

DER GRÜNE



Sustainability Report 2015/2016

PUNKT



Taking sustainability to the next level

“**K**nowledge, skill,

and the will to succeed are the three key ingredients in the recipe for success.”

This maxim is a perfect representation of the third Sustainability Report for the Der Grüne Punkt group. In-depth knowledge gives us the ability and desire to act in a way that is economically viable, environmentally sustainable, and socially responsible in the long term.

Over the coming pages, we will showcase the goals contained in our revised sustainability strategy and the progress that we have made since the last issue. We will also report on further actions. After all, recycling is the future.

Can we print this report and still consider ourselves to be champions of sustainability?

It goes without saying that we contemplated whether offering a printed publication was still in keeping with the times. We made a conscious choice that it is. We are printing this report on certified recycled paper, and mailing it in a climate-neutral manner.

» Reporting framework

Unless otherwise noted, the contents and all figures relate to the entire group and to the 2015 and 2016 fiscal years. We will maintain this two-year cycle in future. A credible comparison with figures contained in the 2013/2014 Sustainability Report is not possible since the group has been completely restructured since then.

For the first time, this Sustainability Report was drawn up in accordance with the G4 Sustainability Reporting Guidelines of the Global Report Initiative (GRI) and fulfils the core option. You can find an overview in the GRI index on page 48. This report was audited by GUTcert (audit certificate on page 50). The index contains information about the audited disclosures. Externally, cyclos future GmbH was among the companies providing strategic and content-related support for the preparation of this report.

We look forward to continuing a meaningful discussion with our stakeholders. You can find more information on sustainability and the report to download at:

www.gruener-punkt.de/en/sustainability

04

About this report

06

Editorial/About us

10

Sustainability strategy

16

Market

22

Economy

26

Ecology

34

Employees

40

Outlook

42

Annex



Dear Ladies and Gentlemen,

Sustainability. It's a concept that Der Grüne Punkt views as a way of safeguarding the company and growing its value. It means preserving the foundations that underpin this growth. It means conserving natural and technical resources. It means that all stakeholders ultimately benefit from the company's success.

Sustainability is not just a business principle; it is critical to our success. After all, the company was founded in 1990 with the goal of providing a lasting solution to an overwhelming problem at the time: the amount of municipal solid waste was steadily growing. Virtually the only disposal solution was landfill sites. A waste management emergency was threatening. Using valuable resources once to make packaging that were later buried in the countryside was becoming more than just an environmental problem: It was corroding natural resources in Germany and jeopardizing social cohesion and commercial success.

If the Der Grüne Punkt group were to squander resources today, it would be putting the very foundations of its business at risk. It's not just environmental performance that is important. Social acceptance is just as critical, something that is reflected in the fact that households want to separate their waste properly.

Der Grüne Punkt brings together manufacturers, the retail trade, the recycling and waste management industry, and consumers. It is the market leader in what is a unique environment. Today, competition prevails in the Dual System. All scheme operators are compelled to work together on collection. It is only once packaging has been allocated to a particular scheme that each operator can act independently of its competitors. The consequence is that actions taken by one party have direct ramifications for its competitors. One prime recent example came in 2014 when the Dual System teetered on the brink of financial collapse because less and less packaging was registered with authorities for cost-sharing. Our goal is to bring stability to this market – and to promote competition so that innovation follows.

“As market leader, we bear a special responsibility.”

That is why we are committed to fair agreements that put the market on a sound financial basis. Der Grüne Punkt has repeatedly taken the initiative to further develop clearing agreements among scheme operators in the Dual System and to close loopholes (see also Market, page 18).

The basis for our business would ultimately vanish if social forces were unwilling to create the political framework we needed to operate due to poor recycling performance and a lack of acceptance on the part of consumers. Of course, as market leader, Der Grüne Punkt bears a special responsibility for the entire system. We shoulder this responsibility by consistently showing our commitment in bodies, in associations, and in discussions about sustainable business in society as a whole. It means acting in an economically responsible manner in the interests of customers and consumers. It means closing raw material loops to conserve resources wherever possible. It means minimizing the environmental impact of our actions and taking responsibility for our employees and society. Our employees are our most important commodity so we pay particular attention to their training and their working conditions.

Being the market leader also means that we meet a high standard in sustainability reporting. That's why this year's report is the first to comply with, and be audited in accordance with international standards.

Thanks for reading. I hope you enjoy browsing through our latest Sustainability Report.

Kind regards,

Michael Wiener
CEO of Duales System Holding

Structure follows strategy

Scant resources, climate change, and marine littering are prompting more and more companies to make their production, services, and products more sustainable. Der Grüne Punkt is here to help them with unique expertise in extended producer responsibility (EPR), recycling, and resource conservation. As a leading light in the circular economy, Der Grüne Punkt is preordained to connect stakeholders along the value chain. This is the only way to design a product whose raw materials can be reused after it reaches the end of its life.

Der Grüne Punkt is an unmistakable trademark. As a result, the company has used the Der Grüne Punkt (“Green Dot”) logo for its reorganization. Since 2016, all activities have done business under the world-famous logo. DKR Deutsche Gesellschaft für Kreislaufwirtschaft und Rohstoffe mbH and DSD Resource GmbH have been integrated into Der Grüne Punkt – Duales System Deutschland GmbH (DSD) with headquarters in Cologne and offices in Augsburg, Berlin, and Hamburg. Our group also includes Systec Plastics GmbH, which has a production facility in Hörstel, and Systec Plastics Eisfeld GmbH, which turns post-consumer plastics into high-quality recycled plastics. Duales System Services GmbH performs service duties for the entire group.

All companies are pooled under the umbrella of DSD – Duales System Holding GmbH & Co. KG. Some 438 workers are employed at six locations (2016). Our primary market is Germany, with Systalen products in particular sold around the globe.

Three business areas are at the heart of what we do:

- 1. Extended producer responsibility (EPR) services*
- 2. International trading in secondary raw materials made out of plastic*
- 3. Development and production of premium recycled plastic*

A great deal is changing. Consumers want sustainable solutions that conserve resources and have less of an impact on people and the environment. We offer the right products and services for them. This report casts the spotlight on a few beacon projects.

Der Grüne Punkt is synonymous with smart take-back schemes. We want to leverage this position to consolidate the market and take it to the next level for the benefit of our customers. Systalen premium recycled plastic has enormous potential: it competes with primary plastic made out of virgin raw materials and can already replace these materials in many areas. New products are being

created. The possibilities are just as diverse as the regranulate itself. Examples include wastewater pipes, buckets, transport boxes, façade cladding, and shopping baskets, as well as high-quality sales packaging, such as translucent bottles for washing and cleaning products.

» **Resource conservation as a core business**

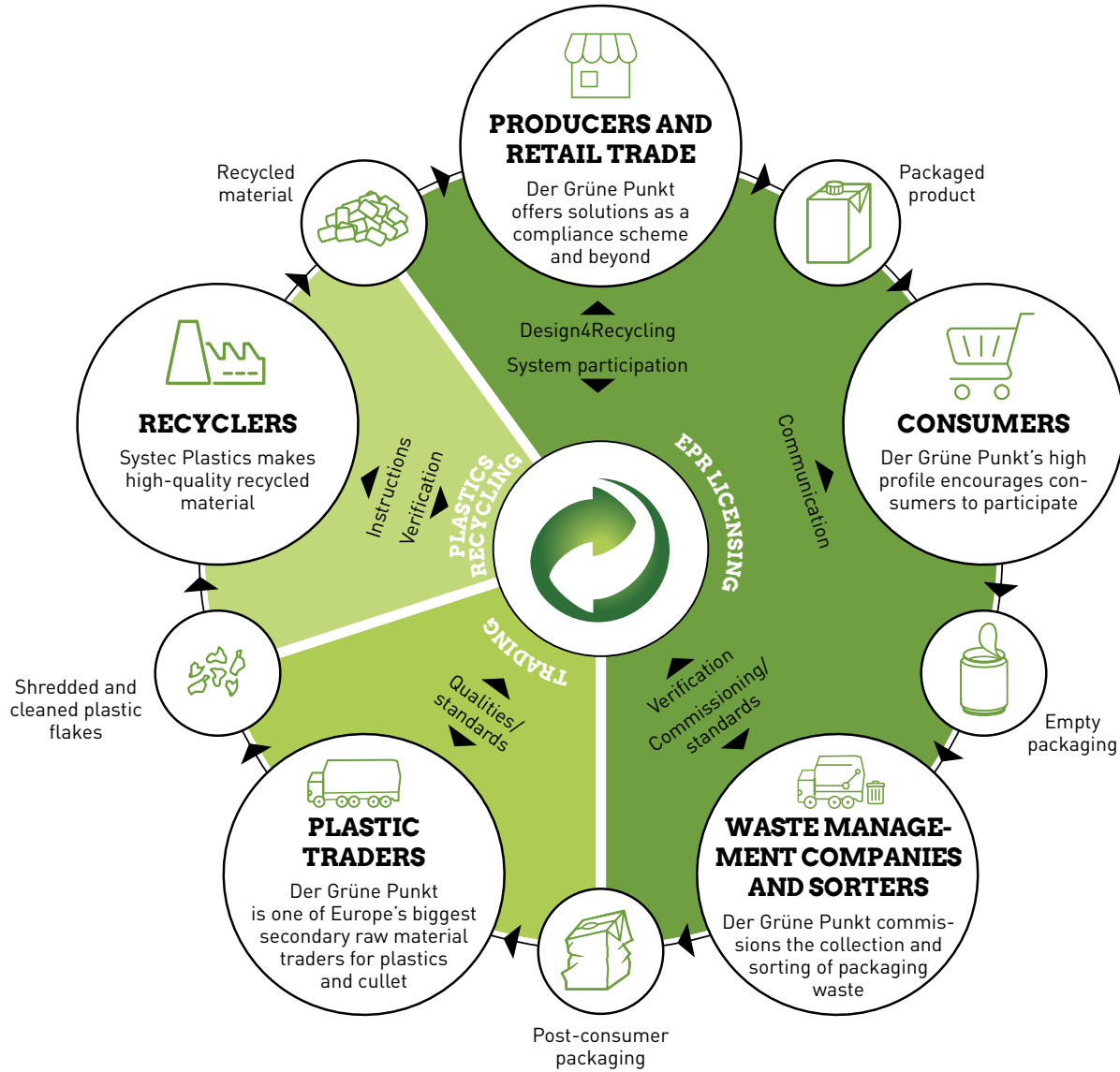
With more than 27 years’ experience in recycling, Der Grüne Punkt has positioned itself as *the* provider of solutions meeting the needs of the circular economy. It supports its customers in reaching their sustainability goals. As a market leader in Germany’s Dual System, we combine technical expertise with competent advisory services – on secondary raw materials, environmental protection, and recycling technology – to maximize the retention of raw materials in the economic cycle.

We think along the value chain from production to reprocessing. Waste prevention has rightly earned its place at the top of the waste hierarchy in the EU Waste Framework Directive and in Germany’s Circular Economy Act. As the first provider of services, we provide advice on how packaging can be designed with recycling in mind (Design4Recycling) and develop technical solutions to make the best out of waste that cannot be prevented – in an ideal scenario, turning it into new packaging.

Der Grüne Punkt has consistently improved its services since it was founded in 1990. We paved the way for technical innovation and greater profitability at an early stage. Automated sorting technology for lightweight packaging has facilitated recycling of this material in the first place. The challenge in the years ahead will be to complete the value chain, something that will require function, design, and resource conservation to be considered at the product design stage.

» **Executive Board and shareholders**

The holding firm, and thus the group, is managed by Michael Wiener (CEO) and Tobias Ketterle (CFO). The managing directors of DSD are Haucke Schlüter (spokesman), Dr. Markus van Halteren, Frank Böttcher, and Dr. Markus Helftewes. Vilmos Polgar and Dorothee Röckinghausen are the managing directors of Systec Plastics GmbH and Systec Plastics Eisfeld GmbH. Our investors include BlueBay Asset Management (55 percent), HIG Capital (25 percent), and the management team (20 percent). The company’s most important controlling body, the Advisory Board, is chaired by Karl-Heinz Holland.



