



Progress report on the leadership declaration of the 'Biodiversity in Good Company' initiative

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Leadership declaration

The undersigned acknowledge and support the three goals of the international “Convention on biological diversity”:

- Conservation of biodiversity
- Sustainable use of its components
- Fair and equitable sharing of benefits arising from genetic resources

and commit to:

1. analysing the effects of company activities on biodiversity;
2. incorporating protection of biodiversity and sustainable use into the environmental management system;
3. setting up a responsible position within the company that guides all activities in the area of biodiversity and reports to management;
4. specifying measurable and realistic objectives for improved protection of biodiversity and sustainable use thereof, which are reviewed and adjusted every two to three years;
5. publishing all activities and successes in the area of biodiversity in the annual report, environmental report or sustainability report;
6. informing suppliers about their biodiversity objectives and integrating them in a step-by-step manner;
7. exploring collaborations with potential partners such as nature conservation organisations, scientific or governmental institutions in order to deepen their expertise and further develop the management system.

As evidence of ongoing commitment, a progress report will be presented to the initiative every two years.

These progress reports will be published on the ‘Biodiversity in Good Company’ initiative’s website <https://www.business-and-biodiversity.de>

News from the company



STAEDTLER is the largest European manufacturer of wood-cased pencils, universal pens, erasers, mechanical pencil leads and modelling clay and is also the world market leader for industrial modelling clay.

The focus of STAEDTLER's sustainability development is on the renewable raw material wood, which is an essential component of coloured pencils and graphite pencils: *"Wood is the very heart of our wood-cased pencils and is therefore essential for STAEDTLER. Consequently it is self-evident for us to ensure the sustainable production of this raw material"* (managing director Axel Marx)

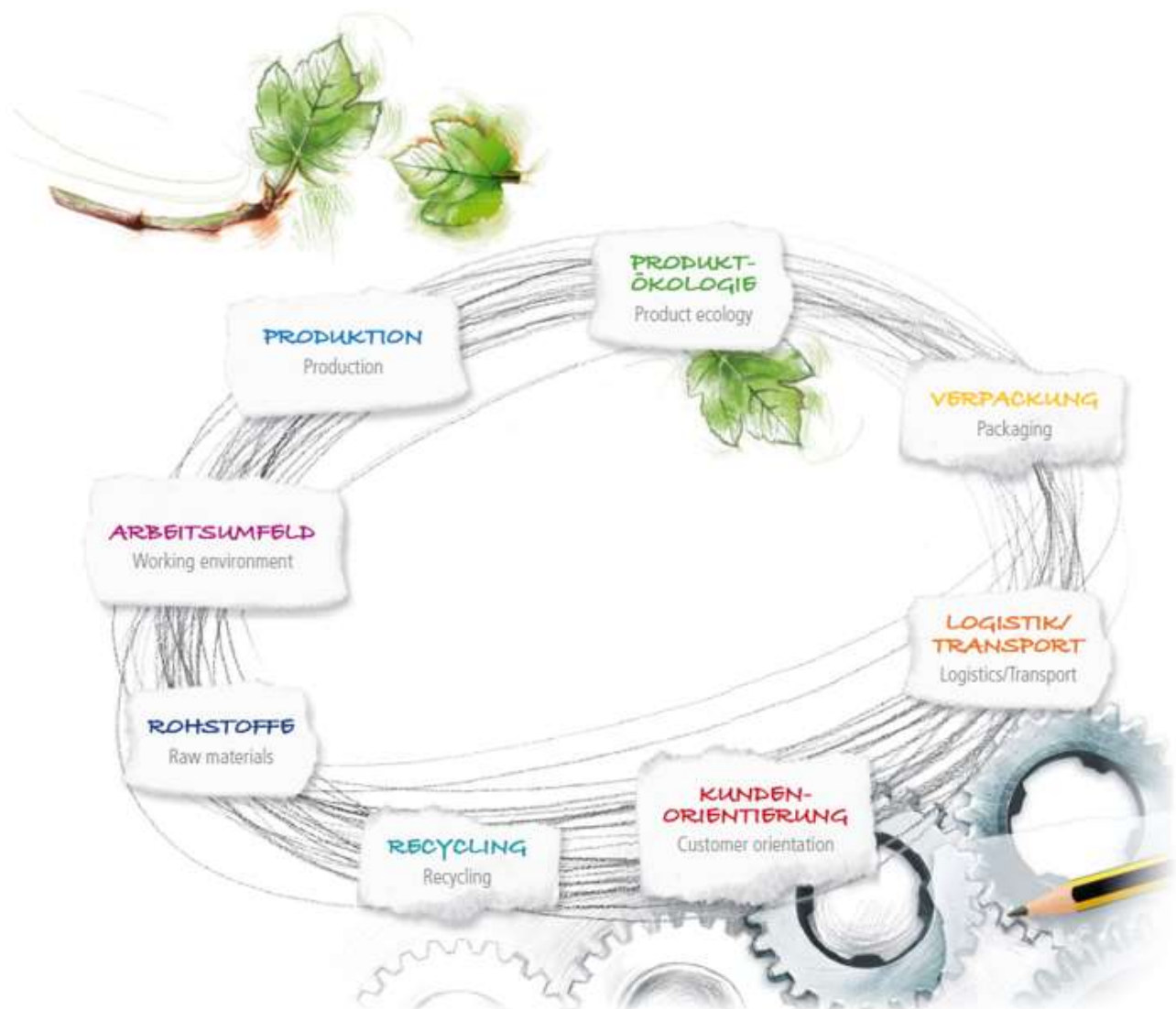
Accordingly, only wood from sustainable forestry is used to manufacture all wood-cased pencils. Safeguarding resources over the long term as well as the company's own production, in addition to the consideration of the supply chain from ecological points of view are of great importance for the company.

