

Sustainability Report

2020



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Introduction

Dear Ladies and Gentlemen,

I am pleased to present to you our Sustainability Report 2020 of the SCHMIDT Group. We are looking back on a turbulent year due to the pandemic, which has brought many changes and challenges for the general society as well as for the companies. Despite this development, I am confident that the SCHMIDT Group will undoubtedly handle these difficult times and achieve its goals.



For us, safety and the maximum customer satisfaction are on a par with realizable sustainability. Already since 2015, SCHMIDT has been partially certified according to the environmental management system ISO 14001 and is therefore obliged to comply with applicable legal norms as well as certain minimum standards. We see it as our corporate responsibility to promote an environmentally friendly use of materials and an environmentally conscious handling of resources in all business areas and to reduce our CO-2 emissions.

The protection of the climate, the environment and compliance with social standards are natural corporate goals for SCHMIDT. Long-term success can only be achieved through sustainable, responsible and prudent action.

(Thomas Schmidt, CEO of the SCHMIDT Group).

1 Overview

1.1 About us

The company was founded in 1948 by Karl Schmidt and has been family-owned ever since. With more than 2,500 employees worldwide at 49 forwarding locations in Europe, Russia and the Middle East, more than 1,100 hauling units and around 7,000 bulk containers, the family-owned company has developed into one of the leading bulk logistics service providers.

The SCHMIDT Group offers its customers a comprehensive portfolio of services. In addition to transport, storage and handling of bulk materials, the range of services also includes consulting, planning, construction and operation of complete logistics centers. When implementing complex projects, our logistics experts apply their many years of know-how as well as their extensive product knowledge.

1.2 Mission, strategy, goals

According to our mission:

„Best solutions in bulk logistics“

we strive to offer all customers a service that is economical for us, taking into account, that quality and the associated customer satisfaction, health and safety at work and environmental protection are the measure of all things for us.

Derived from this, we pursue the strategy of reasonable, organic growth, which ensures the long-term preservation of the company and reconciles economy and ecology.

In addition to internally financed growth and development of the company, this means taking into account customer and legal requirements in the areas of quality management and environmental protection, ongoing certifications

and, in addition, participation in programs such as ECTA, Responsible Care, Operation Clean Sweep and Ecovadis.

This results in the short- and medium-term targets for the individual business units, which are reviewed internally on an annual basis and adjusted if necessary.

1.3 Corporate management and control

We are aware of the responsibility we bear as a link between producers and their end customers. The diverse experiences in our daily work and the resulting opportunities for improvement have led us to introduce rules of corporate management and control to which we align our actions and goals. In accordance with our mission **"Best solutions in bulk logistics"**, we want to present our actions transparently to our stakeholders and make it clear that quality and the associated customer satisfaction, sustainability, health and safety at work, and our Code of Conduct are the measure of all things for us.

Wherever possible, this involves all employees (via training courses and our Code of Conduct), suppliers (via supplier conditions), customers (quality management) and the public (CSR report, based on the GRI guidelines).

Our employees are sensitized, for example through training courses, so that

- Sustainability
- Health and safety at work
- Quality Management
- And our Code of Conduct

can be integrated by them into the daily work processes. Our internal quality management system documents for us and our customers that we maintain an effective instrument that ensures compliance with our goals and requirements. In addition, it also informs our employees about management goals, tasks, responsibilities and processes.

All employees and managers at SCHMIDT receive our Code of Conduct as orientation and guidelines, which must be observed.

- **Compliance with applicable law and internal rules**

Compliance with all applicable laws and legal regulations to be applied within the company serves as a guideline for us and our employees to act responsibly. Compliance is an inseparable part of our corporate culture.

- **Fight against corruption**

We reject any form of corruption and expect the same from our suppliers, customers and partners.

- **Conflicts of interest**

We avoid conflicts between private interests (direct, indirect or through related persons or companies) and the legitimate interests of the company. The use of company funds for any improper or unlawful purpose is not permitted.

- **Acting in accordance with reasonable commercial principles**

We act in accordance with reasonable commercial principles. This includes, for example:

- We only enter into such transactions which are for the economic benefit of the company.
- We process and settle customer orders completely and on time.
- We handle the company's financial resources prudently.
- We comply with the company's rules of procedure and statutes.
- We comply with the four-eye principle in all decisions.

- **Customer relationships**

We respect our customer relationships and strive for long-term partnerships. True to our mission and in line with our values, we are committed to always developing, offering and implementing effective and sustainable solutions for the benefit of our customers.

- **Supplier relationships**

We respect our Supplier Guide and strive for long-term partnerships. True to our mission and in line with our values, we are committed to working with our suppliers in an honest, trustful, reliable and binding manner. We expect our suppliers to adhere to the values and behavioral measures of the Supplier Guide.

- **Fair working conditions and social responsibility (CSR)**

We live up to our social responsibility and ensure that our employees worldwide work under fair, acceptable working conditions. We treat all people fairly and respectfully and strictly reject any form of discrimination. We are transparent and report on our social responsibility in our Sustainability Report. We reject child and youth work under the age of 13.

- **Safety and health**

We place the highest value on the safety and health of our employees. We adhere to the highest (certified) standards for occupational safety and ensure the appropriate training and instruction of our employees.

