

SUSTAINABILITY

TODAY

FOR

TOMORROW



Edition
2021

Schmidt + Clemens Group





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Relates in all cases to persons of all genders. For the sake of easier readability, the masculine form only is used in the further course of the report.



MIX
Paper from
responsible sources
FSC® C128904

Publisher and copyright
Schmidt + Clemens GmbH + Co. KG
Edelstahlwerk Kaiserau
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Foreword Management Board

Ladies and Gentlemen

An attitude of responsibility towards the use of resources, towards the environment and towards society is firmly rooted in the DNA of our enterprise. Now operating in the fourth generation, we carry our responsibility far beyond purely business and financial goals. We recognize that we can only assure the stability and performance of the Schmidt + Clemens Group if we act with farsightedness and make use of our leading position to achieve even greater sustainability. This aspiration manifests itself in our enterprise in a wide variety of ways. With our “Ambition 2020” strategy, we already laid down the fundamentals for a value-based organization some six years ago. Fixed elements of this concept include such things as respect, cultural diversity and a sense of responsibility.

We support the 17 sustainable development goals adopted by the United Nations in 2015 in its Agenda 2030, and have accordingly established responsibility for the environment, climate and society among the S+C corporate principles. As the world market leader with coil systems for use in applications in the petrochemical industry, we are already contributing to a better future through innovative materials, improved processes and optimized solutions. Collaborative relationships with our suppliers, the development of sustainable products, protection of the climate and the building of global partnerships are at the heart of our activities. To achieve these goals, we have developed a supplier code, further strengthened our innovativeness with our INNOVATION NOW. campaign, and expanded our research and development efforts. A further aspect of this all-embracing

approach is credible, truthful and transparent communication. We are constantly striving to improve the energy efficiency of our S+C production sites worldwide.

It is already clear that our activities will be influenced even far more extensively by environmental and social factors than they are today. Whether climate change or the Coronavirus pandemic – current events are demonstrating just how closely interlinked the world is and how significant even small changes can be. We are facing great challenges. Therefore, we are working every day on moving a further step forward towards our goals. How much progress we have already made along this way can be seen in detail from our Sustainability Report, which we are now publishing here for the first time in this form.

We hope you enjoy reading, and look forward to receiving your feedback at: sustainable@schmidt-clemens.com



Jan Schmidt-Krayer
Managing Partner/CEO



Dominic Otte
Managing Director Production & Engineering/COO



Foreword Chairman of the Advisory Board



Ladies and Gentlemen

S+C is an enterprise that can look back on a long tradition, but at the same time, in the light of changing responsibilities, it always has its sights set firmly on the future. As a result, it stands today on a sound, strong footing, with operating locations and commercial representations throughout the world. So from its headquarters in the small German town of Lindlar, S+C is in constant communication with, for example, Estella in Spain and Tršice in the Czech Republic, but also megacities such as Kuala Lumpur and Houston.

In this way, the shareholders, management and advisory board and the employees on all levels stand shoulder to shoulder throughout the world, representing a multitude of different nations.

“Measures for combating climate change, paired with responsible use of the key resources of water and land, are at the focus of our attention.”

Lutz Werner, Chairman of the Advisory Board

Given this background, our enterprise is guided in all its activities – along with the striving for innovation – by a commitment to the principles of globality and sustainability. Measures for combating climate change, paired with responsible use of the key resources of water and land, are at the focus of our attention – a highly ambitious goal, which can only be achieved by a powerful, international community.

S+C has the deep-rooted ethos of a family enterprise, and at the same time the creative force of a global player. For us, the health and wellbeing

of the employees hold top priority. All S+C sites guarantee a high, uniform standard in relation to work safety and fair remuneration. As part of our corporate social responsibility, we are committed to supporting education and training activities as well as sporting and charitable projects – regionally and worldwide.

One of the declared key goals of S+C is to reduce the carbon footprint of the enterprise. One important step towards this is participation in IMPROOF, a project supported by the European Union and the aim of which is to enhance the efficiency of steam crackers and at the same time reduce their emissions.

S+C rates innovation – and this is important to the advisory board – not only in technical but also ecological terms.

The S+C portfolio consists of high-alloy special steel products of unexcelled quality, allowing the implementation of sustainable customer projects worldwide. Behind each of these projects stands the passion for special steel, a passion that drives every member of the S+C workforce.

Lutz Werner
Chairman of the Advisory Board



Working together for a better world.

S+C is pursuing the 17 sustainable development goals of the United Nations.

People, the planet, prosperity, peace and partnership – these are the core items of the Agenda 2030, which was adopted at the UN Climate Conference in 2015 and applies equally to all countries of the world.

“The 17 sustainable development goals of the UN are the guideline for our own change process. We are all called on to join in. Consequently, we are striving to move as many levers for more sustainability as possible,” says CEO Jan Schmidt-Krayer. Among these are responsible consumption and

production behavior, as well as good working conditions. “Our overriding goal is to leave a better world for our grandchildren to live in,” confirms Dominic Otte, Managing Director Production & Engineering/COO of S+C.

The 17 UN goals point up what changes are necessary to ensure a livable future. The worldwide accord also clearly shows that climate policy, sustainable development and combating poverty are inseparably interlinked.



We think in terms of generations.

As a family-owned business, the notion of sustainability holds a fixed place in the organization of S+C.