The raw material wood is therefore STAEDTLER's starting point for its commitment to maintain biodiversity.

1. Analysis of the effects of company activities on biodiversity

STAEDTLER acts ecologically AND efficiently at the same time!

We have adopted the ambitious standard of producing products that not only are especially environmentally-friendly, but which impress and convince through their longevity and high user benefit. We call this perfect interaction between ecology and efficiency: efficient for ecology by STAEDTLER and it encompasses the entire ecological value-added chain.



For the first progress report, the emphasis was placed on the following areas from the perspective of ‘efficient for ecology’:

- Development and raw material exploration
- The raw material wood
- Our own analysis

2.1. Development and raw material exploration

The impacts on the environment and biodiversity are identified as part of “research and development” in the context of projects. The selection of the raw materials used takes account of the aspects of ecology and efficiency, for example:

- Use of water-based lacquers for STAEDTLER ergo soft pencils
- Natural substances and materials for graphite and coloured leads
- Mechanical pencil leads based on natural substances
- Use of synthetic materials that are safe for the environment, such as polyolefin (PE, PP)

We are also inspired by nature when developing products and technologies:

A·B·S



STAEDTLER was the first manufacturer to develop a coloured pencil lead with the Anti-Break-System (A·B·S), especially designed for the special needs of children. The richly coloured, high quality lead core in our coloured pencils with A·B·S is surrounded by a unique white protective coating. It is so hard and resistant that it increases the break resistance of the coloured lead and makes the pencil more stable.

DRY SAFE



The user has two essential requirements on ink writing instruments: on the one hand the ink should dry as quickly as possible on the paper, and on the other hand the pen shouldn’t dry up right away – even if one forgets to put the cap back on from time to time. For the solution to this problem, we again looked to nature or, more specifically, botany where numerous examples of a protective mechanism against drying out can be found. Fruits, such as apples or lemons, as well as the leaves of plants protect themselves from drying out by forming a layer of wax. We could apply precisely this principle to many of our products through the development of the DRY SAFE feature, thereby prolonging their lifespan many times over. Thanks to this development, our pens can be left open for days without drying out.

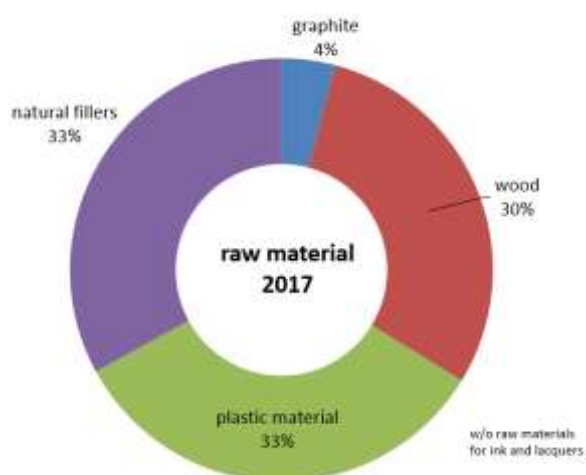
Plastic materials

As part of a project in 2018 we analysed the extent to which the plastic materials we use for products and packaging can be replaced by recycling materials and bioplastics.