- **Data protection and intellectual property**

We protect the personal data of our customers and employees by complying with the respective data protection regulations and also require our suppliers, partners and employees to comply with them. We respect and protect our and our customers' intellectual property.

- **Sustainability and environmental protection**

We are committed to the sustainable and environmentally friendly use of materials and resources.

- **Fair competition**

We accept a fair competition and see it as a challenge, which we gladly accept.

The above Code of Conduct serves as a basis and is known and accessible to all employees. In addition, the individual values and behavioral instructions can be found in the respective standards and guidelines.

We, the CEO, the executives and the employees jointly undertake to regard this code of conduct as our quality standard, to check it every 12 months to ensure that it is up to date and effective, and to align all activities in the company accordingly.

2 Social Sustainable

2.1 Employee diversity, equal opportunities and tolerance

In our owner-managed family business, the focus is on the people who work for the company and for our diverse customers every day.

Only through the professional and efficient working methods and through the high motivation of our employees we succeed in realizing the customer requirements and thereby creating long-term secure jobs for all employees and their families.

This is also reflected in the long-term development of the company since its foundation in 1948.

Karl Schmidt Spedition GmbH & Co. KG employs a total of 959 people in Germany, including 911 employees and 48 trainees. In addition to the training of our own employees, it is a particular concern of ours to reintegrate people with handicaps into the workplace, with 28 employees with handicaps currently employed in the Schmidt Group.

The average age of the workforce is 47. The proportion of male employees is 84.5%, whereas the proportion of female employees is 15.5%. The proportion, which at first glance appears low, is mainly due to the fact that

in the forwarding and warehousing sector, the number of female applicants is significantly lower because of the activities involved.

Nevertheless, as a company we have set ourselves the goal of improving the attractiveness of the various professions for all genders to the same extent and, particularly in the area of transport, increasingly recruiting female professional drivers in the future.

As part of the international orientation of our transport and warehouse logistics business, we rely on a diversified and diverse workforce. Therefore, internationality, communication in many languages and respect for all employees regardless of their ethnic origin, gender or their gender identity, religion or ideology, disability or age are among SCHMIDT's fundamental values.

As a cosmopolitan family company, diversity is not just a buzzword for us, it is lived in practice.

In Germany alone, employees from 33 different nations work successfully together at the SCHMIDT Group.

A variety of working time models also enable employees to reconcile the demands of their private lives with the requirements of the company. Whether it is parental leave to look after children, care for or look after family members or, for example, to bridge the time gap or take care of private matters.

The constantly growing demands placed on our employees are identified through regular training needs assessments, which take place at least once a year, and translated into specific training and development measures.

The satisfaction of our employees is a major concern of the management. In addition to external training courses, regular in-house training courses are held by an external consulting company. These courses not only train and deepen technical skills, but also soft skills such as teamwork and conflict management.

2.2 Occupational safety and health protection

The guiding principle of our sustainable and up-to-date occupational health and safety is a comprehensive, holistic understanding of the safety and health of our employees. The declared goal in the SCHMIDT Group is to avoid any accidents. Unfortunately, we have not yet succeeded in this with a total of 36 accidents in 2020. The 1,000-man quota at Karl Schmidt Spedition in 2020 was 31.8, which was significantly better than the industry average of 42.8 (1,000-man quota BG Verkehr).

Occupational safety is an integral part of all operational tasks and functions. It is a fundamental ethical, humanitarian, business and ecological concern.

Occupational safety is the preservation of life and health.

This includes protection against work-related accident hazards and work-related health hazards, the preservation of health resources via active health promotion in the sense of influencing physical, mental and social well-being.

This includes the humane design and continuous improvement of work, or safe and healthy work systems, so that these correspond overall to the physical and mental performance requirements of the employees.

Systematic risk assessments and risk evaluations are carried out for existing conditions and situations, but also in advance of new ones (planning of construction projects, procurement of work equipment, redesign of workplaces and work environments).

Preventive hazard identification and assessment is carried out in planning and procurement phases.

Safe and healthy working conditions are assessed through a holistic design of work systems with all their elements (work task, work equipment, workplace/site, work flow as well as work environment in interaction with our internal FASI).

Point solutions are not sustainable.

Occupational safety is sustainable because it is comprehensively integrated into the operational organization.

Our guiding principle of modern occupational safety is based on a holistic understanding of occupational safety and health.

The personal responsibility of our company, its managers and employees, emphasizes the management task of "occupational health and safety"!