Economy, ecology, and social factors – they are the three keys to sustainable corporate management at S+C, and also the compass by which the whole organization of the enterprise is guided. Dominic Otte, Managing Director Production & Engineering/COO, allows us to take a look behind the scenes, and outlines the structures at S+C:

“The S+C value system is built on a strong foundation and a long history. We live today in a time of rapid change with a high level of dynamism. As a family-owned business, we are able to meet these challenges, but at the same time take a long view. After all, we are not out to double the value of the business within the space of the next three years, but to pass on a sound enterprise to the next generation. That is a good, enduring basis for sustainable development.

Our values are correspondingly firmly integrated in the strategic and operating business. S+C is the world market leader in coil systems for the petrochemical industry, and we also hold a key position in numerous other markets. That is only possible with an organization that is clearly defined and consistent from end to end. What that also means is that sustainability is an overall process, beginning with procurement, continuing with fair working conditions and also including long-term relationships with suppliers. In all areas of production, we are constantly optimizing our processes, with the aim of using ever less resources and with a major focus on waste avoidance and material recycling.

In order to act sustainably, we have laid down fixed standards within our organization. One example of this is our value and appraisal system known as **SCAMPI**, in which our service orientation is also firmly anchored. The focus there is on customer relationships, with internal and external partners and their concerns standing at the center of our attention. It is also reflected in our sale and marketing activities, which are geared not to quick wins but to long-term relationships and partnerships. This aspiration is driven by a body of employees with a sense of proactive involvement and a commitment to constant further development.

A vehicle for the many ideas of our employees is our new “INNOVATION NOW.” portal. Here, whether products and services, processes, or matters of environmental protection or occupational health and safety are concerned – everything focuses on solutions aimed at optimizing our workplace still further and making it even more sustainable.

The seriousness of our commitment to protecting the environment even more strongly and building

better working conditions is documented for the first time in this sustainability report. We have already achieved a great deal, but are still only just at the beginning. Sustained development is a task for the long term. We take up this challenge, and will not tire of striving for solutions for a better tomorrow. In the future, we will review what we have achieved together with our managers in an annual audit.”

“Sustainability is clearly implemented in our company. Systems such as **SCAMPI** or INNOVATION NOW. are fixed standards in our organization.”

Dominic Otte,
Managing Director Production & Engineering/COO





Less is more.

S+C saves resources: on land, on sea, and in the air.

programs. One of the declared goals is to ensure that as many freight journeys as possible are CO₂-neutral. At the present time, more than 70 percent of the contracted freight forwarders are certified to ISO 14001 or equivalent standards. Dirk Reimann is a firm believer in the S+C strategy: "Logistics is an important lever where sustainability is concerned. We are well aware that more environmental protection can give rise to increased costs or reduced flexibility. However, we try to keep these effects as low as possible through new processes or by consolidating shipments."

Always keeping track.

Sustainability also plays a dominant role in the internal logistics. For the most part, renewable raw materials are used as packaging material, and wherever possible, plastic or metal containers are constantly reused. Crate stores, for example, mean that wooden crates can be reused.

"We have reduced our airfreight volume from 670 metric tons in 2014 to 170 tons in 2019, and so also minimized our carbon footprint."

Dirk Reimann, Head of Central Purchasing & Logistics

Statistically speaking, one ton of airfreight from Cologne/Germany to Kuala Lumpur in Malaysia generates almost 6.5 times as much CO₂ as transport would by ship. This is a magnitude that really makes you stop and think, and casts even more doubt on the need for such very much greater speed. "The last few years have seen a marked change in thinking at S+C. We have reduced our airfreight volume from 670 metric tons in 2014 to 170 tons in 2019, and so also minimized our carbon footprint," Dirk Reimann, Head of Central Purchasing & Logistics, points out.

For S+C, operating globally means that sustainability does not end at the gateway from the headquarters site. One of the ongoing challenges is to integrate the international operating locations and sales partners into a comprehensive, harmonized logistical process and regularly adjust the supply chains. "The logistics industry is altogether in a process of change. Digital transport platforms, new strong competitors, autonomous driving and sustainable solutions are generating strong momentum. We therefore have to continually review our requirements and

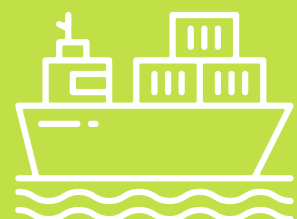
try out new possibilities so as not to leave any potential for sustainable development unused," Reimann continues.

Measured by our own standards.

We also expect our suppliers to comply with sustainable development standards. Our certified freight forwarders are actively working on further reducing the level of CO₂ output arising from shipping. In some cases, they have already switched successfully to the use of biofuel. We also pay attention to ensuring that shipping lines comply with the sulfur emission limits stipulated by the International Marine Organization (IMO).

Road transport is mostly handled by modern trucks that meet the EURO 6 standard. Freight forwarders and carriers working with S+C for the first time are audited in respect of environmental certification and sustainable development

"Our crate markings manage without additional foil. We print everything directly onto weather-proof foil paper. This allows us to avoid additional waste," Dirk Reimann states. "Sustainability is very much a matter of detail, and for us, only making electricity savings is not sufficient."





“What we do today inevitably has an impact on how we live tomorrow. Sustainability is not so much about perfection as about keeping constantly on the ball.”

Lukas Wester, Production Manager



A systematic approach to clean production.

S+C production combines innovation and sustainability.