The inventory analysis showed that plastic materials make up approx. 1/3 of the raw materials used in production (see figure).

The following measures are being pursued:

- Use of recyclable PP (75%) for selected products by 2020
- Initiation of the technical concept: “Sustainable cardboard material”
- Conversion to PET blister packs (gradual)



2.2. The raw material wood

The raw material wood is especially important to us.

Only wood from certified sustainably managed forestry is used to manufacture all wood-cased pencils. To date, STAEDTLER has sourced its wood exclusively via suppliers. *“To make ourselves more independent from suppliers in future and to increase the depth of our added value, it’s an obvious step to invest in our own plantation”*, says Director Axel Marx.

For this purpose, STAEDTLER hired an experienced forester who identified and tested suitable woods for use in pencils in a complex project. Among other things, European forestry ministries were contacted to obtain relevant inventory data.

In 2016 the result of the project was presented to the management and approved, and is now being gradually implemented.

2.3. Our own analysis

Many of our products are used by children and are regarded as toys. As a company that operates internationally, we take this responsibility very seriously.

In the procurement of raw materials, we set high standards: They must conform to international guidelines as well as the strict European guidelines, and thus often go beyond what is required in many countries. This includes deliberate selection of our suppliers and the related inspection upon receipt of goods and quality control. Our internal analytics constantly invest in new technologies and devices in order to ensure that we promptly identify possible variations in raw materials and can take appropriate countermeasures.

2. Inclusion of biodiversity and sustainable use in the environmental management system

As a company, STAEDTLER aligns its activity with the basic principles of sustainable activity, i.e. economically, ecologically and socially. Implementing this is of high priority at all levels and in all areas of our company, above and beyond the minimum legal requirements.

The management of STAEDTLER Noris GmbH specifies the future direction of the company in a medium-term strategy that covers a period of five years and is reviewed and updated at least every two years. This medium-term strategy also includes the quality strategy and environmental strategy.

The management analyses the position of the company in global markets and societies, as well as its strengths and weaknesses. Opportunities and risks for the future business development are derived and evaluated on the basis of the acquired data. The results of the evaluation flow into the company strategy.

In the context of the integrated management system, the management has specified a quality policy as well as an environmental policy.

The environmental policy is regularly reviewed and contains the following priorities:

- Protection of the environment by preventing or reducing detrimental impacts on the environment
- Orientation towards basic principles of European environmental policy and the German federal government's energy concept (with defined environmental goals)
- Provision of environmental data to interested parties.
- Compliance with the binding obligations, especially the applicable legal obligations.
- Continuous improvement of our environmental performance.

The subject of sustainability is reflected in the two passages

- Wood as our central raw material is from sustainable forestry and is PEFC and/or FSC certified.
- Protection of biodiversity during wood cultivation in our own plantations.

To achieve the environmental goals, an annual budget as a percentage of STAEDTLER Noris GmbH's total investment volume is reserved for environmental expenditures and measures.

2.1. Self-directed wood cultivation

With a plantation of its own, STAEDTLER is taking a further step in the direction of sustainability.

From the selection of the tree species based on ecological and economic criteria, to the cultivation conditions under strict environmental standards, taking account of flora and fauna that are present, and direct further processing of the wood, the company is taking charge of the cultivation of the wood as well as the production of small wooden slats for pencil manufacturing.

After a thorough search, the company found the suitable conditions for its own plantation in the South American country of Ecuador.



The tree to be cultivated is from the genus *Gmelina*, of the family Labiatae, which grows very fast, does not have to be impregnated and is of very high quality.

In coming years, former pastures (approx. 1,500 hectares) will be gradually reforested. At the beginning of 2018, the first section (210 hectares) was planted. On this plot (a total of 238 hectares), there are several streams as well as natural ravines and steep slopes. These act as the basis for a nature reserve for maintaining and developing the local biodiversity.



In the meantime, an additional plot of over 300 hectares has been acquired. It will be planted at the beginning of 2019.

The first trees will be harvested in about six years and in this period STAEDTLER will arrange for the area to be certified to recognised forestry certification standards, thus guaranteeing ecologically responsible forest management. In 2018 the initial discussions took place and a schedule was created.

By means of the gradual expansion of the cultivated areas, we will ensure that both during and after the wood harvest, appropriate buffer areas remain that will be successively reforested.