3 Ecological Sustainable

3.1 Energy management and climate protection

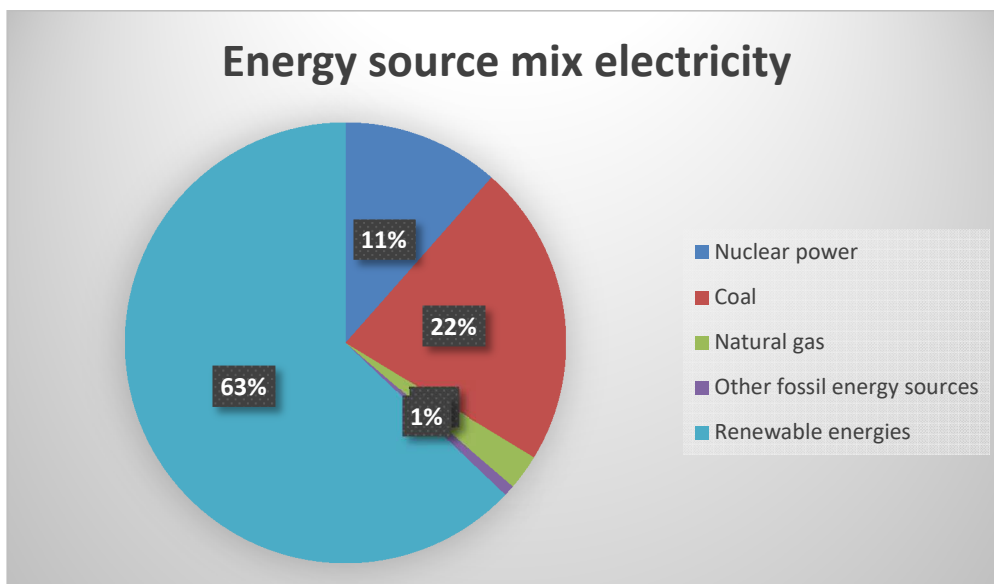


Illustration 1: Energy source mix, electricity supplier Karl Schmidt Spedition, Heilbronn

For several years now, we have improved our efforts in the area of energy conservation and the associated reduction of carbon dioxide emissions. In addition to saving consumption by equipping all branches with LED lights, the use of state-of-the-art production equipment and the use of intelligent timers, the use of renewable energies is becoming increasingly important. Not only does the SCHMIDT Group intend to produce part of the electricity it needs itself in the future by setting up solar power systems on suitable

roof surfaces, but in electricity purchasing there is already a great focus on sourcing a large part of our required electricity from renewable sources.

3.2 Pollutant and noise emissions

In view of the sharp increase in greenhouse gas emissions worldwide, the SCHMIDT Group has committed itself to reducing its carbon footprint by taking appropriate measures.

The goal is to reduce greenhouse gas emissions by 25% by the year 2030 and to be climate neutral by the year 2050.

We have already achieved initial success on this path in 2020, reducing harmful greenhouse gas emissions by 4%.

In 2020, the total diesel consumption of our vehicle fleet was also reduced by 4% in percentage terms compared to the previous year 2019.

As a company, we see great potential in tractor units powered by hydrogen (H₂) or LNG (Liquefied Natural Gas). In addition to membership in H₂ initiatives and associations through sister companies, we are in active exchange with vehicle manufacturers.

In parallel, we are focusing on the use of LNG tractor units as a bridging technology. The use of LNG and later hydrogen, in particular hydrogen produced in a climate-neutral manner, can significantly reduce both pollutant emissions and noise emissions. Apart from alternative drives, we attach great importance to the use of the latest diesel technologies in the area of tractor units and renew parts of our fleet every year.

In addition, as a further measure to reduce our carbon footprint, we are testing the use of electric vehicles in our car fleet and offer our employees job tickets for local public transport.

3.3 Consumption of material resources

Even though we as a transport and logistics company do not belong to the manufacturing industry, we can still make our contribution to a lower consumption of material resources.

Already since the foundation of the company we see ourselves as a specialist in the field of storage, transport and handling of loose goods (bulk). This allows the handling of larger quantities and saves enormous amounts of packaging material in the long run.

We market our know-how worldwide and try to convince potential customers of these solutions. Particularly in markets such as Russia or the United Arab Emirates, where 95% of plastic granules are still transported and stored as packaged goods in 25 kg bags or Big-Bags, a switch to silos can significantly reduce packaging waste.

We are also investing in digitization projects in all areas to speed up processes and reduce paper and packaging consumption. This applies to both transport and administration. Today, our transport and warehouse orders can already be entered, processed and invoiced without paper. By the end of 2021, we will also have switched to a paperless system for our workshop and vehicle fleet.

The introduction is accompanied by the implementation of electronic incoming and outgoing invoice processing in the accounting department and a digital document management system (electronic archiving), which enables us to save paper.

3.4 Waste management

In the area of waste management, SCHMIDT has had a waste officer for many years who centrally coordinates and monitors waste management activities for the Group.

As a matter of principle, the corresponding management targets regarding waste avoidance and waste reduction are set each year and reviewed at

the end of the year. The primary goal for SCHMIDT is waste avoidance. For this purpose, we use various possibilities. In the area of purchasing, we dispense with packaging materials wherever possible. In the area of administration, we try to avoid paper as far as possible by using IT.

Should waste nevertheless arise, we pursue a concept of waste separation and work with renowned companies in the area of waste management on the recycling of reusable waste.

3.5 Logistics and traffic

One of our main areas of business is the transport of bulk goods. Since this is where a large proportion of our greenhouse gas emissions are generated, we try to live up to our responsibility in this area in particular and offer the best economic and ecological solution wherever possible.

As early as the quotation phase, we offer our customers the opportunity to choose not only the best economic solution but also the best ecological solution. To this end, we calculate and inform our customers of the greenhouse gases produced during a transport. If desired, for example, transports can be handled almost entirely by rail.