Production is at the heart of S+C's activities. On an area of 11.4 hectares, ideas become innovations and new standards are being repeatedly set. This also applies to responsibility in the use of resources. A methodical approach to environmental protection is part of the integrated management system at S+C. Whether water, energy, raw materials or used paper – every step in the right direction counts. The relevant statistics are the subject of constant monitoring, so as to allow immediate response to deviations and the identification of further savings potential. “What we do today inevitably has an impact on how we live tomorrow. Sustainability is not so much about perfection as about keeping constantly on the ball,” says Production Manager Lukas Wester.

Everything is valuable.

How diverse sustainable production can be is illustrated by the example of process optimization. Through constant quality improvement, S+C has succeeded in consistently reducing the rate of rejects. This means savings of energy, materials and time. Any materials left over are sorted and, after the appropriate retreatment processes, returned to the production cycle. Sustainability is firmly in charge of the S+C value creation chain. “For about the last year, one of our focuses at the parent site of the Group has been

on the recording and collection of energy data. This has been a major success. In various areas of production, it has enabled us to optimize processes and achieve significant energy savings as a result, and this in turn has also led to a fall in emissions.

Everything is connected.

Sustainability is a process and it is the S+C coworkers who drive it forward on a day-to-day basis. Specially qualified IDEALISTS are tasked with exploring new routes for the production sphere, introducing innovative approaches, and setting the course for the future. At the same time, an internal technology team made up of project engineers devotes itself to the optimization and automation of the production process. S+C also adopts a similarly holistic approach in the field of occupational health and safety. Part of the overall concept is to constantly improve the working conditions. Here, the primary focus in the production field is on air quality, noise protection and substitution of the input materials. Ergonomic workplace design is a further key element in our responsibility for the health of the employees.

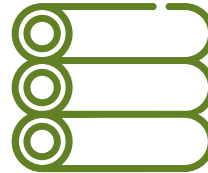
Sustainability as an economic opportunity.

Innovative components in industrial furnace construction are good from the economics of operation and more importantly from the environment perspective.

The requirements that industrial furnaces are expected to fulfill are ever more demanding. Increased performance, higher temperatures and rising demands in terms of product quality – the direction is clear. In situations of this kind, environmental aspects can easily be pushed into the background. However, that need not be the case, as is demonstrated by a project at S+C:

The company's Special Products division convinced a furnace operator to switch from water-cooled furnace rolls to dry rolls made from Centralloy® 60 HT R. This patented special alloy from S+C is suitable for applications up to a service temperature of 1250°C. The improved alloy functionality enables extension in roll life, improved wear resistance as well as reduced energy consumption. Water-cooled rolls lead to major loss of heat, which has to be compensated by using additional fossil energy as fuel. This not only results into a high rise of energy costs but also causes release of large volume of greenhouse gas i. e. CO₂.

A detailed analysis of the change in furnace rolls from water-cooled to dry ones reveals the full scale of the savings. The annual natural gas consumption fell by around 35 percent, which also means a cut in the energy costs of around a third, for the complete furnace installation with a capacity of 4 million tons per year. Even after taking the higher procurement costs of the dry rolls into account, the savings amount to between 1.8 and 2.5 million dollars per year. Add the fact that the Centralloy® 60 HT R rollers are able to increase the service life by up to 125 percent, i. e. to more than double it, also makes the cost calculation interesting from the maintenance point of view. Dry rolls present a positive picture in all aspects: the raw material consumption is already lower at the production stage than is the case for conventional water-cooled rolls, and they have the further benefit of lower energy input. Moreover, this is not only good for the environment, but also from the economic standpoint.



"This project is a typical example of our regular day-to-day business. The optimization of heat-resistant components for longer service life and greater sustainability is one of the principal demands of today's customers, in relation to both: new plants and the revamping of existing ones. When advising customers, our core task is to take into due account all the key aspects involved, such as application temperatures, furnace atmospheres, heating/cooling rates, product quality, anticipated service life and choice of materials. We are also certified to ISO 50001:2018 for energy management systems. This means that energy savings potential must already be identified and acted on in the manufacturing plant – all with the goal of achieving a more sustainable production, which also includes recycling. For the benefit of our customers, we are able to take back used high-grade steel components from them and return them to the material recycling process," explains Axel Korb, Product Manager with responsibility for Industrial Furnace Construction in the Special Product Sales team. This enables an efficient circular economy for all stakeholders.



"The optimization of heat-resistant components for longer service life and greater sustainability is one of the principal demands of today's customers, in relation to both: new plants and the revamping of existing ones."

Axel Korb, Product Manager for Industrial Furnace Construction Sales Special Products

Sales channels are changing.

Sales have always been one of the principal pillars of successful business. But the tasks of sales operations have changed fundamentally in recent years. Christopher Mierbach, Sales Director Special Products, explains how S+C is responding to these changes.



“No sales activities – no sales revenue”.

What would be your take on this statement, Mr. Mierbach?

Christopher Mierbach: I would even go a step further: no customer relations – no sales revenue. S+C places great value on sustained customer relationships. There's no way you can build 140 years of company history on single, one-off customer contacts. Apart from anything else, the input of resources needed for constantly winning new customers would be enormous. We place our reliance on collaborative relationships, long-term cooperations and in-depth knowledge of the plants involved in the individual projects. Trust-based cooperation of this kind allows us to propose and implement targeted optimization measures, whether for existing or new installations.

Why does knowledge of the installations play a role in sales?

CM: Today, customers are nearly always able to choose between a number of suppliers. It is therefore becoming ever more important for sales to be able to approach the customers individually. For example, such that we can offer specific retrofitting measures, or in addition to pure quality standards, that we can also rate the energy requirements. But this can only work with knowledge of the installations concerned and close contact with the customer. However, this approach also changes the sales channels. These no longer run from production to the customer, but the other way round: from the customer specifications back to our production.

