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Statement from the CEO

Schur has a history of responsible business conduct. We strongly believe that real business success is not just about profits measured in figures, but also about how those numbers are achieved. Our CSR project reflects our commitment to sustainable business practices and balancing responsibility alongside growth and productivity.

Since our founding we have placed the customers at the heart of our business, allowing us to deliver value to the customers in Denmark and abroad through our core competences in the packaging market. Like previous years, we are further developing this customer-focused approach in order to achieve shared value and further growth to both parties.

The packaging business is very competitive and many competitors are closing down, but Schur has survived and is today one of the largest packaging companies in Northern Europe. With our success has come responsibility and hence our commitment to benefiting the stakeholders we work with by focusing on the 3 P's; People, Planet and Profit.

For the first time, we have made a follow up report by publishing this Corporate Social Responsibility Report on our website for the period 2010/2011 to provide an insight into our activities. In this report we highlight our main achievements during the year, and in this way keep you updated on our latest initiatives.

I hope you will enjoy reading the report.

Hans Schur
CEO and owner of Schur



Hans Schur

About this Report

We are pleased to present this year's Corporate Social Responsibility (CSR) report. The report gives an overall view of our internal and external CSR activities in the reporting year 2010/2011 (1 November 2010 – 30 October 2011).

CSR has to do with making a difference to the internal as well as the external environment, including the measures we have taken, the results achieved and planned to achieve in future. From an overall point of view this is about giving our small contribution to ensure that people and climate are not in a worse condition than before we started. In this connection special focus will be on the 4 parameters we have chosen to work with, because in this way we believe that we can make the most significant difference as a production company in the packaging business.

As stated in our CSR policy from last year we have defined 2 long-term main focus areas. They have been divided into 4 sub-categories, which we want to work with in the coming years.

They read as follows:

External environment:

- Energy: Reduction of consumption of fossil based energy (for production and heating)
- Waste: Reduction of waste

Working environment:

- Safety: Measured in number of working accidents
- Health: Measured in number of sick days



Delimitation:

Behind this report lies comprehensive work compiling information from the subsidiary companies. Apart from this, lots of data are based on reports from external parties like Green Network (external environment), Crecea (working environment) and other official cooperating partners. The CSR report has not been verified by a third party, but nevertheless the report is very valid due to the comprehensive statistical background material.

We collect data from all production companies, but considering the fact that we have 16 production locations we will not report on each individual unit because this will generate an immensely detailed report. During the process, however, we will refer to different initiatives taken by the individual companies in the endeavor to move in the right direction.

As will appear from the report we work in many areas, and initially we have chosen not to report according to a general standard, because we want freedom to work with the specific key figures which makes sense to us, i.e. to focus on fewer action areas.

Suppliers:

Even though we do not follow-up systematically on our suppliers' actions, we have demanded a statement from our paper suppliers in connection with the media discussion concerning transfer of fluor connections from packaging to food, confirming that their material does not transfer substances cf. the regulation (EC) No. 1935/2004 (materials and articles intended to come into contact with food and regulation (EC)) and No. 2023/2006 (on good manufacturing practice for materials and articles intended to come into contact with food).

Schur has taken this into account by being certified by BRC (British Retailer Consortium) and HACCP (Hazard Analysis and Critical Control Points), which we also know our food customers expect from us. In addition we perform risk assessments of the complete production process and associated relations (e.g. external craftsmen) and the employees involved have attended internal training/workshops.





CSR Focus and Activities

A sustainable attitude (external environment)

Energy:

Last year we announced that our main focus area would be energy, because as a production company this will be the area where we can make the biggest difference to our surroundings. Therefore, we have put a lot of effort into improvement of this area.

A number of concrete projects have been started. As described before we believe that “you must learn to crawl before you can walk” and therefore, we have primarily started systematically in the Danish companies, but we also have a number of projects in the foreign companies. The plan is on the one hand to save energy and on the other hand to ensure a certain quantity of the energy consumed has to come from sustainable energy. As one of the climate partners of the energy group DONG we have received valuable assistance in both areas. Based on the results from a screening report issued in 2011 we have chosen the areas to work with initially. It is areas where we can save energy without losing productivity and with a sensible payback period.

In relation to sustainable energy we have bought RECS certificates via DONG as a concrete proof that we invest in fossil free energy through co-financing wind power from the wind farm at Horns Rev.