VALUE CHAIN

We connect extremely complex value chains. Packaging must be functional and easy to handle. It must also be able to be manufactured efficiently. We help manufacturers design packaging for recycling, too (Design4Recycling). Consumers should dispose of packaging properly once used so that it can be sorted and recycled. That's why Der Grüne Punkt sets standards for how our partners – from local collection companies and sorters to the recycling plant – deal with different recyclables. All links in the chain have to become interlinked to achieve the best possible outcome.

The background of the image is a dense, uniform field of small, bright yellow lentils, filling the entire frame. The lentils are scattered and oriented in various directions, creating a textured, organic pattern.

SUSTAINABILITY STRATEGY

Sustainable development goals

The UN's 2030 Agenda for Sustainable Development sets sustainability goals for the years ahead. Der Grüne Punkt makes tangible contributions towards the achievement of the following goals:

SUSTAINABLE ECONOMIC GROWTH

Der Grüne Punkt increases resource efficiency by recycling raw materials and supports the decoupling of economic growth from environmental degradation.



SUSTAINABLE INDUSTRIALIZATION

We support innovation in recycling technologies and are upgrading the efficiency of our own facilities. We make these technologies available to developing countries by taking part in initiatives.

SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

Germany's volumes of residual waste have tumbled since 1990 thanks to the sorting of waste. Today, a large part of municipal solid waste is recovered or recycled instead. We will continue to grow these rates in the future.



COMBAT CLIMATE CHANGE

We support Germany in achieving its reduction targets by improving the quality and quantity of recycling.

Beacon project:

NEW CAPS MADE OUT OF RECYCLED PLASTICS

FROSCH lemon-scented cleaner is now available with a flip-cap made out of Systalen recycled PP – another success story for the Recyclat-Initiative ("Recycled Material Initiative"). This product was honored with the Deutscher Verpackungspreis ("German Packaging Prize") in 2017. Switching high-quality products to using recycled material can help achieve global sustainability goals.



Listening is learning

Competent and credible – those are the words that people used to describe Der Grüne Punkt in a spring 2016 survey. We asked customers, consumers, and other stakeholders what they expect from our company when it comes to sustainability. Their answers factor into our sustainability strategy. More than 320 internal and external stakeholders told us about the impact of our activities. This valuable information helps shape the future of Der Grüne Punkt in our key fields of action: economy, ecology, compliance, and market presence.

“Our economic performance and ecology are the most important aspects both internally and externally,” noted managing director Dr. Markus Helftewes. These factors are mentioned by employees and customers, meaning that we comply with environmental legislation. All stakeholders expect us to drive recycling forward. Acting in accordance with the law plays a role across the board, as compliance is a major concern for our customers. Competence and credibility, fair competition, and product responsibility are also prominent considerations.

STAKEHOLDER DIALOGUE

In lively discussions with our stakeholders, we learn where we can improve our services.

Our five fields of action – economy, market, ecology, employees, and compliance – represent the foundation of our materiality matrix (see opposite page) and of our sustainability strategy.

» Individual perspective

Der Grüne Punkt is perceived as competent and open to dialog. Based on their comments, survey respondents felt that there is room for improvement on transparency and quality. For instance, some praised “very pleasant professional cooperation with a high level of expertise” and “our trustworthy partnership.” Others wanted to see “greater transparency” and “PR work outside business relationships.” It must become clearer and easier to understand what actually happens to packaging once it has been collected, respondents felt.

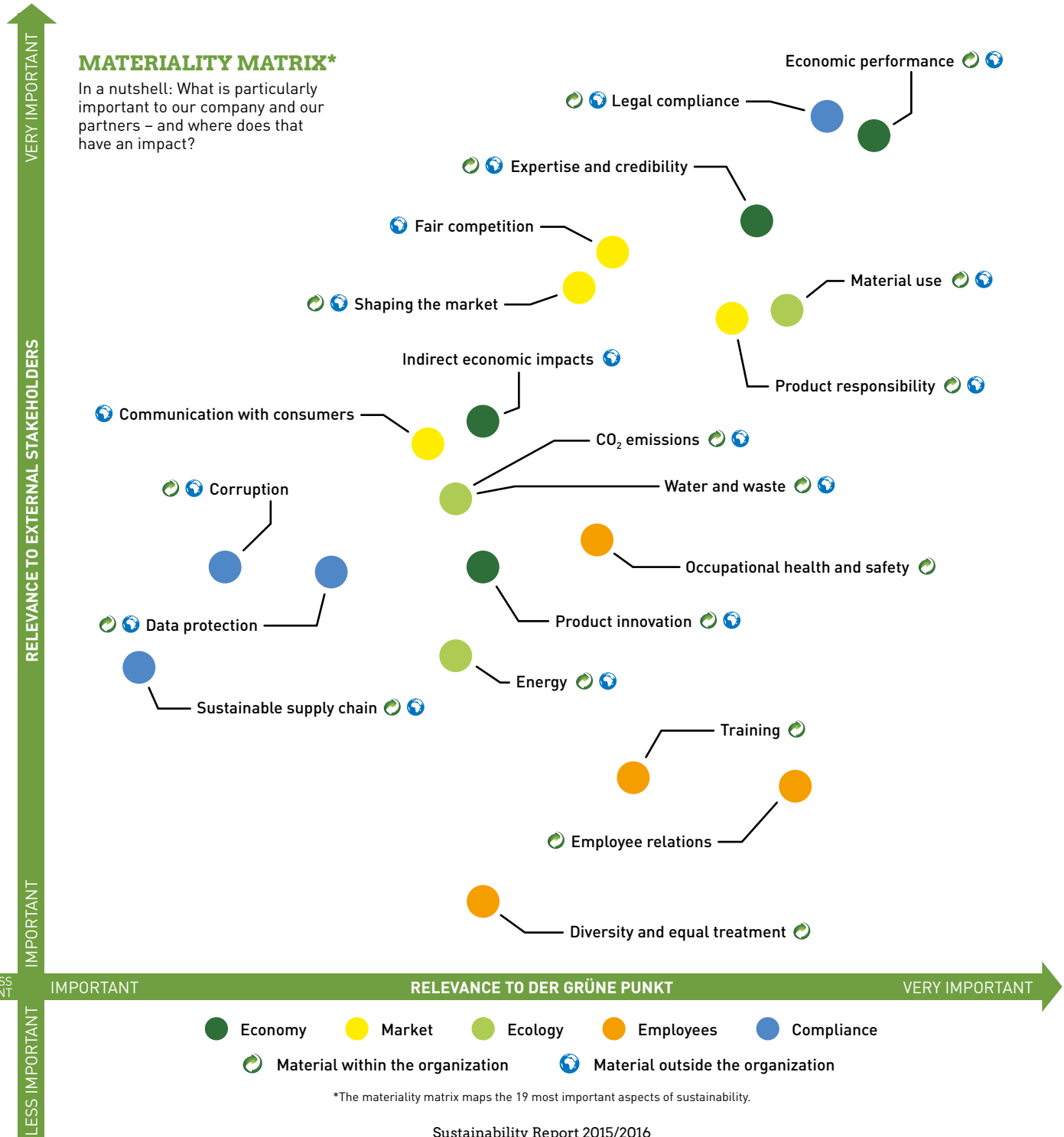
» Key elements of the sustainability strategy

At an internal workshop, a team selected from all relevant parts of the company identified the most important stakeholders by looking at their connection to the group (see illustration). Following the survey, answers from the different groups were weighted and evaluated with the help of a materiality matrix. Another workshop with external support then took place, allowing key aspects for the company to be determined.



MATERIALITY MATRIX*

In a nutshell: What is particularly important to our company and our partners – and where does that have an impact?



*The materiality matrix maps the 19 most important aspects of sustainability.

Setting standards

Financial indicators are pivotal to the company's value, but so are its environmental performance and the value it creates for customers. Der Grüne Punkt aims to keep raw materials in the economic cycle. That requires advancing the quality – and above all the quantity – of recycling. We can also contribute towards achievement of the Sustainable Development Goals by doing so (see page 11).

Our Business Development & Management Systems department handles the overarching area of sustainability, coordinates all activities and reports directly to the Executive Board, including at regular meetings. We are adding Market and Compliance to the Economy, Ecology, and Employees fields of action. It is important for every company to know and cultivate its own market. Since the dual systems operate in a very special environment, Der Grüne Punkt bears particular responsibility as the market leader. When it comes to compliance, this means that we enjoy a high degree of credibility as the world's first Dual System. Our credibility hinges on us adhering to rules set out by law and those that we set ourselves. We are not devoting a separate chapter to this issue since it is taken into consideration in all areas.

Many of our customers count on expert support to reach their sustainability goals, especially in areas that are not part of their core business. How can waste be recovered in a sustainable manner, in other words in an economically efficient way, while respecting all environmental standards and with maximum recycling success? How can packaging be designed in such a way that it can be recycled without losing any of its functionality (product protection and marketing)? Consultancy services are increasingly becoming a selling point, even for the core business. Advice is also essential for success in selling recycled plastics – uncharted territory for many customers.

Ecological and economic efficiency are vital to keeping products competitive and defending the position of market leader. Innovation is the key to unlocking this door. The group is investing in technology to consistently raise the quality of products and services and downsize our environmental impact, especially in manufacturing. The materiality matrix made it clear that action is still needed on this front, including evaluating measures: recycling only makes environmental sense if energy consumption, emissions, and similar factors are much lower than when making a raw material of the same quality.

In a nutshell

COMPLIANCE

We are the ones that play by the rules

Our everyday work and the stakeholder survey reveal the importance of compliance. This report does not devote a separate chapter to compliance as it is intertwined with all areas.

Compliance means observing the rules. It means acting with integrity to build trust with external stakeholders and colleagues. It means that we do not tolerate corruption and discrimination. Knowing what is the right thing to do also helps in the small things. "Can I take a candy bar next time, too?" The compliance manager answers this and other questions. Our employees can also report anomalies anonymously.

We have not learned of any cases of corruption within the group to date. In 2016, Der Grüne Punkt adopted compliance instructions. Inspired by the principles of the UN Global Compact, the instructions reflect our principles and values. They include our social responsibility not to tolerate any labor conditions that contravene international laws and human rights. The instructions also address the German Minimum Wage Act, potential conflicts of interest, data protection, and anti-trust law. After all, compliance is so much more than adhering to applicable environmental protection standards.

SUSTAINABILITY STRATEGY

This table outlines fields of action, strategic goals, and measures to achieve them by the year 2020.



Sustainability strategy ► Goals and measures by 2020

Area of activity	Strategic goal	Action
Economy	Improve economic performance	<ul style="list-style-type: none"> - Increase the company's total revenues - A level playing field for all competitors in keeping with revenues and market share - Raise the capacity of plastics recycling plants
	Increase added value for customers	<ul style="list-style-type: none"> - Hold and expand constant dialogue with customers through regular stakeholder surveys and dialogues - Extend our advisory portfolio (EPR licensing) and respond to customers' requests in an even more focused way - Foster product innovation (plastic recycling)
	Live out efficient organization	<ul style="list-style-type: none"> - Introduce an integrated management system - Expand digital systems and formats to optimize and refine operating procedures - Introduce lean management tools
	Strengthen expertise and credibility	<ul style="list-style-type: none"> - Enshrine sustainability reporting as a lasting strategic tool in accordance with recognized standards and integrate it into the company - Institutionalize dialogue with key stakeholder groups - Strengthen communication and education by expanding PR work aimed at specific target groups
Market	Set the tone for recycling	<ul style="list-style-type: none"> - Expand and extend networks/advocacy work to increase recycling - Upgrade flagship projects with partners to promote recyclability and the use of recycled materials - Advance R&D into high-quality applications for recycled materials - Further develop a model to promote recyclable packaging and the use of recycled materials (Central Body/German Packaging Act)
	Practice sustainable business along the value chain	<ul style="list-style-type: none"> - Integrate sustainability criteria into invitations to tender for waste management companies and suppliers - Expand supplier ratings based on sustainability criteria
	Close loops	<ul style="list-style-type: none"> - Meet recycling targets by 2020 - Educate and involve consumers (prevention, separation, and waste management) - Maintain dialogue with policy-makers and competitors - Transfer knowledge and expertise outside Germany
Ecology	Optimize material use	<ul style="list-style-type: none"> - Reduce the use of consumables and resources
	Reduce/optimize energy consumption	<ul style="list-style-type: none"> - Raise the share of renewables - Lower energy consumption at manufacturing facilities
	Cut CO₂ emissions	<ul style="list-style-type: none"> - Perform a comprehensive assessment of CO₂ emissions for all manufacturing sites and offices (Scope 1 to 3) - Implement and optimize the Sustainable Mobility strategy - Work with partners to optimize logistics and transport routes
	Promote the efficient use of resources	<ul style="list-style-type: none"> - Decrease waste and wastewater at production sites, increase yield - Continuous optimization of water recycling
	Increase positive impact through our own activities	<ul style="list-style-type: none"> - Press ahead with Der Grüne Punkt's environmental performance balance - Draw up environmental profiles for new recycled material products
Employees	Position Der Grüne Punkt as a top employer	<ul style="list-style-type: none"> - Employee relations: Further optimize working conditions - Reach young professionals - Develop an employer brand strategy with a link to sustainability
	Increase employee motivation through training	<ul style="list-style-type: none"> - Implement an Employee and Manager Training strategy - Intensify dialogue with employees - Improve knowledge management internally – encourage young talent - Continue annual performance reviews with employees in all departments
Compliance	Comply with laws	<ul style="list-style-type: none"> - Raise awareness of compliance issues, introduce staff training - Further develop compliance guidelines and related processes
	Set standards	<ul style="list-style-type: none"> - Work in networks at European level/political lobbying for higher standards - Help shape the framework conditions at EU level



MARKET



A second life for newspapers and the like (left page): Recycled fibers are turned into new paper. Our Sustainability Report was also printed on certified recycled paper.