So these are new requirements for sales. How is S+C responding to them?

CM: The whole of our worldwide sales activities are geared to long-term collaborative relationships with our customers. It is important for us to approach our customers as equals and to understand their requirements down to the last detail. At S+C, this aspiration goes so far that we even set up joint innovation and research projects. We see our customers as partners. To be ideally placed for this, we work very close to the market and always strive to pick up on industry trends and future technologies as early as possible. In this context, trade fairs and conferences are equally important as regular contact with the customers.

To what extent are sales activities affected by sustainability considerations?

CM: We are committed to the subject of sustainability on various levels. Our portfolio consists of top-class high-alloy special steel products. This quality is characterized by an extended product life – so the need for eventual replacement will be significantly delayed. Moreover, steel is the material with the highest recycling rate in the world. In the field of sustainable development and resource efficiency, S+C's technologies allow us to offer tangible added value. We find the best solution for our customers, in an efficient way.

“This approach also changes the sales channels. These no longer run from production to the customer, but the other way round: from the customer specifications back to our production.”

Christopher Mierbach,
Sales Director Special Products

What issues are currently playing a key role in sales?

CM: Coronavirus has transformed the sales world and accelerated the digitalization processes. We now use video conferencing systems and digital sales processes for our customer contacts. This has its drawbacks, but it also has significant benefits in terms of speed and savings in resources. The new sales channels are sustainable and support a holistic exchange of information, for example through online seminars and an online seminar program. This is being well-received. We will broaden this program by additional subject fields and so further strengthen our customer relations. For S+C, sustained customer relationships are always at the heart of our activities.

Smart technology for enhanced plant safety.

With new monitoring tools, the Research & Development Services Team (RDS) sets new standards in non-destructive material testing.

Depending on the steam cracker furnace at hand, an unscheduled shut-down can cost thousands of euros an hour due to maintenance work, production downtimes and many other cost factors. As such, every unplanned stoppage can be a financial and business disaster for the operator. And the problem can have even much more far-reaching consequences for the environment.

With its new CMT, or Condition Monitoring Tool, S+C can offer its customers the innovative possibility to monitor the aging condition of the plant in a nondestructive manner and hence significantly diminish the many and varied risks of unforeseen shutdowns. The condition of steam cracker coils can be checked by CMT at regular intervals with no need for any destructive testing. A detailed evaluation for each tube section generates certainty and allows the exchange of components as required, on the basis of the actual material condition. With regard to reformer components, so-called zero or baseline measurements are used. Initial

“Environmental protection is a major factor in the field of monitoring. When we speak of plant availability, we also always have resources and energy efficiency in mind. Every optimization process is therefore also a step towards enhanced sustainability.”

Dr. Dietlinde Jakobi, Corporate Director Sales | Research & Development | Services

measurement is performed on newly manufactured components, which enables plant operators to conduct comparative measuring during service and thus make deductions concerning the state of the furnace.



Effective and targeted.

The new, extended monitoring process using CMT embodies the many years of experience of the RDS-Team. As well as nondestructive testing, numerous destructive material tests have been carried out. More than 400 investigations of ex-service material have also supplied valuable data on the most important causes of damage in the customer process. These monitoring bases and the detailed evaluation of our customers' operating data ensure that we can offer a holistic hardware and process optimization with a clear focus on efficiency through higher yields or fuel savings while reducing CO₂ emissions. Plant availability can thus be increased and the tube systems can confidently be used as long and safely as possible.

“Environmental protection is a major factor in the field of monitoring. When we speak of plant availability, we also always have resources and energy efficiency in mind. Every optimization process is therefore also a step towards enhanced sustainability,” says Dr. Dietlinde Jakobi, Corporate Director Sales | Research & Development | Services.

ENERGY EFFICIENCY

Q_{FUEL}

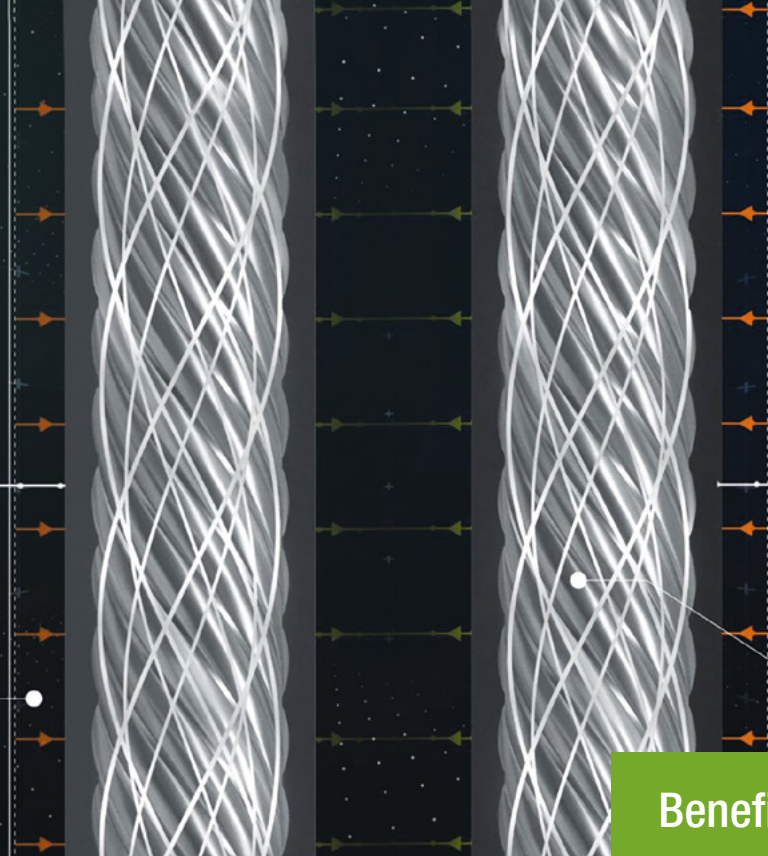


$Q_{\text{RADIATION}}$

Q_{PROCESS} DEFINES Q_{FUEL}



Q_{PROCESS}



Benefits from our large research network.