As mentioned previously most of the Danish Schur activities are gathered in Horsens and therefore, a major effort has been concentrated here. In our subsidiary Schur Pack Denmark a/s (cardboard) focus has been put on the exterior as well as the interior. At first we have worked with the production buildings because they are easily accessible and do not involve interference with the actual production. Specific focus has been on the ventilation and exhaust systems, calorifiers and change of pumps.

Our plant in Kolding, Schur Flexible Denmark a/s (flexible), has also been most relevant for our focus as it is very energy-intensive. This plant extrudes foil and requires a lot of heat and is therefore very energy demanding. Schur Flexible Denmark is part of the industry network “Green Network” which works with four CSR dimensions comprising environment, working environment, social commitment and health. Green Network issues an annual “Green Report” which provides a further insight in the status on energy consumption. The main area for the company is loss of heat through the roof and therefore, phased repairs have been initiated. In this connection a major part of the ceiling has been insulated with 230 mm Rockwool (insulation material).

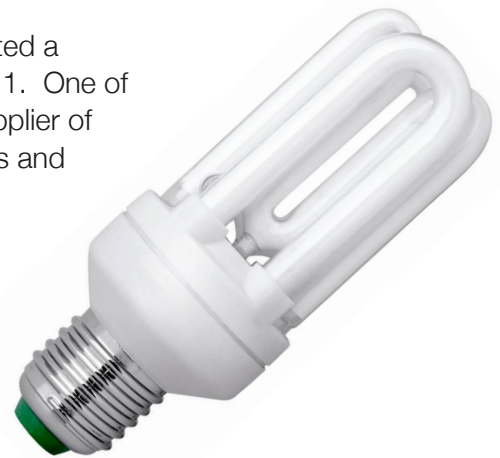
Apart from starting the above activities in the Danish companies we have initiated activities in our German subsidiary in Flensburg, Schur Flexible Germany GmbH (flexible production). Among other things, this involves sealing up of the roof including new windows to reduce the loss of heat.

In Schur Pack Germany GmbH (carton) they have also been busy; to mention some of the projects they have started up the following:

- Switching off of the ventilation system (hot and cold air) during the weekends for 18 hours
- Installation of frequency control at the central compressed air supply
- Renovation of ventilation system (hot and cold air) in the printing department
- Replacement of the old air conditioning unit in the pre-printing department (CtP)
- Reduction of the isopropyl alcohol consumption in the printing department from 4.5% to 2% via special water additions

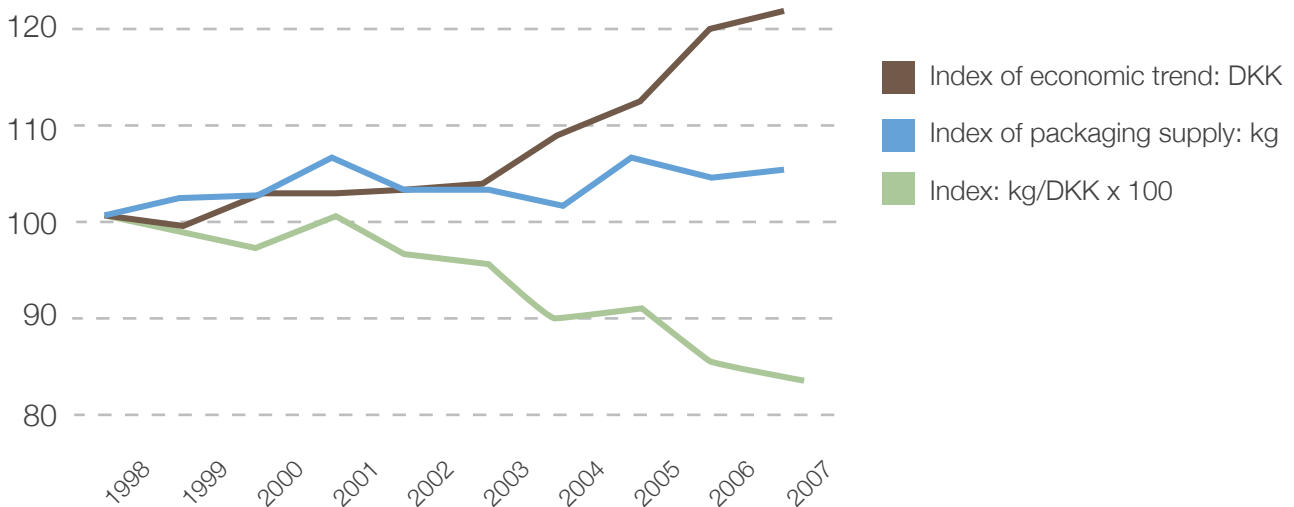
In order to draw the attention to the CO2 emission we have hosted a customer event together with Jyske Bank on 21 September 2011. One of the subjects during this event was electric cars. The external supplier of electric cars, ChoosEV (www.choosEV.com), presented their cars and the participants were offered a test drive.