Linking arms for big rewards

Succeeding in business and driving innovation require that a company knows every facet of its line of business. The Dual System and circular economy market is especially shaped by the political framework. Supply and demand are governed by many more factors than in other markets. Decisions made in

Brussels and Berlin have a direct impact on what happens in the market. Consequently, this issue plays a special role in our sustainability strategy.

Economic sustainability not only hinges on us budgeting properly. We have only an indirect impact on the economic stability of the Dual System – it hinges to a considerable extent on the political framework, the existence and effective use of enforcement, and the actions taken by other market players. Misconduct by competitors is problematic everywhere, but it can pose a direct risk to our existence in the very special market of the Dual System.

In 2014, a dangerous funding gap opened up when there was a shortfall of payments for packaging in the Dual System. This gap had to be closed with support from the retail trade. A revision of the German Packaging Ordinance helped close the first loopholes, as did a new version of clearing agreements between Dual System operators at the initiative of Der Grüne Punkt. Nonetheless, the quantity of packaging participating in the system, especially lightweight packaging, is still much lower than the quantity put onto the market. Working together with two competitors, Der Grüne Punkt has decided to terminate existing clearing agreements and entered into new ones that are to guarantee a seamless transition to the work of the Central Body envisaged under the new German Packaging Act. Another scheme operator had entered into such agreements by the end of August 2017.

» Shaping the rules of play

The new Central Body for Packaging Registry will register obligated distributors and experts and has extensive supervisory powers to ensure fair competition. It is reliant on the expertise of market players. Der Grüne Punkt will also participate in working groups to this end. Companies that define their packaging according to other criteria – sometimes in breach of the law – have created an advantage for themselves in the past at the cost of the system as a whole, and thus at the cost of society.

At the same time, they jeopardized the market for everyone because they adversely affected the funding base. The Central Body can put an end to this problem by enforcing uniform conditions for par-

ticipation. Competitive advantages can then only be secured through innovation, in other words through especially recycling-friendly solutions that save material and – in the case of scheme operators – through better recycling performance.

» Closing loops

When Der Grüne Punkt was founded in 1990, it was the first sustainable solution to recover packaging. Printing the Der Grüne Punkt (“Green Dot”) symbol has not been mandatory since the market was opened up to competition. However, it remains one of the best-known brands in Germany. A disproportionately large number of customers have been under contract with Der Grüne Punkt for more than five years and value the practical services we offer.

How the circular economy works can be summed up in four sentences: All post-consumer sales packaging is collected in Dual System containers – whether or not it bears the Der Grüne Punkt trademark – no matter the material. Manufacturers and the retail trade fund recycling by paying participation fees. The weight and type of the material determines how much they pay, which acts as an incentive for them to optimize packaging.

Since this has an environmental incentive effect, we actively shape the transformation of the market and advocate better framework conditions. Investments are also being made in new processes and application technology. The new German Packaging Act is an important step towards a sustainable future: Higher recycling targets effective 2019 bring new opportunities and challenges. For instance, operators of sorting plants for lightweight packaging have already announced plans to build new facilities and upgrade existing plants.

» Plastic recycling – a niche market

It goes without saying that market leaders bear particular responsibility. Recycled plastic is one downstream market. Since 2011, we have been making our own products for recycled plastic. It is still a niche market that is typified by a large number of rather small suppliers. As such, it is hard for them to invest in high-tech developments and thus advance the quality and quantity of products. Therefore, Der Grüne Punkt is pursuing an upgrading strategy, which proved successful for sorting lightweight packaging. A study from RWI Essen conducted on behalf of Der Grüne Punkt shows how the market might grow under the right framework conditions (see the information box).

» **Quality and data protection**

Only certified waste management companies are eligible to participate in our invitations to tender. Current contracts safeguard compliance with the law. We strive to review our suppliers based on environmental, social, and human rights criteria. We are coming up with a point system for suppliers that integrates comprehensive assessment standards to which we want to add sustainability criteria. Our collectors, sorters, and recyclers are subject to stringent quality checks. We have developed a comprehensive quality assurance system for over 25 years. Quality teams review the composition of sorted recyclables and compare them with specifications developed by Der Grüne Punkt that are industry standard today. Every bale of recyclable material can be clearly traced back to the facility. Complaints are handled using an established procedure that can go as far as sorted recyclables being rejected at the sorting plant.

Data protection is especially important to both our customers and suppliers. Comprehensive protection systems keep data safe around the clock at our company and our affiliates. We have not learned of any infringements of data protection or breaches of our security systems to date.

» **Transparency and education**

We are not only maintaining constructive dialog with our suppliers and customers, but also directly with consumers. Since 2015, Der Grüne Punkt has been offering a series of events together with the German Packaging Institute (dvi) where packaging technology students come together with practitioners. Discussions, workshops, and sessions revolve around questions about the future, trends, and best practices in packaging design.

We have also produced a blog providing information about our company's activities since 2012. Interested parties can ask questions directly and offer criticism. This blog and our entire social media presence aims to enter into critical dialog with consumers to educate them about the Dual System and resolve quality issues, for instance with waste collection.

Our actions are making waves. The company was nominated for the Deutscher Rohstoffeffizienz-Preis ("German Raw Material Efficiency Award") in 2016 and it was put forward for the 2018 Deutscher Nachhaltigkeitspreis ("German Sustainability Award") in 2017. Der Grüne Punkt landed the Deutscher Verpackungspreis ("German Packaging Award") in 2017 together with the Recyclat-Initiative ("Recycled Material Initiative").

In a nutshell

RECYCLING – A BILLION EURO MARKET

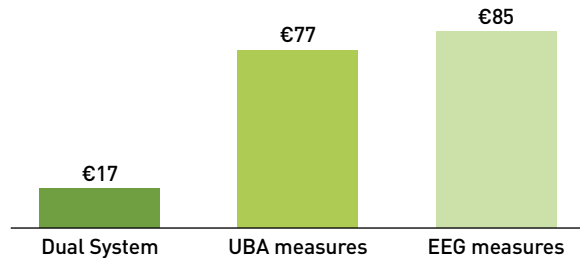
It is clear that the market for recycled materials has considerable potential. This message is confirmed by a 2016 study from RWI Essen looking at the economic outlook of plastic recycling and the role of the Dual System.

Today, the market for recycled products made from post-consumer lightweight packaging (plastic, aluminum, and tinplate) is valued at roughly €315 million in Germany alone. Recycled materials have gained a foothold – thanks to the Dual System. Its economic benefits have increased while scheme costs have decreased because of innovation and competition.

The Dual System's CO₂ avoidance costs are impressive and especially low at €17 per metric ton of CO₂ saved. By way of comparison, measures to increase the use of renewable energy – whose expansion is supported by the German Renewable Energy Sources Act (EEG) – were calculated to cost almost five times more at €85 per metric ton. Average avoidance costs are also markedly higher: the German Federal Environment Agency (UBA) put them at €77 for each metric ton of CO₂ saved.

Premium recycled materials are the raw materials of the future. The study estimates the potential market for plastic recycling at up to €1.4 billion in 2030.

For this to happen, collection, sorting, and recovery need to be optimized and coupled with higher targets. This will only be possible if the management of material streams improves. You can find out more about the RWI study by visiting: www.gruener-punkt.de/en



Avoidance costs per metric ton of CO₂ saved are much lower with the Dual System than with other measures.

Driving recycling forward

Germany is a champion when it comes to collecting glass, paper, plastic, and other recyclables – but not enough of it has been recycled nationwide. Until now. After decades of discussions, the German Bundestag and Bundesrat adopted the new Packaging Act. So, what exactly will change from January 2019 onwards?

The recovery target for plastic will increase from 60 percent now to 90 percent. At least 65 percent of this plastic must undergo mechanical recycling, a significant hike from current levels. This more ambitious target is spurring the industry to invest in better sorting and processing technology. The recovery target for glass and aluminum packaging will initially stand at 80 percent, rising to at least 90 percent at a later date. Beverage cartons will have their own target for the first time – it will stand at 75 percent effective 2019, before rising to 80 percent.

» Less waste, more deposit-bearing bottles

Clean-up is also under way on grocery store shelves. For one thing,

non-reusable beverage packaging containing carbonated fruit and vegetable juice is now subject to a mandatory deposit. For the other, signs will show where reusable bottles can be found to give them a boost.

In addition, eco-design and the use of more recycled materials and renewable raw materials is being promoted. Der Grüne Punkt has been supporting these efforts for a long time. Packaging that is easier to recycle should receive preferential treatment. Operators in the Dual System must also report to a new Central Body each year that also registers obligated distributors.

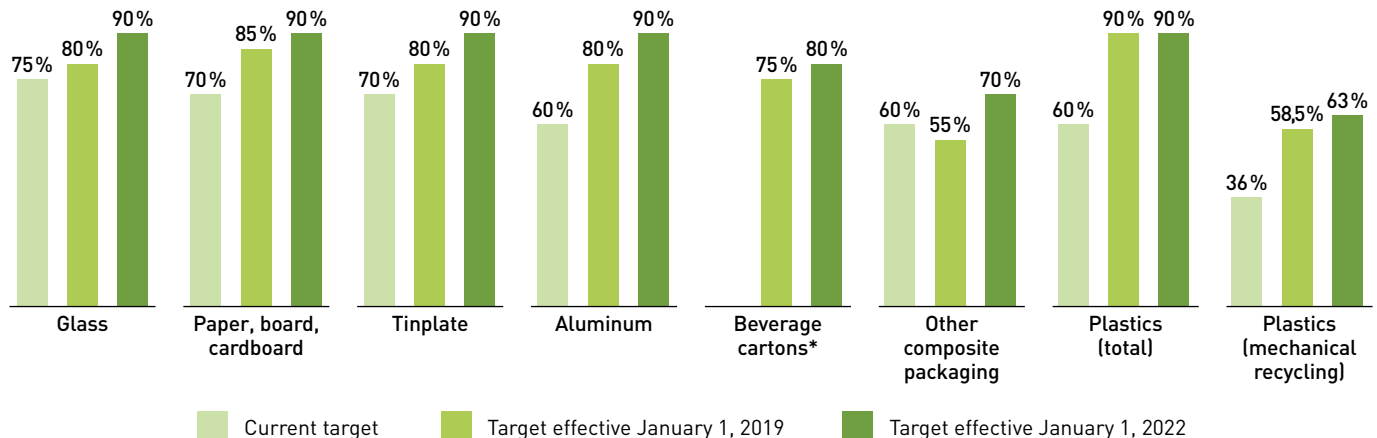
» Comprehensive solutions

Der Grüne Punkt helps its stakeholders implement the new requirements properly with solutions including Design4Recycling, ranging from sustainable packaging design to certifying recyclability.