In the next ten years, STAEDTLER wants to invest a total of at least seven million Euro in the project. In the medium term, the STAEDTLER plantation in Ecuador should cover 35 to 40 percent of the company's wood requirement. Then the manufacturing sites in Germany, Indonesia and Thailand will be served from the plantation.

A positive ecological consequence of having its own plantation is that by having its own trees STAEDTLER will improve its CO₂ footprint and simultaneously contribute to sustainable forestry in Ecuador.

Currently STAEDTLER is gaining a lot of experience in Ecuador and using contacts to local authorities and the environment ministry. For the subsequent areas, the goal is to obtain an assessment of the biodiversity in all stages of development.

2.2. Responsibility

As a globally active company, our business behaviour is characterised by awareness of responsibility and binding principles regarding customers, business partners and employees. We therefore are committed to lawful and compliant behaviour that forms the context for STAEDTLER's economic and social activity in order to create sustainable value.

Social Charter

STAEDTLER is committed to social responsibility and the protection of workers' rights and human rights internationally.



By signing the **STAEDTLER Social Charter** on 10 November 2006, together with IG Metall and Bau- und Holzarbeiter-Internationale, BHI, a corresponding internationally valid declaration was agreed to, under which, for the first time in the German writing and drawing instruments industry, compliance with the globally applicable principles was included in the target agreements of all directors of the foreign subsidiaries.

Compliance with the obligations is regularly reviewed by means of external and internal audits.

Code of conduct

The STAEDTLER code of conduct is a binding internal standard based on applicable law, which makes the company principles concrete and helps STAEDTLER employees to follow and better implement these principles. The code of conduct is constantly updated and adapted to changing economic and legal conditions. However, the code of conduct is not just a collection of rules and guidelines for legally-compliant behaviour in daily work. Beyond this, for the first time, it offers all employees the opportunity to resort confidently to a compliance committee, particularly in doubtful cases. These two essential components – a system of rules and a compliance committee – grant quality to this code of conduct.

In addition, STAEDTLER initiates and promotes projects that promise a more fair and liveable future.

World Kids Colouring Day

On World Kids Colouring Day on 6 May, we call for continued emphasis on using pencil and paper.

In addition, with the motto, “Children paint for other children in need”, we want to fulfil our social responsibility. The youngest are especially close to our hearts. Therefore, for each picture submitted, STAEDTLER contributes to a child relief organisation.

Colour Your Moments

The declared goal of this initiative: Establishing drawing for adults as a solid pillar of workplace health promotion.

Integration projects - living integration - shaping the future together!

Since February 2012, STAEDTLER supports the city of Nuremberg’s project Noris Nuremberg Inclusion (previously Workshop for the Disabled) and offers about 20 employees an external workplace at STAEDTLER in the manual-packing-department.

In the Sugenheim branch, STAEDTLER has collaborated with the Westmittelfränkische Lebenshilfe since 2008.





3. Establishment of a responsible entity within the company, which directs all activities regarding biodiversity and reports to management

Since 2014, the Sustainability, Environmental Management and Product Safety department has been defined as a separate unit and reports directly to the management.

The department's staffing was increased in 2017. Sustainability and biodiversity are anchored in the company by means of the integrated management system, regular internal audits, trainings and continuous meetings with the international departments.

The objectives for sustainability management which are agreed upon with each department are managed via the environmental programme. The results are reported annually to senior management in the form of a management review.

4. Specification of measurable and realistic goals for improved protection of biodiversity and its sustainable use, which are reviewed and adjusted every two to three years

The company's future sustainability and environmental goals are discussed in regular meetings with the departments and recorded in the environmental programme.

In the annual budget planning for the STAEDTLER-Noris Group, the investment-relevant objectives are evaluated according to various criteria. Then an approval by the management follows.

One of the criteria is the environmental impact, focussing on reducing energy consumption along with the associated reduction of CO₂ emissions.