Conclusion on the energy consumption during the financial year (see table in the back). In several places the energy consumption has actually increased. However, this is due to a general increase in productivity which in spite of the saving measures has resulted in extra consumption.



Waste:

As described in last year's report the goal is to find the balance between using too much and too little packaging respectively. In the packaging industry in general and especially in Schur the endeavor is to lower the quantity of packaging per unit. The development in the period from 1998 to 2007 has been examined by the packaging industry and the figures show clearly in the curve "Index kg/DKK" that a smaller quantity of packaging is required per DKK (activity). The consumption of packaging per DKK has decreased to 0.7 gram. This indicates that the goods are packaged more effectively.



(Danish Environmental Protection Agency 2009)

Part of the explanation to this is also the change towards lighter material such as paper, cardboard and plastic. A contributory factor is probably the new demands in the EU packaging directive describing the most essential demands on health, safety and environment; demands which the packaging must fulfil in order to enter the market. In this connection 6 harmonised CEN standards have been made and adopted.

The main focus in the standards is reduction of environmental impact of packaging and packaging waste. Having said that, however, the waste problem is still a major issue when talking about packaging. Each Dane generates an average of 180 kg waste per year (source: the Packaging Industry) and this is a very considerable quantity. Due to this fact the waste area is the second item under external environment which we have chosen to focus on in Schur. Also in this area many Schur companies have taken good initiatives, e.g. the efforts are on sorting, recycling, conversion, etc.

A wonderful vision would be that all our packaging was sourced responsibly, designed to be effective and safe throughout its life cycle, meets market criteria for performance and cost, is made entirely using renewable energy, and once used, is recycled efficiently to provide a valuable source for subsequent generations. In summary: a true closed loop system for all our packaging materials. However, there are several reasons why this vision is not realistic right here and now. One reason is the many diversified demands on packaging depending on which perspective you take cf. the following:

- The producer wants packaging which protects the goods, has a good design for marketing, is innovative and cheap
- The forwarding agent wants packaging which is easy to stack and pack, easy and safe to transport
- The shop wants packaging, which is easy to handle, easy to remove, provides long durability, is cheap
- The consumer wants packaging, which is easy to read, easy to open, close and empty, easy to remove
- The nongovernmental organisations (NGOs) want user-friendliness, minimum environmental impact, minimum quantity of waste
- The Folketing (Danish Parliament) has focus on packaging taxes, reuse/recycling, utilisation ...

The packaging must balance between a huge number of considerations and expectations at the same time. One of the recurring subjects within packaging, in which the NGOs put a lot of emphasis, is over-packaging (superfluous packaging). It is understandable, but when is an article over-packed? Too little or insufficient packaging can lead to damage of the goods or waste of food due to lack of protection or durability. In other words the key is to find the right balance.

The packaging area is very regulated, e.g. there is a packaging directive with focus on minimisation, limits for heavy metals, standards for removal, etc. – Schur respects all these elements and in many cases we go one step further. Schur's cardboard products can at all times be disposed of through energy recovery (= incineration) or material recovery (= paper collection).

As a supplier to the party marketing the packaging, it is our customers' obligation to live up to the packaging directive. Based on our 1st value "Familializing our customers" we see it as our job to advise the customer on what is suitable both with respect to the environment and from a financial point of view; here we often recommend a reduction of the use of material. It is important to understand that as an order-producing and innovative company, we do not have "off-the-shelf articles". We are in dialogue with the customer each time as to what is the most optimal in order to include as many considerations as possible.

Schur also respects the European chemical legislation (REACH). In this connection we have collected documentation from all our suppliers concerning REACH compliance. In addition to this, we do not import chemicals ourselves.

As a supplier of packaging for foods we are subject to “the Directive of materials and objects with the appertaining regulations”, etc., so this is another component in our very regulated everyday which keeps us focused on living up to the required standards.