CEO Michael Wiener describes the law as “a big step in the right direction away from a linear economy and towards a circular economy.”

RAISING RECYCLING TARGETS

The German Packaging Act sets much higher recycling targets effective 2019 onward. Another increase in the targets is set to follow in 2022.



*Classified in "Other Composite Packaging" category up until now.

KEEPING AN EYE ON THE BIG PICTURE

"Visiting sorting facilities for lightweight packaging has made me humbler – and made me sort my waste much better. People work hard there to recycle raw materials as best they can. That is one focus of my complex work. I look at recovery facilities for plastic and aluminum throughout Europe to track and document material streams in a transparent manner. That helps our customers to make their products better. After all, recyclability is a big issue.

The new Packaging Act offers opportunities: at last we have more ambitious recycling targets, can shape participation charges in accordance with environmental criteria, and have a Clearing Body that coordinates competition. It also creates new obligations for our customers. I hold practical seminars and assist in a road show to provide them with more information.

I was drawn to working in the environmental sector back in my days as a chemistry student. The exciting thing is that I am now supporting all parts of the cycle – from designing packaging for recycling to optimal recovery.

It's good to see that our thinking is slowly changing. In my lectures, I am finding that many students are critical of disposable coffee cups and marine littering. These issues are also receiving heavy media coverage.

We can make anything look attractive but still conserve resources. Sophisticated packaging looks good, but we should always ask ourselves: Do I really need this?"

Dr. Ina-Maria Becker, an expert in packaging disposal, is extremely impressed at how we sort waste.



ECONOMY

New glass packaging (left page) is made out of cullet. Glass is carefully collected, sorted, and processed to ensure high quality.



By the time that you have read these lines – in about ten seconds' time – more than 600 kilograms of cullet will have been turned into new bottles throughout Germany. That is about 1,000 0.7-l bottles.



Creating value

Recycle more! This message is both an environmental and economic imperative in the light of climate change, environmental pollution, population growth, and the resulting scarcity of resources. Plastic recycling in particular offers great opportunities – and unique challenges. Der Grüne Punkt helps upsize plastic recycling capacity and tap into new sources of raw materials.

Growing together goes hand in hand with creating green jobs, as a better economic performance is just as important to our customers and recycling as a whole as it is to our company. Sensible reprocessing can only be taken to the next level if it is economically competitive. To this end, recycling needs to be more economically efficient than other recovery or even disposal operations. It must also be economically worthwhile for customers to use recycled materials, for instance in the form of environmental benefits that represent a selling point.

» Lasting corporate success

We live and breathe efficient organization by improving our services and cutting costs. Our group consistently makes investments in technology at production facilities run by Systec Plastics. Another key measure is integrating the existing quality, energy, and environmental management system into a uniform management system. At the same time, synergies are unlocked that make many processes more efficient and support the continuous process of improvement.

Forward-looking management and optimized processes help ensure corporate success. When applications for recycled material become more demanding, quality and consistency are impacted. One particular challenge takes the form of the lack of homogeneity in the raw materials (packaging waste) from which recycled material is made. We meet this challenge by taking recovery processes to the next level.

» Turnover performance

The market climate for raw materials had a negative impact during the reporting period. Systec Plastics facilities saw their sales revenues drop by about 15 percent from 2015 to 2016. The strained situation on recycling markets, in turn caused by low primary plastics prices, was the main driver.

The market stabilized in 2015 following an especially difficult year in 2014, which was shaped by financial woes facing the entire Dual System. The revision of the Packaging Act and a new version of clearing agreements between operators had a positive impact. However, the group posted a decrease in turnover to €592 m in 2015 and €561 m in 2016. This turn of events is connected to the weak state of global raw material markets, which sent prices for almost all recyclable materials falling.

Turnover also softened because of the strategic reorganization: With the decision to focus on business lines with especially robust growth potential, Der Grüne Punkt parted ways with services that did not promise a positive performance in the long term, leading to an improvement in the cost structure. The group is still turning a profit. At the same time, the strategic direction promises growth in sales revenues in the years ahead. Setting priorities and considering the wishes of our stakeholders has repercussions at local, national, and international level.

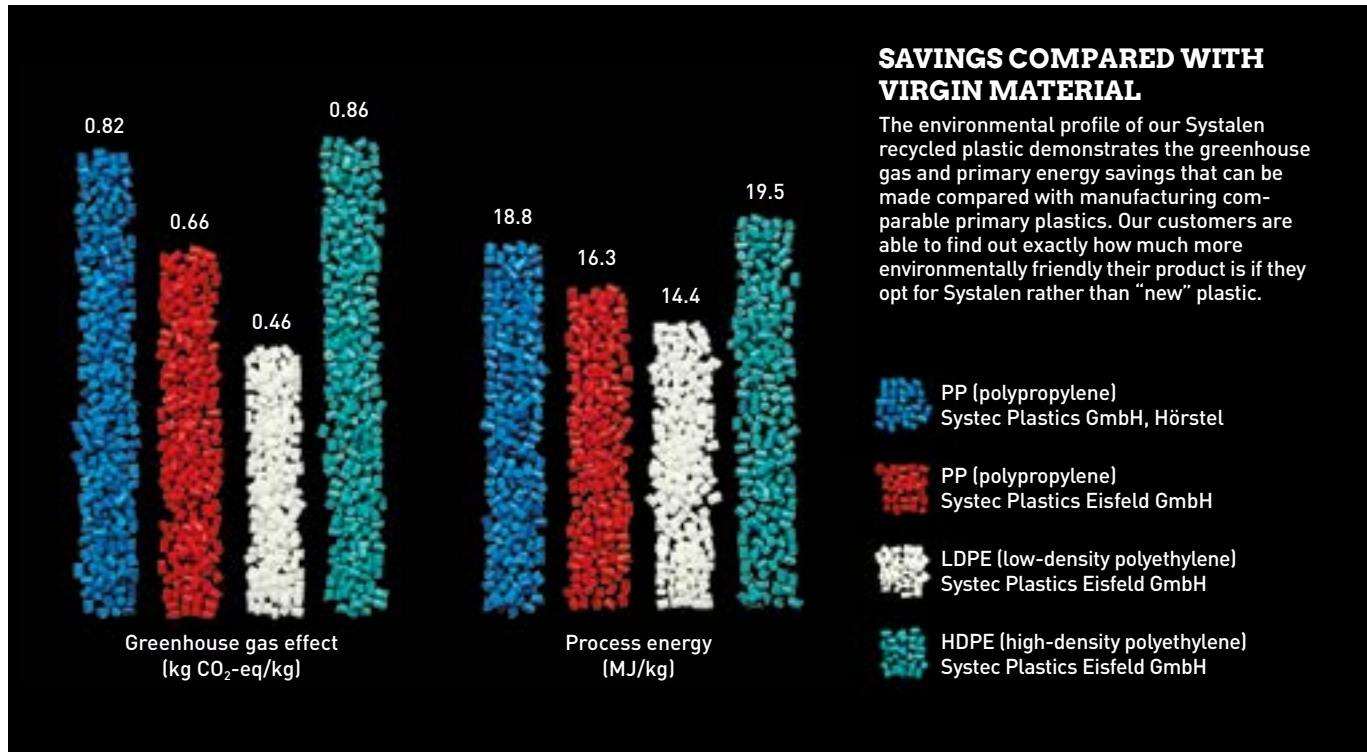
» Solutions for closed loops

Recyclability can be planned. The Design4Recycling approach shows that this is true:

we are developing recyclable packaging with our partners in this forward-looking area of our core business. The goal is always to reuse recyclables and keep them in the economic cycle. The Recyclat-Initiative (“Recycled Material Initiative”), in which Der Grüne Punkt is a significant partner, has demonstrated that this approach works: sales

REVENUES





packaging is made entirely out of recyclable material and is also recyclable without losing any of the functionality of traditional packaging.

Tailored consultancy services can raise the quality of raw materials and help close material loops. We give our customers an understanding of how packaging design, recycling, and recovery are connected at workshops and in improvement processes.

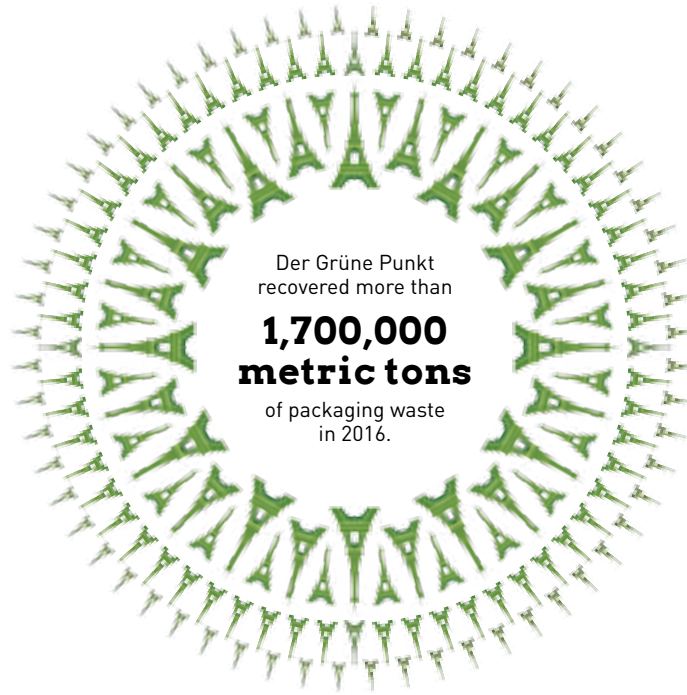
This work is bearing the first fruit: Der Grüne Punkt is turning post-consumer plastic packaging into Systalen regranulate that will be used to make new plastic packaging for washing and cleaning products. Examples like these show the added value that Systalen products offer customers. By offering individualized solutions, we

can assist manufacturers in reaching their own goals or in making progress on this road. These beacon projects upgrade the value of our company and strengthen our competitive position as well as expertise and credibility.

Recycled plastic conserves the environment and resources, something that the environmental profiles drawn up by ifeu – Institut für Energie- und Umweltforschung Heidelberg GmbH (Institute for Energy and Environmental Research) make clear: Systalen is much more sustainable to make than plastic out of crude oil, for instance. Its CO₂ emission, for example, is about half of that of primary plastic, depending on the type of plastic and how it is made.



ECOLOGY



RECOVERY PERFORMANCE

Der Grüne Punkt collected, recovered, or recycled more than 1.7 million metric tons of packaging waste in 2016, returning the secondary raw materials that were extracted to the economic cycle.

That's as much as about 168 Eiffel Towers would weigh.

www.gruener-punkt.de/en/consumer/environment/environmental-performance-balance.html

Tinplate (see left page) is an all-rounder and a perfect candidate for recycling. In its next life, it can return as crown caps or even cans for food and beverages.



Many steps on a long road

In the Paris Agreement, the international community agreed to limit the increase in the global temperature to a maximum of 2°C and push greenhouse gas emissions to “net zero” in the second half of this century. This is important for our company, too, since it underscores the importance of recycling for protecting the global climate (see page 11).

Germany wants to be largely greenhouse gas-neutral by the year 2050. The circular economy is making a huge contribution to this goal – and significant additional potential can be tapped, too. For this to happen, policy-makers must more clearly recognize the benefits of the circular economy. Der Grüne Punkt avoided 1.1 million metric tons of CO₂ equivalent through recovery and recycling in 2016 alone.

» Conserving resources through sustainable products

Any company that wants to reduce greenhouse gas emissions should use recyclables rather than virgin raw materials. Der Grüne Punkt is drawing up environmental profiles for new recycled material products and using life-cycle analysis tools to demonstrate and upgrade savings. One key factor is energy consumption in production facilities, which is monitored and optimized using energy management systems.

The water cycle is also in the spotlight. We are constantly working to reduce waste and wastewater at our production facilities and to increase yields. This push is efficient on two fronts: it has a positive impact on the environment and makes production more efficient – crucial for competing with new plastics.