To reduce greenhouse gas emissions in the area of road transport, we have adopted an action plan which initially provides for the use of state-of-the-art EURO-6 diesel technologies throughout the fleet. From 2022, this will be supplemented by the gradual replacement of diesel vehicles with LNG vehicles, electric vehicles and later hydrogen vehicles. Depending on availability, we aim to operate half of our fleet with alternative drive systems as early as 2030. This action plan is part of the internal management targets and is reviewed and adjusted annually.

Existing EURO-6 diesel trucks	
2018	50 %
2019	65 %
2020	77 %
2021	90 %
2022 ^e	100 % ^e
^e = expected	

Table 1: Development EURO-6 diesel trucks

In order to be a technological leader in this field and offer customers the best available technology, we work closely with our vehicle suppliers, our customers, industrial gas manufacturers and initiatives such as H2-Süd.

As an operator of modern container terminals, we use combined transport as an alternative wherever possible, as it brings significant CO₂ savings from a distance of just 500 km.

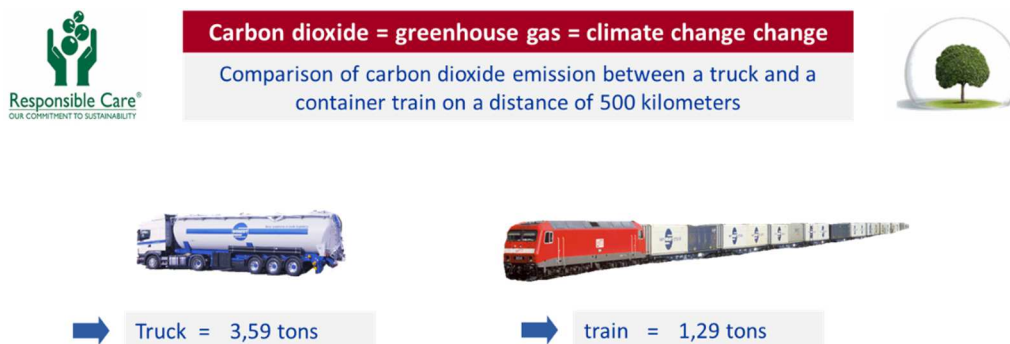


Illustration 2: Advantage of rail transport

In addition, we use inland vessels and the rolling highway as an alternative to pure road transport. In the area of dispatching, state-of-the-art IT supports the best route guidance.

In the warehouse area, we are replacing classic diesel forklifts with modern electric forklifts. These can already be charged in many branches by the self-generated solar power.

In addition, we have established a Steering Committee in the SCHMIDT Group, whose goal is to anchor the avoidance of greenhouse gases in corporate management and to ensure this across all corporate divisions. This is made up of our Managing Director, the manager of the forwarding department, who also holds the position of the waste manager, the Head of QM, the administration department manager and the marketing department manager.

4 Economical Sustainable

4.1 Our services

We offer our customers a comprehensive portfolio of services in bulk logistics.

The following services are part of the fixed portfolio of our company:

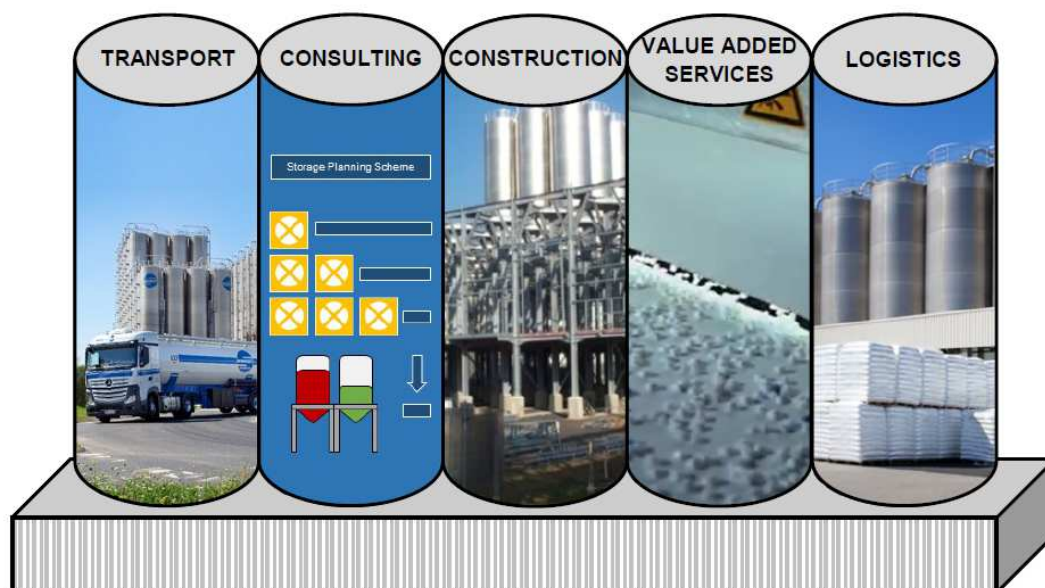


Illustration 3: Service overview SCHMIDT-Group

The core business of the SCHMIDT Group is formed by transport and logistics services with silo trucks and silo containers. Years of experience and continuous technical development in the transport of dry bulk materials lead to a high level of expertise. In addition to transport services, the

logistics centers offer handling and storage capacities in various shapes and sizes, depending on individual requirements. Furthermore, SCHMIDT offers complete import and export handling from its own source, which is of considerable importance to the company in view of the changing traffic flows in the plastics industry in recent years and the relocation of production facilities to Asia and the Middle East.