Focus on environmentally friendly technologies.

The Research & Development Services Team (or “RDS Team” for short) at S+C develops products and services designed for greater sustainability.

Development work is as central to S+C as is high-alloyed steel itself. Over 120 patents are a clear indication of the innovative spirit that pervades the company. This is all made possible by a team that is able to think outside the box and asks the right questions. A key goal of our development efforts is to reduce harmful impacts on the environment through the use of innovative product solutions. To achieve this, our experts not only immerse themselves deeply in product development, but also concern themselves with production processes and the materials used. Regarding these points we clearly benefit from our close links to the market. Our profound understanding of the product applications generates added value when it comes to application safety, resource efficiency and environmental compatibility.

A good example of development work at S+C is its Centralloy® HT E material. Specifically developed for steam cracker applications, it reduces coke formation through a protective aluminum oxide layer. This constitutes sustainability in a number of ways, as the service life of the tubes is increased and plant shutdowns for tube de-coking are reduced.

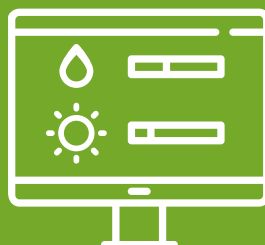
Furthermore, the patented SCOPE® internal profile technology improves heat transfer and causes a balanced temperature profile in the gas. This increases the product yield while leaving the energy input unchanged. The resulting lower tube wall temperatures have a further positive effect on the durability of the tubes.

Combining these two technologies, as SCOPE® fusion HT E, results in a distinct advantage regarding energy efficiency and durability. The qualities of SCOPE® fusion HT E were subjected to extensive testing within the framework of the EU-funded IMPROOF project, which was concluded in November 2020. As a technology supplier, S+C was part of a large consortium incorporating universities, engineering companies and end users. After laboratory-scale trials, an end user's steam cracker was equipped with SCOPE® fusion HT E Coils.

The result left no room for doubt. Compared to standard materials, S+C's technology significantly reduces the greenhouse gas effects, while at the same time raising the efficiency of the cracker.

For the RDS Team, collaborating with external research experts is an important aspect of the development work and technical customer service. In the last few years, efforts have been successful in building an international network of more than 30 partners to enable enhanced knowledge transfer. These applied research cooperations, as well as the regular participation in fairs and conferences, contribute, among other things, to shorter development cycles and the market release of more environmentally friendly and market oriented technologies. The current R&D projects, e.g. for steam reformers or in the field of industrial furnace construction, also aim at an increased efficiency and a higher creep strength enabling a longer product service life.

In S+C's own in-house Innovation Center, test castings are carried out under realistic conditions on a small scale and large parts of the material development can be carried out digitally using modern simulation software. This enables a reduction in time-to-market and saves valuable resources in the development process. The S+C simulation capabilities were recently presented at the Materials Technology Institute (MTI) TAC meeting. The results from the IMPROOF project were presented at another lecture held jointly with Ghent University in a workshop connected to the Ethylene Producers Conference.



Hand-picked from the start.

Sustainability has a long tradition in the procurement process at S+C.

High-quality stainless steel solutions for more than 140 years – an achievement that is only possible by staying true to your aspirations, viewing quality as a whole and adopting a sustainable approach. Our procurement process reflects this precept down to the last detail. “It is in our genes to be sustainable. As well as quality and cost efficiency, our founders already paid attention to social aspects. Today, a sustainable approach is even more important than ever,” says Dirk Reimann, Head of Purchasing & Logistics. What that involves is clearly defined in the S+C procurement guidelines, where ethical and social aspects join forces with the ecological and economic principles of a responsible purchasing policy. Observance of human rights, the rejection of child labor, environmentally friendly manufacturing and procurement processes, end-to-end occupational health and safety – the list of compliance rules is as long as it is unambiguous. Only suppliers who commit to comply with these guidelines and the anticorruption rules of the UK Bribery Act can look forward to being listed as partners.

Short ways, a good account.

“Wherever possible, we buy locally so as to avoid unnecessary transport and the associated harm to the environment. That is also part of our sustainable development policy. We don’t need to have raw materials flown in if they are available on sale here in the region,” Dirk Reimann explains. Since 2020, the sustainability policy has set the seal on the whole procurement process within the company. “We have been concerning ourselves intensively with the subject of sustainable development for many years. As long ago as 2018, the entire worldwide S+C purchasing organization underwent training in this field. Since then, we have been constantly sharpening awareness on the part of our purchasing staff. A sustainable purchasing strategy is firmly anchored in the procurement guidelines and the material group management, which are core elements of the S+C management system,” says Dirk Reimann, explaining the background. The internal processes are also matched against reports from industry organizations, banks, market analysts and official bodies – an early warning system that is in the process of further development and will additionally strengthen the procurement process.

Setting a good example.