In Schur Technology a/s (machinery) much effort is made to sort the waste; e.g. paper, plastic, metal, electronic components, cable waste, etc. – this is important in relation to future reuse of the materials. The attention is also focused on marking of ink residues and cleaning fluids in order to secure removal as chemical waste.

In our American subsidiary, Schur Packaging Systems Inc., they have an agent who takes care of the waste produced and transforms it into pellets used for fuel.

In Schur Pack Denmark a/s (cardboard) the Creative Team has a software program for optimization of the use of the cardboard. The program fits as many objects into a piece of cardboard as possible in order to reduce waste.

In Schur Flexible Denmark a/s (flexible) they have purchased a recycling unit which facilitates internal regeneration and recycling of the waste. Depending on the fluctuating world market price of the raw materials they decide whether to use this unit or to sell the material to an external buyer (Trioplast – an eco-conscious player within the plastic business) which uses the material in their process – in both cases the material is reused!

In Schur Pack Germany GmbH they have entered the digital ball game and have been able to eliminate the following procedures permanently:

- Filing of hardcopy invoices
- Printing delivery notes to write outgoing invoices
- Writing manual production feedbacks on the die-cutting machines -> Shopfloor



Health / Working Accidents

In relation to the internal environment we have worked with the two sub-areas health and working accidents as planned. Sometimes it can be difficult to separate the two areas from each other, because a working accident may lead to subsequent absence due to illness. However, this has not prevented us from working and reporting from both fronts.

Health/absence due to illness:

Being a production company Schur has to keep focus on the physical working environment especially in the production areas. The paradox is that the body on the one hand needs activity in order to function best possible. On the other hand

RSI (Repetitive Strain Injury in muscles and skeleton) is sometimes the result due to lack of variation in the working process. In order to avoid RSI Schur Pack Denmark a/s has introduced robots to reduce the strain on the employees, and courses in ergonomics have been completed in connection with separating the blanks.



The financial crisis and the rising competition (especially from low-wage countries) have also affected the Schur companies. This has led to a reduction especially of the blue collar-workers and consequently, increased the work load on the remaining employees. The increased work load together with many years of hard labour has caused problems with the musculoskeletal system for some of the employees in our production environment. In order to assume social responsibility Schur has chosen to enter into flexible (reduced-hours) employment agreements which provide a possibility to plan the job tasks to fit the individual worker's capabilities.

We conduct absentee interviews when people are absent due to long-term illness (defined as more than 20 days). Here we identify the status including when the employee (and their physician) think they can return to the job. When dealing with long-term illness we are very much aware of the fact that for all parties concerned (employee, society and employer) a quick return to the labour market is of utmost significance – naturally subject to duly consideration of the employee's health. Therefore, such employees often start up part-time and slowly increase to full-time.

When the physical working environment is under pressure there is also a tendency to see an effect on the psychological environment. We are aware that in general there is a risk that the culture moves in the direction of the individual (egoistic) focus which we prefer to avoid, because this means a lot of extra attention to ensure the well-being of the individual employee and the company's productivity. Consequently, one of the first initiatives to prevent this situation has been to issue a bullying policy in one of the companies.

Many of the Danish Schur companies have taken different initiatives to maintain and improve the general physical and mental health among the employees. Among others, fruit scheme, nicotine replacement therapy, massage, individual psychological counselling, health checks, contribution to public swimming pool and fitness. In order to strengthen the social spirit many subsidiaries have started sports and staff clubs and art societies.

As a counterbalance to the constant struggle for the productivity-enhancing measures many subsidiaries have made small events to celebrate successes (e.g. production goals achieved) in order to strengthen the co-operative spirit. An example is a hot dog stand placed in front of Schur Pack Denmark a/s in Horsens. This brought about an amusing time-out in the middle of the working day.

Working accidents:

We often see that accidents happen because a busy everyday life tempts you to skip security because it appears easier and quicker. The increased speed makes you more inclined to take chances and choose the “easy” solution, which often equals the most dangerous solution. If this happens often, you get used to living with the risk. We believe that most accidents do not happen by chance; they happen because other circumstances fail. Among other things, management in Schur must ensure that the correct tools are present, the work is organised and planned, remember to follow-up, and the employees respect what they have learned about security.

How do we actually work with the working accidents

We follow up yearly by looking at the number of working accidents or if the employees have drawn our attention to circumstances or situations with potential danger. This means that we register nearby accidents, inform about them and discuss them in the working environment committee. We follow up on conditions that might be typical for our companies and find a way to handle such situations. We pay special attention to conditions like falling, stumbling, items falling down, use of tools and machines or contact with electricity.