In addition to the classic handling services, we offer our customers a wide range of special services for product handling. These include various types of repackaging, cleaning and retrieval of contaminated materials, and the provision of suitable loading and unloading systems for dusty goods, among others.

4.2 Market presence

As a company, SCHMIDT is diversified both nationally and internationally. We are active in the following regions:

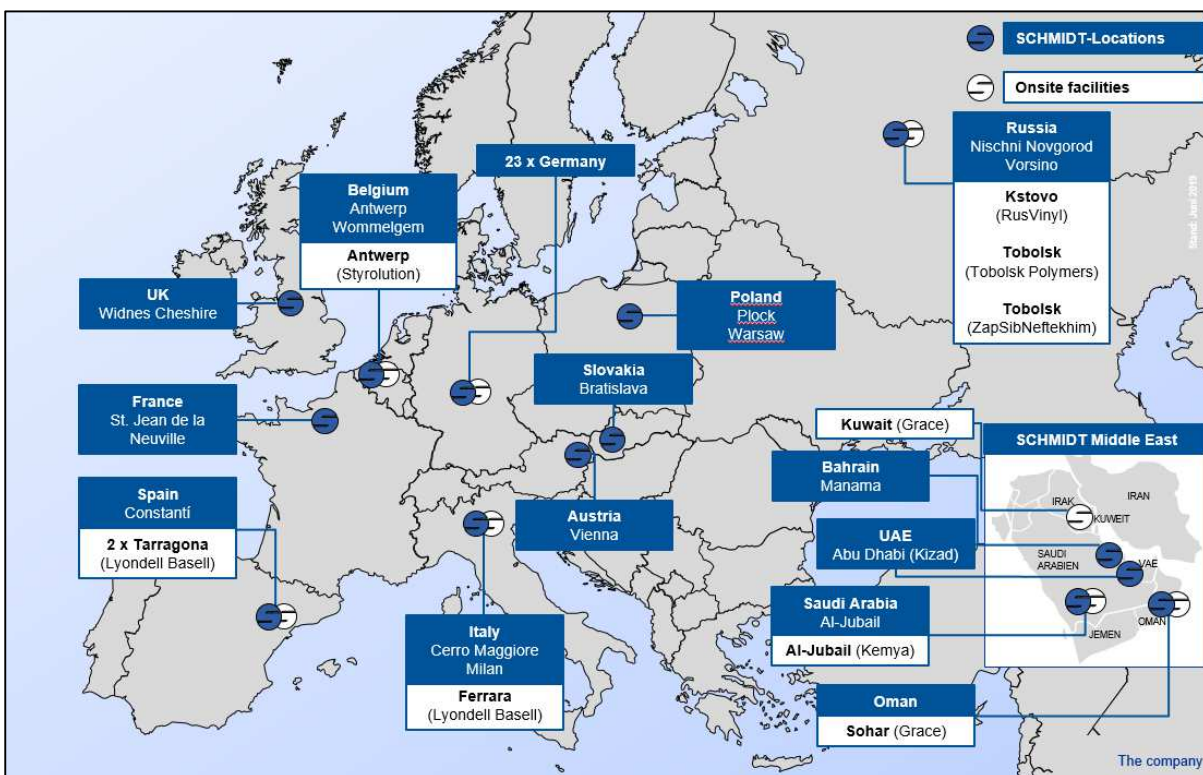


Illustration 4: Overview SCHMIDT locations

5 Responsibility

5.1 Supply chain and social responsibility

As a logistics company, we see ourselves as the central hub of the supply chain between our clients and their customers. To implement customer requirements, we in turn make use of contractors and suppliers. We are aware of this responsibility and, on the one hand, try to integrate our entrepreneurs and our suppliers into our value structure through our supplier guidelines.

On the other hand, we are subject to external audits by our customers and by external agencies in order to have the quality and sustainability of our actions reviewed externally on a regular basis.

We also live up to our social responsibility by complying with our Code of Conduct.

We take any indication of conduct that does not comply with our Code of Conduct seriously and follow it up.

5.2 UN Global Goals for Sustainable Development

The Sustainable Development Goals (SDGs) were adopted by the United Nations in September 2015. The concept pursues the goals of ending poverty, hunger, AIDS and discrimination against women and girls, protecting the planet and ensuring that all people enjoy peace and prosperity by 2030. Building on the principle of "leaving no one behind," this holistic approach aims to achieve sustainable development for all.

The 17 Sustainable Development Goals adopted to transform our world are as follows:

1. No poverty
2. Zero hunger
3. Good health and well-being
4. Quality education
5. Gender equality

6. Clean water and sanitation
7. Affordable and clean energy
8. Decent work and economic Growth
9. Industry, Innovation and Infrastructure
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible consumption and production
13. Climate action
14. Life below water
15. Life on land
16. Peace, justice and strong institutions
17. Partnerships for the goals

To achieve these goals, creativity, know-how, technologies and financial resources of the entire society are needed.