As experience shows, sustainability is a complex matter and therefore one that also needs to be approached strategically. It is all about striking the right balance between cost and sustainability goals, about making target agreements, and about conducting realistic analysis of the supply chain. “As far as sustainability is concerned, a large, worldwide purchasing organization calls for demanding management. There are still many suppliers who pay lip service to sustainable development, but lack true commitment. There is still a long way to go in this area,” Dirk Reimann admits. But it is the company’s standard that counts. What the company demands of its suppliers also stands as a promise to the buyers of S+C’s solutions. “And sustainability is infectious! The more we concern ourselves with this topic, the bigger becomes the circle of those around us

who act equally responsibly. That is a genuinely positive outcome,” Dirk Reimann states.

A clear standard, clearly communicated.

A highly successful aspect of S+C Purchasing is the open communication and, of course, the sense of proportion with regard to the priorities. Not every supplier is able to change over its logistics if the necessary infrastructure is lacking. Continuous communication with the suppliers is important in order to lay down individual criteria. As Dirk Reimann explains further: “We have been working with some of our suppliers for decades. A close sense of trust has developed between us, and dialog is conducted in a spirit of partnership. Many of these partners have a very similar mindset to our own and comply with our stipulations without question. Nevertheless, we strive to create incentives to further establish our sustainable development criteria.” Where sustainability is concerned, there can never be enough.

“It is in our genes to be sustainable. As well as quality and cost efficiency, our founders already paid attention to social aspects. Today, a sustainable approach is even more important than ever.”

Dirk Reimann, Head of Purchasing & Logistics



Courage to embrace change.

S+C Facilities goes for sustainable and durable infrastructure.

S+C invests around 50,000 euros annually in environmental projects at the Group headquarters site in Lindlar, Germany. These have included, for example, the renaturation of former works waste tips and raising the rate of recycling for used furnace linings and slag by up to 50 percent. A special focus is on the use of water, which is essential in the production of special steel. In cooperation with the regional authorities, the quality of nearby bodies of water is subjected to close monitoring. To protect the groundwater, all materials used in coverings and coatings of the works buildings and foundations must be of types that are approved for use under the German Water Resources Act. "We are altogether very careful in our use of water. We have effluent treatment plants in operation, we use waste water for flushing the disposal pipes, and we have installed a resource-saving recycling system for the cooling water," says Jan Timmermann, Head of Central Services, Maintenance/Facilities.

An internal waste disposal system is already firmly established which separates waste and, where possible, processes it further in a waste treatment unit. This process has enabled the volume of waste to be continuously reduced since 2015. "The recovery of reusable valuable materials is of major importance. For example, we filter metal shavings from the deep-hole drilling shop for further processing," Timmermann explains. The same attention is also paid to emissions. Dust is already extracted at the machine and transported to a central filter unit so as to minimize the emissions occurring during the casting process. In some cases, even the dust is recycled. At all the plants in Germany and Spain, the casting machines are provided with special protection in the form of housings. These reduce the noise emissions by up to 40 percent, the energy consumption by 20 percent and the release of dust by 60 percent.

Each investment is reviewed for sustainability.

In order to further reduce the consumption of electricity, gas and pressurized air, the S+C energy management team identifies the possible optimization potential with the aid of monitoring tools and regular energy audits. Numerous individual projects have been carried out in the past few months alone.

These included the changeover to energy-saving LED lighting systems in the Kaiserau plant, the installation of heat recovery equipment and modern heating technology, as well as screw compressors for the generation of pressurized air. At the present time, further investments are planned in energy-saving technology to the tune of around 100,000 euros.



All new building and construction projects are carried out in close consultation with the relevant authorities and institutions and in all cases with a focus on the use of environmentally friendly and long-life building materials. "We strive to keep the ecological footprint at all our sites as small as possible. We therefore plan with careful consideration and always pay attention,

even at the tendering phase, to renewable energy factors and technologies of the future, such as electric charging stations," Jan Timmermann states.

"Today, sustainability and infrastructure have become inseparable.

The core issues of infrastructure have long gone far beyond the traditional points of contact, such as transport, energy and waste management, and are increasingly concerned with health and environmental quality."

Jan Timmermann, Head of Central Services, Maintenance/Facilities



It's people who make the difference.

Sustainability is increasingly becoming key to successful HR policy.

Already today, sustainable personnel management is a clear competitive advantage and a crucial argument in the race for the best minds. This is confirmed by current studies: For 76 percent of the employees in Germany, it is important that sustainability should rank highly in their enterprise.*

"At S+C, value-oriented, sustainable HR management is not just a concept for the future, but something that has been our living practice for many years. The altogether 1,057 employees have the benefit of a comprehensive support concept that transports our values as a family enterprise and makes up for any potential locational disadvantages," confirms Elwira Otterbach, head of HR S+C Group.

Clear values

Values such as respectful conduct towards one another, cultural diversity, a sense of responsibility, and honesty are firmly anchored in the corporate strategy and the appurtenant leadership competence model, which integrates the defined goals into everyday working practice and underscores it with a concrete code of conduct.

Direct feedback

Open and honest intercommunication is an essential element of the S+C strategy. The feedback culture stands for the spirit of partnership, efficient collaboration, and the targeted securing of development potential. S+C has been distinguished by the internet portal Kununu as an "Open Company – We live openness".

Never standing still

Of key importance for our HR management is the Group's own S+C Academy. S+C takes the tasks of basic and further training into its own hands and meets the challenges of today's working world by developing its own company-specific know-how. The Academy is also used for training purposes by smaller businesses in the region who, because of their size, are not able to provide all aspects of vocational training themselves.