The following subject is another area where a global approach is needed: Massive quantities of plastic waste end up in the oceans and seas each year because they are not collected by a developed waste management system like the one that Germany has. One of the most effective measures to combat marine littering would be for even less-developed countries to manage to give value to plastic waste through recycling.

ECOLOGICAL MEASURES

A great deal has happened since the last Sustainability Report, which we will review here. Some measures have been successfully completed and others are to be upgraded.

Areas	Completed/implemented	Planned
Management systems in general	- Systems implemented at individual locations	- Creation of an integrated management system (IMS)
Energy management	- Head office and secondary locations included in the certified management system in 2016 - Success story: Offices cut power consumption per m ² of rented space by 38% from 2015 to 2016 - Success story: Hörstel reduced energy consumption per metric ton of output by 4.6% from 2015 to 2016	- Integration into the planned IMS - By 2020: Cut energy consumption by at least 10% (offices: 2015 baseline; production facilities: 2012 baseline)
Expanded technical and organizational measures at production facilities	- Life-cycle costs factored into procurement procedures (ongoing) - Working procedures modified in production facilities (ongoing) - Control/regulation of process parameters modified (ongoing) - LED lighting technology used (2016) - Heat-conducting components insulated (2016) - Energy consumption by forklift trucks reduced by switching from diesel to electrical vehicles in Eisfeld (2016)	- Consistently replace inefficient drive technology and inefficient pumps - Cut gas and heating oil consumption - Optimize dehydration of residual material (Hörstel) - Replace the heating system (Eisfeld) - Set up improved test point systems - Optimize residual humidity in production (Eisfeld)
Green IT	- Printer infrastructure optimized - Employees more aware of energy-saving hardware use	- Factor energy efficiency for hardware into upcoming invitations to tender
Optimizing the vehicle fleet	- New company car guidelines encourage e-mobility - 3 electric vehicles procured for the vehicle pool - Average CO ₂ output from the DSD fleet: 133 g CO ₂ /km (2016)	- Increase the number of hybrid vehicles - Reduce average CO ₂ output from the DSD fleet by 6% (2017)

» **Optimize the supply chain through management systems**

Recycling packaging and other products only makes sense if the environmental impact is less than when making equivalent new products. This is already the case, as Der Grüne Punkt's annual environmental performance balance demonstrates. This report is drawn up in keeping with DIN-EN-ISO standards 14040 and 14044 and confirmed in expert reports by ifeu – Institut für Energie- und Umweltforschung Heidelberg GmbH (Institute for Energy and Environmental Research; see the right side of this page for the findings). However, specific savings must continue to grow so that recovery can become more eco-efficient.

The group makes use of established standards to optimize its own processes and activities: Besides putting in place environmental, quality, and energy management systems (ISO 14001, ISO 9001, ISO 50001) in Eisfeld and Hörstel, we have also introduced a quality and an energy management system for our offices in Cologne, Augsburg, Hamburg, and Berlin. These steps guarantee that all processes are constantly monitored, and not only to evaluate risks and opportunities. We are also focusing on constantly improving processes to make the organization more efficient.

» **Joining forces to optimize logistics and transport routes**

Waste management companies rack up the miles to collect yellow bags (containing lightweight packaging) and empty glass and paper containers, and transport sorted recyclables. We want to make our supply chain even more sustainable and are working closely together with our partners on this front. For instance, we can cut empty runs by bundling transports and using smart logistic systems. We use walking-floor road trains. Equipped with push floors, these semis take waste to sorting facilities where they are reloaded with bales of recyclable materials or accept freight in the vicinity. Unlike with old skip trailers, empty runs are largely avoided.

Other initiatives: Long trucks consume less fuel and can transport more. Inland waterway vessels can hold enormous amounts of freight; tracking and tracing systems optimize transport routes. Lower CO₂ emissions are a plus for the environment and for our customers.

» **Investing in the future: occupational health and safety**

A modern and efficient surface biofilter plant that cleans all of the exhaust air generated by Systec Plastics Eisfeld GmbH was installed in Eisfeld in 2015. No longer are neighbors bothered by unpleasant odors. At a cost of close to €900,000, the filter was the group's single biggest investment in 2015. The main investment project in 2016 entailed optimizing process technology at our locations and product development at the Cologne Technical Center.



GREENHOUSE GAS EFFECT

The emission of 1.1 million metric tons of CO₂ equivalent was avoided in 2016. The amount of CO₂ saved by Der Grüne Punkt is the same amount of CO₂ that 110,000 ha of forest filters from the air each year.



FOSSIL RESOURCES

Recycling saved 350 million kilograms of crude oil equivalent. That's enough for nearly 220,000 compact cars with an average yearly mileage of just under 10,000 miles to hit the asphalt for an entire year.



PRIMARY ENERGY

Der Grüne Punkt's recovery services saved 41 billion megajoules of primary energy in 2016. That's the same amount of energy that 1,017 wind turbines generate in a year.



EUTROPHICATION

Der Grüne Punkt's recovery services helped to reduce the pollution of water bodies by 559,000 kilograms of phosphate equivalent in 2016.



ACIDIFICATION

Der Grüne Punkt's recovery services meant that 3,900,000 kilograms less sulfur dioxide equivalent entered the atmosphere in 2016. That also helped to cut the acidification of air, water bodies, and the soil.

In a nutshell

HOW MUCH SENSE DOES IT MAKE TO SEPARATE WASTE?

“What’s the point in separating? It’s all going to be incinerated anyway.” Some prejudices are firmly entrenched, especially when it comes to waste. But the reality is quite different.

A study from Öko-Institut (see page 32) gets to the heart of the matter: A lot has changed since 1990. At that time, almost 90 percent of Germany’s household waste was collected in a bin for residual waste and often ended up in dumps. This land-filling practice is now banned. Some 60 percent of household waste was already being separately collected in 2014 – and this figure is rising.

Packaging made out of glass and tinplate is especially easy to recycle with rates of about 90 percent for these two materials. Today even plastic packaging can often be recycled, especially when it is made out of a single type of plastic and can be correctly classified by automated sorting facilities.

However, it is a challenge to recycle packaging made out of different types of polymer. Nowadays, these mixed plastics are largely handled using energy recovery processes and turned into substitute fuels. Cement mills and power plants use this feedstock to replace fossil fuels like coal and oil. Only remnants from the yellow bag and yellow bin (for lightweight packaging) end up in dedicated incineration plants, primarily impurities that cannot be recovered at all, such as food residues and diapers.

This mix of recovery options means that yellow bags and bins make especially significant CO₂ savings – even though a large proportion of the waste they contain is not recycled. Separating waste definitely makes sense since it protects the climate and conserves natural resources.

Öko-Institut also makes it clear that there is still significant room for improvements to recycling. The Packaging Act adopted in May 2017 gives a considerable boost by prescribing much higher recycling targets and promoting recyclable packaging and the use of recycled materials.

» Consuming less energy

Two technical projects at the Hörstel production facility alone saved more than 700,000 kilowatt hours of power annually during the reporting period. The certified energy management system introduced at production facilities has now been replicated in our offices. Final energy consumption savings are to reach at least 10 percent by 2020 compared with 2015. An LED lighting concept has been put into place at the headquarters since the start of 2016. The first measurements have revealed annual power savings of 25 percent. Every year, Der

Grüne Punkt saves more than 100,000 kilowatt hours through this one step alone. All office locations are now powered entirely on renewable energy sources as well.

» In motion

Many of our employees still drive to work in their own car because it is the fastest way to get there. Finding more environmentally friendly solutions is a challenge for us. That’s why we have put in place a mobility concept since 2016.

Our mobility concept has five core elements:

- Reviewing seasonal tickets for regional transportation for all employees
- Leasing (electric) company bicycles
- A company ride-sharing forum
- Promoting electric vehicle networks
- Car-sharing strategies

To cut CO₂ emissions, pool vehicles used by employees for business trips have been switched to electric drives – a more efficient alternative for short business trips. We have added charging stations for electric vehicles to our Cologne headquarters and in Hörstel. We plan to install stations in Eisfeld, too. We are thus encouraging green mobility.

Our company car guidelines in place since 2017 are reducing the environmental impact caused by our vehicle fleet. A maximum threshold between 110 and 150 grams of CO₂ per kilometer applies to new vehicles, depending on the management level. Der Grüne Punkt is promoting the procurement of hybrid and electric vehicles as company cars.

» Energy scouts combating “power guzzlers”

As part of efforts to optimize material use, the group launched a Share-Point-based system in 2016 to take over other process functions. All

employees now record working times, holidays, and absences digitally. All told, we are moving closer to a paper-free office. If we have to print something, we use recycled paper bearing the Blauer Engel (“Blue Angel”) sustainability logo. Most workstation printers have been replaced with more efficient network printers. Moreover, we have been using business paper that has not been pre-printed since 2015, allowing changes to be made quickly to the letter head. We don’t have any stock of the old design left. All mailings are now sent out in a carbon-neutral manner through Deutsche Post DHL Group’s Go-Green program.

Optimal waste recycling starts with us: we have collection containers for glass, paper, and lightweight packaging in our departments. Our headquarters also has containers for cell phones and batteries. Our Energy Scouts have been roaming the halls since fall 2015. These trainees have acquired an additional qualification from the Cologne Chamber of Industry and Commerce. They came up with measures, some of which have already been implemented. For instance, two surplus drinks machines have been removed. This step alone saves 3,942 kilowatt hours of power each year. The scouts also identified the drip-coffee makers found in many kitchens as “power guzzlers.” These machines keep coffee warm for a long time, but the coffee is often thrown away because it does not taste good any more. Thermos flasks, automatic coffee makers, and capsule machines can serve as alternatives.

Beacon projects:

PIONEERING WORK

Tomorrow’s cleaning product bottles will be made entirely out of recycled plastic collected in yellow bags. Werner & Mertz landed the 2016 Deutscher Verpackungspreis (“German Packaging Prize”) in the sustainability category for its efforts in this field. For the first time, the company has succeeded in making recycled high-density polyethylene (HDPE) usable in new packaging. From an environmental standpoint, this bottle represents a milestone since it is completely recyclable and can be kept in the economic cycle for a long time.

Henkel has worked together with Der Grüne Punkt and the packaging manufacturer ALPLA to have a recycled HDPE content of 15 percent in bottles for Perwoll Wolle & Feines for the first time in Germany. Henkel’s Laundry & Home Care division has thus moved a big step closer to its goal of using recycled plastics in more than one billion pieces of packaging by the end of 2016.



We can do even more

Der Grüne Punkt is a pioneer. And pioneers don't stand still. They regularly scrutinize what they do. That's the reason why Der Grüne Punkt commissioned an extensive study on the ecological achievements of the Dual System in Germany. Öko-Institut, a leading European research institute, feels that there is vast potential if the framework conditions change. Waste management already protects our environment and our climate. However, the yellow bag and the yellow bin contribute four times more to environmental than residual waste, even though residual waste volumes are five times larger.

» Lightweight packaging having a powerful effect

Let's start with a few figures: The Dual System avoids the emission of about 3.1 million tons of CO₂ equivalent into the atmosphere. The recovery of lightweight packaging from yellow bags and bins alone accounts for 1.9 million tons of this figure. "The recovery of this packaging has the best climate footprint of all municipal waste categories," said Günter Dehoust, who was in charge of the study at Öko-Institut. "It contributes 19-times more per ton to climate protection than the management of residual waste."

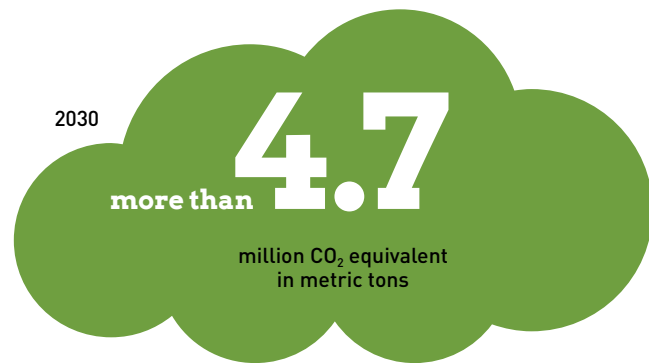
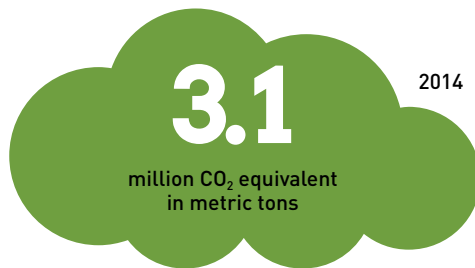
Germany's Dual System is among the most efficient in the world. Its environmental contribution could soar if recycling targets were raised and more types of waste were collected separately, experts said. A variety of scenarios show the impact of better sorting technology,

simpler sorting in households, and the expansion of the Dual System to other types of waste – and not only packaging. Altogether, greenhouse gas savings might top 4.7 million tons.