We, the SCHMIDT Group, contribute to the achievement of the Sustainable Development Goals (SDGs) with the following measures:

- Fair working conditions and payment in all countries in which the SCHMIDT Group operates.
- Certified training and further education of employees
- Equal rights for all genders
- Energy saving
- Participation in the following programs:
 - Operation Clean Sweep
 - Ecta
 - Ecovadis

6 Certification and key figures

6.1 Certification

The SCHMIDT Group not only attaches importance internally to compliance with its own standards, but also regularly participates in external audits to

obtain numerous external certificates. Currently, the SCHMIDT Group has the following standards and certifications.

Certificates	Validity
ISO 9001:2015	until 08.05.2022
ISO 14001:2015	until 04.05.2023
AOE	since 08.01.2016
GMP + B4	until 20.07.2023
Energy audit DIN EN 16247-1	since 25.03.2020
ACEP-D-HH-45	since 14.08.2014

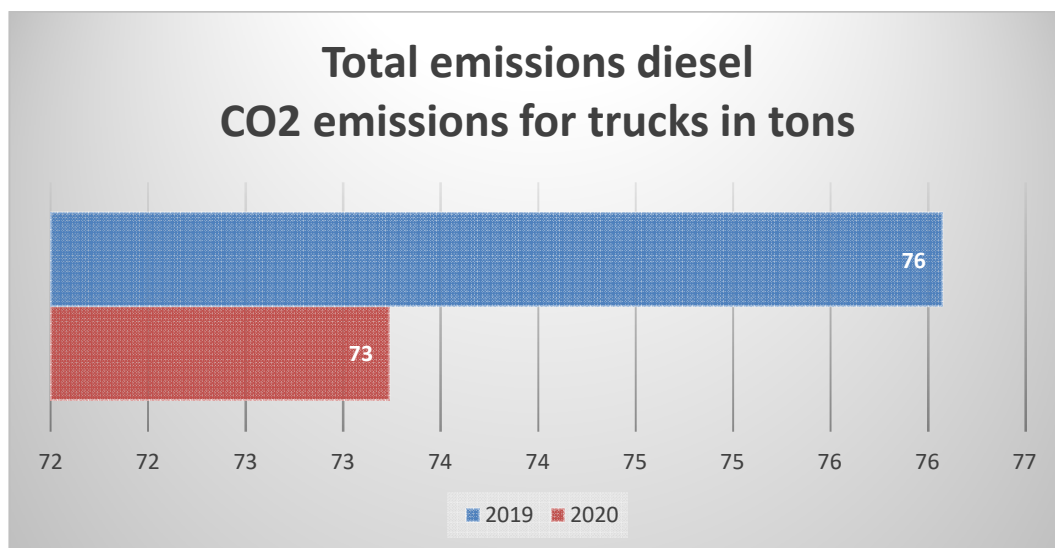
Apart from these certifications, the SCHMIDT Group has the following SQAS (Safety and Quality Assessment System) ratings.

Rating	Location	Percent
SQAS Transport Service (TS) 2018		
	SCHMIDT Belgium	84%
	SCHMIDT Iberica	78%
	Heilbronn	81%
	SCHMIDT Austria	69%
Total-CEFIC		77%
SQAS Tank Cleaning (TC) 2018/2019		
	SCHMIDT Belgium	86%
	SCHMIDT Iberica	89%
	Heilbronn	84%
	Kastl	78%
	Foret	77%
	Frankfurt	80%
	Hürth	78%
	Wesseling	78%
	Ludwigshafen	81%
	Großlehna	80%
	SCHMIDT Austria	75%
	SCHMIDT Polska	90%
Total-CEFIC		79%
SQAS Warehouse (WH) 2019		
	SCHMIDT Iberica	85%
Total-CEFIC		83%