Work and family in balance

To ensure the compatibility of family life and work, S+C offers flexible work time models. Mobile working, flextime working arrangements and part-time employment contracts are some examples of this. Since 2008, S+C has also had its own in-house daycare facility for children, which is very much welcomed and appreciated. S+C is a member of the "Success Factor Family" network.

Everyone is equal

For years now, S+C has been committed to gender-neutral criteria for job grading and the associated equal pay for men and women. In the non-tariff area, this fair remuneration system is defined by a grading system. The job evaluation is ensured by a gender-neutral, analytical rating procedure.

Keeping fit

Health has top priority. S+C has its own in-house fitness studio, offers a comprehensive range of courses and also runs a leasing concept for business bikes. Health at the workplace is checked or optimized by annual risk assessments.

"At S+C, value-oriented, sustainable HR management is not just a concept for the future, but something that has been our living practice for many years. The altogether 1,057 employees have the benefit of a comprehensive support concept that transports our values as a family enterprise and makes up for any potential locational disadvantages."

Elwira Otterbach, Head of HR S+C Group



*Online survey on sustainability conducted with 12,000 participants by the job platform StepStone.

Responsibility is a question of attitude.

Corporate Social Responsibility, or CSR for short, has become increasingly prominent in recent years and is often listed among the central corporate goals. In an interview, Jan Schmidt-Krayer, the Managing Partner/CEO of S+C, reveals his viewpoint.

Social responsibility has become a trend issue. What is your view of it?

Jan Schmidt-Krayer: With a corporate history going back 140 years, we have a strong lead as far as social responsibility is concerned. We would not be where we are today without the responsible corporate leadership of my forbears. They also saw themselves as a motor for social developments and demonstrated their creative powers far beyond the region. We are consciously continuing along this path today.

What should we understand by that?

JSK: Our primary goal is bringing economic, ecological and social aspects into harmony. In that configuration, a central position is held by our employees. Without them, the success of S+C would be unthinkable. And we are strongly aware of that. We show our recognition with framework conditions that create value and with the assumption of social responsibility. Our aim is to set the course for a livable future and offer our employees a meaningful work environment.

With what measures do you meet this aspiration?

JSK: We have positioned ourselves broadly and see CSR as a way of safeguarding the future. It encompasses flexible work times, further training programs, short communication channels and also a living feedback culture, to give just a few examples. Work that is highly regarded is the antidote to inner resignation. This has now been functioning well for four generations, and we can build on a high sense of identification on the part of our coworkers.

What is your approach to the subject of CSR outside of the works premises?

JSK: Naturally, employer quality is very important to us, but that does not mean that our commitment ends at the factory gate. We have strong ties to the region, and we correspondingly support local projects, including educational activities and amateur sport, as well as charitable measures such as the TAFEL, a foodbank organization. But local is not enough. We operate throughout the world, and must therefore fill our values with content also beyond our national borders. Fair trading relations, a responsible purchasing



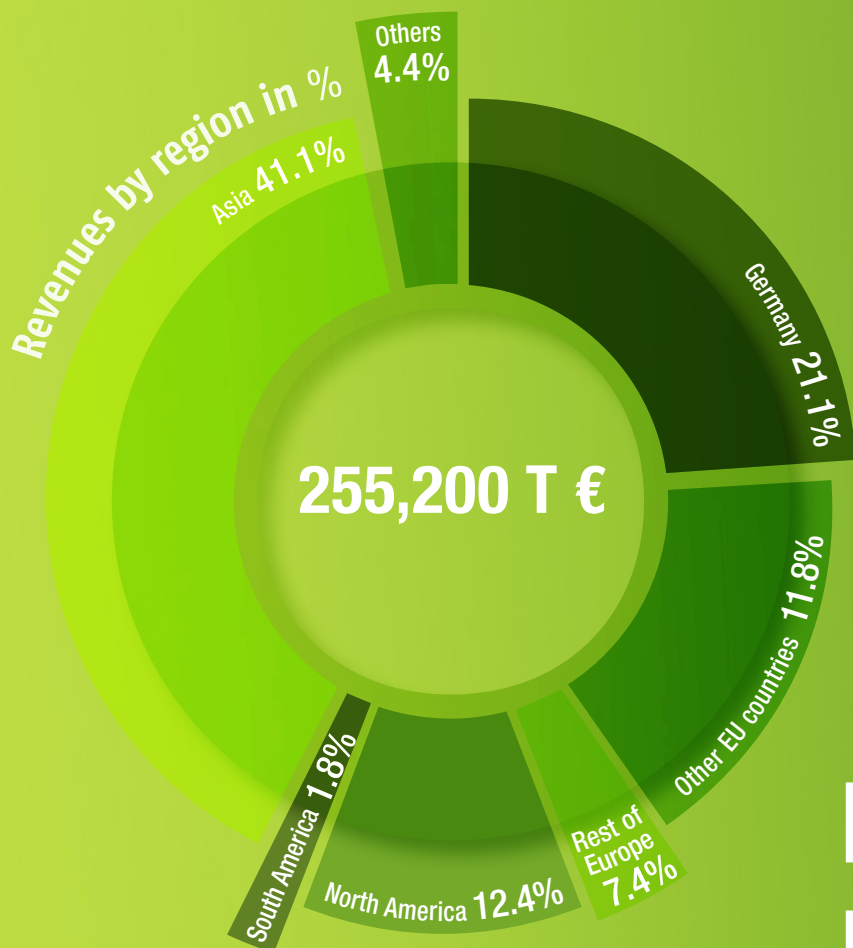
“Our primary goal is bringing economic, ecological and social aspects into harmony. In that configuration, a central position is held by our employees. Without them, the success of S+C would be unthinkable.”