In the past three years more than 50 packages of actions have been tracked by means of the environmental programme. Deadlines and responsibilities are assigned to all actions:

Excerpt from 2016-2018 (completed actions)

Environmental goal	Actions
Intensifying environmental themes in Continual Improvement Process 'KVP' (site D)	Special actions (energy, refuse, etc.) for sensitising employees
Use of wood chips (Neumarkt site)	Optimisation and start-up of the new heating installation for heat generation
Determining environmental performance of (sub-)suppliers	Requesting environmental information, supplier discussions and (as needed) audits of relevant suppliers, including documentation in SRM
Reduction of packaging waste - internal transport	Internal transport generates packaging waste. Site-specific determination of degree of impact and determination of key figures
Reduce solvent consumption for cleaning	Use of distillate for cleaning machines; reduce disposal costs of solvents



Electricity demand - renewable energy (Nuremberg site)	Concept (including cost/benefit analysis) for using renewable energy Use of roofs and/or parking areas for photovoltaic power generation
Reduce energy demand for gas for casino (Nuremberg site)	Roof renovation including greening
Sustainable packaging	Concept and partial implementation: Reduction of packaging volume, recycled content, PEFC, FSC
Reducing electricity demand with LEDs (site D)	Use of LEDs as part of renovating lamps
Prevention and use of waste heat from the extrusion and mixing process	Extrusion processes / mass preparation Project with external service provider
Energetic building renovation (Neumarkt site)	Facade, windows
Detailing energy data collection (various sites worldwide)	Detailed recording of users including performance data (connection values); determination of savings potential; measures for energy measurement
Optimisation of heating systems (Sugenheim site)	Concept for insulation of new heating-cooling-mixers / energetic observation
Use of heat from processes	Concepts and implementation: Use of waste heat for heating buildings
Sustainable packaging	Concept – STAEDTLER packaging from more sustainable materials (recycling materials, PET) and/or with thinner wall thickness (resource conservation)
New construction of energy-efficient buildings (Indonesia site)	Use of an infrared filter system

Pending in 2019, in addition to further expansion of the plantation in Ecuador, are a photovoltaic system at the Nuremberg site including a charging station for electric vehicles as well as concepts for creating nature-friendly gardening on our sites in Germany.

5. Publication of all activities and successes in the area of biodiversity in the annual report, environmental report or sustainability report

The results in the area of sustainability and biodiversity were previously only communicated in selective publications in the trade press and in the published consolidated financial statements. In these publications, STAEDTLER regularly addresses the subjects of health protection, environmental protection and compliance with the Social Charter.

The establishment and expansion of the plantation in Ecuador is also reported there. Since 2017, the biological assets (tree seedlings) were reported for the first time.

In 2019, STAEDTLER will focus more on the future orientation in regard to sustainability and create its first sustainability report, in which it will go into detail on activities and successes.



6. Notification and inclusion of suppliers regarding the biodiversity goals of STAEDTLER Mars GmbH & Co KG

Purchasing procures international goods and services on economic conditions, taking account of the 'total cost of ownership' with the least possible risk, and uses the entire potential for increasing the value of company activities. Purchasing cultivates good partnering relationships to guarantee a high security for supply, uses possible contributions to optimise the supply chain and supports all neighbouring departments with information.

The performance of the suppliers is recorded and evaluated in the specially installed system SRM (supplier relationship management).

When selecting suppliers and approving the products, the following aspects (among others) are taken into account:

- Agreement with the criteria from the Social Charter (signature)
- Ensuring the quality requirements
- Complying with the environmental goals
- Risks in the supply chain

For the most important suppliers, supplier dossiers are requested by Purchasing and updated accordingly. In them, inquiries are also made regarding the environmental services, which are then documented.

One goal for 2019 is to integrate the environmental certification of the relevant suppliers in the STAEDTLER supplier management system as well as incorporating the subject of biodiversity in discussions with suppliers.

7. Exploring collaborations with potential partners such as conservation organisations, scientific or governmental institutions, in order to deepen specialist knowledge in dialog with them and to further develop the management system.

STAEDTLER is engaged in numerous collaborations and partnerships.

In addition to industry-specific contacts and joining the 'Biodiversity in Good Company' initiative, STAEDTLER is also a member of:



Das Zeichen für verantwortungsvollen Waldernterhalt
FSC® C00133

FSC®



Verband für Nachhaltigkeits- und Umweltmanagement e.V. – VNU
(The Association for Sustainability and Environmental Management)



PEFC



B.A.U.M. e.V.

In 2019, as part of a collaboration with the Heinz-Sielmann-Stiftung (HSS, Heinz Sielman Foundation), STAEDTLER will intensify activities related to the subject of a “nature-oriented company campus” at the sites in Germany.

The plantation activities are accompanied by local authorities and the environmental ministry in Ecuador. STAEDTLER will have an external partner determine the CO₂ storage by the plantation.