Regarding the individual scenarios: assuming that the same amount of lightweight packaging is collected in 2030 as it is in 2014 – 2.5 million tons – and all sorting facilities are updated to state of the art by then, today's entire recycling potential could be exploited to the full. The next step (second scenario) would be to collect other products made out of plastic and metal apart from packaging in the yellow bin. This solution would give a significant boost to collection volumes up to 3.1 million tons of lightweight packaging and same-material non-packaging items.

The third scenario goes even farther and includes packaging that would be collected separately rather than ending up in the residual waste bin, as it does today. This option would be supported by waste charges based on the polluter-pays principle and intensive consulting. Experts calculate that these actions might save a total relief of more than 4.7 million tons of CO₂ equivalent each year.

Entitled "Recycling is the future – ecological achievements and potential of the Dual System", the study looks at developments from the years 1990 to 2014. It is based on the life-cycle assessment method set out in ISO 14040/14044 and has been reviewed by an independent expert. You can find the whole study online by visiting: www.gruener-punkt.de/en/sustainability/oeko-institut-study.html



SIZEABLE POTENTIAL

Raising recycling rates, including same-material non-packaging items, and improving collection through educational work could raise the annual climate protection contribution to more than 4.7 million metric tons of CO₂ equivalent by 2030.

Ivan Diestel, plant manager for Systec Plastics at the Hörstel production facility, peeks inside his friends' yellow bins, too.

TAKING RECYCLABLES TO THE NEXT LEVEL

"The more accurately everyone sorts their waste at home, the better we can recycle polypropylene (PP) to make something new. Visitors to our facility are often surprised to find out what can be made out of their yoghurt cups.

To put a complex process in simple terms: Pre-sorted bales about one meter high arrive at our facility. These bales might contain ice cream or buttermilk containers, for example. First we shred the packaging roughly and extract metal using a magnet. In several stages, the material then undergoes additional shredding and is washed before impurities such as paper, aluminum, and stones are removed. An extruder finally makes high-quality Systalen regranulate out of this clean shredded material in 15 mm pieces. New products like shopping baskets and child seat shells can be made out of this regranulate.

At Systalen, 40 people work here in three shifts around the clock, 345 days a year. We fill 15 trucks with granulate each week and supply manufacturers all over Europe.

We want to continue increasing our recycling rate and implement industrial-scale developments. After all, PP is a valuable material. I take my job home with me, too: I tell my friends and people I know how they can best sort their waste."

A large pile of crumpled metal cans and other debris, with the word "EMPLOYEES" overlaid in large white letters. The background is a dense, textured mass of crushed metal, likely aluminum, with various shapes and sizes of crumpled pieces. The lighting is somewhat dim, giving the scene a dark, industrial feel. The word "EMPLOYEES" is centered horizontally and vertically, written in a bold, sans-serif font. The overall image conveys a sense of waste or a large number of discarded items, which is a common metaphor for a large workforce.

EMPLOYEES



Aluminum (left page) is lightweight, extremely stable, and very easy to recycle. For instance, this material can be turned into new chairs, pumps, and transmission housings.

Smells like team spirit

“T

ake it and shape it.” Our slogan also reflects the Der Grüne Punkt team's approach to taking all areas to the next level. We can only ensure long-term success together with our employees. They are our company's most important commodity and true agents of sustainability with their experience.

We operate in a special business and this kind of knowledge does not grow on trees. The group has built unique expertise in over 25 years. Special efforts are thus needed to recruit skilled young talent and provide these people with tailor-made training. The average age of our employees is relatively high at over 40 years. We provide our employees with continuing education and give them bonuses to reward them for our company's success. We support their involvement in decision-making processes through a new internal communication platform and ideas management. We are also currently drafting an employer brand strategy with a link to sustainability.

Leveraging opportunities allows us to create new jobs and strengthens local locations. As Europe's biggest trader in secondary raw materials collected from sources close to home, Der Grüne Punkt helps shape this growth market. With its locations in Eisfeld (Thuringia) and Hörstel (North Rhine-Westphalia), Systec Plastics is a key employer in the region.

Well-trained professionals help advance the circular economy. Der Grüne Punkt strives to retain our employees. The total number of employees dipped slightly from 447 (2015) to 438 (2016). While Systec Plastics hired additional workers, our restructuring initiative resulted in a slight decrease in the total number of employees in 2016. This workforce reduction took place in close consultation with the works council.

» Attracting and developing young talent

The Cologne Chamber of Industry and Commerce recognized Der Grüne Punkt as a training enterprise in 2015 and 2016. Young people can learn a trade in seven professions, including industrial mechanic, industrial clerk, office management specialist, and IT specialist. The

FOR OUR EMPLOYEES

Lifelong learning and better communication are among the many goals and actions we intend to implement for our employees by 2020.

Areas	Completed/Implemented	Planned
Expand basic and advanced training	<ul style="list-style-type: none"> - Implementation of an organization and staff development position (2016) - Annual performance reviews - Additional qualification for trainees to become an IHK "Energy Scout" (2016) 	<ul style="list-style-type: none"> - Introduction of structured and transparent staff development - Process support through a software solution - Identify and foster employee potential - Continue the "Energy Scout" additional qualification - Launch foreign language classes
Foster a work-life balance	<ul style="list-style-type: none"> - Flexitime accounts, teleworking solutions, and flexible one-off solutions for people in difficult family situations - Launch of a "demography fund" (2016) 	<ul style="list-style-type: none"> - Refine flexible workplace models - Take "demography fund" to the next level (e.g., lifetime accounts)
Continuously promote cross-departmental communication and cooperation	<ul style="list-style-type: none"> - Idea breakfast (2015), develop the intranet into an interactive company wiki (2016) - Regular workshops for managers - Launch of lean management workshops (2016) 	<ul style="list-style-type: none"> - Further develop workshops for managers - Foster cross-department project work through the company wiki - Upgrade wiki to a knowledge platform
Company suggestion scheme	<ul style="list-style-type: none"> - Suggestion scheme upgraded to ideas management (2016) 	<ul style="list-style-type: none"> - Develop evaluation and selection process for suggestions and ideas
Upgrade occupational health and safety management/reduce stress factors in the workplace	<ul style="list-style-type: none"> - Online training on occupational health and safety - New Health in the Workplace project group - Interactive SharePoint blog provides information about ongoing measures (prevention, movement, health) 	<ul style="list-style-type: none"> - Conduct an online survey to ascertain psychological influences in the workplace, determine measures - Expand prevention, movement, and health activities

company had 23 trainees in 2015 and 21 trainees in 2016. Three of them took part in a training program run by the Franco-German Chamber of Industry and Trade in Paris in 2016.

» Sharing knowledge

In 2016, Der Grüne Punkt replaced its intranet with a modern, interactive communication platform. A company wiki was first launched on a SharePoint platform. Other elements are to be added and it is to be upgraded into a comprehensive tool for company-wide cooperation and knowledge transfer. The wiki already offers in-depth information that is maintained by employees independently and without censorship. Blogs and subject-centered team sites are also part of the process. These initiatives support the advancement of paperless processes. The wiki also offers tools for cross-departmental project work. CEO Michael Wiener regularly reports on key changes in his own blog.

» Shaping the future increases motivation

The Executive Board knows that the best ideas brew over a cup of coffee together: between October 2015 and April 2016, Michael Wiener invited all employees to take part in “ideas breakfasts” in small groups to encourage direct dialog and motivation. In animated conversation, participants discussed how processes and structures can be further optimized. Strengthening a sense of unity is important to our employees, too. Better external positioning was often raised, as well. Across the board, ethics and integrity play just as important a role as efficiency and effectiveness. A few comments reflect how varied the topics of conversation were:

- “Energy training sessions are well received”
- “Service should not only be for our ‘big’ customers”
- “Good staff have helped improve our image”
- “Improve communication and think outside the box more”
- “Promote team spirit”
- “Build trust”
- “Drive innovation more”

Personal development is another hot topic. Clearer organizational structures will soon make sure that everybody receives needs-based training. A new human resources executive is lending a helping hand. HR managers will use a software solution that shows at a glance the arrangements that have been reached and put in place for each individual. Annual performance reviews support skills development in order to foster individual potential. We are not standing still. Our corporate culture is changing, too. Lean management training has been offered regularly since 2016. This training is subject-based, process-based, and is mapped in the wiki.



In a nutshell

AMAZINGLY REALISTIC

Just seconds after putting on virtual reality glasses, you find yourself standing inside a highly modern sorting plant for lightweight packaging. Look around in all directions and see how big the machines are! Even though you are not moving, you may feel dizzy as you hold on to the rail and look down.

Der Grüne Punkt invites you to take part in realistic 3D tours through the most modern plant technology with CycleSpaces. These tours also take you through our Technical Center and production facility at Systec Plastics.

They give you a virtual opportunity to experience how lightweight packaging is turned into high-purity Systalen plastic regranulate in a number of steps.

» **Valuable suggestions**

The best ideas often come from our employees. Therefore, we have extended our company suggestion system from our production facilities to the entire group. The large number of changes big and small bear testimony to its success: starting with saving power in staff restrooms, which switched to cold water, to big projects such as maintenance.

The biggest prize paid to date was over €36,000 and was handed out in 2015. This suggestion significantly upgraded the efficiency of the extruder used at Systec Plastics in Hörstel and generates annual savings and revenue improvements of €360,000.

» **Keeping work and life in balance**

From the outset, we have encouraged flextime, teleworking, and home offices in cases where this offered benefits for employees and our company. We look at each individual's situation to find perfect solutions to best balance work and family life. One tangible example is long-term work accounts that are just being established and can be used for early retirement.

Demographic change is a topic impacting all departments, starting with targeted acquisition of new professionals and designing workplaces to good succession plans. We pay into a "demography fund" for our employees.

Occupational health and safety are a top priority, even more so since our group employs relatively few workers – based on our revenues – so any absence is felt much more than in businesses of an equivalent size. While it goes without saying that noise and hot temperatures impact workers at production facilities, employees in other areas experience time pressure and the intensity of competition, for instance. We meet these challenges by taking special occupational health and safety actions, namely the Green Light for Health initiative.

Regular online training keeps employees up to date on occupational safety and energy efficiency. During the reporting period, we counted 16 work accidents group-wide. We are pursuing a zero-accident policy, which involves having occupational safety representatives, training in occupational safety, and reviewing safety measures in the workplace. We are consistently expanding our health initiatives, including regular flu shot clinics and massage services. Potential stress factors in the workplace have also been identified. The results of a pilot survey are currently being developed. We want to perform these and other employee surveys at regular intervals in future.

» **Team diversity**

Our team is just as diverse as the tasks that it handles. Everybody having the same opportunities is near and dear to our hearts. We

hire and promote people regardless of their nationality, gender, or any disability. Therefore, we do not document the nationalities of our employees. The works council acts in close consultation with the Executive Board and the human resources department to protect employees' rights. A representative of severely disabled employees also sits on the works council.

» **Lacing up our running shoes together**

Our employees also celebrate joint achievements at athletic events. Twenty-three employees took part in the HRS Business Run in 2015. A 25-person team also took the starting line at the Kölner Leselauf ("Cologne Run & Ride for Reading") in 2016. Thanks to the presence of our headquarters in Cologne, the team has especially strong ties with the city and has thus been involved in the "Kölle putzmunter" clean-up campaign for years. A newspaper sponsorship is another firm part of our company's commitment.