We also believe that it is important to put focus on the efforts in this area and therefore, we have a display in the production environment showing the last time we had an accident.

We pay attention to the fact that changes happen during time with regard to planning and execution of job tasks. Did the employees receive proper instructions and do they behave in a safe manner during the daily work? Do our tools and procedures work? Are the employees involved in the prevention of accidents – including planning and execution of the work? Do management and employees support each other? Do we check if what we do and agreed to do – actually work? Can we make the priority of productivity and quality form a synthesis?



We do not measure directly on the key figure: rate of employee turnover as it is obvious that this figure is extremely low in Schur. The seniority is estimated in the vicinity of 12 – 14 years. We have a lot of employees with 25 years jubilee and even 40 years' jubilee is a common event in Schur for both blue- and white-collar workers. In the reception area in Schur International a/s we have two walls covered with portraits of jubilees. The reasons for staying in many years with the same company can be plentiful, but we do take the liberty of interpreting this as a sign of satisfaction with working for Schur and that it means more to them than just going to work to make money.

The connection to Schur does not stop when employees retire from work after many years. Schur supports a club of jubilees financially and this club is a major draw even after many years of retirement.

Contribution to local community:

Even though it is not a formalised strategy in line with the other CSR activities in Schur, we should like to mention that – even long before the idea of CSR was invented – Schur has contributed to the local community in Horsens, where Schur was founded approx. 165 years ago. This contribution exists even today and also includes the Schur family itself who participates actively and contributes with labour and donations.



Especially the cultural life benefits from sponsored activities like e.g. basketball and football. Another action area for Schur is Kirkens Korshær, a private, social aid organisation attached to the Danish National Church, with focus on society's most marginalized and excluded groups. Furthermore, we can mention the sponsorship of "Club Horsens & Friends", a non-profit club organising cultural events for present and future citizens in the municipality of Horsens.

Finally, we can mention that we are also a major local contributor in delivering lectures and guided tours at the factories for many different groups, e.g. classes from both basic and higher education, associations, etc. The subjects are manifold, but basically focus on what Schur can do for society and what society can do for Schur.

Future

External environment:

We should like to work further with making the sustainable way of thinking an even more integrated way of Schur's manner of running the business. We have chosen to work further with the four main focus areas because we still believe this is the way we can make the biggest difference to the environment.

Also in future the biggest initiatives will be in the energy area. This applies both to our machinery as well as the surroundings, especially our buildings. In relation to energy savings on machinery we have arranged with DONG to establish logging of our production units in Denmark and Germany in order to document and evaluate the consumption of energy and to identify the operational machinery.

Additional innovative initiatives in the technological area shall bring us in the right direction. However, we also plan to influence employee behaviour by constantly trying to create increasing reflection on a green mind-set. The plan is that the Schur headquarter initiates actions for inspiration in the subsidiaries. Many projects have been initiated recently and therefore, it is too early to say exactly how much this effort will contribute, but we expect savings up to 15-20%. It will be very exciting to follow the different projects.

In relation to minimising the impact on the environment, management has also considered other green forms of energy apart from wind power. In this connection solar heating, geothermal heat, etc. have been discussed. So far, however, we have come to the conclusion that the most environmentally friendly energy is "the energy that we do not use!" We will follow the technological development closely and expect investments in one or more additional sustainable sources of energy will be relevant in near future.

Realising that our fleet of cars also exhausts CO₂ we have discussed to invest in an electric car for the employees when running errands especially within the town of Horsens. This involves some practical considerations, i.e. possibilities of charging the car battery. This means that we have to install a charging cradle before buying the car.



Internal environment:

We have plans for new initiatives in relation to security as well. Concrete goals: fewer accidents – hopefully as close to 0 as possible, lower absence due to short-term illness – close to 2% (historical level has been more than 3%), lower absence due to long-term illness (must come under 5%). In addition we work continuously with less attrition – the employees have to experience that they feel less worn down in their everyday; significant improvement of the measures on the parameter Social Capital in NFA (National Forskningscenter for Arbejdsmiljø = The National Research Centre for the Working Environment).

The project is initiated in one of our Danish subsidiaries via a NFA questionnaire survey to map the psychological working environment and includes questions on self-estimated state of health. In addition, focus group interviews of a representative group of employees are conducted. The group will have a possibility to elaborate on the problems which are significant in the survey.

