauf flowing and levelling screeds ensure rapid building progress. Brand classics such as Rotband, MP75, SM700 and Rotkalk, rank among Knauf's plasters. On the façade the WARM-WAND thermal insulating composite systems stand for energy efficiency.

Knauf Group (www.knauf.com, www.knauf-deutschland.de)

Across the world, Knauf building systems simplify both planning/building and provide all-in solutions and quality assurance. Knauf is represented on the German market by Knauf AMF (ceiling systems), Knauf Aquapanel (cement-based plasterboards, interior insulation, perlite), Knauf Bauprodukte (professional solutions for the home), Knauf Gips (dry wall construction, floor, plaster and façade systems), Knauf Insulation (insulating materials of rock wool, glass wool wood wool), Knauf Integral (gypsum fibre technology for floors, walls and ceilings), Knauf PFT (mechanical engineering, plant construction), Knauf Design (surface technology), Marbos (special building materials for composite plaster constructions), Richter System (dry wall designs) and Sakret Bausysteme (dry mortar for new building work and redevelopment).



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