In a nutshell

SOCIALLY COMMITTED

Almost everyone knows that you can't carry drinks through airport security checks any more. Most of these bottles end up being thrown away since a better solution cannot be found in a rush. The Spende Dein Pfand ("Donate Your Deposit") initiative created by Der Grüne Punkt and its partners offers a solution at seven airports. Passengers can throw their empty drink bottles into large transparent collection bins. A few companies and Der Grüne Punkt have also set up collection bins at their buildings.

The formerly long-term unemployed empty and clean the containers, allowing these people to regain access to the labor market and find jobs subject to social security contributions. They sort bottles into reusable and non-reusable types and pack them into special bags. Der Grüne Punkt arranges pick-up, recovery, and recycling of bottles and cans. All deposit funds are filtered back into the project. Up until now, 24 jobs have been created for deposit specialists.

Information
Terminal 2

D

WHEN IDEAS MATURE

"We couldn't do our job without teamwork. That's especially true of the Spende Dein Pfand ('Donate Your Deposit') project that I oversee. The idea behind it is both simple and complex: Bottles are collected at airports and the deposit is used to support social projects. In one year, the project yields about €100,000 in Stuttgart and Hamburg alone.

But not all bottles are the same: Some are reusable; others are disposable. And we also collect cans. Deposit specialists take care of the transparent collection containers and sorting. These people used to be unemployed for a long time and/or were homeless. Now they have a chance to return to the labor market. This project is underpinned by effective logistics that we were only able to set up thanks our expertise in deposit clearing for major customers. Everything runs smoothly – from IT to legal contracts.

The idea came about when a university student gave me a call in the summer 2013 and told me about a collection container for deposit-bearing packaging at her dining hall. She pointed out that we could do the same thing at the airport. I mulled it over and then worked with airports and social organizations to bring the idea to life.

The project is sustainable, environmentally friendly, economically sound, and socially responsible. But what's most important is the people that make it possible. We have been able to create 24 jobs for people who used to be unemployed. You get to watch them bloom. After all, as part of the airport team, they are viewed as part of society again."



One phone call turned his work routine upside down: Martin Lausmann, key account manager for the German beverage industry.

Samples made out of Systalen: Its flawless surfaces and vivid colors show the progress that has been made with plastic recycling. That's how we close material cycles.

OUTLOOK

Recycling is the future

We can do so much more – a realization that Der Grüne Punkt has long held. For the circular economy, this means that raw materials are not used efficiently in Europe and around the globe. Our last 2013/2014 Sustainability Report contained a ten-point plan to drive a radical change in philosophy with a view to the mega trends – dwindling resources, growing industrialization, polluted oceans, and advancing climate change. We have achieved many of these points, but others are left unattained. We are outlining the following guidelines for the years ahead based on our fields of action:

» Market

The framework conditions require considerable improvement for the circular economy to make a substantial contribution to sustainable practices. To this end, we must expand the market for secondary raw materials, strengthen product responsibility, and set more ambitious targets on the international stage, for instance in the European Union.

We are thus continuing to take part in the conversation about the European circular economy, for instance through working groups like the PCEP and CEFLEX and in European Commission consultations.

For the first time, the Packaging Act states that participation fees should be staggered based on environmental criteria. This is a challenge given the competitive situation that we are already addressing with specific proposals.

Beacon projects like the Recyclat-Initiative (“Recycled Material Initiative”) help raise the quality of secondary raw materials, e.g. plastics and upgrade potential applications. We are also working to advance quality standards, for instance for sorting lightweight packaging, and supporting medium-sized businesses in investing in new sorting technology.

The Packaging Act also creates a prerequisite for fair competition within the Dual System with the establishment of the Clearing Body, which we are actively involved in designing. The circular economy cannot continue on a positive path without this body.

» Economy

The circular economy and recycling are only the right strategies for the future if they are economically competitive. This is already the case today for many raw materials: without waste paper being an inexpensive raw material, the existence of a significant paper industry would be inconceivable in Germany. The jury is still out when it comes to plastics, in particular.

We are working on this front by consistently developing new products and promoting innovative technology. Our group’s financial success is essential for this to happen. Our restructuring in 2016 put in place the conditions needed to stabilize revenues and bring about sustainable growth. We want to continue establishing Der Grüne Punkt as *the* service provider to the circular economy.

» Ecology

Recycling only makes sense if it enables significant benefits in ecological impact categories, above all greenhouse gas emissions. It has been proven that the environment benefits from recycling. We want to build upon these benefits, keep

It is proven that the environment benefits from recycling. We want to build upon these benefits.

more recyclables in the cycle, and close material loops more and more.

So, it is crucial that we connect stakeholders along the value chain so that a product can get a new life after use with virtually no losses. We have to make consumers more aware that waste is a valuable resource. A recyclable that is viewed as a valuable material is not waste and does not end up being dumped in the environment – one of the biggest causes of global marine pollution.

Efforts to upgrade the collection of post-consumer packaging in Germany by collecting all recyclables together through a Recycling Act ended in failure. However, projects of this kind are feasible at local level and have already been implemented in many communities. We want to work with communities to initiate and realize additional projects so that more recyclables can end up at recycling facilities.

Finally, we are reviewing our own work at production facilities and offices to optimize them in all relevant impact categories.

» Employees

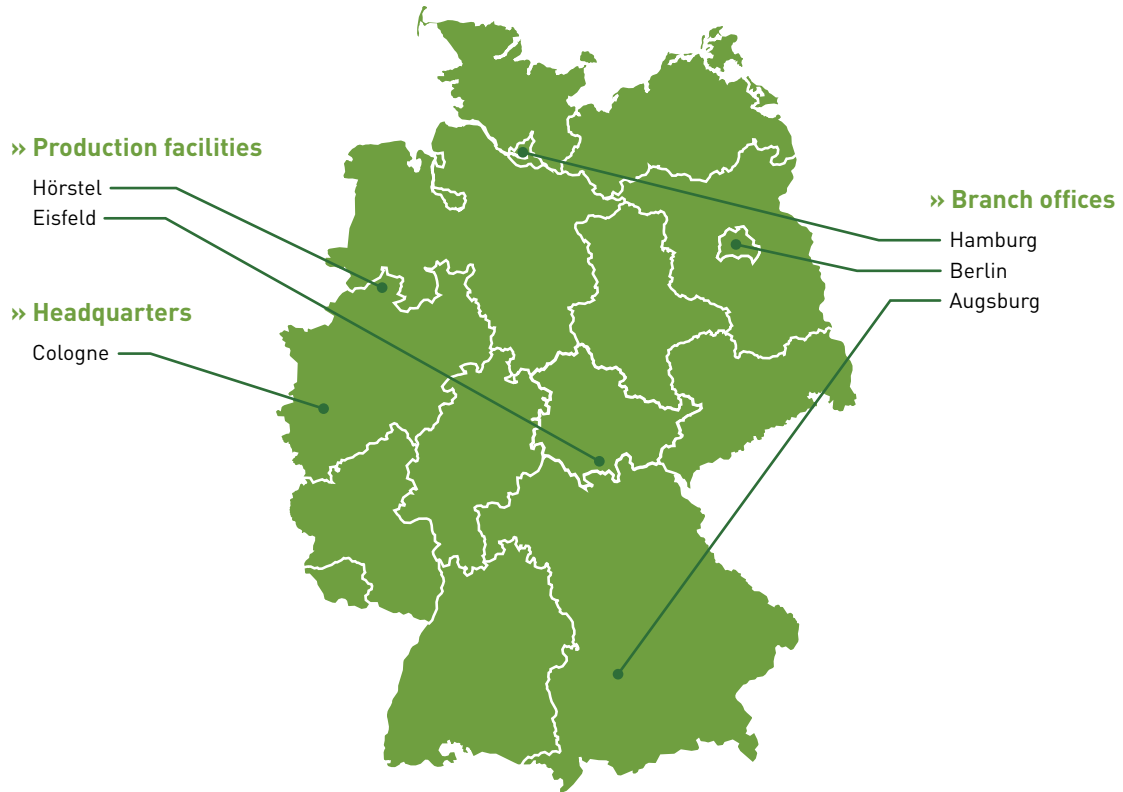
Working together to drive the company forward is the theme behind how employees and the Executive Board interact. Motivated employees are our most important capital. We have started to develop an open communication culture in the group and want to make considerable progress here, too. We support lifelong learning to foster our employees’ unique expertise.

Demographic change poses particular challenges for us and for many other companies. We want to keep older employees in the labor market with all of their experience – and we want to recruit new employees who are the subject of intense competition.

Most people working for Der Grüne Punkt not only do so because of the good working conditions and exciting working environment we offer. Many of them are also confident that they are working to create a better future and to ensure sustainability with a career at Der Grüne Punkt.



ANNEX



LOCATIONS

Numbers sometimes say more than words: You can find an overview of our key figures in the annex. The map above shows where you can find our offices and production facilities.

Beverage cartons (left page) are masters of transformation: their long cellulose fibers can be recycled up to seven times, for instance into new boxes.



Financials: Group of companies (in thousands of EUR)	2015	2016	Change in %
Total revenues	592,288.00	561,106.00	-5.3
Revenues by business area (consolidated)			
EPR Licensing	530,524.50	502,596.70	-5.3
Plastics recycling	36,925.80	31,193.30	-15.5
Trading	24,837.70	27,316.00	10.0
Total investments¹	2,952.10	2,685.70	-9.0
Research and development expenditure ²	1,116.41	1,037.83	-7.0
Personnel costs	40,288.00	34,924.40	-13.3

¹ Main expenditure at Systecs: investments in maintaining and upgrading production facilities; at other entities: software and office equipment; at Systec Plastics: a new biofilter in Eisfeld in 2015

² Main expenditure in 2015 and 2016: Installation of a technical center, principally technology and product development

Employees for the group of companies	2015	2016
Total (including temporary workers)	464	457
Total (excluding temporary workers)	447	438
Of which women	163	166
Part-time employees	40	44
Managers	23	18
Of which women	3	3
Trainees	23	21
Of which women	17	16
Employees with fixed-term contracts	7	5
Number of disabled employees	21	21
Number of employees covered by collective agreements	173	220
New employees	16	7
Employee resignations	15	8
Average age	44	45
Average number of years with the company	11	11
Employees covered by collective bargaining agreements in percent	64	62

Reference day: December 31

Greenhouse gas emissions in t CO ₂ -eq	2015	2016	Change in %
Scope 1			
Eisfeld ³	263	285	8.4
Hörstel	487	486	-0.2
Cologne and branch offices ⁴	1,178	866	-36.0
Scope 2			
Eisfeld	21,541	20,536	-4.7
Hörstel	4,760	4,781	0.4
Cologne and branch offices ⁵	0	0	
Scope 3	Not covered	Not covered	

Scope 1: direct greenhouse gas emissions

Scope 2: energy indirect greenhouse gas emissions

Occupational safety	2015	2016
Total number of work accidents	7	9
Men	7	6
Women	0	3
Eisfeld	7	9
Hörstel	0	0
Cologne and branch offices	0	0
Number of days lost due to accidents	87	80
Work-related fatalities	0	0

Based on reporting to the employers' liability insurance association (Basis: more than three days lost, excluding commuting accidents)

Energy consumption in kWh	2015	2016	Change in %
Eisfeld			
Gas	0	0	
Diesel	640,990	611,320	-4.6
Electricity	39,357,526	37,520,071	-4.6
Heating oil ³	192,000	294,784	53.5
Hörstel			
Gas	1,735,307	1,645,246	-5.2
Diesel	230,417	293,858	27.5
Electricity	8,660,271	8,734,309	0.9
Heating oil	0	0	
Cologne and branch offices			
Gas	736,138	722,838	-1.8
Electricity	461,851	298,949	-35.3

³ Heating oil: consumption by purchase; the refueling quantity rather than actual consumption was documented

⁴ Includes all journeys by all company vehicles

⁵ Power from renewable energy

Materials in t	2015	2016	Change in %
Eisfeld			
Total input	53,065	50,179	-5.4
Consumables			
Additives	222	191	-14.0
Water treatment chemicals	420	367	-12.6
Greenhouse gas	0	0	
Total production output	35,818	32,687	-8.7