Jan Schmidt-Krayer, Managing Partner/CEO

policy and support for international projects – every element counts. We try to move as much as we can.

How highly do you value communication as an element in the context of social responsibility?

JSK: Communication is one of the primary pillars of CSR. We have to give expression to our values, both internally and externally. Open and truthful communication provides us with a basis on which we can actively integrate our customers, the company and our employees into our value system and so help to accelerate change processes. CSR must be dynamic. We as a business enterprise have the opportunity to set milestones, whether in relation to energy consumption or the installation of charging stations for electric vehicles. We are determined to make use of this lead.



Environmental balance*

at headquarters site Lindlar

37,148,704.00 kg CO₂ – total emission

61,91.51 kg CO₂ – per employee

0.23 kg CO₂ – per Euro turnover

*simplified calculation with ecocockpit.de

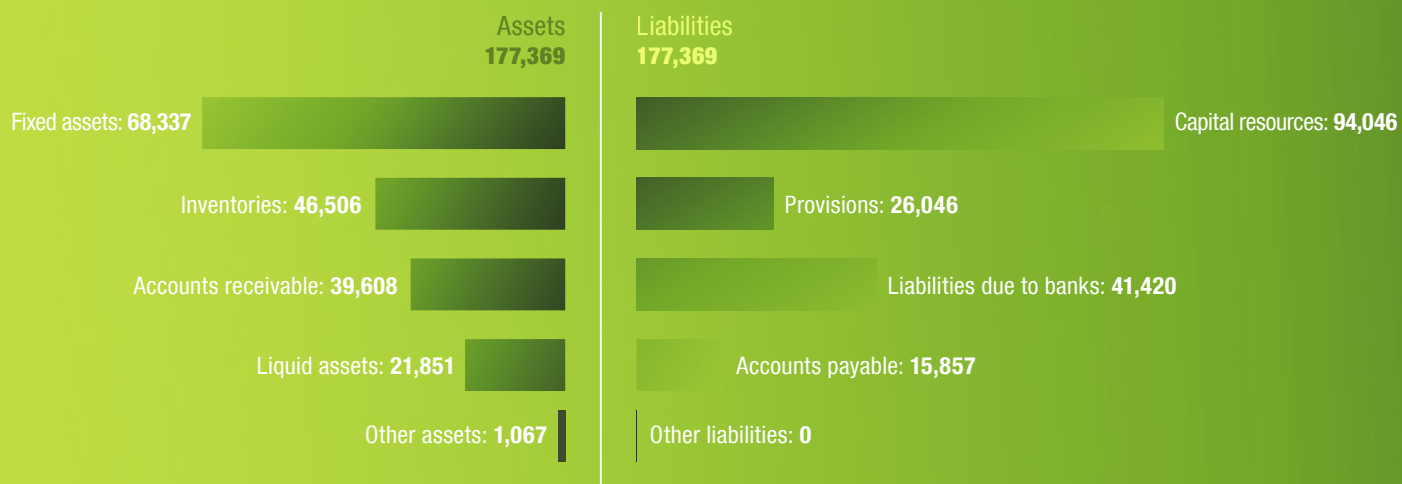
Facts & Figures 2020

1,057

S+C Employees



Consolidated Financial Statement for the S+C Group in T €



CERTIFICATE OF CORPORATE CARBON FOOTPRINT



Company

SCHMIDT + CLEMENS GMBH + CO. KG

Title of Balance

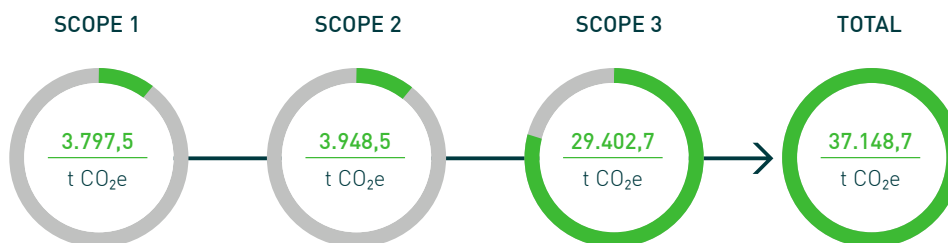
CO₂-BALANCE S+C (KAISERAU)



ACCOUNTING PERIOD: 2019/1/1 - 2019/12/31 (600 employees)

ACCOUNTING SUBJECT: The information relates to entries of the period for the year 2019. The casting processes are summarized in the analysis (horizontal-/vertical casting and static casting). Heating energy and electricity use for buildings are indicated in the total overview.

Emissions & Description of the Balance Room

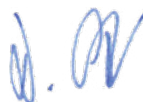


BALANCE STANDARD CCF: The Corporate Carbon Footprint (CCF) is a sum of greenhouse gas (GHG) emissions and removals in a company expressed as CO₂ equivalents (CO₂e) and based on a life cycle assessment using the single impact category of climate change. The CCF calculation is in accordance with requirements and guidelines for quantification and reporting of GHG emissions and removals given by ISO 14064-1:2012. The results are not meant as a platform for comparability to other companies. Even for similar companies, differences in unit of analysis, use and end-of-life stage profiles, and data quality may produce incomparable results.



Lindlar, 09.12.2020

Place and Date



Signature



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