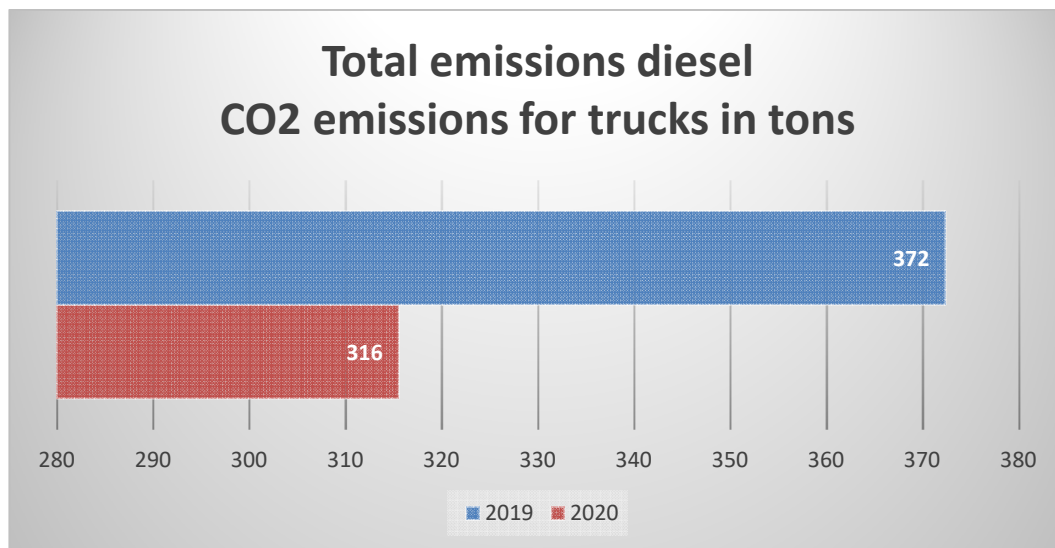
6.2 Key figures

The following tables illustrate the development of fuel, water, electricity, gas and heating oil consumption at SCHMIDT Germany. These key figures are an integral part of internal reporting and are made available to the management on a quarterly basis. In addition to the visual presentation, measures are explained which have been taken to reduce the consumption of these resources.

6.2.1 Fuel consumption

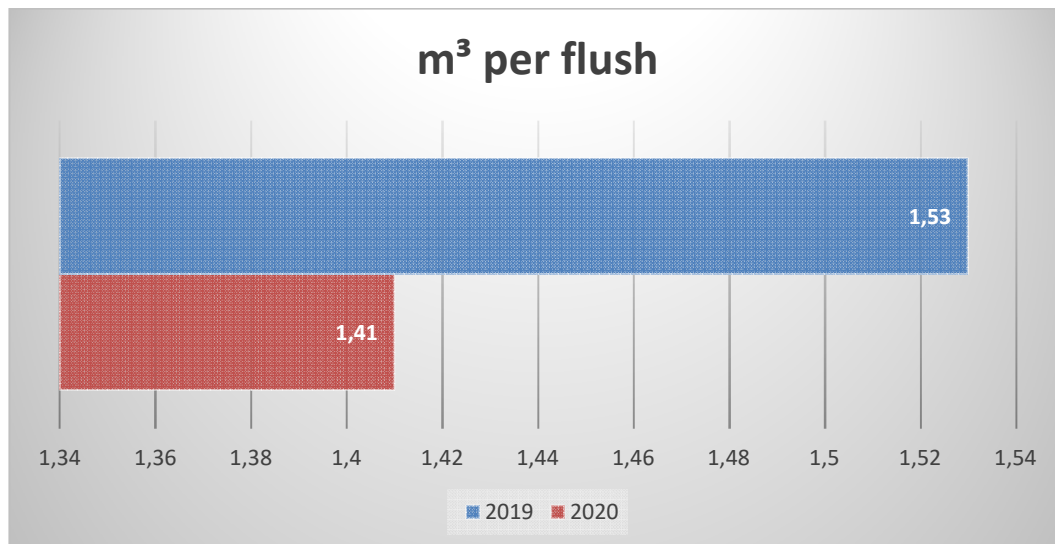


With a total mileage of 24.4 million km, fuel consumption was reduced by 2.3%. The total CO2 emissions saved by our trucks for 2020 amounted to around 73 tons, a 4% reduction compared with the previous year. The reduction in our fuel consumption is attributable on the one hand to increased training in fuel-efficient driving and on the other to the use of newer, more efficient trucks.



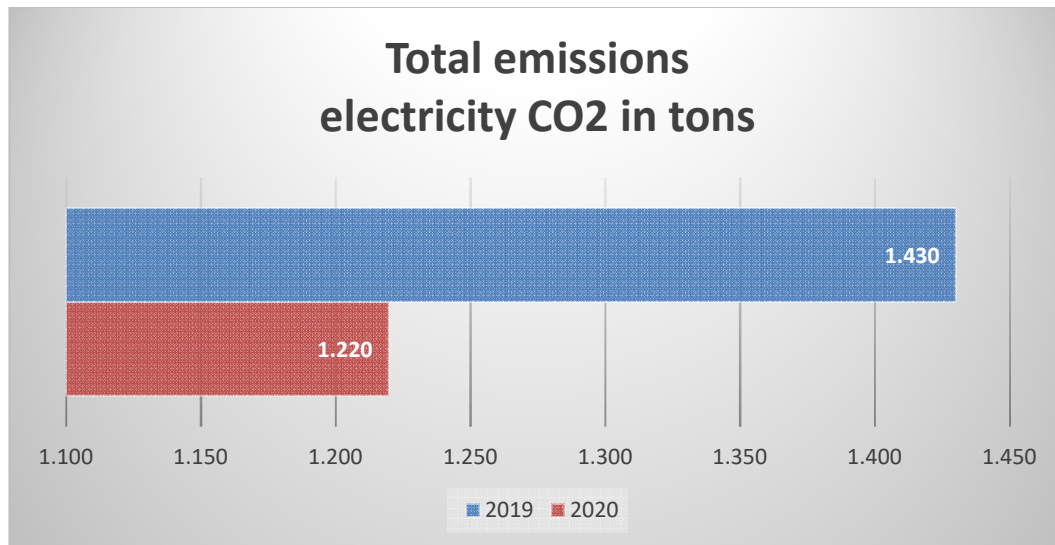
In the area of forklifts, diesel consumption was reduced by around 15%. The total CO2 emissions in 2020 were 316 tons and were significantly reduced compared to the previous year with a change (conversion to electric forklifts) of 15%.