Waste in t	2015	2016	Change in %
Eisfeld			
Total weight by type and waste management method	16,668	16,642	-0.2
Of which hazardous waste ¹	9	9	0.0
Recycling	953	639	-32.9
Recovery	15,705	15,994	1.8
Disposal ¹	9	9	0.0

¹ Flat-rate calculation by the waste management company

Total water withdrawal and wastewater in m ³	2015	2016	Change in %
Eisfeld			
Total water withdrawal	42,737	48,696	13.9
Of which well water ² (for production)	961	0	-100.0
Of which public water supply network (for offices and production)	41,776	48,696	16.6
Total volume of wastewater discharge	12,086	13,904	16.6
Of which disposed of	1,642	1,730	5.3
Of which indirectly discharged	10,444	12,174	16.6

² Reading from water meters

Materials in t	2015	2016	Change in %
Hörstel			
Total input	23,190	23,216	0.1
Consumables			
Additives	141	197	39.7
Water treatment chemicals	326	333	2.1
Greenhouse gas	6	3	-58.1
Total production output	17,284	17,564	1.6

Waste in t	2015	2016	Change in %
Hörstel			
Total weight by type and waste management method	8,972	8,632	-3.8
Of which hazardous waste ¹	1	2	100.0
Recycling	178	161	-9.6
Recovery	8,792	8,469	-3.7
Disposal	1,4	2	42.9

Total water withdrawal and wastewater in m ³	2015	2016	Change in %
Hörstel			
Total water withdrawal	31,618	31,592	-0.1
Of which well water ² (for production)	19,535	15,048	-23.0
Of which public water supply network (for offices and production)	12,083	16,544	36.9
Total volume of wastewater discharge	14,024	12,881	-8.2
Of which disposed of			
Of which indirectly discharged	14,024	12,881	-8.2

Partnerships

Der Grüne Punkt has championed a committed approach to environmental protection for over 25 years. Our group has long cooperated with many partners also working towards this goal. As a strong player in the circular economy, we regularly exchange ideas with stakeholder groups in the circular economy and support many initiatives.

NATIONAL AND INTERNATIONAL MEMBERSHIPS

ACR+, Association of Cities and Regions for Sustainable Resources Management
AGVU – German Packaging and Environmental Working Group
B.A.U.M – German Association of Environmental Management
BDE – German Federation of German Waste Management Industries
bvse – German Federal Association of Secondary Raw Materials and Waste
EPRO – European Association of Plastics Recycling and Recovery Organizations
FERVER – European Federation of Glass Recyclers
Kunststoffland NRW (Plastic association for the state of North-Rhine Westphalia)
German Brands Association
Packaging Chain Forum
Plastics Recyclers Europe
PRO Europe
RETech German Recycling Technologies and Waste Management Partnership

INITIATIVES/SPONSORING

Circular Economy Flexible Packaging (CEFLEX)
CEOs for Recycled Paper
Kölle putzmunter
NABU Project Fishing for Litter
PCEP – Polyolefins Circular Economy Platform
Recyclat-Initiative (“Recycled Material Initiative”)
Marine Litter Round Table (initiated by BMUB)
Save Food
Spende Dein Pfand (“Donate Your Deposit”)
student congress 2017 packaging, environment, future
ZISCH – Newspaper in the school initiative by Kölner Stadt-Anzeiger

Outside our walls

Like many medium-sized companies, Der Grüne Punkt is a signatory of the German Sustainability Code and will issue an updated compliance declaration for the 2015/2016 reporting period. The EcoVadis silver rating proves that we practice sustainable business for our customers, too. This standard has put us in the top 27 percent of all participants in the Materials Recovery category since 2015. The company also regularly participates in competitions, and was nominated for the Rohstoffeffizienzpreis (“Raw Material Efficiency Award”) in 2016.



» Latest accolades and nominations

We are currently nominated for the 2018 Deutscher Nachhaltigkeitspreis (“German Sustainability Award”) and have won a Deutscher Verpackungspreis (“German Packaging Award”) with the Recyclat-Initiative (“Recycled Material Initiative”).



GRI INDEX

This sustainability report was drawn up in line with the guidelines of the Global Reporting Initiative (GRI) and the G4 Sustainability Reporting Guidelines and meets the core option.

General standard disclosures		Page	Note
Strategy and analysis			
G4-1	Declaration by the management	7	
Organizational profile			
G4-3	Name of the organization	8/51	
G4-4	Primary brands, products, and services	8	
G4-5	Organization's headquarters	8/43	
G4-6	Name and number of countries where the organization has significant operations	8/43	
G4-7	Nature of ownership and legal form	8	
G4-8	Significant markets served	8	
G4-9	Scale of the organization	44	
G4-10	Employees by employment contract, gender, and regions	38/44	
G4-11	Percentage of all employees covered by collective bargaining agreements	44	
G4-12	Organization's supply chain	9	
G4-13	Significant changes during the reporting period	4/8	
G4-14	Precautionary approach or principle	8	
G4-15	Support for externally developed charters, principles, or other initiatives	46/47	
G4-16	Memberships in associations and national or international advocacy organizations	46	
Identified material aspects and boundaries			
G4-17	List of consolidated entities and reporting boundaries	4/8	
G4-18	Process for defining report content and aspect boundaries	12	
G4-19	Identified material aspects	13	
G4-20	Material aspect boundaries within the organization	13	
G4-21	Material aspect boundaries outside the organization	13	
G4-22	Restatements of information provided in previous reports	4	1st GRI Report
G4-23	Significant changes compared with previous reports	4	1st GRI Report
Stakeholder engagement			
G4-24	Engaged stakeholder groups	12	
G4-25	Basis for identification and selection of stakeholders	12	
G4-26	Approach to stakeholder engagement and frequency of engagement	12/15	
G4-27	Key topics and concerns of stakeholders and organization's responses	12/13	
Report profile			
G4-28	Reporting period	4	
G4-29	Date of the most recent previous report	4	1st GRI Report
G4-30	Reporting cycle	4	
G4-31	Contact point for questions regarding the report	51	
G4-32	"In accordance" option with GRI and chosen index	4	
G4-33	External assurance of the report	50	
Governance			
G4-34	Organization's governance structure, including the highest governance body	8	
Ethics and integrity			
G4-56	Organization's values, principles, standards, and norms of behavior	14	

Specific disclosures		Page	Note
Economic performance			
DMA	Management approach for economic performance	24	
G4-EC1	Direct economic value generated and distributed	24/44	
G4-EC8	Type and extent of significant indirect economic impacts	24/29/36	
G4-PR6	Sale of banned or disputed products	-	None
G4-PR7	Incidents of non-compliance with regulations and voluntary codes concerning advertising	-	None
Market			
DMA	Management approach for market performance	18	
G4-PR8	Customer privacy: Customer complaints	-	None
G4-EN32	Percentage of new suppliers screened using environmental criteria	15/19	
G4-LA14	Percentage of new suppliers screened using labor practices criteria	15/19	
G4-HR10	Percentage of new suppliers screened using human rights criteria	15/19	
Ecology			
DMA	Management approach for environmental performance	28/29	
G4-EN1	Material used by weight or volume	45	
G4-EN3	Energy consumption within the organization	44	
G4-EN6	Reduction of energy consumption	44	
G4-EN8	Total water withdrawal by source	45	
G4-EN15	Direct greenhouse gas emissions (Scope 1)	44	
G4-EN16	Energy indirect greenhouse gas emissions (Scope 2)	44	
G4-EN22	Total water discharge by quality and destination	45	
G4-EN23	Total weight of waste by type and disposal method	45	
G4-EN31	Total environmental protection expenditures and investments by type	29	
Employees			
DMA	Management approach for labor practices and decent work	36	
G4-LA4	Labor/management relations: Minimum notice periods	-	Statutory minimum notice periods are complied with.
G4-LA6	Type and rates of accidents, lost days, injuries, etc.	44	
G4-LA9	Average hours of training per year per employee	-	Not planned at present
G4-LA10	Skill management and lifelong learning	36/37/38	
G4-LA12	Composition of governance bodies and breakdown of employees by diversity criteria	8	
Compliance			
DMA	Management approach for compliance	14	
G4-EN29	Significant fines and sanctions for non-compliance with environmental laws and regulations	-	None
G4-S08	Significant fines and sanctions for non-compliance with laws and regulations (general)	-	None
G4-S04	Communication and training on anti-corruption policies and procedures	14	
G4-S05	Confirmed incidents of corruption and actions taken	14	None
G4-PR2	Non-compliance with regulations and voluntary standards relating to product responsibility	-	None



Attestation of an independent sustainability assessment

To DSD – Duales System Holding GmbH & Co. KG, Cologne

In accordance with our mandate, we accomplished a sustainability assessment to obtain a limited assurance of the disclosures in the Sustainability Report 2016 by DSD – Duales System Holding GmbH & Co. KG for the financial years 01.01.2015 to 31.12.2016.

Responsibility of the legal representatives

The top management, consisting of Managing Partner, CEO Michael Wiener, and Managing Director, CFO Tobias Ketterle, of DSD – Duales System Holding GmbH & Co. KG, is responsible for the preparation of the Sustainability Report in accordance with the reporting principles of the G4 Global Reporting Initiative (GRI):

- Stakeholder inclusiveness
- Sustainability context
- Materiality
- Completeness
- Balance
- Comparability
- Accuracy
- Timeliness
- Clarity
- Reliability

This responsibility includes selecting and applying appropriate methods for preparing the above report, making assumptions and estimates of individual disclosures that are plausible under the circumstances. In addition, management is responsible for the conception, implementation, and maintenance of systems and processes insofar as they are of importance for the compilation of the report.

Responsibility of the auditors

Our task is to assess whether we have become aware of facts that lead us to believe that the sustainability information presented in the Sustainability Report for fiscal years 2015/2016 is not in accordance with material requirements with the Guidelines and Criteria for Sustainability Reporting G4 of the GRI. In addition, we were commissioned to make recommendations on the further development of sustainability management and reporting on the basis of the audit results.

The focus of the audit is stakeholder management. This includes the choice of stakeholders and the communication with them, the assessment of their requirements, and the identification of key aspects of sustainable development. The validation of the sustainability-related information presented in the report is planned and carried out in such a way that we can issue our assessment with a limited assurance.

This limited assurance relates exclusively to evidence of internal sources and groups; the obtaining of audit evidence is limited to the business or management level of DSD – Duales System. Systems and processes that determine the content of the report have been examined, using the materiality principle and the process for involving stakeholders. The specific sustainability services were checked on-site by sampling.

1 von 2



The planning of the audit was at the discretion of the auditors and implemented by the following activities:

- Access to the documentation on company organization, company policy, the guiding principles, and specific work agreements
- Comprehending the firm materiality view, based on various stakeholder surveys, prioritization, and the result of the evaluation and internal determination
- Inspection into the documentation of systems and processes for the collection, analysis, and aggregation of data on sustainability performance, including a fine-level release process of individual report sections
- Personal interviews with the managing director
- Personal interviews with persons in charge for Business and Organization Development, Risk Management, Product Development and Marketing, Controlling, HR, and Company Communications, as well as with the Sustainability and Integrated Management Officers
- Analytical assessment of communicated key figures
- Random samples of evidence for individual data, e.g., by accessing internal management documentation and accounting, as well as by analyzing records generated as reports from the internal data system

Verdict

On the basis of our sustainability assessment to obtain a limited level of security, we have not become aware of any issues that may lead us to believe that the Sustainability Information contained in the Sustainability Report 2015/2016 of the DSD – Duales System Holding is not materially in accordance with the Global Reporting Sustainability Reporting Guidelines G4 Initiative (GRI).

Additional Notes – Recommendations

Without limiting the above-mentioned results, we would like to make the following recommendations for the further development of sustainability management and reporting:

- The successful integration of existing management systems by all business units, divisions, and levels is indispensable for the efficiency and sustainable development of the company. The initiated measures should therefore be intensified.
- In the context of the integrated management system, the assessment of the suppliers should be developed as planned and implemented in a timely fashion.
- The intensive work of the DSD Holding in committees, working groups, and boards, with the aim of pushing the recycling economy forward, should be further systematized and communicated to the public in future.

Berlin, August 30, 2017

GUT Zertifizierungsgesellschaft für
Managementsysteme mbH
Umweltgutachter

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2 von 2

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