During the whole period statistics of absence due to illness and accidents are recorded and by the end of the project it will be possible to register if the required reduction has been achieved. A steering committee will be formed to evaluate on the experiences which can be used for content and form of the next steps.



To secure independence it has been agreed that the final evaluation and collection of experience from all data will be conducted by a consultant from our external working environment advisor Crecea, who has experience in evaluations. This external evaluation will give a complete picture of the project when closing. The project will be initiated in the period January 2012 to March 2012. The steering committee, which is the project coordinator, will be established with representatives from both management and employees. The actual activities will take place in the period from April 2012 to May 2013. The project will be evaluated in June 2013.

Besides being a major project, it is also unique in the way that the angle in the project has a high focus on pushing a change of culture in the direction of a focus on joint responsibility to replace the traditional working culture. Focus will be on the fact that we are all here for the same reason, but with different tasks, which are all important to the output. There will be a major focus on making it operational in order to enable the individual employee to take care of himself to a large extent when securing future health and working climate.

Conclusion:

When looking at our measures some factors have gone in the right direction and others have not. We have been successful in reducing the absence due to illness and accidents in the Danish companies. The companies abroad differ more from unit to unit and we will look further into this.

The level of energy in many of the Danish companies has been decreasing when talking about the energy consumption in the production – even though the production has been increasing. Unfortunately, this is outweighed by an additional consumption in the companies abroad, so the total result is an increase. However, this should be seen in the light that during this financial year the wheels have been rolling which has been good in respect of preservation of jobs, etc.

Subsequently, we will analyse the figures to see what can be done to optimise/turn the development in order to show an additional increase in the next financial year.

As one of the big players and well-reputed actors in the packaging business we will continue to set (high) standards in future both direct in our companies and indirect via other bodies like e.g. the packaging industry with our representation in different boards and committees working with environmental conditions in the industry.



Results

Data overview

INDICATOR	UNIT	Nov.2009- Oct. 2010	Nov. 2010- Oct. 2011
Net Turnover	DKK	1,629,528,991	1,805,863,568
EXTERNAL ENVIRONMENT			
Energy			
Energy consumption, total	MWh	62803	66331
Energy consumption Electricity DK	MWh	14339	14305
Energy consumption Fossil Fuels (heating) DK	MWh	6209	6441
Energy consumption Electricity - Abroad	MWh	27419	29402
Energy consumption Fossil Fuels (heating) - Abroad	MWh	14836	16183
Energy consumption, Flexible	MWh per kg finished product produced	0.89	0.91
Waste			
Waste (combustible) DK	Tons	239	164
Waste (combustible) Abroad		276	359
Waste per 100 kg	%	3.49	2.89
Utilization rate	%	76.7	75.5
INTERNAL ENVIRONMENT (Employee matters)			
Accidents			
DK companies	No.	13	10
Companies abroad	No.	34	30
Sick days			
DK companies	No. (excluding longterm illness)	2236	2078
DK companies	% (sick percentage)	3.06	2.66
Companies abroad	No.(including longterm illness)	8959	10798
Companies abroad	% Sick percentage (including long-term illness)	4.07	5.00

Data has been gathered to the extent it has been accessible within the boundaries of our existing systems. We will continuously seek to include more entities into the reporting of data to enable a more complete picture of the company in future reports.

Notes:**Schur companies included in the report:****Denmark:**

Schur International a/s
Schur Pack Denmark a/s
Schur Technology a/s
Schur Consumer Products a/s
Schur Packaging Systems a/s
Schur Flexible Denmark a/s

Abroad:

Schur Pack Germany GmbH
Schur Pack Sweden AB
Schur Pack Norway a/s
Schur Packaging Systems AB
Schur Packaging Systems Inc.
Schur Wamac France SAS (data to be included in future reports)
Schur Flexible Germany GmbH
Schur Flexible Poland Sp. z o.o.
Schur Flexible Benelux B.V.

Absence due to illness:

Does not include long-term absence in Denmark (defined as absence for more than 3 weeks), as we believe this would give a twisted picture of the normal state of health in Schur. The figures from abroad, however, include long-term absence because each country has its own definition of long-term absence. Therefore, you cannot compare the figures from Denmark and abroad.

Waste:

You cannot compare the figures across the divisions because they each represent both different end products and different production processes.