6.2.2 Water consumption



We were able to significantly reduce the water consumption in our cleaning systems by optimizing the cleaning process. Thus we were able to reduce the water consumption in m³ per flush by 7.8% compared to the previous year.

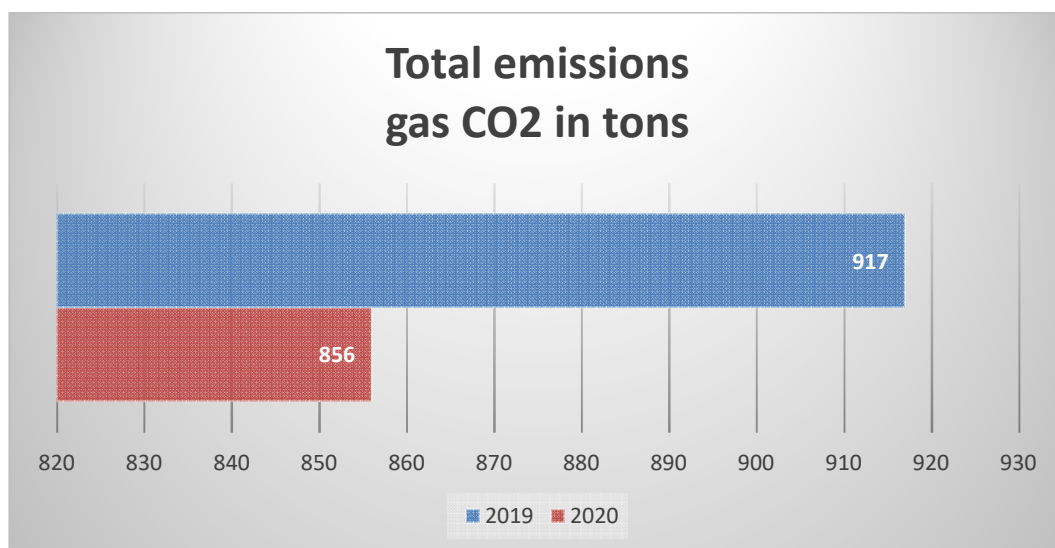
6.2.3 Power consumption



The conversion to LED lamps and targeted measures and training in the area of environmental awareness among our employees, which focused on the topics of energy saving and climate measures, helped to reduce electricity consumption and, in connection with this, the decrease in total CO2 emissions.

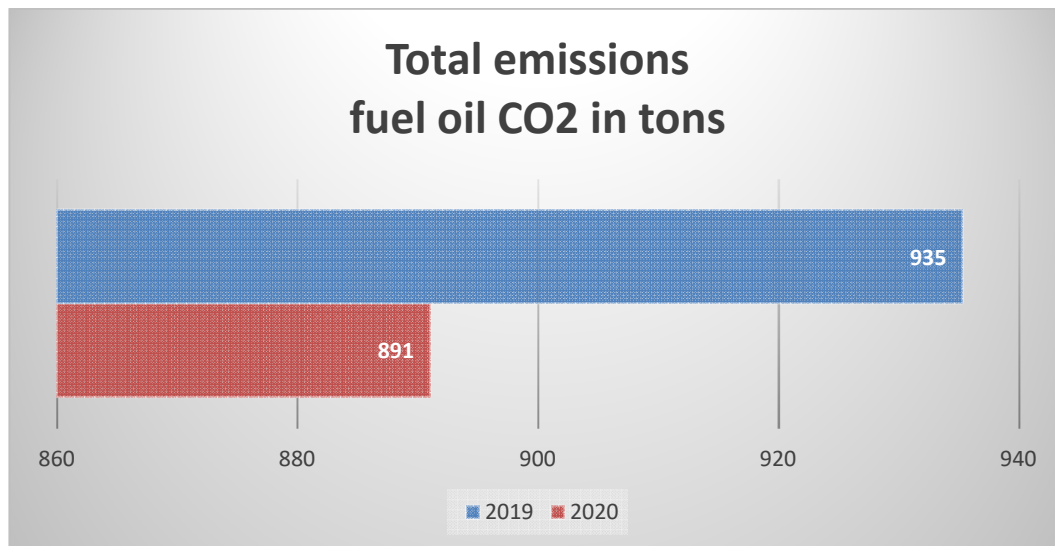
Total CO2 emissions from electricity consumption were reduced from 1,430 tons in 2019 to just 1,220 tons in 2020. This represents a decrease of 14.2%.

6.2.4 Gas consumption



The gas consumption of SCHMIDT Germany was also significantly reduced. In percentage terms, the value fell by 6.6% from 2019 to 2020, which also led to a significant reduction in CO₂ emissions.

6.2.5 Fuel oil consumption



Fuel oil consumption also fell by around 5% compared with the previous year. The value of greenhouse gas emissions, which in 2019 was still 935 tons of total CO₂ emissions, could be reduced by 5% to emissions of 891 tons.

SCHMIDT-Sustainability report 2020

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